



2009

INTERIM REPORT

中期報告



中國數碼信息有限公司
Sino-i Technology Limited

股份代號: 250
Stock Code: 250

CORPORATE INFORMATION

DIRECTORS

Executive

Mr. YU Pun Hoi (*Chairman*)

Ms. CHEN Dan

Ms. LIU Rong

Mr. WANG Gang

Non-executive

Mr. QIN Tian Xiang

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

AUDITORS

Grant Thornton

Certified Public Accountants

Hong Kong

LEGAL ADVISERS

K&L Gates

REGISTERED OFFICE

39th Floor

New World Tower I

16-18 Queen's Road Central

Hong Kong

SHARE REGISTRAR

Tricor Abacus Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

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 2009, together with the comparative figures for 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30 June 2009

	Notes	For the six months ended 30 June 2009 HK\$'000	2008 HK\$'000 (Restated)
Continuing operations:			
Revenue/Turnover	5	195,212	224,383
Cost of sales and services provided		(53,081)	(61,829)
Gross profit		142,131	162,554
Other operating income	5	77,210	69,978
Selling and marketing expenses		(125,808)	(115,020)
Administrative expenses		(130,191)	(116,238)
Other operating expenses		(43,047)	(59,520)
Finance costs	6	(2,981)	(3,200)
Share of results of an associate		–	–
Loss before income tax	7	(82,686)	(61,446)
Income tax (expense)/credit	8	(9,033)	2,535
Loss for the period from continuing operations		(91,719)	(58,911)
Discontinued operation:			
Profit for the period from discontinued operation		–	46,985
Loss for the period		(91,719)	(11,926)
Attributable to:			
Equity holders of the Company		(87,242)	(2,885)
Minority interests		(4,477)	(9,041)
Loss for the period		(91,719)	(11,926)
		HK cents	HK cents
Basic (loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period			
	9		
From continuing operations		(0.438)	(0.250)
From discontinued operation		–	0.236
		(0.438)	(0.014)
Diluted (loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period			
	9		
From continuing operations		N/A	(0.250)
From discontinued operation		N/A	0.236
		N/A	(0.014)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Loss for the period	(91,719)	(11,926)*
Other comprehensive income, including reclassification adjustments:		
Exchange differences on translating foreign operations	(1,043)	13,888
Exchange differences realised on disposal of a subsidiary	–	(36,811)
Other comprehensive loss for the period, including reclassification adjustments and net of tax	(1,043)	(22,923)
Total comprehensive loss for the period	(92,762)	(34,849)
Attributable to:		
Equity holders of the Company	(88,232)	(27,891)
Minority interests	(4,530)	(6,958)
Total comprehensive loss for the period	(92,762)	(34,849)

* Restated

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

		(Unaudited) 30 June 2009 HK\$'000	(Audited) 31 December 2008 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		118,941	127,547
Investment property		11,851	12,015
Prepaid land lease payments under operating leases		56,664	57,408
Interest in an associate		–	–
Available-for-sale financial assets		324	324
Goodwill		81,840	81,789
Deposits		134,565	141,650
Other intangible assets		73,952	76,451
Amount due from ultimate holding company		1,645,530	–
		2,123,667	497,184
Current assets			
Financial assets at fair value through profit or loss		2,524	2,195
Trade receivables	10	24,109	26,441
Deposits, prepayments and other receivables		336,009	299,636
Amount due from ultimate holding company		–	1,695,351
Cash and cash equivalents		318,188	103,692
		680,830	2,127,315
Current liabilities			
Trade payables	11	25,282	27,804
Other payables and accruals		94,184	86,020
Deferred revenue		49,234	54,731
Provision for tax		54,434	45,450
Amount due to ultimate holding company		187,915	–
Amount due to a director		2,715	6,157
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 borrowings, secured	12	118,481	27,935
		554,757	270,610
Net current assets		126,073	1,856,705
Total assets less current liabilities		2,249,740	2,353,889

