SinoCom

SINOCOM SOFTWARE GROUP LIMITED

中訊軟件集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 299)

2009 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 the year ended 31 December 2009 (the ''Year'') as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	**Year ended 2009** *HK$'000*	Year ended 2008 *HK$'000*
Revenue	2 & 3	**634,470**	657,831
Cost of services		**(443,164)**	(456,001)
Gross profit		**191,306**	201,830
Administrative expenses		**(87,399)**	(86,444)
Share of (loss) profit of an associate		**(48)**	1
Other income and gains	4	**29,588**	51,125
Discount on acquisition of additional equity interest in subsidiaries		**–**	379
Profit before taxation		**133,447**	166,891
Taxation	5	**(30,109)**	(35,671)
Profit for the year	6	**103,338**	131,220
Other comprehensive income			
Exchange differences arising on translation from functional currency to presentation currency		**1,740**	30,366
Reclassification adjustment on translation difference upon liquidation of subsidiaries		**–**	(343)
Other comprehensive income for the year		**1,740**	30,023
Total comprehensive income for the year		**105,078**	161,243

	NOTES	Year ended 2009 HK$'000	Year ended 2008 HK$'000
Profit attributable to:			
Owners of the Company		**103,354**	130,585
Minority interests		**(16)**	635
		103,338	131,220
Total comprehensive income attributable to:			
Owners of the Company		**105,228**	160,069
Minority interests		**(150)**	1,174
		105,078	161,243
Earnings per share	7		
– Basic		**9.28 cents**	11.73 cents
– Diluted		**9.26 cents**	11.66 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**2009** *HK$'000*	2008 *HK$'000*
Non-current assets			
Plant and equipment		**13,376**	17,919
Goodwill		**9,078**	9,064
Interest in an associate		**–**	1,894
Other deposits		**2,056**	5,724
Deferred tax assets		**2,921**	–
		27,431	34,601
Current assets			
Trade and other receivables	9	**121,161**	147,753
Amounts due from related parties		**3,975**	141
Held for trading investments		**74**	–
Bank balances and cash		**593,751**	538,545
		718,961	686,439
Current liabilities			
Trade and other payables	10	**85,283**	80,346
Amount due to a shareholder		**37,000**	12
Tax liabilities		**9,357**	29,198
		131,640	109,556
Net current assets		**587,321**	576,883
		614,752	611,484
Capital and reserves			
Share capital		**27,868**	27,826
Reserves		**569,345**	572,149
Equity attributable to owners of the Company		**597,213**	599,975
Minority interests		**3,852**	3,252
Total equity		**601,065**	603,227
Non-current liabilities			
Deferred tax liabilities		**13,687**	8,257
		614,752	611,484

Notes:

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

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 has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) has introduced terminology changes, including revised titles for the consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. 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 predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, segment information reported externally was analysed on the basis of the location of customers. 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 (see note 3) nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classificiation of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[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 January 2011.

[6] Effective for annual periods beginning on or after 1 July 2010.

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

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent'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. In addition, under HKFRS 9, changes in fair value of equity investments are generally recognised in other comprehensive income, with only dividend income recognised in profit or loss. 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

	2009	2008
	HK$'000	*HK$'000*
Outsourcing software development services	**608,618**	628,736
Technical support services	**25,852**	29,095
	634,470	657,831

Revenue from outsourcing software development services and technical support services are net of business tax and local government levies of HK$31,718,000 (2008: HK$32,245,000).

3. SEGMENT INFORMATION

In prior years, segment information reported externally was analysed on the basis of the location in which the customers' headquarters are located. The same basis was also applied to information to the chief operating decision maker, which is the Group's Chief Executive Officer for the purposes of resources allocation and assessment of performance. The Group's reportable segments under HKFRS 8 are therefore the same as prior years.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

Year ended 31 December 2009

	PRC	**Japan**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue	**55,788**	**578,682**	**634,470**
Cost of services	**(45,103)**	**(395,849)**	**(440,952)**
Gross profit	**10,685**	**182,833**	**193,518**
Administrative expenses	**(2,276)**	**(68,868)**	**(71,144)**
Segment profits	**8,409**	**113,965**	**122,374**
Share of loss of an associate			**(48)**
Other gains			**29,588**
Unallocated corporate expenses			**(18,467)**
Profit before taxation			**133,447**

