

2008 INTERIM REPORT
中期報告
中國數碼信息有限公司



Sino-i Technology Limited
Stock Code: 250 股份代號: 250

CORPORATE INFORMATION

DIRECTORS

Executive

Mr. YU Pun Hoi (*Chairman*)

Ms. CHEN Dan

Mr. QIN Tian Xiang

Non-executive

Mr. LUO Ning

Mr. LAM Bing Kwan

Independent Non-executive

Mr. HUANG Yaowen

Prof. JIANG Ping

Mr. FUNG Wing Lap

COMPANY SECRETARY

Mr. WATT Ka Po James

QUALIFIED ACCOUNTANT

Ms. CHU Sheung Mei

AUDITORS

Grant Thornton

Certified Public Accountants

Hong Kong

LEGAL ADVISERS

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SHARE REGISTRAR

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STOCK CODE

250

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking
Corporation Limited

WEBSITE ADDRESS

<http://www.sino-i.com>

INTERIM RESULTS

The directors of Sino-i Technology Limited (the "Company") hereby announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008, together with the comparative figures for 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30 June 2008

	Note	For the six months ended 30 June 2008 HK\$'000	2007 HK\$'000 (Restated)
Continuing operations:			
Revenue/Turnover	3	224,383	339,013
Cost of sales and services provided		(61,829)	(39,949)
Gross profit		162,554	299,064
Other operating income	4	3,994	3,445
Selling and marketing expenses		(115,020)	(108,195)
Administrative expenses		(116,238)	(91,058)
Other operating expenses		(59,520)	(34,351)
Finance costs	5	(3,200)	(6,822)
Share of results of an associate		–	–
(Loss)/Profit before income tax	6	(127,430)	62,083
Income tax credit/(expense)	7	9,935	(139)
(Loss)/Profit for the period from continuing operations		(117,495)	61,944
Discontinued operation:			
Profit/(Loss) for the period from discontinued operation	8	46,985	(1,129)
(Loss)/Profit for the period		(70,510)	60,815
Attributable to:			
Equity holders of the Company		(60,602)	41,728
Minority interests		(9,908)	19,087
(Loss)/Profit for the period		(70,510)	60,815
		HK cents	HK cents
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company during the period	10		
From continuing operations		(0.540)	0.212
From discontinued operation		0.236	(0.002)
Basic and diluted		(0.304)	0.210

Year 2007 figures have been restated or reclassified to disclose the results of discontinued operation in a separate line.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	(Unaudited) 30 June 2008	(Audited) 31 December 2007
Note	HK\$'000	HK\$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	145,298	132,585
Prepaid land lease payments under operating leases	58,142	55,212
Interest in an associate	–	–
Available-for-sale financial assets	324	324
Goodwill	68,618	57,524
Deposits	62,819	58,989
Other intangible assets	92,004	98,020
	427,205	402,654
Current assets		
Inventories	–	318,267
Financial assets at fair value through profit or loss	5,324	2,763
Trade receivables	11 45,853	86,041
Deposits, prepayments and other receivables	636,116	287,667
Amount due from ultimate holding company	1,585,508	1,640,830
Cash and cash equivalents	32,163	58,321
	2,304,964	2,393,889
Current liabilities		
Trade payables	12 42,083	24,292
Other payables and accruals	135,541	113,816
Deferred revenue	53,209	50,261
Provision for tax	29,088	28,145
Amount due to a director	26,973	40,863
Amounts due to shareholders	5,006	5,006
Amount due to a minority shareholder	12,000	12,000
Amount due to an associate	5,506	5,507
Bank and other borrowings	13 18,343	10,892
	327,749	290,782
Net current assets	1,977,215	2,103,107
Total assets less current liabilities	2,404,420	2,505,761

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

As at 30 June 2008

		(Unaudited)	(Audited)
		30 June	31 December
		2008	2007
	Note	HK\$'000	HK\$'000
Non-current liabilities			
Bank and other borrowings	13	47,191	55,099
Net assets		2,357,229	2,450,662
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	14	199,145	199,145
Share premium		39,194	39,194
Reserves		2,037,359	2,122,967
		2,275,698	2,361,306
Minority interests		81,531	89,356
Total equity		2,357,229	2,450,662

