SinoCom

SINOCOM SOFTWARE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 299)

2008 FINAL RESULTS ANNOUNCEMENT

The directors (the "Directors") of SinoCom Software Group Limited (the "Company") are pleased to announce the consolidated financial results of the Company and its subsidiaries (the "Group") for year ended 31 December 2008 (the "Year") as follows:

CONSOLIDATED INCOME STATEMENT

	NOTES	Year ended 2008 HK$'000	Year ended 2007 HK$'000
Revenue	2&3	**657,831**	564,507
Cost of services		**(456,001)**	(347,165)
Gross profit		**201,830**	217,342
Other income	4	**51,125**	13,512
Discount on acquisition of additional equity interest in subsidiaries		**379**	322
Loss on disposal of subsidiaries		**—**	(504)
Share of profit (loss) of an associate		**1**	(75)
Impairment loss on a deposit for an investment		**—**	(7,048)
Administrative expenses		**(86,444)**	(85,033)
Interest expenses on bank borrowings within five years		**—**	(25)
Profit before taxation		**166,891**	138,491
Taxation	5	**(35,671)**	(20,839)
Profit for the year	6	**131,220**	117,652
Attributable to:			
Equity holders of the Company		**130,585**	115,474
Minority interests		**635**	2,178
		131,220	117,652
Earnings per share	7		
— Basic		**11.73 cents**	10.48 cents
— Diluted		**11.66 cents**	10.30 cents

CONSOLIDATED BALANCE SHEET

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Plant and equipment		**17,919**	19,332
Goodwill		**9,064**	8,537
Interest in an associate		**1,894**	1,893
Other deposits		**5,724**	6,069
		34,601	35,831
Current assets			
Trade and other receivables	9	**147,753**	107,128
Amount due from an associate		**141**	161
Bank balances and cash		**538,545**	444,607
		686,439	551,896
Current liabilities			
Trade and other payables	10	**80,346**	70,692
Amount due to a shareholder		**12**	12
Tax liabilities		**29,198**	11,287
		109,556	81,991
Net current assets		**576,883**	469,905
		611,484	505,736
Capital and reserves			
Share capital		**27,826**	27,718
Reserves		**572,149**	472,792
Equity attributable to equity holders of the Company		**599,975**	500,510
Minority interests		**3,252**	5,226
Total equity		**603,227**	505,736
Non-current liabilities			
Deferred tax liabilities		**8,257**	—
		611,484	505,736

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK (IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions
HK (IFRIC) — Int 12	Service Concession Arrangements
HK (IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
IFRIC 9 & HKAS 39	Embedded Derivatives[5]
HK (IFRIC) — Int 13	Customer Loyalty Programmes[4]
HK (IFRIC) — Int 15	Agreements for the Construction of Real Estate[2]
HK (IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK (IFRIC) — Int 17	Distribution of Non-cash Assets to Owners[3]
HK (IFRIC) — Int 18	Transfers of Assets from Customer[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers on or after 1 July 2009

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. 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 results and the financial position of the Group.

2. REVENUE

	2008	2007
	HK$'000	*HK$'000*
Outsourcing software development services	**659,662**	566,947
Technical support services	**30,414**	22,805
	690,076	589,752
Business tax and local government levies	**(32,245)**	(25,245)
	657,831	564,507

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group is principally engaged in the provision of outsourcing software development services and technical support services. For the year ended 31 December 2008, 95.59% (2007: 96.13%) of gross revenue are generated from outsourcing software development services, and accordingly, no business segment analysis is presented.

For management purposes, the Group is currently engaged in the provision of services in two markets, the People's Republic of China (the "PRC") and Japan. The Group's primary format for reporting segment information is geographical segment by location of customers.