Year ended 31 December 2008

	PRC	Japan	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue	70,344	587,487	657,831
Cost of services	(49,590)	(402,140)	(451,730)
Gross profit	20,754	185,347	206,101
Administrative expenses	(2,982)	(65,928)	(68,910)
Segment profits	17,772	119,419	137,191
Share of loss of an associate			1
Discount on acquisition of additional equity interest in subsidiaries			379
Other gains			51,125
Unallocated corporate expenses			(21,805)
Profit before taxation			166,891

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Segment profit represents the profit earned by each segment without allocation of share of (loss) profit of an associate, other gains, share-based payment expenses, central administration cost, directors' emoluments and discounts on acquisition of additional equity in subsidiaries. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

At 31 December 2009

	PRC	**Japan**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment assets	**452,552**	**203,118**	**655,670**
Unallocated assets			**90,722**
Consolidated total			**746,392**
Segment liabilities	**15,174**	**66,801**	**81,975**
Unallocated liabilities			**63,352**
Consolidated total			**145,327**

At 31 December 2008

	PRC	Japan	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	458,135	201,531	659,666
Interest in an associate			1,894
Unallocated assets			59,480
Consolidated total			721,040
Segment liabilities	32,600	68,241	100,841
Unallocated liabilities			16,972
Consolidated total			117,813

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than unallocated bank balances and cash, goodwill, deferred tax assets, held-for-trading investments and assets used jointly by reportable segments.

- all liabilities are allocated to reportable segments other than deferred tax liabilities and liabilities for which reportable segments are jointly liable.

Other segment information

Year ended 31 December 2009

Amounts included in the measure of segment profit or segment assets:

	PRC	**Japan**	**Corporate**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Additions to non-current assets *(Note)*	**279**	**2,248**	**171**	**2,698**
Depreciation	**936**	**5,185**	**430**	**6,551**
Loss on disposal of plant and equipment	**25**	**208**	**–**	**233**

Year ended 31 December 2008

Amounts included in the measure of segment profit or segment assets:

	PRC	Japan	Corporate	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Additions to non-current assets *(Note)*	1,219	6,119	275	7,613
Depreciation	1,132	5,684	397	7,213
Loss on disposal of plant and equipment	11	261	–	272

Note: Non-current assets excluded goodwill, interest in an associate, financial instruments and deferred tax assets.

Geographical information

The Group's operations are located on PRC (country of domicile) and Japan.

The Group's information about its non-current assets by geographical location of the assets is detailed below:

	Non-current assets	
	2009	2008
	HK$'000	*HK$'000*
PRC (country of domicile)	**23,486**	29,896
Japan	**1,024**	2,811
	24,510	32,707

Note: Non-current assets excluded deferred tax assets and interest in an associate.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
Customer A[1]	**234,918**	221,657
Customer B[1]	**173,670**	196,245

[1] Revenue from Japan.

4. OTHER INCOME AND GAINS

	2009	2008
	HK$'000	*HK$'000*
Government subsidies	**20,119**	12,025
Gain on sale of held for trading investment	**315**	1,413
Interest income	**7,713**	6,085
Net foreign exchange gain	**858**	29,869
Others	**583**	1,733
	29,588	51,125

Government subsidies include government concession on levies of HK$10,039,000 (2008: HK$8,804,000), subsidies from local government for the employment of new university graduates of HK$5,491,000 (2008: HK$3,109,000) and for its status as key software enterprise of HK$2,610,000 (2008: nil). There were specific conditions attached to the government subsidies, the Group recognised the government subsidies in the consolidated statement of comprehensive income when it fulfills all the conditions specified in the subsidy notice or relevant law and regulations.

5. TAXATION

	2009	2008
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**18,185**	16,331
Japan income tax	**9,388**	11,083
	27,573	27,414
Deferred tax:		
Current year	**2,536**	8,257
	30,109	35,671

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.

SinoCom Computer System (Beijing) Co., Ltd. ("SinoCom Beijing") was recognised as a key software enterprise under the State plan for 2008 and 2009 by relevant PRC government authorities in January 2009 and January 2010 respectively under the New Law. Accordingly, SinoCom Beijing was 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 and 2009.