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months ended 30 June 2008

	For the six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Net cash used in operating activities	(52,309)	(24,976)
Net cash generated from/(used in) investing activities	27,804	(121,766)
Net cash (used in)/generated from financing activities	(4,631)	172,860
Net (decrease)/increase in cash and cash equivalents	(29,136)	26,118
Cash and cash equivalents at 1 January	58,321	43,067
Effect of foreign exchange rate changes, on cash held	2,978	1,522
Cash and cash equivalents at 30 June	32,163	70,707
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	32,163	70,707

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2008

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital redemption reserve	Capital distribution reserve	Share option reserve	General reserve	Exchange reserve	Retained profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	199,145	39,194	2,258	52,622	3,702	2,628	45,379	1,287,362	1,632,290	191,032	1,823,322
Exchange difference	-	-	-	-	-	-	34,558	-	34,558	11,899	46,457
Profit for the period	-	-	-	-	-	-	-	41,728	41,728	19,087	60,815
Total recognised income and expense for the period	-	-	-	-	-	-	34,558	41,728	76,286	30,986	107,272
Released on forfeiture of share options	-	-	-	-	(141)	-	-	141	-	-	-
Transfer to general reserve	-	-	-	-	-	5,263	-	(5,263)	-	-	-
At 30 June 2007	199,145	39,194	2,258	52,622	3,561	7,891	79,937	1,323,968	1,708,576	222,018	1,930,594
At 1 January 2008	199,145	39,194	2,258	52,622	3,248	9,458	84,996	1,970,385	2,361,306	89,356	2,450,662
Exchange difference	-	-	-	-	-	-	11,805	-	11,805	2,083	13,888
Loss for the period	-	-	-	-	-	-	-	(60,602)	(60,602)	(9,908)	(70,510)
Total recognised income and expense for the period	-	-	-	-	-	-	11,805	(60,602)	(48,797)	(7,825)	(56,622)
Realised on disposal of a subsidiary	-	-	-	-	-	-	(36,811)	-	(36,811)	-	(36,811)
Released on forfeiture of share options	-	-	-	-	(3,115)	-	-	3,115	-	-	-
At 30 June 2008	199,145	39,194	2,258	52,622	133	9,458	59,990	1,912,898	2,275,698	81,531	2,357,229

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2008

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and comply with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments classified as available-for-sale and at fair value through profit or loss which are stated at fair values.

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2007. As described in the annual financial statements for the year ended 31 December 2007, the following new standards and interpretations are mandatory for the financial year ending 31 December 2008:

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 Group has carried out an assessment of these standards and interpretations and considered that they have no significant impact on these interim financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The Group has not early adopted the following standards, amendments to standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ¹
HK(IFRIC) - Int 13	Customer Loyalty Programmes ²
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

Notes

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2008

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods beginning on or after 1 October 2008

As disclosed in the Group's annual audited financial statements for the year ended 31 December 2007, HKAS 1 (Revised) would affect the presentation of the Group's financial statements.

The directors of the Company are currently assessing the impact of the other standards and interpretations but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

3. SEGMENT INFORMATION

- (a) The following analysis presents the Group's revenue, which is also the Group's turnover, and results for the Group's business segments:

For the six months ended 30 June 2008								
	Continuing operations						Discontinued operation	
	Financial information services	Corporate IT application services	Distance learning education services	Other segments	Elimination	Sub-total	Property development	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
- Sales to external customers	11,034	195,647	2,467	15,235	-	224,383	-	224,383
- Inter-segment sales	-	-	2,388	-	(2,388)	-	-	-
	11,034	195,647	4,855	15,235	(2,388)	224,383	-	224,383
Segment results	(17,944)	(89,361)	(2,175)	(4,921)	-	(114,401)	(16)	(114,417)
Interest income								349
Gain on disposal of a subsidiary								47,001
Unallocated corporate expenses								(10,178)
Finance costs								(3,200)
Share of results of an associate								-
Loss before income tax								(80,445)
Income tax credit								9,935
Loss for the period								(70,510)

