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SEEC MEDIA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 205)

ANNOUNCEMENT OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The Board of Directors (the "Board") of SEEC Media Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Revenue	2	**275,300**	307,176
Cost of sales		**(100,809)**	(119,195)
Gross profit		**174,491**	187,981
Other income		**2,071**	4,658
Selling and distribution costs		**(147,073)**	(179,442)
Administrative expenses		**(36,270)**	(22,891)
Impairment loss recognised in respect of goodwill		**(6,330)**	–
Other gains and losses		**(13,384)**	14,754
Share of loss of a jointly controlled entity		**(11,427)**	–
Finance costs	3	**(8,158)**	(12,115)
Loss before taxation	4	**(46,080)**	(7,055)
Taxation	5	**–**	(7,299)
Loss for the year, attributable to the owners of the Company		**(46,080)**	(14,354)
Exchange differences arising on translation		**326**	12,568
Total comprehensive income (expense) for the year, attributable to the owners of the Company		**(45,754)**	(1,786)
Loss per share (HK cents)	6		
Basic		**(2.65)**	(0.83)
Diluted		**(2.65)**	(0.83)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**51,201**	51,005
Deposit for acquisition of property, plant and equipment		**1,043**	1,840
Sole agency rights		**133,309**	143,259
Goodwill		**118,886**	125,216
Interests in jointly controlled entities		**–**	11,427
Amount due from a jointly controlled entity		**8,658**	–
		313,097	332,747
Current assets			
Inventories		**1,161**	2,222
Derivative financial instruments		**–**	3,305
Trade receivables	*8*	**90,839**	109,120
Amounts due from jointly controlled entities		**–**	7,332
Amounts due from related companies		**4,704**	3,986
Other receivables and prepayments		**10,288**	10,893
Pledged bank deposits		**30,467**	42,252
Bank balances and cash		**74,381**	55,863
		211,840	234,973
Current liabilities			
Derivative financial instruments		**6,654**	7,587
Trade payables	*9*	**32,876**	34,470
Other payables and accruals		**47,431**	52,257
Amounts due to related companies		**4,346**	5,899
Bank borrowings		**49,495**	39,540
Tax payable		**12,932**	15,899
		153,734	155,652
Net current assets		**58,106**	79,321
Total assets less current liabilities		**371,203**	412,068
Non-current liability			
Convertible bond		**88,679**	85,917
Net assets		**282,524**	326,151
Capital and reserves			
Share capital		**173,956**	173,956
Reserves		**108,568**	152,195
Total equity and equity attributable to owners of the Company		**282,524**	326,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) - INT 13	Customer loyalty programmes
HK(IFRIC) - INT 15	Agreements for the construction of real estate
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) - INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and changes in format and content of the financial statements.

HKAS 23 (Revised 2007) Borrowing costs

HKAS 23 (Revised 2007) removes the option available under the previous version of the standard to recognise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The Group has applied the transitional requirements in HKAS 23 (Revised 2007) and applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. As the Group did not incur borrowing costs for the qualifying assets, the change has had no impact on amounts reported in prior and current accounting periods.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS14 nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Improving disclosures about financial instruments (amendments to HKFRS 7 Financial instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payments transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2010.

4 Effective for annual periods beginning on or after 1 February 2010.

5 Effective for annual periods beginning on or after 1 July 2010.

6 Effective for annual periods beginning on or after 1 January 2011.

7 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

2. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the gross invoiced value of services rendered or sales of books and magazines, net of discounts and sales related taxes, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Advertising agency income	**223,964**	254,715
Advertising income from conferences and events	**20,928**	21,968
Sales of books and magazines	**30,408**	30,493
	275,300	307,176

Business segments

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Company's executive directors, being the chief operating decision marker, for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 nor changed the basis of measurement of segment profit or loss.