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2009

		(Unaudited)	(Audited)
		30 June	31 December
		2009	2008
	Notes	HK\$'000	HK\$'000
Non-current liabilities			
Bank borrowings, secured	12	19,195	30,582
		19,195	30,582
Net assets		2,230,545	2,323,307

EQUITY**Equity attributable to the Company's equity holders**

Share capital	13	199,145	199,145
Share premium		39,194	39,194
Reserves		1,930,202	2,018,434
		2,168,541	2,256,773
Minority interests		62,004	66,534
Total equity		2,230,545	2,323,307

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	87,311	(52,309)
Net cash generated from investing activities	50,545	27,804
Net cash generated from/(used in) financing activities	76,772	(4,631)
Net increase/(decrease) in cash and cash equivalents	214,628	(29,136)
Cash and cash equivalents at 1 January	103,692	58,321
Effect of foreign exchange rate changes, on cash held	(132)	2,978
Cash and cash equivalents at 30 June	318,188	32,163
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	318,188	32,163

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2009

	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 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
Loss for the period, as restated	-	-	-	-	-	-	-	(2,885)	(2,885)	(9,041)	(11,926)
Other comprehensive income/(loss)											
- Exchange differences on translating foreign operations	-	-	-	-	-	-	11,805	-	11,805	2,083	13,888
- Exchange differences realised on disposal of a subsidiary	-	-	-	-	-	-	(36,811)	-	(36,811)	-	(36,811)
Total comprehensive loss for the period	-	-	-	-	-	-	(25,006)	(2,885)	(27,891)	(6,958)	(34,849)
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	1,970,615	2,333,415	82,398	2,415,813
At 1 January 2009	199,145	39,194	2,258	52,622	-	9,477	57,000	1,897,077	2,256,773	66,534	2,323,307
Loss for the period	-	-	-	-	-	-	-	(87,242)	(87,242)	(4,477)	(91,719)
Other comprehensive loss											
- Exchange differences on translating foreign operations	-	-	-	-	-	-	(990)	-	(990)	(53)	(1,043)
Total comprehensive loss for the period	-	-	-	-	-	-	(990)	(87,242)	(88,232)	(4,530)	(92,762)
At 30 June 2009	199,145	39,194	2,258	52,622	-	9,477	56,010	1,809,835	2,168,541	62,004	2,230,545

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable provisions of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2008.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 21 September 2009.

2. PRIOR PERIOD ERROR

Reference is made to the announcement of the Company dated 24 April 2009. The board of directors of the Company (the “Board”) clarified that the interest receivable from Nan Hai Corporation Limited (“Nan Hai”), the ultimate holding company of the Company, for the six months ended 30 June 2008 in the amount of HK\$65,984,000 was omitted in the interim results for the six months ended 30 June 2008. As a result, the corresponding income tax expense was omitted and accordingly the loss shared to the minority interests for the six months ended 30 June 2008 was overstated. The correct figure of the loss attributable to equity holders of the Company for the six months ended 30 June 2008 should be HK\$11,926,000 instead of HK\$70,510,000. Details of the restatements made in respect of the interim financial statements for the prior period are as follows:

Consolidated Income Statement

Items	Interim report 2008	Restated
	HK\$'000	HK\$'000
Other operating income	3,994	69,978
Income tax credit	9,935	2,535
Loss for the period	(70,510)	(11,926)
Loss attributable to equity holders of the Company	(60,602)	(2,885)
Loss attributable to minority interests	(9,908)	(9,041)
Basic and diluted loss per share from continuing operations	HK cents (0.540)	HK cents (0.250)
Basic and diluted loss per share	HK cents (0.304)	HK cents (0.014)

Certain comparative figures have been restated to reflect the above rectification.

3. SIGNIFICANT ACCOUNTING POLICIES

These 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 used in the preparation of these condensed consolidated interim financial statements are consistent with those set out in the Group's annual financial statements for the year ended 31 December 2008, except that the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (the "new and revised HKFRSs") that are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2009.