3. SEGMENT INFORMATION *(continued)*

	For the six months ended 30 June 2007							Total HK\$'000
	Continuing operations					Discontinued operation		
	Financial informa- tion services HK\$'000	Corporate application services HK\$'000	Distance learning education services HK\$'000	Other segments HK\$'000	Elimination HK\$'000	Sub-total HK\$'000	Property development HK\$'000	
Segment revenue								
– Sales to external customers	9,155	325,975	3,117	766	–	339,013	–	339,013
– Inter-segment sales	15,278	–	–	–	(15,278)	–	–	–
	<u>24,433</u>	<u>325,975</u>	<u>3,117</u>	<u>766</u>	<u>(15,278)</u>	<u>339,013</u>	<u>–</u>	<u>339,013</u>
Segment results	790	99,395	(4,138)	(2,366)	(15,278)	78,403	(1,224)	77,179
Interest income								187
Unallocated corporate expenses								(9,574)
Finance costs								(6,838)
Share of results of an associate								–
Profit before income tax								60,954
Income tax expense								(139)
Profit for the period								<u>60,815</u>

3. SEGMENT INFORMATION (continued)

(b) The following analysis presents the Group's revenue, which is also the Group's turnover, and results for the Group's geographical segments:

	Revenue/Turnover		Segment Profit/(Loss)	
	For the six months ended 30 June		For the six months ended 30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	424	–	(996)	1,799
The People's Republic of China ("PRC")	223,959	339,013	(113,421)	75,380
	224,383	339,013	(114,417)	77,179

4. OTHER OPERATING INCOME

	For the six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Interest income	349	187
Net fair value gain on financial assets at fair value through profit or loss	–	1,814
Sundry income	3,645	1,444
	3,994	3,445

5. FINANCE COSTS

	For the six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000 (Restated)
Interest charges on:		
Bank loans wholly repayable within five years	2,568	5,407
Other borrowings wholly repayable within five years	–	241
Amounts due to securities brokers and margin financiers	628	774
Finance charges on finance leases	–	16
Other payables	4	400
	3,200	6,838
<i>Less: Amounts included in discontinued operation</i>	–	(16)
	3,200	6,822

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging:

	For the six months ended 30 June			
	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
	2008	2008	2007	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of intangible assets	17,183	–	10,822	–
Gross depreciation of property, plant and equipment – Owned assets	15,213	–	8,343	7
<i>Less: Amounts capitalised in intangible assets</i>	(159)	–	–	–
Net depreciation of property, plant and equipment – Owned assets	15,054	–	8,343	7
Depreciation of property, plant and equipment – Leased assets	–	–	–	85
Operating lease charges on prepaid land lease	640	–	141	–

7. INCOME TAX (CREDIT)/EXPENSE

	For the six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
PRC Enterprise Income Tax		
Current tax – tax for the period	27	139
Tax incentives on re-investment	(9,962)	–
	(9,935)	139

No Hong Kong profits tax has been provided in the financial statements as the companies within the Group did not derive any assessable profits in Hong Kong (6 months ended 30 June 2007: Nil).

PRC Enterprise Income Tax (“EIT”) is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Prior to 1 January 2008, EIT has been provided on the estimated assessable profits of the subsidiaries operating in Mainland China at 33%, unless preferential rates are applicable in the cities where the subsidiaries are located. Certain subsidiaries of the Group enjoyed preferential rates because they are wholly-owned foreign enterprises in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises or are located in the Beijing Economic-Technological Development Area.

Pursuant to the tax law passed by the Tenth National People’s Congress on 16 March 2007, the new EIT rates for domestic and foreign enterprises in Mainland China are unified at 25% with effective from 1 January 2008. There will be a transitional period for PRC subsidiaries that currently are entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiaries currently subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower tax rate and be gradually transitioned to the new unified rate of 25% within five years after 1 January 2008. PRC subsidiaries that were entitled to Tax Holidays for a fixed term may continue to enjoy such treatment until the fixed term expires.

8. DISCONTINUED OPERATION

On 20 March 2008, the Group entered into an Agreement to dispose its 100% equity interest in a subsidiary. The subsidiary was engaged in property development operation and, since its disposal, the Group ceased its property development operation. The results and cash flows from property development operation included in this condensed consolidated interim financial statements are as follows:

	Note	For the six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000
Results			
Administrative expenses		(16)	(975)
Other operating expenses		–	(138)
Finance costs		–	(16)
Loss before income tax	6	(16)	(1,129)
Income tax expense		–	–
Loss for the period		(16)	(1,129)
Gain on disposal of a subsidiary	9	47,001	–
Profit/(Loss) from discontinued operation		46,985	(1,129)
Cash flows			
Operating cash flows		(1)	44,033
Investing cash flows		–	(32)
Financing cash flows		–	(90)
Total cash flows		(1)	43,911