The Group's operating and reporting segments are organised on the basis of the revenue streams and they are (a) advertising income from provision of agency services and organising conferences and events and (b) sale of books and magazines.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2009

	Advertising income *HK$'000*	**Sale of books and magazines** *HK$'000*	**Consolidated** *HK$'000*
Revenue			
External sales	**244,892**	**30,408**	**275,300**
Result			
Segment profit (loss)	**37,637**	**(22,629)**	**15,008**
Unallocated income			**2,071**
Unallocated expenses			**(41,202)**
Change in fair value of derivative financial instruments			**(2,372)**
Share of loss of a jointly controlled entity			**(11,427)**
Finance costs			**(8,158)**
Loss before taxation			**(46,080)**

For the year ended 31 December 2008

	Advertising income *HK$'000*	Sale of books and magazines *HK$'000*	Consolidated *HK$'000*
Revenue			
External sales	276,683	30,493	307,176
Result			
Segment profit (loss)	41,580	(33,041)	8,539
Unallocated income			4,658
Unallocated expenses			(26,914)
Change in fair value of derivative financial instruments			19,495
Impairment loss recognised in respect of available-for-sale investments			(718)
Finance costs			(12,115)
Loss before taxation			(7,055)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment result represents the profit earned by/loss from each segment without allocation of central administration costs, directors' salaries, share of loss of a jointly controlled entity, change in fair value of derivative financial instruments, impairment loss recognised in respect of available-for-sale investments, investment income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. Furthermore, as the assets and liabilities for reportable segments are not provided to the chief operating decision maker for the purposes of resources allocation and performance assessment, no segment assets and liabilities are presented accordingly.

Other segment information

For the year ended 31 December 2009

	Advertising income *HK$'000*	**Sale of books and magazines** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Depreciation of property, plant and equipment	**8,177**	**92**	**132**	**8,401**
Amortisation of sole agency rights	**10,153**	**–**	**–**	**10,153**
Allowance for inventories obsolescence	**–**	**1,162**	**–**	**1,162**
Allowance for bad and doubtful debts	**6,080**	**–**	**–**	**6,080**
Loss on disposals of property, plant and equipment	**12**	**–**	**–**	**12**
Impairment loss recognised in respect of goodwill	**6,330**	**–**	**–**	**6,330**

For the year ended 31 December 2008

	Advertising income *HK$'000*	Sale of books and magazines *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Depreciation of property, plant and equipment	5,180	45	10	5,235
Amortisation of sole agency rights	9,645	–	–	9,645
Allowance for bad and doubtful debts	2,095	–	–	2,095
Loss on disposals of property, plant and equipment	3	–	–	3

Geographical information

The Group's operations and assets are located in the PRC. All revenue are derived from customers located in the PRC. Accordingly, no analysis of revenue and non-current assets by geographical location are presented.

Information about major customers

There is no customer from either advertising income segment or sales of books and magazines segment contributed over 10% of the total revenue of the Group.

3. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on bank loan wholly repayable within five years	**2,589**	2,747
Effective interest charge on convertible bond	**5,569**	9,368
	8,158	12,115

4. LOSS BEFORE TAXATION

	2009	2008
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**680**	850
Allowance for inventories obsolescence	**1,162**	–
Staff costs (including directors' emoluments):		
Wages, salaries and other allowances	**48,915**	46,464
Contributions to retirement benefits schemes	**8,150**	6,966
Share option benefits	**2,127**	2,143
	59,192	55,573
Depreciation of property, plant and equipment	**8,401**	5,235
Amortisation of sole agency rights (included in cost of sales)	**10,153**	9,645
Total depreciation and amortisation	**18,554**	14,880
Cost of inventories recognised as expenses	**43,868**	41,420
Minimum lease payments under operating lease in respect of rented premises	**13,335**	13,785
Loss on disposals of property, plant and equipment	**12**	3
Investment income earned on:		
Loans and receivables - bank interest income	**(674)**	(1,920)
Exchange (gain) loss, net	**(258)**	175

5. TAXATION

No provision for Hong Kong Profits Tax has been made for both years because the relevant group entity incurred a tax loss in Hong Kong.

The tax charge for the year ended 31 December 2008 represented the People's Republic of China (the "PRC") Enterprise Income Tax.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards, excepted for the PRC subsidiaries established in Shenzhen and Hainan's Special Economic Zones which are subjected to the PRC Enterprise Income Tax rate of 20% (2008: 18%). The tax rate of Shenzhen and Hainan's Special Economic Zones is increasing from 18% to 25% progressively from 2008 to 2012 pursuant to 國務院關於實施企業所得税過渡優惠政策.

