



ZHONGTIAN INTERNATIONAL LIMITED
中天國際控股有限公司*

Incorporated in the Cayman Islands with limited liability
Stock Code: 02379

2009
Interim Report



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CORPORATE INFORMATION

Executive Directors

CHEN Jun
ZHAO Yun

Independent Non-executive Directors

HUNG, Randy King Kuen
CHEN Wen Ping
YUAN Kai Hong

Company secretary

CHEUNG Siu Yiu

Audit committee

HUNG, Randy King Kuen
CHEN Wen Ping
YUAN Kai Hong

Hong Kong Legal advisors

Loong & Yeung Solicitors

Authorised representatives

CHEN Jun
ZHAO Yun

Stock code

02379

Company's website

www.irasia.com/listco/hk/zhongtian

Principal place of business in Hong Kong

Suites 2201-03, 22nd Floor
Jardine House
1 Connaught Place
Central, Hong Kong

Auditors

CCIF CPA Limited

Principal bankers

Hua Xia Bank,
Nanjing Road Sub-branch, Qingdao
The Hongkong and
Shanghai Banking Corporation

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Principal share registrar and transfer office

Butterfield Fund Services (Cayman) Limited
P.O. Box 705, Butterfield House
68 Fort Street
George Town
Grand Cayman KY1-1107
Cayman Islands

Registered office

Cricket Square
Hutchins Drive
P.O. Box 2681
George Town
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business

21st Floor
Huaren International Mansion
No. 2 Shandong Road
Shinan District
Qingdao City
Shandong Province
The People's Republic of China

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The directors (the “Directors”) of Zhongtian International Limited (the “Company”, together with its subsidiaries, the “Group”) herein present the Group’s interim report and unaudited condensed consolidated financial statements for the six months ended 30 June 2009.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

| | Notes | Unaudited Six months ended 30 June | |
|-------------------------------------|-------|---------------------------------------|-----------------|
| | | 2009 RMB'000 | 2008 RMB'000 |
| Turnover | 2 | 3,269 | 2,573 |
| Cost of sales | | (2,972) | (758) |
| Gross profit | | 297 | 1,815 |
| Other operating income | 3 | 45 | 97 |
| Gain on disposal of subsidiaries | 4 | 930 | – |
| Distribution costs | | – | (538) |
| General and administrative expenses | | (3,420) | (4,708) |
| Finance costs | | (8) | (1,247) |
| Loss before income tax | 5 | (2,156) | (4,581) |
| Income tax | 6 | – | – |
| Loss for the period | | (2,156) | (4,581) |
| Attributable to: | | | |
| Equity holders of the Company | | (2,156) | (4,581) |
| Dividends | 7 | – | – |
| | | | (Restated) |
| Loss per share (RMB Cents) | 8 | | |
| – Basic | | (2.16) | (4.58) |
| – Diluted | | (2.16) | (4.58) |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

| | Unaudited | |
|--|---------------------------------|---------|
| | Six months ended 30 June | |
| | 2009 | 2008 |
| | RMB'000 | RMB'000 |
| Loss for the period | (2,156) | (4,581) |
| Other comprehensive loss for the period | | |
| Exchange differences on translation of foreign operations | (21) | (1,772) |
| Total comprehensive loss for the period | (2,177) | (6,353) |
| Attributable to: | | |
| Equity holders of the Company | (2,177) | (6,353) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2009

| | Notes | Unaudited 30 June 2009 RMB'000 | Audited 31 December 2008 RMB'000 |
|--|-------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 189 | 612 |
| Land use rights | | 33,542 | 34,028 |
| Property held for development | 9 | 6,246 | – |
| | | 39,977 | 34,640 |
| CURRENT ASSETS | | | |
| Trade receivables | 10 | 3,825 | 6,077 |
| Securities held for trading | | – | 19 |
| Deposits, prepayments and other receivables | | 1,565 | 4,792 |
| Land use rights | | 972 | 972 |
| Cash and bank balances | | 15,468 | 20,081 |
| | | 21,830 | 31,941 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 4,534 | 8,896 |
| Amounts due to directors | | 3,498 | 1,733 |
| Income tax payable | | 1,100 | 1,100 |
| | | 9,132 | 11,729 |
| NET CURRENT ASSETS | | 12,698 | 20,212 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 52,675 | 54,852 |
| NET ASSETS | | 52,675 | 54,852 |
| CAPITAL AND RESERVES | | | |
| Issued capital | | 42,428 | 42,428 |
| Reserves | | 10,247 | 12,424 |
| TOTAL EQUITY | | 52,675 | 54,852 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