9. DISPOSAL OF A SUBSIDIARY

The Group discontinued its property development operation at the time of disposal of its subsidiary, 北京金世紀大酒店有限公司 (Beijing Golden Century Hotel Limited). The net assets of the subsidiary at the date of disposal were as follows:

	For the six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Net assets disposed of:		
Property, plant and equipment	501	–
Inventories	318,267	–
Amount due from ultimate holding company	102,616	–
Cash and cash equivalents	40	–
Other payables and accruals	(8,636)	–
Amounts due to fellow subsidiaries	(34,607)	–
Amount due to immediate holding company	(112,061)	–
Amount due to a director	(68,670)	–
	197,450	–
Exchange reserve realised on disposal	(36,811)	–
Net gain on disposal of a subsidiary	47,001	–
	207,640	–
Satisfied by:		
Cash	53,390	–
Consideration receivable included in deposits, prepayments and other receivables	154,250	–
	207,640	–

10. (LOSS)/EARNINGS PER SHARE

- (a) From continuing and discontinued operations

The calculation of basic (loss)/earnings per share from continuing and discontinued operations is based on the loss for the period attributable to the equity holders of the Company of HK\$60,602,000 (6 months ended 30 June 2007: profits of HK\$41,728,000) and on 19,914,504,877 (6 months ended 30 June 2007: 19,914,504,877) ordinary shares in issue during the period.

- (b) From continuing operations

The basic (loss)/earnings per share from continuing operations attributable to the equity holders of the Company is calculated based on the following data:

(Loss)/Earnings figures are calculated as follows:

	For the six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
(Loss)/Profit for the period from continuing operations	(117,495)	61,944
Add/(Less): Loss/(Profit) for the period attributable to minority interests from continuing operations	9,908	(19,742)
	(107,587)	42,202

The denominators used are the same as those detailed above for basic (loss)/earnings per share from continuing and discontinued operations.

10. (LOSS)/EARNINGS PER SHARE *(continued)*

- (c) From discontinued operation

The basic earnings/(loss) per share from discontinued operation attributable to the equity holders of the Company is calculated based on the following data:

Earnings/(Loss) figures are calculated as follows:

	For the six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Profit/(Loss) for the period from discontinued operation	46,985	(1,129)
<i>Add:</i> Loss for the period attributable to minority interests from discontinued operation	–	655
	46,985	(474)

The denominators used are the same as those detailed above for basic (loss)/earnings per share from continuing and discontinued operations.

- (d) The basic and diluted (loss)/earnings per share are the same. The share options have no dilutive effect on the (loss)/earnings per share for the six months ended 30 June 2007 and 30 June 2008 as the exercise price of the options outstanding during the period exceeds the average market price of ordinary shares.

11. TRADE RECEIVABLES

Trade receivables are due on presentation of invoices. The aging analysis of trade receivables was as follows:

	30 June 2008	31 December 2007
	HK\$'000	HK\$'000
0–90 days	8,171	14,320
91–180 days	11,152	79,987
181–270 days	21,875	1,669
271–360 days	925	1,226
Over 360 days	18,497	17,118
Trade receivables, gross	60,620	114,320
Less: Provision for impairment of receivables	(14,767)	(28,279)
Trade receivables, net	45,853	86,041

12. TRADE PAYABLES

The aging analysis of trade payables was as follows:

	30 June 2008	31 December 2007
	HK\$'000	HK\$'000
0–90 days	26,480	12,100
91–180 days	8,572	9,128
181–270 days	3,955	1,306
271–360 days	39	242
Over 360 days	3,037	1,516
	42,083	24,292

13. BANK AND OTHER BORROWINGS

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Bank loans, secured	65,534	65,991

At 30 June 2008, the bank and other borrowings of the Group were repayable as follows:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Within one year	18,343	10,892
In the second year	27,860	26,268
In the third to fifth years	19,331	28,831
Wholly repayable within 5 years	65,534	65,991
Less: Portion due within one year under current liabilities	(18,343)	(10,892)
Portion due over one year under non-current liabilities	47,191	55,099

14. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	HK\$'000
Authorised:		
At 1 January 2007, 31 December 2007 and 30 June 2008	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2007, 31 December 2007 and 30 June 2008	19,914,504,877	199,145

15. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Associates (note)	12,016	11,624
Third parties (note)	65,754	65,754
	77,770	77,378

Note: There have been no material developments in respect of pending litigation with Genius Reward Loan since the disclosures in the Group's annual audited financial statements for the year ended 31 December 2007. Due to the pending litigation, the Group cannot ascertain the fair value of the guarantee in respect of the loan borrowed by Genius Reward.