The following table provides an analysis of the Group's sales by geographical market based on location of customers, irrespective of the origin of the services:

Year ended 31 December 2008

	PRC	**Japan**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***
Income statement			
Revenue	**70,344**	**587,487**	**657,831**
Segment results	**18,137**	**156,168**	**174,305**
Share of profit of an associate	**1**	**—**	**1**
Discount on acquisition of additional equity interest in subsidiaries	**—**	**379**	**379**
Unallocated other income			**6,917**
Unallocated corporate expenses			**(14,711)**
Profit before taxation			**166,891**
Taxation			**(35,671)**
Profit for the year			**131,220**

	PRC HK$'000	Japan HK$'000	Consolidated HK$'000
Balance sheet			
Segment assets	**47,182**	**129,591**	**176,773**
Interest in an associate	**1,894**	**—**	**1,894**
Unallocated corporate assets			**542,373**
			721,040
Segment liabilities	**12,994**	**60,747**	**73,741**
Unallocated corporate liabilities			**44,072**
			117,813

	PRC HK$'000	Japan HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information				
Additions to plant and equipment	**739**	**3,978**	**275**	**4,992**
Depreciation	**1,132**	**5,684**	**397**	**7,213**
Loss on disposal of plant and equipment	**11**	**261**	**—**	**272**

Year ended 31 December 2007

	PRC HK$'000	Japan HK$'000	Consolidated HK$'000
Income statement			
Revenue	48,811	515,696	564,507
Segment results	10,402	133,438	143,840
Share of loss of an associate	(75)	—	(75)
Impairment loss on an investment	(7,048)	—	(7,048)
Discount on acquisition of additional equity interest in subsidiaries	322	—	322
Loss on disposal of subsidiaries	—	(504)	(504)
Unallocated other income			13,512
Unallocated corporate expenses			(11,531)
Interest expenses on bank borrowings within five years			(25)
Profit before taxation			138,491
Taxation			(20,839)
Profit for the year			117,652

	PRC	Japan	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Balance sheet			
Segment assets	35,894	104,557	140,451
Interest in an associate	1,893	—	1,893
Unallocated corporate assets			445,383
			587,727
Segment liabilities	9,673	55,310	64,983
Unallocated corporate liabilities			17,008
			81,991

	PRC	Japan	Corporate	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other information				
Additions to plant and equipment	1,409	7,313	635	9,357
Depreciation	820	4,492	400	5,712
Loss on disposal of plant and equipment	45	3	—	48

4. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Interest income	**6,085**	4,802
Government subsidies	**12,025**	642
Gain on sale of held-for-trading equity securities	**1,413**	6,534
Net foreign exchange gain	**29,869**	—
Others	**1,733**	1,534
	51,125	13,512

Government subsidies include government concession on levies of HK$8,804,000 (2007: HK$642,000) and subsidies from local government for the employment of new university graduates of HK$3,109,000 (2007: nil).

5. TAXATION

	2008	2007
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**16,331**	13,844
Japan income tax	**11,083**	5,666
	27,414	19,510
Underprovision in prior years:		
Japan income tax	**—**	1,329
Deferred tax:		
Current year	**8,257**	—
	35,671	20,839

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law, the Group adopted a unified income tax rate of 25% for its subsidiaries in the PRC from 1 January 2008 except for certain subsidiaries entitled to preferential tax holiday and concession granted under the New Law as detailed below.

Zhongxun Computer System (Beijing) Co., Ltd. ("SinoCom Beijing") is recognized as a key software enterprise under the State plan by relevant PRC government authorities in January 2009 under the New Law. Accordingly, SinoCom Beijing is entitled to the reduced income tax rate of 10% as compared to the unified tax rate of 25% for the year ended 31 December 2008.

Shensoft Computer Technology (Shanghai) Company Limited ("Shensoft Shanghai") and Dalian SinoCom High Technology Software Limited ("Dalian SinoCom") are eligible for tax holidays and concession as follows:

(a) Exemption for PRC Enterprise Income Tax for two years starting from the respective first profit-making year, and

(b) Followed by a 50% reduction in the next three years.

Both Shensoft Shanghai and Dalian SinoCom are entitled to the tax holidays and concessions from 2006.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits in Hong Kong for either year.