HKAS 1 (Revised 2007) Presentation of Financial Statements has introduced a number of terminology changes, including revised titles for the condensed consolidated interim financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 Operating Segments 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 to the chief operating decision maker 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. During the six months ended 30 June 2008, the Group discontinued its property development business. Financial information was no longer reported on property development business as it was not considered an operating segment according to HKFRS 8. Except for this discontinued operation, the adoption of HKFRS 8 has not materially affected the other identified and reported operating segments for the Group, however, comparative figures have been represented on a basis consistent with the new standard.

Apart from certain presentation changes, the adoption of the new and revised HKFRSs has no material impact on the Group's results and financial position for the current and prior periods. Accordingly, no prior period adjustment is required.

The HKICPA has also issued a number of new standards, amendments to standards and interpretations which are effective for the financial year beginning after 1 January 2009. The Group has not early adopted these standards. The directors are currently assessing the impact of these new and revised HKFRSs upon initial application but are not yet in a position to state whether they would have material financial impact on the Group's results and financial position.

4. SEGMENT INFORMATION

The Group is organised into several operating segments, financial information services, corporate IT application services and distance learning education services. Other segments represent trading of securities and culture and media services. Management of the Group measures the performance of its segments based on loss before income tax.

No sales are carried out between segments for the six months ended 30 June 2009.

The segment results for the six months ended 30 June 2009 are as follows:

	For the six months ended 30 June 2009					Total HK\$'000
	Financial information services HK\$'000	Corporate IT application services HK\$'000	Distance learning education services HK\$'000	All other segments HK\$'000	Elimination HK\$'000	
Segment revenue						
– Sales to external customers	9,814	183,327	2,071	-	-	195,212
Segment (loss)/profit before interest, taxes, depreciation and amortisation	(20,660)	(79,843)	(1,776)	727	-	(101,552)
Interest income	2	148	1	-	-	151
Finance costs	(4)	(2,977)	-	-	-	(2,981)
Depreciation and amortisation	(344)	(30,890)	(1,043)	-	-	(32,277)
Share of results of an associate	-	-	-	-	-	-
Segment (loss)/profit before income tax	(21,006)	(113,562)	(2,818)	727	-	(136,659)
Unallocated corporate income and expenses						53,973
Loss before income tax						(82,686)

4. SEGMENT INFORMATION *(continued)*

The segment results for the six months ended 30 June 2008 are as follows:

	For the six months ended 30 June 2008					Total HK\$'000
	Financial information services HK\$'000	Corporate IT application services HK\$'000	Distance learning education services HK\$'000	All other segments HK\$'000	Elimination HK\$'000	
Segment revenue						
– Sales to external customers	11,034	195,647	2,467	15,235	–	224,383
– Inter-segment sales	–	–	2,388	–	(2,388)	–
	11,034	195,647	4,855	15,235	(2,388)	224,383
Segment loss before interest, taxes, depreciation and amortisation	(17,527)	(57,392)	(1,970)	(4,773)	–	(81,662)
Interest income	3	213	3	1	–	220
Finance costs	(4)	(2,569)	–	(627)	–	(3,200)
Depreciation and amortisation	(417)	(31,969)	(205)	(148)	–	(32,739)
Share of results of an associate	–	–	–	–	–	–
Segment loss before income tax	(17,945)	(91,717)	(2,172)	(5,547)	–	(117,381)
Unallocated corporate income and expenses						55,935
Loss before income tax						(61,446)

The segment assets and liabilities as at 30 June 2009 are as follows:

	As at 30 June 2009					Total HK\$'000
	Financial information services HK\$'000	Corporate IT application services HK\$'000	Distance learning education services HK\$'000	All other segments HK\$'000	Elimination HK\$'000	
Reportable segment assets	6,159	737,871	4,269	2,104	–	750,403
Unallocated corporate assets						2,054,094
Total assets						2,804,497
Reportable segment liabilities	21,990	272,318	2,303	–	–	296,611
Amount due to an associate						5,506
Unallocated corporate liabilities						271,835
Total liabilities						573,952

4. SEGMENT INFORMATION *(continued)*

The segment assets and liabilities as at 31 December 2008 are as follows:

	As at 31 December 2008					Total HK\$'000
	Financial information services HK\$'000	Corporate IT application services HK\$'000	Distance learning education services HK\$'000	All other segments HK\$'000	Elimination HK\$'000	
Reportable segment assets	7,770	677,424	5,732	1,876	-	692,802
Unallocated corporate assets						1,931,697
Total assets						2,624,499
Reportable segment liabilities	21,683	190,491	2,172	6	-	214,352
Amount due to an associate						5,507
Unallocated corporate liabilities						81,333
Total liabilities						301,192

5. REVENUE/TURNOVER AND OTHER OPERATING INCOME

(a) The Group's turnover represents revenue from:

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
<i>Continuing operations</i>		
Corporate IT application services	183,327	195,647
Financial information services	9,814	11,034
Distance learning education services	2,071	2,467
Culture and media services	-	15,235
	195,212	224,383

5. REVENUE/TURNOVER AND OTHER OPERATING INCOME *(continued)*

(b) Other operating income:

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000 (Restated)
<i>Continuing operations</i>		
Bank interest income	163	349
Other interest income	68,833	65,984
Net fair value gain on financial assets at fair value through profit or loss	820	–
Government grants	2,949	–
Rental income	1,787	702
Sundry income	2,658	2,943
	77,210	69,978

6. FINANCE COSTS

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
<i>Continuing operations</i>		
Interest charges on:		
Bank loans wholly repayable within five years	2,977	2,568
Amounts due to securities brokers and margin financiers	–	628
Other payables	4	4
	2,981	3,200

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	For the six months ended 30 June	
	Continuing operations 2009 HK\$'000	Continuing operations 2008 HK\$'000
Amortisation of intangible assets	16,421	17,183
Gross depreciation of property, plant and equipment	15,424	15,213
<i>Less: Amounts capitalised in intangible assets</i>	(220)	(159)
Net depreciation of property, plant and equipment	15,204	15,054
Depreciation of investment property	144	–
Operating lease charges on prepaid land lease	654	640

8. INCOME TAX EXPENSE/(CREDIT)

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000 (Restated)
<i>Continuing operations:</i>		
Hong Kong Profits Tax		
Current tax expenses	7,423	5,260
PRC Enterprise Income Tax		
Current tax expense/(credit)	1,610	(7,795)
	9,033	(2,535)

For the six months ended 30 June 2009, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2008: 16.5%) on the estimated assessable profits for the period.

8. INCOME TAX EXPENSE/(CREDIT) *(continued)*

PRC Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (six months ended 30 June 2008: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

Certain subsidiaries of the Group are wholly-owned foreign enterprise in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and are entitled to full exemption from EIT for two years and a 50% reduction in the following three years thereafter starting from the first profit making year after offsetting prior years' tax losses (the "Tax Holidays"). These subsidiaries will continue to enjoy the tax exemption or 50% relief on the applicable PRC EIT rate until the expiry of the Tax Holidays previously granted, and thereafter they are subject to the unified rate of 25%. For those subsidiaries whose Tax Holidays had not commenced due to lack of taxable profit, such preferential tax treatment would be effective for the five years commencing from 1 January 2008 regardless whether the enterprises have a taxable profit. Thereafter they are subject to the unified rate of 25%.

In addition, certain subsidiaries that are located in the Beijing Economic-Technological Development Area are entitled to preferential PRC EIT rate of 15% (six months ended 30 June 2008: 15%).

9. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

The calculation of basic loss 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\$87,242,000 (6 months ended 30 June 2008 (restated): HK\$2,885,000) and on 19,914,504,877 (6 months ended 30 June 2008: 19,914,504,877) ordinary shares in issue during the period.

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

(b) From continuing operations

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

Loss figures are calculated as follows:

	For the six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000 (Restated)
Loss for the period from continuing operations	(91,719)	(58,911)
<i>Less:</i> Loss for the period attributable to minority interests from continuing operations	(4,477)	(9,041)
	(87,242)	(49,870)

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

(c) From discontinued operation

The basic earnings per share from discontinued operation attributable to the equity holders of the Company for the six months ended 30 June 2008 is calculated based on the profit for the period from discontinued operation of HK\$46,985,000 and on 19,914,504,877 ordinary shares in issue during the period.