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, special local corporate tax and corporate inhabitant tax. Corporate tax is calculated at a progressive statutory rate of 18% (2008: 22%) on the portion of taxable income not exceeding Japanese Yen ("JPY") 8,000,000 (equivalent to approximately HK$670,000, 2008: HK$686,000) and 30% (2008: 30%) on the portion of taxable income in excess of JPY8,000,000. Corporate enterprise tax is calculated at a progressive statutory rate of 2.95% (2008: 5.25%) on the portion of taxable income not exceeding JPY4,000,000 (equivalent to approximately HK$335,000, 2008: HK$343,000), 4.365% (2008: 7.665%) on the portion of taxable income in excess of JPY4,000,000 but not exceeding JPY8,000,000 and 5.78% (2008: 10.08%) on the portion of taxable income in excess of JPY8,000,000. Special local corporate tax is imposed for fiscal years beginning on or after 1 October 2008. Special local corporate tax is calculated at a fixed tax rate of 81% or 148% of corporate enterprise tax, depending on the amount of paid-in capital. 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, 2008: HK$6,000) to JPY200,000 (equivalent to approximately HK$17,000, 2008: HK$17,000), 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 statement of comprehensive income as follows:

	2009	2008
	HK$'000	*HK$'000*
Profit before taxation	**133,447**	166,891
Taxation at the applicable PRC Enterprise Income Tax rate of 25% (2008: 25%)	**33,362**	41,723
Tax effect of expenses not deductible in determining taxable profit	**6,149**	3,045
Effect of tax concessions granted to PRC subsidiaries	**(19,726)**	(22,423)
Withholding tax on the profits of PRC subsidiaries	**5,440**	7,159
Effect of different tax rates of subsidiaries operating in other jurisdiction	**4,884**	6,167
Income tax expenses	**30,109**	35,671

6. PROFIT FOR THE YEAR

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

	2009	2008
	HK$'000	*HK$'000*
Auditors' remuneration	**2,611**	3,029
Depreciation of plant and equipment	**6,551**	7,213
Loss on disposal of plant and equipment	**233**	272
Net foreign exchange gain	**(858)**	(29,869)
Loss on disposal of partial interest in a subsidiary	**284**	–
Staff costs:		
Directors' emoluments	**11,643**	12,719
Other staff costs		
– Salaries and other benefits	**354,264**	363,405
– Share-based payment expenses	**2,407**	4,645
– Retirement benefits schemes contributions	**33,316**	32,208
	401,630	412,977

7. EARNINGS PER SHARE

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

	2009	2008
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**103,354**	130,585

Number of shares

	2009	2008
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,113,968**	1,113,436
Effect of dilutive potential ordinary shares: Share options issued by the Company	**1,952**	6,288
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,115,920**	1,119,724

8. DIVIDENDS

On 23 May 2008, a final dividend of HK5.6 cents per Share (total dividend of HK$62,838,000) in respect of the financial year ended 31 December 2007 was paid to the Shareholders. In respect of the financial year ended 31 December 2008, a final dividend of HK6.0 cents per share and a special dividend of HK4.0 cents per share (total dividend of HK$111,435,000) were declared on 1 April 2009. All such dividends were paid to the shareholders during the year ended 31 December 2009.

In respect of the financial year ended 31 December 2009, the directors propose a final dividend of HK5.0 cents per share. The dividend is subject to approval by shareholders at the forthcoming Annual General Meeting.

9. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**95,843**	103,963
Other receivables	**13,715**	30,989
Other deposits	**7,530**	5,056
Prepayments	**4,073**	7,745
Total trade and other receivables	**121,161**	147,753

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 based on invoice dates at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
0-30 days	**83,244**	97,689
31-60 days	**11,369**	4,823
61-90 days	**567**	739
91-180 days	**663**	120
Over 180 days	**–**	592
	95,843	103,963

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 balances are debtors with an aggregate carrying amount of HK$1,229,000 (2008: HK$1,259,000) which are past due at the end of the reporting period 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 107 days (2008: 130 days).

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

	2009	2008
	HK$'000	*HK$'000*
61-90 days	**566**	547
91-180 days	**663**	120
Over 180 days	**–**	592
	1,229	1,259

The Group's trade and other receivables denominated in foreign currencies at the end of the reporting period are as follows:

	2009	2008
	HK$'000	*HK$'000*
JPY	**54,910**	53,981
HK$	**122**	3

10. TRADE AND OTHER PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**3,890**	3,283
Wages and salaries payable	**68,110**	62,812
Accruals	**697**	1,770
Other tax payables	**7,140**	6,948
Payable for outstanding consideration for acquisition of additional equity interest in a subsidiary	**196**	1,080
Other payables	**3,239**	4,453
Dividend payable to minority shareholder of a subsidiary	**2,011**	–
	85,283	80,346