Taxation arising in Japan comprises corporate tax, corporate enterprise tax and corporate inhabitant tax. Corporate tax is calculated at a progressive statutory rate of 22% on the portion of taxable income not exceeding Japanese Yen ("JPY") 8,000,000 (equivalent to approximately HK$686,000, 2007: HK$547,000) and 30% on the portion of taxable income in excess of JPY8,000,000. Corporate enterprise tax is calculated at a progressive statutory rate of 5.25% on the portion of taxable income not exceeding JPY4,000,000 (equivalent to approximately HK$343,000, 2007: HK$274,000), 7.665% on the portion of taxable income in excess of JPY4,000,000 but not exceeding JPY8,000,000 and 10.08% on the portion of taxable income in excess of JPY8,000,000. Corporate inhabitant tax is calculated at a fixed tax rate of 17.3% or 20.7% of the corporate tax, depending on the amount of the corporate tax per annum, also with a fixed yearly amount from JPY70,000 (equivalent to approximately HK$6,000, 2007: HK$5,000) to JPY200,000 (equivalent to approximately HK$17,000, 2007: HK$14,000), depending on the headcount and capital of the entities.

The income tax expenses for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**166,891**	138,491
Taxation at the applicable PRC Enterprise Income Tax rate of 25% (2007: 33%)	**41,723**	45,702
Tax effect of expenses not deductible in determining taxable profit	**3,045**	8,044
Effect of tax exemptions granted to PRC subsidiaries	**—**	(3,818)
Effect of tax concessions granted to PRC subsidiaries	**(22,423)**	(31,776)
Underprovision in respect of prior year	**—**	1,329
Withholding tax on the profit of PRC subsidiaries	**7,159**	—
Effect of different tax rates of subsidiaries operating in other jurisdiction	**6,167**	1,358
Income tax expenses	**35,671**	20,839

6. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2008	2007
	HK$'000	*HK$'000*
Auditors' remuneration	**3,029**	2,001
Net foreign exchange (gain) loss	**(29,869)**	4,548
Depreciation of plant and equipment	**7,213**	5,712
Loss on disposal of plant and equipment	**272**	48
Staff costs:		
Directors' emoluments	**12,719**	11,175
Other staff costs		
— Salaries and other benefits	**363,405**	260,325
— Share-based payments expense	**4,645**	8,928
— Retirement benefits schemes contributions	**32,208**	16,940
	412,977	297,368

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to equity holders of the Company	**130,585**	115,474

	2008	2007
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,113,436**	1,101,847
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**6,288**	19,323
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,119,724**	1,121,170

8. DIVIDEND

On 23 May 2008, a final dividend of HK5.60 cents per share (total dividend HK$62,838,000) in respect of the financial year ended 31 December 2007 was paid to the shareholders. On 27 May 2007, a final dividend of HK3.70 cents per share (total dividend HK$40,582,000) in respect of the financial year ended 31 December 2006 was paid to the shareholders.

In respect of the financial year ended 31 December 2008, the directors propose a final dividend of HK6.00 cents per share and a special dividend of HK4.00 cents per share. The dividends are subject to approval by shareholders at the Annual General Meeting.

9. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**103,963**	88,398
Other receivables	**30,989**	13,678
Other deposits	**5,056**	3,310
Prepayments	**7,745**	1,742
Total trade and other receivables	**147,753**	107,128

The Group allows an average credit period of 30 to 45 days, extending up to three months for its trade customers. The following is an aged analysis of trade receivables at the balance sheet date based on invoice dates:

	2008	2007
	HK$'000	*HK$'000*
0–30 days	**97,689**	80,257
31–60 days	**4,823**	6,723
61–90 days	**739**	397
91–180 days	**120**	1,021
Over 180 days	**592**	—
	103,963	88,398

The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimize credit risk. Overdue balances are reviewed regularly by senior management. The management considered the recoverability of trade receivables that are neither past due nor impaired is beyond doubt.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of HK$1,259,000 (2007: HK$1,269,000) which are past due at the balance sheet date for which the Group has not provided for an impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 130 days (2007: 123 days).