(d) Diluted loss per share for the six months ended 30 June 2009 is not presented as there were no potential dilutive ordinary shares outstanding throughout the period.

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

10. TRADE RECEIVABLES

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

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
0-90 days	5,202	7,548
91-180 days	1,555	1,645
181-270 days	1,250	1,268
271-360 days	810	920
Over 360 days	25,917	24,566
Trade receivables, gross	34,734	35,947
Less: Provision for impairment of receivables	(10,625)	(9,506)
Trade receivables, net	24,109	26,441

11. TRADE PAYABLES

The aging analysis of trade payables was as follows:

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
0-90 days	15,308	11,410
91-180 days	2,802	6,670
181-270 days	2,555	1,549
271-360 days	3,167	1,039
Over 360 days	1,450	7,136
	25,282	27,804

12. BANK BORROWINGS, SECURED

At 30 June 2009, the bank borrowings, which are denominated in RMB, were repayable as follows:

	30 June 2009	31 December 2008
	HK\$'000	HK\$'000
Within one year	118,481	27,935
In the second year	11,338	11,356
In the third to fifth years	7,857	19,226
Wholly repayable within 5 years	137,676	58,517
Less: Portion due within one year under current liabilities	118,481	27,935
Portion due over one year under non-current liabilities	19,195	30,582

13. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	HK\$'000
Authorised:		
At 1 January 2008, 31 December 2008 and 30 June 2009	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and 30 June 2009	19,914,504,877	199,145

14. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	30 June 2009	31 December 2008
	HK\$'000	HK\$'000
Associates (note a)	12,801	12,412
Third parties (note b)	65,333	65,333
	78,134	77,745

14. CONTINGENT LIABILITIES *(continued)*

Notes:

- (a) 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 2008. Due to the pending litigation, the Group cannot ascertain the fair value of the guarantee in respect of the loan borrowed by Genius Reward.
- (b) According to the facts disclosed in the Group's annual audited financial statements for the year ended 31 December 2008, 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.

15. CAPITAL COMMITMENTS

At 30 June 2009, the Group had outstanding capital commitments as follows:

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Contracted but not provided for in respect of:		
– construction in progress	197,561	197,875

16. CREDIT FACILITIES

At 30 June 2009, the Group's credit facilities were secured by the following:

- (a) charge over prepaid land lease payments under operating leases with a net carrying value of approximately HK\$56,664,000 (31 December 2008: HK\$57,408,000);
- (b) charge over buildings with a net carrying value of approximately HK\$21,527,000 (31 December 2008: HK\$22,345,000);
- (c) charge over investment property with a net carrying value of approximately HK\$11,851,000 (31 December 2008: HK\$12,015,000); and
- (d) corporate guarantee given by a fellow subsidiary.

In addition, as at 31 December 2008, certain shareholders of Nan Hai, have pledged their shareholdings in Nan Hai for the Group's credit facilities.

17. RELATED PARTY TRANSACTIONS

Directors' fees and remuneration were as follows:

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Directors' fees	202	259
Basic salaries, housing, other allowances and benefits in kind	410	421
	612	680

Included in other interest income of HK\$68,833,000 (six months ended 30 June 2008 (restated): HK\$65,984,000), HK\$65,984,000 (six months ended 30 June 2008 (restated): HK\$65,984,000) was interest income from ultimate holding company.

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

18. 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 2008.

19. COMPARATIVE FIGURES

Where necessary, certain comparative information has also been reclassified and expanded from previously reported interim financial statements to take into account any presentational changes made in these condensed consolidated interim financial statements upon adoptions of the new and revised HKFRSs.

INTERIM DIVIDEND

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2009 (30 June 2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The Group was principally engaged in corporate IT application services, financial information services and distance learning education services.