According to the facts disclosed in the Group's annual audited financial statements for the year ended 31 December 2007, the Group also does not have updated information of the outstanding balance of the indebtedness under the ICBC Loan ("ICBC Indebtedness"), therefore the fair value of the guarantee for ICBC Indebtedness cannot be ascertained.

16. CAPITAL COMMITMENTS

At 30 June 2008, the Group had outstanding capital commitments as follows:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Contracted but not provided for in respect of:		
– construction in progress	199,487	4,388

17. CREDIT FACILITIES

At 30 June 2008, the Group's credit facilities were secured by the following:

- (a) charge over land use rights with a net carrying value of approximately HK\$58,142,000 (31 December 2007: HK\$55,212,000); and
- (b) charge over buildings with a net carrying value of approximately HK\$35,337,000 (31 December 2007: HK\$34,055,000).

In addition, certain shareholders of Nan Hai Corporation Limited ("Nan Hai"), the ultimate holding company, have pledged their shareholdings in Nan Hai for the Group's credit facilities.

18. RELATED PARTY TRANSACTIONS

Directors' fees and remuneration were as follows:

	For the six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Directors' fees	259	255
Basic salaries, housing, other allowances and benefits in kind	421	359
	680	614

Except as disclosed elsewhere in these condensed consolidated interim financial statements, there was no material related party transaction carried out during the period.

19. LITIGATIONS

There have been no material changes and developments in respect of pending litigation cases of the Group since the disclosures in the Group's annual audited financial statement for the year ended 31 December 2007.

20. COMPARATIVE FIGURES

Certain comparative figures have been restated or reclassified to separately disclose the results of discontinued operation.

INTERIM DIVIDEND

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2008 (30 June 2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

During the period under review, the Group was principally engaged in corporate IT application services, financial information services, distance learning education services, and culture and media services. Turnover for the period was HK\$224.4 million (6 months ended 30 June 2007: HK\$339.0 million), and a net loss attributable to equity holders of the Company of HK\$60.6 million (6 months ended 30 June 2007: net profit of HK\$41.7 million) was recorded. The net asset value of the Group attributable to equity holders amounted to approximately HK\$2,275.7 million, representing a value of HK\$0.114 per share.

The loss was mainly attributable to the slow down in the corporate IT application business resulting from increasing competition in the China market.

The Group's main businesses have been focusing on the IT business sector in China. The IT business in China is becoming increasingly competitive. The management believes that it is in the best interest of the Group to dispose of its non-core business so that the Group can focus its resources on the IT and related businesses for maintaining its competitiveness. In March 2008, the Group decided to dispose a subsidiary with major assets of an office building in Beijing for a total consideration of RMB300 million (*details of which were disclosed in the circular dated 9 April 2008*). The sale of this subsidiary resulted in a profit of approximately HK\$47.0 million for the Group. This additional financial resources will be utilized for future expansion of the Group's IT operations in China.

Corporate IT Application Services

During the period under review, this division recorded a decrease in turnover of 40.0% to HK\$195.6 million (6 months ended 30 June 2007: HK\$326.0 million) and a segment loss of HK\$89.4 million (6 months ended 30 June 2007: segment profit of HK\$99.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)***Corporate IT Application Services** *(continued)*

CE Dongli Technology Group Company Limited (“CE Dongli”)

The drop in revenue and segment profit was mainly due to the change in business strategy on the domain name registration and promotion business and also sharp increase in staff cost. The management anticipates the profit margin from this division will squeeze substantially in the near future, and will negatively affect its growth and customers’ relationship in the long run. The management therefore decided to realign our business strategy by shifting away from these withering businesses, which used to constitute a significant portion of this division’s turnover. Given the continuous increase in staff cost in China, and commitment to improve the gross margin, the management believes such change in business strategies will significantly benefit CE Dongli in the long run. The management has been closely monitoring the development of this change in business strategy, and already observed improvement in profit margin in the second half of 2008.