| | Attributable to equity holders of the Company | | | | | | | | |
|---------------------------------------|---|---------------|-----------------|---------------------|---------------------------|---------------------|----------------------|--------------------|---------------|
| | Share capital | Share premium | Special reserve | Translation reserve | Statutory surplus reserve | Public welfare fund | Share option reserve | Accumulated losses | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2008 | 42,428 | 47,246 | 6,740 | (1,816) | 12,065 | 5,331 | 8,216 | (9,691) | 110,519 |
| Net loss for the period | - | - | - | - | - | - | - | (4,581) | (4,581) |
| Other comprehensive loss | - | - | - | (1,772) | - | - | - | - | (1,772) |
| At 30 June 2008 | 42,428 | 47,246 | 6,740 | (3,588) | 12,065 | 5,331 | 8,216 | (14,272) | 104,166 |
| At 1 January 2009 | 42,428 | 47,246 | 6,740 | (1,930) | 12,065 | 5,331 | 8,216 | (65,244) | 54,852 |
| Net loss for the period | - | - | - | - | - | - | - | (2,156) | (2,156) |
| Other comprehensive loss | - | - | - | (21) | - | - | - | - | (21) |
| Release upon disposal of subsidiaries | - | - | - | - | (12,065) | (5,331) | - | 17,396 | - |
| Transfer | - | - | (6,740) | - | - | - | - | 6,740 | - |
| At 30 June 2009 | 42,428 | 47,246 | - | (1,951) | - | - | 8,216 | (43,264) | 52,675 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

| | Unaudited Six months ended 30 June | |
|--|---------------------------------------|-----------------|
| | 2009 RMB'000 | 2008 RMB'000 |
| Net cash used in operating activities | 1,197 | (2,693) |
| Net cash used in investing activities | (5,789) | (97) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (4,592) | (2,790) |
| Cash and cash equivalents at beginning of the period | 20,081 | 28,354 |
| Effect of foreign exchange rate changes | (21) | (1,772) |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY CASH AND BANK BALANCES | 15,468 | 23,792 |

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. Basis of preparation

These unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) which comprise the interim condensed consolidated statement of financial position as at 30 June 2009, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes, 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 (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2008.

Significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim 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 2008, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) and amendments to HKFRSs issued by the HKICPA for the first time for the current period’s unaudited interim condensed consolidated financial statements:

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. Basis of preparation *(Continued)*

Significant accounting policies *(Continued)*

| | |
|-----------------------------------|--|
| HKFRS 1 and HKAS 27 Amendments | Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> |
| HKFRS 2 Amendments | Amendments to HKFRS 2 <i>Share-based Payment — Vesting Conditions and Cancellations</i> |
| HKFRS 7 Amendments | Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments</i> |
| HKFRS 8 | <i>Operating Segments</i> |
| HKAS 1 (Revised) | <i>Presentation of Financial Statements</i> |
| HKAS 23 (Revised) | <i>Borrowing Costs</i> |
| HKAS 32 and HKAS 1 Amendments | Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation</i> |

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

2. Turnover and segment information

(a) Turnover

The Group's turnover represents income earned from the provision of information technology services and sale of hardware and software and maintenance services.

(b) Business segments

The Group was principally engaged in two major business segments, which were information technology and property development and investment, respectively.

(i) Information technology

This business segment consists of system integration, customised software products, sale of hardware and software products, maintenance services and other information technology services.

(ii) Property development and investment

No turnover and profit were contributed by this new segment in the current period as the project is still at early stage of development.