The following is an aged analysis of trade payables based on invoice dates at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
0-30 days	**2,405**	2,382
31-60 days	**1,485**	901
	3,890	3,283

The Group's trade and other payables denominated in foreign currency at the end of the reporting period are as follows:

	2009	2008
	HK$'000	*HK$'000*
JPY	**16,150**	15,064
HK$	**12,652**	2,750

Business Review

Governments in the world joined hands to turn the tide of the world's economy in 2009. After their vigorous efforts, the economy was stabilised rapidly and showed the sign of recovery in the second half of the year. China's economy yet performed remarkably, and acheived GDP growth target rate for last year of 8% set by the Central Goverment. The Group's business was inevitably impacted by the financial tsunami to a certain extent. The impact to the business was significant in the first half of the Year. However, followed by a relief in global economy situation, business in the second half of the Year improved obviously from the first half. After deducting the exchange rate impact, operating revenue in the second half actually increased by 19% from the first half.

To focus and work wholeheartedly is always the Group's operating principle. After the severe challenges by the financial tsunami, it showed that the Group's strategies are capable of defending itself against the abrupt change in business environment. The Group has always been focusing on its outsourcing software development business, never got involved in business diversification, not to mention the complicated structured financial instruments. This saved the Group from getting involved in the Mainland's financial crisis. This insistance is not easy especially the Group is always sitting on ample amount of cash.

Together with a focus on outsourcing software development market in Japan to provide professional services, the Group's consistent excellent services win customers' appreciation and trust. During this period, big customers reviewed their software outsourcing strategies by placing most of their orders to outsourcing companies that provide quality services that SinoCom is one of their core partners. In the face of economic adversity, SinoCom and its customers worked together to get through the economic downturn and surmount the difficulties.

To improve cost efficiency is one of the Group's ongoing objectives. Along with the weakening global economic activites, the pressure of structurally inflated operating cost has been eased. Total cost of this year, deducting the impact of exchange rate, actually decreased by 5% compared to last year.

Future Prospects

Looking forward to 2010, the worst period of financial tsunami yet has gone, its impact is still attacking the world's economy, and is likely to continue for a certain period of time. The road ahead is not smooth and the global economy may risk a second trough. Therefore, the Group's business development in the new financial year can be concluded as ***"Opportunities at hand yet challenges remain"***.

Japan continues to be SinoCom's major focus for development of outsourcing software market. The Group's past effort to establish solid base in Japan would be an advantage for further development of Japanese market in the future. The Group will work wholeheartedly for its business strategy, and focus on development of outsourcing software business in Japan. We will also increase the input in high-end projects, which will enhance the Group's comprehensive ability to receive orders and develop a good foundation for the future.

Apart from focusing on outsourcing software market in Japan, the Group is aware that there is a huge market potential for software services in the Mainland, Europe and the US and therefore, is planning to enter these markets. However, this is still on the preliminary stage as it takes a certain period of time to explore and work on.

In the new financial year, inflationary pressure in Mainland is rising. Increasing property price and rental rate will increase operating cost. The Group provides techniques and services through human talents, and will be inevitably affected. Stringent cost control and increase production efficiency will be one of the Group's major tasks.

Outsourcing software industry has been developed for quite a long time in Mainland China, yet it is a flourishing industry. According to IDC's recent forecast and analysis, compound annual growth rate of China's offshore software outsourcing market can reach 35.3% in the five year of 2008-2012. In the past, the objective for outsourcing software development of overseas customers was to reduce cost. Nowadays, it is aimed strategically to increase the core competence and flexibilty of a company, so as to increase added value transfer. To cope with the changes, the Group has made corresponding adjustments in employee and business structures. These changes, we believe, can lead SinoCom to a new page.

REVIEW OF RESULTS AND OPERATIONS

The Group's consolidated turnover for the year ended 31 December 2009 was approximately HK$634,470,000, representing a decrease of approximately 3.6% when compared to 2008. Turnover derived from outsourcing software development work decreased by approximately 3.2% to approximately HK$608,618,000. The decrease was mainly attributable to the slowdown in business volume of large scale projects. However, business with the Group's two largest customers continued to grow during the year reflecting the Group's core supplier status to these customers. Top five customers accounted for approximately 76.1% of the total turnover. Provision of technical support services turnover decreased by approximately 11.2% to approximately HK$25,852,000. Business from the Group's international technical support service business partner in China decreased by 7.9%. mainly attributable to decrease in revenue from provision of technical support services. During the year, there was soft demand for outsourcing software development work from multinational companies in PRC as reflected by the turnover of SinoCom Artm Technology Co., Ltd., a subsidiary the customers of which are mainly those multinational companies, dropped by approximately 45.3%. It was not significant though as to contribution of the Group's total revenue where derived mainly of approximately 91.2% from Japan.