As far as our R&D expenditure is concerned, CE Dongli continues to invest to further enhance product development and service capability in this rapidly changing business environment. This investment is regarded as an inevitable tools to equip CE Dongli to maintain its industry leading position. However, CE Dongli will continue to face cost problem before it could achieve better return on such technology investment.

Renminbi appreciation and the government austerity measures continue to take its toll on the financial health of many SMEs in China. The management anticipates this situation will continue in the near future and a market recovery will depend on improvement in inflation and relaxation of credit. However, the high exchange rate of Renminbi will continue to be a negative cloud above this sector.

北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) (“Xinnet”)

It provides basic Internet application services for corporations in China. During the period under review, Xinnet had 32 branches over the country, and had approximately 20,000 distributors. Xinnet was one of the leading providers in hosting services in China.

The operation is healthy but similar to CE Dongli, Xinnet is facing a difficult SME market in China.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Information Services

During the period under review, this division recorded a turnover of HK\$11.0 million (6 months ended 30 June 2007: HK\$24.4 million) and a segment loss of HK\$17.9 million (6 months ended 30 June 2007: segment profit of HK\$0.8 million). The loss was mainly attributable to the drop in turnover, however, stripping the impact of inter-company sales during the last period, this division posted similar result and operating cost.

北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited) (“Shihua”) provides real-time and archived financial information, data, pricing, professional research and objective analysis for financial institutions and investors in China. Shihua’s information subscription services and terminals provide a comprehensive financial information platform in China, including distributing information and data on domestic and global economy, futures, bonds, stock, FOREX markets as well as key domestic industries.

Shihua will continue to invest in a prudent manner to promote its new product line, and the Group is confident that the business performance of this division will be improved in the near future, which in turn generate satisfactory return for the Group.

Distance Learning Education Services

During the period under review, this division recorded a turnover of HK\$4.9 million (6 months ended 30 June 2007: HK\$3.1 million) and the segment loss decreased to HK\$2.2 million (6 months ended 30 June 2007: HK\$4.1 million).

北京華夏大地遠程教育網絡服務有限公司 (Beijing Chinese Dadi Distance Education Company Limited) (“Chinese Dadi”) had developed more than 300 e-learning courses for clients. It also established comprehensive and in-depth collaborations with 29 provincial and municipal examination authoritative organizations. Chinese Dadi has more than 940,000 registered on-line education users. The average daily page view of its website reached about 6.0 million times.

This division of business has strived to reduce operating cost mainly through reducing headcounts during the period under review and this cost cutting measure will continue in the second half of 2008. The management targets the cash flow to breakeven in the coming year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Distance Learning Education Services *(continued)*

In terms of business strategies, Chinese Dadi will continue to strengthen its market share through cooperation with educational institutes, and has begun to expand its product range from merely sales of online course materials to online interactive learning programs. The management also decided to cut down all technical outsource services since profit from this business is sporadic.

The management is closely monitoring the development of this division of business, and has determined to further improve its performance in the near future.

Research and Development (R&D)

The Group's software R&D centre equipped with well trained professional software engineers and system engineers that continue to strengthen our software development and IT infrastructural support. The software R&D centre has developed CBD (component based design) method for software development, and implemented stringent software developing process and quality control system. The Group remains in a leading position in such technological aspects as DRM (digital right management), SOA (service-oriented application), Openoffice & Mozilla base on open source code, and IT application service system.

The technology operations centre has been equipped with the abilities of providing comprehensive IT services ranging from integrated systems, business solutions, IT services support and management, and has fully implemented IT service management in international standards by referring to Information Technology Infrastructure Library, which has enhanced our IT services capabilities.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 30 June 2008, the net asset value of the Group attributable to the equity holders amounted to approximately HK\$2,275.7 million (31 December 2007: HK\$2,361.3 million) including cash and bank balances of approximately HK\$32.2 million (31 December 2007: HK\$58.3 million) (which were denominated mainly in Renminbi and Hong Kong dollars). As at 30 June 2008, the Group's aggregate borrowings were HK\$65.5 million (31 December 2007: HK\$66.0 million). All of such borrowings were bearing interest at floating rates. The gearing ratio of the Group, which is net debt divided by the adjusted capital plus net debt, marginally increased from 0.3% as at 31 December 2007 to 1.4% as at 30 June 2008. The increase in gearing ratio was mainly due to reduce in cash as a result of a loss from the existing operation during the six months under review.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL *(continued)*

The Group's contingent liabilities at 30 June 2008 were HK\$77.8 million due to the guarantees given in connection with credit facilities.