Ageing of trade receivables which are past due but not impaired:

	2008	2007
	HK$'000	*HK$'000*
61–90 days	**547**	248
91–180 days	**120**	1,021
Over 180 days	**592**	—
	1,259	1,269

The Group's trade and other receivables denominated in foreign currencies at the balance sheet date are as follows:

	2008	2007
	HK$'000	*HK$'000*
JPY	**1,204**	1,398
HK$	**3**	223

10. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Trade payables	**3,283**	2,876
Wages and salaries payable	**62,812**	39,206
Accruals	**1,770**	3,874
Other tax payables	**6,948**	17,417
Payable for outstanding consideration for acquisition of additional equity interest in a subsidiary	**1,080**	2,160
Other payables	**4,453**	5,159
	80,346	70,692

The following is an aged analysis of trade payables at the balance sheet date based on invoice dates:

	2008	2007
	HK$'000	*HK$'000*
0–30 days	**2,382**	1,432
31–60 days	**901**	1,365
61–90 days	**—**	33
91–180 days	**—**	26
Over 180 days	**—**	20
	3,283	2,876

The Group's trade and other payables denominated in foreign currency at the balance sheet date are as follows:

	2008	2007
	HK$'000	*HK$'000*
HK$	**2,750**	1,531

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Basis for qualified opinion

"As explained in notes to the consolidated financial statements, the directors of the Company did not consolidate the post-acquisition results of a subsidiary disposed of during the year ended 31 December 2007 in accordance with Hong Kong Accounting Standard ("HKAS") 27 "Consolidated and Separate Financial Statements" issued by the HKICPA due to the absence of reliable financial information for the subsidiary. The non-consolidation of this subsidiary would affect the profit of the Group for the year ended 31 December 2007 and the related disclosures in the consolidated financial statements. It is not practicable to quantify the effects of the departure from these requirements in respect of the corresponding figures for the year ended 31 December 2007 and our audit opinion on the consolidated financial statements for the year ended 31 December 2007 was modified accordingly.

Qualified opinion arising from disagreement about accounting treatment and the extent of disclosures

In our opinion, except for the effect on the corresponding figures for the year ended 31 December 2007 of the failure to account for the post acquisition results and the resulting gain or loss on the disposal of the subsidiary as described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

BUSINESS REVIEW

2008 was a year full of risks and uncertainties to the World economy. The US sub-prime mortgage crisis transformed itself to a full blown financial tsunami around the World. Economic activities in the second half of the year were encumbered by the fall of world's stock markets as well as commodity prices. The industries in China were inevitably affected to a certain extent, which makes business environment in a more difficult situation.

Nevertheless, the Group's result for the Year reviewed was not hindered by the adverse environment. The turnover and net profit increased by 16.5% and 11.5% respectively. With efforts made by all of our staff, the Group's business hits record high since its listing on the Hong Kong Stock Exchange, which is very encouraging to our shareholders.

The Group's business grew at a faster pace in the first half of the Year. Japan economy started to affect by the financial tsunami in the second half of the Year. Fortunately, revenue from the Group's major clients in Japan still kept on growing under such a tough time, which was rare and commendable. The Group has made prudent adjustment in business resources according to market change so as to minimize tsunami impact. The Group was therefore able to maintain at a moderate growth in turnover for the Year.

OUTLOOK PROSPECTS

It is expected that the 2009 global economic environment would be even tougher and the operating environment more challenging. Under such deteriorating climate, adjustment of business strategies will be made to keep the pace of growth. The Group will continue development in the Japanese market; focus resources on business with better edge among

Japanese clients and open up business with non-financial institutions so as to solidify the portfolio in Japan. The implementation of stringent risk management, making us zero bad debt in the past years, which become more important in the midst of global economic slack.

As the China Government strives to maintain "steady and relatively fast" economic growth, beneficial policies are launched to assist outsourcing software companies. The economic condition is estimated to be better than other countries with help of the expanding domestic demand. Therefore, the Group plans to expand business in China through collaboration to jointly explore the China market with interested parties of varies aspects in the new financial year. The Group strives to make it as a new growing force.

India has been a keen competitor of China in the European and US markets for outsourcing software industry. The financial tsunami impact on the outsourcing software industry in India is more serious than in China. The terrorist attacks last year and the fraud accounting scandal in India have induced clients in the Europe and the US to outsource their IT business to China to diversify the risk.