There were 2,550 full time staff headcounts as at 31 December 2009, a reduction of 466 or 15% from 3,016 at beginning of the year. The Group cut its headcount responding to the reduced demand. Among which there were 113 employees used to servicing companies located in PRC. Outsourcing software development services from Japan denominated in Japanese Yen ("JPY") and from PRC denominated in Renminbi ("RMB") actually dropped by approximately 9.9% and 37.6% respectively. Headcount cut was a painful cost control measure. In order to keep the impact to minimum, most of the reduced headcounts were junior engineers that did not affect the Group's core competence.

Gross profit for the year decreased to approximately HK$191,306,000, or 5.2% decrease, when compared to the gross profit of HK$201,830,000 in 2008. The Group's gross profit margin was approximately 30.2% in 2009 (2008: 30.7%). The Group was able to maintain closely the same gross margin as that of 2008. The Group successfully controlled its manpower cost by cutting headcounts. On the other hand, sub-contracting activities increased when business picked up where the Group's resources became insufficient. Per head cost also increased as a result of annual salary revision and less junior engineers inside the pool after cutting headcounts.

Operating profit and net profit attributable to shareholders in 2009 decreased by approximately 20% and 21.3% to HK$133,447,000 and HK$103,338,000 respectively. Operating margin and net profit margin in 2009 were approximately 21% and 16.3% respectively. The Group successfully controlled its administrative expenses to a similar level of approximately HK$87,399,000, increased by 1.1% over HK$86,444,000 in 2008. The core factor contributing to the decreased operating profit and net profit attributable to shareholders was a significant drop in exchange gain recorded in 2009 of HK$858,000. Corresponding exchange gain in 2008 was HK$29,869,000. Reduced exchange gain of HK$29,011,000 represented 4.6% in operating margin and net profit margin. Effective tax rate was approximately 22.6%. Operations related effective tax rate was actually 18.5%. The remaining 4.1% was withholding tax provision on profits of PRC subsidiaries assuming the Group maintained a 50% payout ratio dividend policy.

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

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

At 31 December 2009, the number of shares in respect of which options had been granted and remained outstanding under the Company's share option scheme was 41,070,000 (2008: 43,750,000), representing 3.68% (2008: 3.93%) of the shares of the Company in issue at that date.

PLEDGE OF ASSETS

As at 31 December 2009, the Group had not pledged any of its assets.

EMPLOYEES AND REMUNERATION POLICY

The Group had 2,550 full time staff as at 31 December, 2009 (2008: 3,016). Most of them are engineers located in China. There were 244 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 2009, the Group had no material contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2009, the Group had no material capital commitments.

FINAL DIVIDEND

The Directors recommend a final dividend of HK5.0 cents per share for 2009 payable to shareholders whose names appear on the register of members of the Company on 18 May 2010. Subject to shareholders' approval of the payment of the final dividend at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about 24 May 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 May 2010 to 18 May 2010, 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 13 May 2010.

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 (i) A.2.1 that Mr Wang Zhiqiang had been both the Chairman and Chief Executive Officer of the Company and 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 will nevertheless review the structure from time to time and consider the appropriate adjustment should suitable circumstances arise; and (ii) D.1, in relation to three connected transactions entered into with a connected person on 15 June 2009, 1 July 2009 and 1 September 2009, respectively with respect to which due to the misunderstanding on the part of Mr. Wang Zhiqiang of the reporting requirements applicable to those connected transactions under Chapter 14A of the Listing Rules, the entering into of those connected transactions was not reported to the Board and hence, the Company did not make an announcement in accordance with requirements of Chapter 14 of the Listing Rules at the time. An announcement regarding those connected transactions was issued on 25 March 2010 as soon as the omission was discovered and the facts were ascertained by the Board. The Company's audit committee held a meeting in March 2010 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 Hong Kong Institute of Certified Public Accountants.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Tuesday, 18 May 2010. 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

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

By order of the board
WANG Zhiqiang
Chairman and CEO

Hong Kong, 30 March 2010

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.