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2009	2008
	HK$'000	*HK$'000*
Loss before taxation	**(46,080)**	(7,055)
Tax at PRC income tax rate of 25%	**(11,520)**	(1,764)
Effect of different income tax rates of subsidiaries in other region	**–**	758
Effect of tax relief granted to certain PRC subsidiaries	**(85)**	(2,739)
Tax effect of tax losses not recognised	**7,850**	12,017
Utilisation of tax losses previously not recognised	**(676)**	–
Tax effect of expenses not deductible for tax purposes	**7,615**	6,064
Tax effect of income not taxable for tax purposes	**(2,792)**	(7,286)
Others	**(392)**	249
Taxation for the year	**–**	7,299

At the end of the reporting period, the Group had estimated unused tax losses of HK$164,447,000 (2008: HK$135,751,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated unused tax losses due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of a PRC subsidiary amounting to approximately HK$23,363,000 (2008: HK$26,067,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

6. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic and diluted loss per share	**(46,080)**	(14,354)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,739,565,172**	1,733,297,313

The computation of diluted loss per share does not assume the exercise of share options, conversion of the convertible bond or exercise of warrants since their assumed exercise or conversion would result in a decrease in loss per share in both years.

7. DIVIDEND

No dividend was paid or proposed for both years nor has any dividend been proposed since the end of the reporting period.

8. TRADE RECEIVABLES

The average credit period granted by the Group to the trade receivables is within three months from the date of recognition of the sale.

The ageing analysis of the Group's trade receivables is as follows:

	2009		2008	
	HK$'000	*%*	*HK$'000*	*%*
Within three months	**57,073**	**63**	59,547	55
Four months to six months	**21,935**	**24**	29,957	27
Seven months to one year	**11,831**	**13**	19,616	18
	90,839	**100**	109,120	100

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limits by customer. Limits and credit rating attributed to customers are reviewed regularly. The management considers the customers neither past due nor impaired are in good credit quality.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$33,766,000 (2008: HK$49,573,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 173 days (2008: 180 days).

Ageing of trade receivables which are past due but not impaired

	2009	2008
	HK$'000	*HK$'000*
Four months to six months	**21,935**	29,957
Seven months to one year	**11,831**	19,616
Total	**33,766**	49,573

The Group has provided fully for all receivables over 1 year because historical experience is such that receivables that are past due beyond 1 year are generally not recoverable.

Movement in the allowance for bad and doubtful debts

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**6,402**	4,454
Impairment losses recognised on trade receivables	**6,080**	2,095
Amounts written off as uncollectible *(Note)*	**(593)**	(437)
Exchange differences	**14**	290
Balance at end of the year	**11,903**	6,402

Note: Included are individually impaired trade receivables with an aggregate balance of HK$593,000 (2008: HK$437,000), which the management considered it is not probable to recover such amount. The Group does not hold any collateral over these balances.

9. TRADE PAYABLES

The ageing analysis of the Group's trade payables are as follows:

	2009		2008	
	HK$'000	*%*	*HK$'000*	*%*
Within three months	**25,163**	**77**	26,213	76
Four months to six months	**7,303**	**22**	6,568	19
Six months to one year	**127**	**–**	1,502	4
Over one year	**283**	**1**	187	1
	32,876	**100**	34,470	100

The average credit period granted by trade payables is 90 days. The Group has financial risk management policies in place to ensure that all payables within the credit time frame.

BUSINESS REVIEW

Notwithstanding the global economy having rebounded from its bottom in 2009, the far-reaching adverse impact caused by the economic downturn was not yet over. SEEC Media was also positioned in such a similar trend of recovery and was still not yet fully recovered. During the first half of 2009, being affected by the aftermath of the financial tsunami, the Group's revenue fell as much by 21% as compared to that of the same period last year. In the second half of 2009, by capturing on the opportunities arising from economic recovery and under the devotion of all our staff, the Group achieved an outstanding result with its revenue increased by 38%. However, as the extent of decrease in revenue during the first half of the year was relatively high, even with a very significant increase in the second half of the year, the overall revenue in 2009 still decreased by around 10% from that of 2008.