Hence, it is believed that Chinese outsourcing software development companies have a great chance to grasp a piece of market share in Europe and US. Despite economy recession and tumbling of financial institutions, there are still enormous potentials for both markets in the long run and it is a golden opportunity for development.

Mergers and acquisitions ("M&A") has been one of the strategies to strengthen the Group. In the past, due to the thriving expansion of the outsourcing software markets the costs and potential risks of M&A were high. Hence, the Group's expansion pace through M&A was inactive. We now believe it is time to accelerate the business expansion through M&A while economy restructuring is in progress.

The financial tsunami clearly releases the tension of workforce and the global unemployment rate is climbing up. The manpower in China is abundant but it is mostly confined to non-skilled labour market. The demand for educated and skilled talents is still intense. Be that as it may, the pressure on wage increase is expected to be alleviated. By not affecting high quality service, the Group will adjust personnel structure to alleviate the pressure on cost increase and receive more middle-to-upper stream business orders.

REVIEW OF RESULTS AND OPERATIONS

The Group's consolidated turnover for the Year was approximately HK$657,831,000, representing an increase of approximately 16.5% when compared to 2007. Outsourcing software development work from the Group's existing Japanese customers continued to grow in 2008 on real term JPY to JPY basis. Turnover derived from outsourcing software development work increased by approximately 15.7% to approximately HK$628,736,000. Among which HK$373,660,000, or, 56.8% was contributed from Sinocom Beijing, headquarters of the Group, and HK$114,065,000, or 17.3% was from Zhongxun Software Inc., Japan ("Sinocom Japan"), operation arm of the Group in Japan. Sinocom Beijing and Sinocom Japan increased their turnover by approximately 19.7% from 2007. The increase was mainly attributable to the growth in business volume from its two largest customers to whom the aggregated turnover accounted to approximately 66.4% (2007: 65.3 %). Top five customers accounted for approximately 78.0% of the total turnover. Provision of technical support services turnover increased by approximately 37.2% to approximately HK$29,095,000. Growth momentum for technical support services remained strong during the year from multinational companies in the PRC.

There were 3,016 full time staff headcounts as at 31 December 2008, a reduction of 213 or 6.6% from 3,229 at beginning of the year. Reduce in headcounts in the second half year represented the Group's resources restructuring to adjust its human resources matrix accommodating changes in its business trend both in terms of volume and skills set requirement and to improve the Group's employees utilization rate. Actually, the average headcount for the Year was 3,201 (2007: 2,852), which was in line with its business volume growth.

Gross profit for the Year decreased to approximately HK$201,830,000, or 7.1% decrease, when compared to the gross profit of HK$217,342,000 in 2007. The Group's gross profit margin was approximately 30.7% in 2008 (2007: 38.5%). Strong Renminbi ("RMB") exchange rates accounted partially for this margin drop as a result of increase in costs in terms of HK dollars. Employee related cost increased by approximately 44.1% while the average manufacturing headcounts increased by approximately 14.1%. The average per head employee related cost increased by approximately 15.2% after discounting the RMB appreciation impact. This increment on a per head basis was contributable as to approximately 9.2% of salary increment and as to approximately 5.6% of revised up social security insurance provision. Employee utilization rate dropped in the second half year when business growing at a slower rate also accounted for the drop in gross profit margin.

Operating profit and net profit attributable to shareholders in 2008 increased by approximately 20.5% and 13.1% to HK$166,891,000 and HK$130,585,000 respectively. Operating margin and net profit margin in 2008 were approximately 25.4% and 19.9% respectively and the effective tax rate was approximately 21.4%. Increase in effective tax rate was mainly due to deferred withholding tax provision for dividends distributable outside of the PRC when the relevant tax laws became effective on 1 January 2008.

LIQUIDITY AND FINANCIAL RESOURCES

Since inception, the Group has funded its operations through equity funding and operating cash flows and has no bank borrowings. The Group continued to maintain this strong cash generating capability for the Year. During the Year, the Group financed its operations and investing activities solely with internally generated cash flows. There were no bank borrowings at end of the Year.