The global financial crisis has seen signs to stabilize in mid-2009. In China, there are indicators showing significant economic recovery after implementation of a series of economic stimulus packages by the government. As a result, the market sees healthy expansion in domestic consumption and gradual improvement in trades.

During the period, turnover and net loss attributable to the equity holders of the Company were approximately HK\$195.2 million (6 months ended 30 June 2008: HK\$224.4 million) and HK\$87.2 million (6 months ended 30 June 2008 (restated): HK\$2.9 million) respectively. The net assets of the Group attributable to equity holders was approximately HK\$2,168.5 million (31 December 2008: HK\$2,256.8 million), representing a value of HK\$0.109 per share.

The increase in loss was mainly attributable to the following extraordinary items in 2008:

1. an extraordinary profit from disposal of 北京金世紀大酒店有限公司 (Beijing Golden Century Hotel Limited), a subsidiary of the Company;
2. tax refund by the tax authority in the PRC resulting from capitalization of retained profit by CE Dongli Technology Group Company Limited ("CE Dongli"), a subsidiary of the Company; and
3. tax loss was used to set off part of the provision of tax for interest income from the outstanding receivables from Nan Hai, in respect of the disposal of 51% Listar Properties Limited but no tax loss can be used to set off in 2009.

Stripping out the above impacts in 2008, turnover and net loss attributable to the equity holders of the Company during the period should be approximately HK\$195.2 million (6 months ended 30 June 2008: HK\$224.4 million) and HK\$87.2 million (6 months ended 30 June 2008: HK\$63.3 million) respectively.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

OPERATION REVIEW *(continued)*

Corporate IT Application Services

During the period, turnover of this division was approximately HK\$183.3 million (6 months ended 30 June 2008: HK\$195.6 million) and the net loss before income tax was approximately HK\$113.6 million (6 months ended 30 June 2008 (restated): HK\$91.7 million).

The unfavourable economic environment has an impact on demand for IT application services in China. As a result, there was a decrease in turnover of the Group during the period. However, since the beginning of the second quarter of 2009, there are signs of improvement in demand for the IT application services in the market and in the sales of the Group.

Financial Information Services

During the period, turnover of this division was approximately HK\$9.8 million (6 months ended 30 June 2008: HK\$11.0 million) and the net loss before income tax was approximately HK\$21.0 million (6 months ended 30 June 2008: HK\$17.9 million).

北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited), a subsidiary of the Company, will continue to invest in a prudent manner and promote its new product line. The Group is confident that the business performance of this division will improve in the near future, which in turn will generate satisfactory return for the Group because of growing financial market in China.

Distance Learning Education Services

During the period, turnover of this division was approximately HK\$2.1 million (6 months ended 30 June 2008: HK\$4.9 million) and the net loss before income tax was approximately HK\$2.8 million (6 months ended 30 June 2008: HK\$2.2 million).

This division has established strategic partnership with the relevant Education Bureau of China. Furthermore, new policies are introduced by the Education Bureau for encouraging distance learning education. As a result, the Group is well positioned to benefit from such development.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 30 June 2009, the net assets of the Group attributable to the equity holders amounted to approximately HK\$2,168.5 million (31 December 2008: HK\$2,256.8 million) including cash and bank balances of approximately HK\$318.2 million (31 December 2008: HK\$103.7 million) (which were denominated mainly in US dollars, Renminbi and Hong Kong dollars). As at 30 June 2009, the Group's aggregate borrowings were approximately HK\$137.7 million (31 December 2008: HK\$58.5 million), including approximately HK\$90.7 million (31 December 2008: Nil) were bearing interest at fixed rates while approximately HK\$47.0 million (31 December 2008: HK\$58.5 million) were bearing interest at floating rates. The gearing ratio of the Group which is net debt divided by the adjusted capital plus net debt, was not applicable for both periods ended 30 June 2009 and year ended 31 December 2008 because the Group recorded net cash resulting from the sales proceeds from disposal of a subsidiary and advancement from Nan Hai.