During recent years, the Group has been devoted to a strategy of diversification in the magazine categories under its operation. It is beyond doubt that "Caijing" remains the Group's flagship magazine. As early as in 2002, the Group acquired the exclusive advertising rights of Caijing magazine. The corresponding advertising revenue derived from the printed media of Caijing magazine was shared in certain proportion between the Group and the publisher of Caijing magazine. Caijing magazine is operated and managed by the Stock Exchange Executive Council, a separate state-owned institution established in China, which is not a group company of the listed Company. The staff costs of the editors and reporter teams of Caijing magazine together with those costs and expenditures incurred for the magazine content were borne by the publisher. The costs and expenditures related to the advertising business of Caijing magazine were borne by the Group that holds the related advertising rights. Caijing magazine has been the most well-known finance magazine in China, which has built a reputation and position not challengeable by any other magazines in the finance sector. Caijing magazine has recorded a steady growth in its advertising revenue over the years. Despite its performance record in the past, the advertising revenue from Caijing magazine in 2009 still dropped by 12% due to the enduring adverse impact from the economic crisis. With the major contribution brought by Caijing to the Group's result, one of the reasons for the loss incurred by the Group in 2009 was mainly attributable to the decrease in revenue from Caijing.

Although the Group has been subject to the negative factors such as the sluggish advertising market, the development for the new magazines operated by the Group demonstrated a very rapid pace. Even the year of 2009 was overcast by the effect of the economic crisis, the advertising revenue from "Timeout" magazine, which was circulated in China, increased by 61%. Growth in the advertising revenue of "Hislife" and "Marketing China" magazines were 70% and 97% respectively. It is expected that these magazines will soon bring the Group with profit contribution.

The brand extension activities, such as organizing and hosting conferences and events, did not only contribute more revenue to the Group, but also increased the market influences of the Group and its magazines. The Group's revenue from these brand extension activities was decreased by around 5% but the corresponding revenue from these activities during the second half year increased by 159% over that of the first half of the year. These activities in turn would create more advertising value in the Group's magazines.

To conclude from the above, despite the loss incurred by the Group in 2009, there were evidences that the effect of economic crisis was gradually dimming out and the Group is recovering. With a 38% growth in the Group's revenue in the second half of the year compared with that in the first half of the year, our momentum to further growth is sound and well-supported. The Board expects that with the same momentum, the Group shall achieve better operating results for the year 2010.

OUTLOOK AND PROSPECT

The Group is aware of signs showing gradual recovery of the global economy. The printed media advertising market will face its new development and challenges in future. In the meantime, apart from the traditional media, the Group is also pleased to witness the development of different new media channels. The Group also intends to tap into the development of new media business and considers that an integrated media group comprising of printed media and Internet media platforms is an inevitable trend in future.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year of 2009, turnover of the Group was approximately HK$275.3 million as compared to approximately HK$307.2 million in 2008, representing a decrease of approximately 10%. The slowdown of the advertising market in China continued in 2009 in the aftermath of the financial crisis. Although the reduction and deferral of customers' advertising budgets impacted on the Group's revenue, the gross profit was maintained steady at around 63% in 2009.

The selling and distribution costs were decreased by 18% from approximately HK$179.4 million to approximately HK$147.1 million, mainly in line with the decrease in revenue and also the tightening of selling and promotional costs for some magazines newly introduced at the end of year 2008.

The administrative expenses was increased from approximately HK$22.9 million to approximately HK$36.3 million by 58%. This was mainly due to the increase of rental and staff costs for operating the new magazines, expenses incurred for market researches and analysis and purchases of certain data analysis reports and market information during the year.

The Group had a joint venture company, Mondadori-SEEC (Beijing) Advertising Co. Ltd., set up in 2008 together with Mondadori Group, an Italian magazines and publication group. The Chinese version of lifestyle fashion magazine, Grazia, was launched in China but it was still in the nurture stage of a new start up. The operating environment of advertising business in the luxury merchandise market was difficult in 2009 after the economic crisis. The share of loss of jointly controlled entity of HK$11.4 million (2008: nil) was wholly related to normal operation of this magazine business.

The Group also had interest in another jointly controlled entity formed with Ziff Davis Media Inc and operated PC Magazine Chinese version in China. The demand for related advertisement for this magazine was weak over the years and an allowance of approximately HK$4.9 million (2008: nil) was made by the Board in view of the fragile financial status of the entity.