As at 30 June 2008, land use rights and buildings with net book value of approximately HK\$93.5 million and listed securities of certain shareholders of Nan Hai were pledged as securities for credit facilities.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

The majority of the Group's borrowings and transactions were primarily denominated in Renminbi and Hong Kong dollars. Both the operating expenses and revenues were primarily in Renminbi. It is expected that the exchange rate of Renminbi will continue to appreciate resulting from the continuous strong economic growth in China. The Group's reporting assets, liabilities and profits may be affected by the Renminbi exchange rate. Although the Renminbi exchange risk exposure is not significant during the reviewed period, the Group will keep on reviewing and monitoring the exchange risks between Renminbi and Hong Kong dollars, and may proceed to have some kind of foreign exchange hedging arrangements when appropriate and necessary.

EMPLOYEE

The Group employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the board of directors (the "Board"). In general, salary review is conducted annually. As at 30 June 2008, the Group had approximately 7,306 employees (as at 30 June 2007: 8,388 employees). The salaries of and allowances for employees for the six months ended 30 June 2008 were approximately HK\$151.8 million (6 months ended 30 June 2007: HK\$134.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)***PROSPECT**

CE Dongli, being the flagship of the IT division of the Group, will continue to develop new products and to increase its market share. Application products and services based on its own software solutions will further strengthen its market position in the e-commerce sector.

The China financial market has been growing rapidly. Increasing varieties of financial instruments are expected to be introduced to the market in order to cope with the more mature and sophisticated investors. Shihua sees that demands for contents with more sophisticated and industry specific analysis or reports from the investors are in a increasing rate. In view of this, Shihua is well positioned to capture this expanding market and place itself as a core financial information provider in this industry.

In view of the distance learning education services sector, the service models of Chinese Dadi, and its qualities have been highly recognized by the Chinese government, and Chinese Dadi is highly supported by the government policies and collaboration commitments. The Group believes that distance learning education services division will breakeven soon.

The Group will keep on streamlining its businesses, enhancing overall synergies and efficacies, and to strengthening its market position in its respective business areas. In addition, the Group will continue to invest in its current businesses in a prudent manner in spite of the increasing competitive market environment in China. The Group will strive to increase its market share by means of continuing mergers and acquisitions, and restructuring and re-allocation of internal resources.

The strong technical and product supports have been identified as the key component to the success of the Group in the past, therefore, the Group will continue to enhance the quality and professionalism of its technical teams, and R&D capabilities.

The Group will continue to focus on all current businesses, to reinforce and expand its competitive advantage for achieving greater returns for the shareholders.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2008, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

The Company

Long position in shares in issue

Name of Director	Number of shares of HK\$0.01 each				Approximate percentage holding
	Personal interest	Corporate interest	Family interest	Total interest	
Yu Pun Hoi ("Mr. Yu")	-	12,515,795,316 (Note 1)	44,000,000 (Note 2)	12,559,795,316	63.07%
Fung Wing Lap	10,000	-	-	10,000	0.00005%

Notes:

- Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of Nan Hai, the holding company of the Company. These 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of Nan Hai. As such, Mr. Yu was taken to be interested in these shares for the purposes of Part XV of the SFO.
- These 44,000,000 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Associated Corporations

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of Nan Hai. As such, Mr. Yu is taken to be interested in the shares that the Company, Nan Hai or their respective controlled corporations hold in the associated corporations of the Company within the meaning of Part XV of the SFO. Nan Hai is a company the shares of which are listed on the Stock Exchange which is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at 30 June 2008, the interests of the directors of the Company in shares and underlying shares of Nan Hai were as follows:

Nan Hai

(i) *Long position in shares in issue*

Name of Director	Number of shares of HK\$0.01 each				Total interest	Approximate percentage holding
	Personal interest	Corporate interest	Family interest			
Yu Pun Hoi	–	32,595,726,203 <i>(Note 1)</i>	69,326,400 <i>(Note 2)</i>	32,665,052,603	47.59%	
Chen Dan	32,000,000	–	–	32,000,000	0.05%	
Qin Tian Xiang	7,000,000	–	–	7,000,000	0.01%	
Fung Wing Lap	15,756	–	–	15,756	0.00002%	