SHARE CAPITAL

The Company purchased 9,552,000 shares of its listed ordinary shares from the open market during the Year. The purchased shares were cancelled and hence reduced the share capital of the Company.

As at 31 December, 2008, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme of the Company was 43,750,000, representing approximately 3.9% of the shares of the Company in issue at that date.

PLEDGE OF ASSETS

As at 31 December, 2008, the Group had not pledged any of its assets.

EMPLOYEES AND REMUNERATION POLICY

The Group had 3,016 full time staff as at 31 December, 2008 (2007: 3,229). Most of them are engineers located in China. There were 274 employees in Sinocom Japan and most of them were bridged system engineers worked at customers' locations in Japan. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group also offers project bonus and performance bonus to its staff. Project bonus is calculated by allowing a fixed amount per man-month of work completed in a project and distributed among staff engaged according to their respective contributions in the project. Performance bonus is calculated based on an evaluation of individual efforts and the financial performance of the Group. Adequate resources are preserved for Japanese language training on a regular basis, new I.T. knowledge training and business domain knowledge training for each project before commencement of a project. On the job training is also provided after a project commenced. The Group maintains social insurance schemes for retirement, unemployment, personal injury and hospitalization for all of its employees in China. A housing provident fund system has also been implemented for its employees in China. Staff in Japan are enrolled under the requisite pension fund and health scheme as required by Japanese law.

FOREIGN EXCHANGE AND CURRENCY RISKS

Since most of the Group's revenue was generated from software development outsourced from Japan in JPY while expenses were settled in RMB, any depreciation of JPY against RMB, will reduce the income of the Group measured in RMB and have an adverse impact on the profitability of the Group. There was no effective hedging tool suitable to reduce this exchange rate exposure in consideration of the monthly recurring nature of JPY revenue from the management's point of view. The group strategy was to changing JPY into RMB immediately upon receipt. The Group planned to expand its business with revenue in RMB to diversify partially this risk.

CONTINGENT LIABILITIES

As at 31 December, 2008, the Group had no material contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December, 2008, the Group had no material capital commitments.

FINAL DIVIDEND

The Directors recommend a final dividend of HK6.00 cents per share and a special dividend of HK4.00 cents per share for 2008 payable to shareholders whose names appear on the register of members of the Company on 14 May 2009. Subject to shareholders' approval of the payment of the final dividend at the forthcoming annual general meeting of the Company, the proposed final dividends are expected to be paid on or about 26 May 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 May 2009 to 20 May 2009, both dates inclusive during which period no share transfer will be effected. To qualify the proposed final dividend, all transfer documents together with relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30pm on 14 May 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors ("Code of Conduct") on terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules ("the Code") and the Company has made specific enquiry of all directors that they have complied with the required standard set out in the Code and the Code of Conduct.

CORPORATE GOVERNANCE

During the Year, the Company complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") except A.2.1 that Mr Wang Zhiqiang had been both the Chairman and Chief Executive Officer of the Company. The Board considers that vesting the roles of Chairman and Chief Executive Officer in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operations. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstances arise.

The Company's audit committee held a meeting in March 2009 to review the Group's audited results for the Year. Deloitte Touche Tohmatsu, the Group's external auditors, have conducted an audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Thursday, 21 May 2009. For details of the Annual General Meeting, please refer to the Notice of the Annual General Meeting to be dispatched in due course.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, the Company purchased 9,552,000 shares of its listed ordinary shares from the open market. The purchased shares were cancelled and hence reduced the share capital of the Company.

By order of the board
WANG Zhiqiang
Chairman and CEO

Hong Kong, 31 March 2009

As at the date of this announcement, the executive Directors are Mr. Wang Zhiqiang, Mr. Wang Xubing, Dr. Shi Chongming, Mr. Siu Kwok Leung; the non-executive Director is Mr. Wang Nengguang; and the independent non-executive Directors are Mr. Pang Chor Fu, Professor Liang Neng and Mr. Lee Kit Wah.