In view of the difficult operating environment in the foreseeable future, operating loss and drop of revenue suffered by the Group, the Board adopted a very cautious and more conservative approach and revised downward for its expectation on the future earnings and cashflows of the Group which led to an impairment of goodwill of around HK$6.3 million (2008: nil) reflected in the consolidated statement of comprehensive income of current year.

Having assessed the recoverability of trade receivables and the prevailing economic situation, the Board provided an allowance of bad and doubtful debts of approximately HK$6.1 million in this year as compared to approximately HK$2.1 million in last year.

The Group recorded interest expense of approximately HK$8.2 million (2008: HK$12.1 million) in this year and from which the interest charge related to the convertible bond issued by the Company was approximately HK$5.6 million (2008: HK$9.4 million). The decrease was attributable to a lower effective yield of the refinanced convertible bond at the end of year 2008. For the year of 2009, there was a loss arising on changes of fair value of the components of the convertible bond of approximately HK$2.4 million (2008: a gain of HK$19.5 million).

As a result, the loss attributable to shareholders for this year amounted to approximately HK$46.1 million, representing an increase of 220% over the loss of approximately HK$14.4 million of last year.

To preserve financial resources for future expansion and operation of the Group, the Board did not recommend the payment of a dividend for the year 2009 (2008: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's daily operating activities were financed by internal resources. As at 31 December 2009, the Group's equity was approximately HK$282.5 million (2008: HK$326.2 million). The Group had non-current convertible bond of approximately HK$88.7 million as at 31 December 2009 (2008: HK$85.9 million). As at 31 December 2009, the Group's gearing ratio was 17% representing a percentage of non-current liability over total assets (2008: 15%).

As at 31 December 2009 the Group had secured bank borrowings of approximately HK$49.5 million (2008: 39.5 million).

As at 31 December 2009, the Group had cash and time deposits amounted to approximately HK$74.4 million (2008: HK$55.9 million).

CHARGES ON ASSETS

As at 31 December 2009, the Group had fixed deposit of approximately HK$30.5 million charged to a bank for banking facilities granted to the Group's companies (2008: HK$42.3 million).

As at 31 December 2009, the Group had pledged leasehold land and building in the PRC with a carrying amount of approximately HK$34.1 million (2008: nil) to secure bank borrowings granted to the Group.

CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liability as at 31 December 2009 (2008: Nil).

FOREIGN CURRENCIES AND TREASURY POLICY

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, United States Dollars or Renminbi. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. During the year, apart from the convertible bond and the bank borrowing, the Group did not have any fixed interest rate borrowings and had not engaged in any financial instruments for hedging or speculative activities.

EMPLOYEES

As at 31 December 2009, the Group had 634 (2008: 572) employees in Hong Kong and the PRC. Salaries, bonuses and benefits were decided in accordance with market conditions and performance of the respective employees.

SHARE OPTION SCHEME

The Company's share option scheme was adopted on 26 August 2002. During the year, 30,150,000 (2008: 7,000,000) share options were granted to directors and employees of the Group. As at 31 December 2009, the number of share issuable under share options granted was 53,700,000 (2008: 65,300,000).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions laid down in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2009, except for the Code provisions (i) A.2.1 whereas there is no separation of the role of Chairman and Chief Executive Officer. Mr. Wang Boming assumes the role of both the Chairman and the Chief Executive Officer; (ii) A.4.1 whereas all non-executive directors of the Company are not appointed for a specific term as they are subject to retirement and rotation in accordance with the Company's articles of association; and (iii) E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The chairman of the Board was absent from the annual general meeting held on 8 June 2009 due to his prior business engagement. Mr. Zhang Zhifang, an Executive Director and as elected chairman of that meeting, was available to answer question at that meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers of the Listing Rules ("Model Code"). Following specific enquiry by the Company, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2009.

AUDIT COMMITTEE

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial report matters including the review of the audited financial statements for the year ended 31 December 2009.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2009 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Annual Report of the Company containing the information required by Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in the due course.

By Order of the Board
Wang Boming
Chairman and Executive Director

Hong Kong, 23 April 2010

As at the date hereof, the Board comprises Mr. Wang Boming, Mr. Zhang Zhifang, Mr. Dai Xiaojing and Mr. Li Shijie as executive directors and Mr. Fu Fengxiang, Mr. Wang Xiangfei, Mr. Ding Yu Cheng and Mr. Zhang Ke as the independent non-executive directors.