Notes:

- Out of these 32,595,726,203 shares, 28,853,232,705 shares were collectively held by Mr. Yu through Rosewood Assets Limited, Pippen Limited and First Best Assets Limited, companies wholly owned by him; and 3,742,493,498 shares were held by Macro Resources Limited, a company indirectly held as to 60% by Mr. Yu.
- These 69,326,400 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Associated Corporations *(continued)*

Nan Hai *(continued)*

(ii) Long position in underlying shares

Name of Director	Number of underlying shares of HK\$0.01 each*	Nature of interest	Approximate percentage holding
Chen Dan	7,000,000	Personal	0.01%
Qin Tian Xiang	7,000,000	Personal	0.01%

* Represents underlying shares subject to share options granted to the directors, details of which are as follows:

Grantee	Date of grant	Exercise price per share HK\$	Number of share options granted	Exercisable period
Chen Dan	18-01-2007	0.0714	7,000,000	19-01-2008 to 18-01-2009
Qin Tian Xiang	18-01-2007	0.0714	7,000,000	19-01-2008 to 18-01-2009

Save as disclosed above, as at 30 June 2008, none of the directors and chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

On 29 August 2002, the Company adopted a share option scheme (the “Scheme”). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board.

On 12 November 2004, share options to subscribe for a total of 233,360,000 shares, representing approximately 1.68% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors and employees of the Company and subsidiaries and the persons who have provided research, development or other technological support or services to the Group at an exercise price of HK\$0.16 per share. The closing price of share of the Company immediately preceding the date of grant was HK\$0.158.

Movements on the share options during the period are as follows:

Grantee	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				Outstanding as at 30 June 2008
				Outstanding as at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	
Directors								
Lam Bing Kwan	12-11-2004	01-07-2005 to 30-06-2008	0.16	9,000,000	-	-	(9,000,000)	-
		01-07-2006 to 30-06-2008	0.16	9,000,000	-	-	(9,000,000)	-
Chen Dan	12-11-2004	01-07-2005 to 30-06-2008	0.16	3,750,000	-	-	(3,750,000)	-
		01-07-2006 to 30-06-2008	0.16	3,750,000	-	-	(3,750,000)	-
Employees								
In aggregate	12-11-2004	01-07-2005 to 30-06-2008	0.16	19,525,000	-	-	(19,525,000)	-
		01-07-2006 to 30-06-2008	0.16	19,525,000	-	-	(19,525,000)	-
		01-01-2006 to 31-12-2008	0.16	1,500,000	-	-	-	1,500,000
		01-01-2007 to 31-12-2008	0.16	1,500,000	-	-	-	1,500,000
Total				67,550,000	-	-	(64,550,000)	3,000,000

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2008, those persons (other than directors and chief executive of the Company) who had interests and short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Nature of interest	Number of shares in issue subject to long position	Approximate percentage of issued share capital of the Company	Note
Kung Ai Ming	Family and Corporate interest	12,559,795,316	63.07%	1
Martin Currie (Holdings) Limited	Corporate interest	1,276,340,000	6.41%	
Nan Hai	Corporate interest	12,515,795,316	62.85%	

Note:

- Ms. Kung Ai Ming is the spouse of Mr. Yu and was taken to be interested in those shares in which Mr. Yu and herself (together with their respective corporate interests) held an interest.

Save as disclosed above, as at 30 June 2008, no person (other than directors and chief executive of the Company) had notified to the Company any interests or short positions in shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008, except for the deviations mentioned below:

Code Provision A.2.1 stipulated that the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual.

The Company has not appointed a CEO. The role of CEO is also performed by Mr. Yu Pun Hoi who is the chairman of the Company. The Board believes that vesting the roles of both chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

Code Provision A.4.1 stipulated that non-executive directors should be appointed for a specific term subject to re-election.

The non-executive directors of the Company are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation requirements in accordance with the Company's articles of association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2008.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company, namely Mr. Huang Yaowen, Prof. Jiang Ping and Mr. Fung Wing Lap. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, the unaudited interim results for the six months ended 30 June 2008, and discussed the financial control, internal control and risk management systems.

By order of the Board
Yu Pun Hoi
Chairman

Hong Kong, 23 September 2008