The Group's contingent liabilities at 30 June 2009 were approximately HK\$78.1 million due to the guarantees given in connection with credit facilities.

As at 30 June 2009, prepaid land lease payments under operating lease, investment property and buildings with net book value of approximately HK\$90.0 million were secured for the Group's credit facilities.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's borrowings and transactions were denominated in US dollars, 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 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 period under review, the Group will keep on reviewing and monitoring the exchange risks between Renminbi and Hong Kong dollars. For the funding in US dollars, Hong Kong dollars has been linked to US dollars, and Hong Kong dollars are the reporting functional currency of the Group, the management of the Group considers the exposure on exchange risk is not significant. The Group may proceed to have some kind of foreign exchange hedging arrangements when appropriate and necessary.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

EMPLOYEE

The Company 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 etc.. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. In general, salary review is conducted annually. As at 30 June 2009, the Group had approximately 7,009 employees (30 June 2008: 7,306 employees). The salaries of and allowances for employees for the six months ended 30 June 2009 were approximately HK\$174.1 million (6 months ended 30 June 2008: HK\$151.8 million).

PROSPECT

The Group expects that corporate IT application services can assist SMEs in developing their market and reducing operation cost under the prevailing difficult business environment in China. IT application service mode has been an irrevocable trend for informatization development of SMEs in China. As a result, this current market condition offers a good business opportunity for IT application services.

Facing to the changing economic situations and continuous modifications of macro-economic policies in China, the Group will base on the foundation of the progressive modifications made in last year and fully rely on its own abilities to continue focusing on the development of the core businesses in a prudent but optimistic manner. The Group will increase investment in both technological R&D and service operations as planned, continue to launch products and services with their own market competitiveness, develop brand name image, expand market share by means of re-allocation of internal resources and mergers and acquisitions. In addition, the Group has progressively modified, accumulated resources, retained performing employees, newly developed technologies and improved management level in the past two years, which provide a solid foundation for the long-term and stable development of the Group, and lead the Group continuing to reinforce and expand its market leading position in various business sectors, and in turn create more value to the shareholders of the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, 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") as set out in Appendix 10 to the Listing Rules 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. 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 and is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at 30 June 2009, 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				Approximate percentage holding
	Personal interest	Corporate interest	Family interest	Total 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%
Wang Gang	8,500,000	–	–	8,500,000	0.01%
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 Ltd., 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%
Liu Rong	7,000,000	Personal	0.01%
Lam Bing Kwan	3,000,000	Personal	0.004%

* 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	20-04-2009	0.0702	3,500,000	01-01-2010 to 31-12-2011
			3,500,000	01-01-2011 to 31-12-2011
Liu Rong	20-04-2009	0.0702	3,500,000	01-01-2010 to 31-12-2011
			3,500,000	01-01-2011 to 31-12-2011
Lam Bing Kwan	20-04-2009	0.0702	1,500,000	01-01-2010 to 31-12-2011
			1,500,000	01-01-2011 to 31-12-2011

Save as disclosed above, as at 30 June 2009, 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. As at 30 June 2009, no share options have been granted under the Scheme by the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2009, 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	<i>Note</i>
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:

1. 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 2009, 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.

UPDATE ON DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Qin Tian Xiang ("Mr. Qin") has been re-designated from an executive director to a non-executive director and resigned as an executive committee member of the Company on 12 June 2009.

Mr. Qin is entitled to receive a director's fee of HK\$120,000 per annum with reference to his duties and responsibilities within the Company, and is not entitled to receive any bonus payments, whether fixed or discretionary in nature, subject to review by the Board from time to time.

Mr. Qin also re-designated from an executive director to a non-executive director, and resigned as an executive committee member and a general manager of Nan Hai on 12 June 2009.

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 2009.

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 2009, except for the deviations mentioned below:

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

The Company has not appointed a CEO. The role of the 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.

CORPORATE GOVERNANCE *(continued)*

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 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 2009.

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 2009, and discussed the financial control, internal control and risk management systems.

By order of the Board
Yu Pun Hoi
Chairman

Hong Kong, 21 September 2009