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

2. Turnover and segment information *(Continued)*

(b) Business segments *(Continued)*

Business segments for the period are as follows:

| | Unaudited Six months ended 30 June | |
|--|---------------------------------------|-----------------|
| | 2009 RMB'000 | 2008 RMB'000 |
| Turnover | | |
| Information technology | 3,269 | 2,573 |
| Property development and investment | – | – |
| | 3,269 | 2,573 |
| Segment results | | |
| Information technology | 297 | 1,815 |
| Property development and investment | – | – |
| | 297 | 1,815 |
| Unallocated other operating income | 45 | 97 |
| Unallocated corporate expenses | (2,498) | (6,493) |
| Loss for the period | (2,156) | (4,581) |

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

2. Turnover and segment information *(Continued)*

(b) Business segments *(Continued)*

| | Information technology Unaudited 30 June | | Property development and investment Unaudited 30 June | | Group Unaudited 30 June | |
|---------------------|--|-----------------|--|-----------------|-------------------------------|-----------------|
| | 2009 RMB'000 | 2008 RMB'000 | 2009 RMB'000 | 2008 RMB'000 | 2009 RMB'000 | 2008 RMB'000 |
| Capital expenditure | - | - | 6,246 | 1,483 | 6,246 | 1,483 |
| Depreciation | 127 | 400 | - | - | 127 | 400 |

(c) Geographical segments

No geographical segments information of the Group is shown as the Group's operations, sales by geographical market are located in the People's Republic of China (the "PRC").

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

3. Other operating income

| | Unaudited Six months ended 30 June | |
|----------------------------------|---------------------------------------|-----------------|
| | 2009 RMB'000 | 2008 RMB'000 |
| Interest income on bank deposits | 5 | 24 |
| Others | 40 | 73 |
| | 45 | 97 |

4. Disposal of subsidiaries

During the current period, the Group disposed of its entire interest in Money Chain Worldwide Limited, a then indirectly wholly-owned subsidiary, together with its subsidiaries (collectively, the "Disposal Group") at a cash consideration of US\$1. The gain on disposal of the subsidiaries recorded in the consolidated income statement is approximately RMB930,000.

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

4. Disposal of subsidiaries (Continued)

The net liabilities of the Disposal Group, at the date of disposal were as follows:

| | Unaudited | |
|---|---------------------------------|---------|
| | Six months ended 30 June | |
| | 2009 | 2008 |
| | RMB' 000 | RMB'000 |
| Property, plant and equipment | 171 | – |
| Securities held for trading | 19 | – |
| Deposits, prepayment and other receivables | 718 | – |
| Prepaid tax | 16 | – |
| Amounts due from directors | 333 | – |
| Cash and bank balances | 35 | – |
| Trade and other payables | (2,222) | – |
| Net liabilities disposed of and gain on disposal of subsidiaries | (930) | – |

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

5. Loss before income tax

Loss before income tax has been arrived at after charging/(crediting):

| | Unaudited Six months ended 30 June | |
|---|---|-----------------|
| | 2009 RMB'000 | 2008 RMB'000 |
| Cost of inventories sold | 2,972 | – |
| Depreciation of property, plant and equipment | 127 | 400 |
| Gain on disposal of subsidiaries | (930) | – |

6. Income tax

No provision for Hong Kong Profits Tax is made as the Group has no assessable profit for both periods. Profits tax outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

Pursuant to the income tax rules and regulations of the PRC, the applicable PRC enterprise income tax of the Group's subsidiaries is 30% and the local income tax at 3%. Zhongtian Information is granted certain tax relief, under which they are exempted from the PRC enterprise income tax for the first two profit making years and entitled to an income tax reduction of 15% for the next three years with full exemption from local income tax.

On 16 March 2008, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which will be effective from 1 January 2008. According to the new CIT Law, the PRC income tax for both domestic and foreign investment enterprises will be unified at 25% effective from 1 January 2008. There will be a transition period for enterprises that currently receive preferential tax treatments granted by relevant tax authorities. Enterprises that are subject to a PRC income tax rate lower than 25% may continue to enjoy the lower PRC income tax rate and gradually transfer to the new PRC income tax rate within five years after the effective date of the new CIT Law. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

No provision nor deferred tax assets have been recognised for the period in respect of the tax losses due to unpredictability of future profit streams.

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

7. Dividends

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

8. Loss per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company for the six months ended 30 June 2009 of approximately RMB2,156,000 (six months ended 30 June 2008: loss of approximately RMB4,581,000) and weighted average number of ordinary shares in issue during six months ended 30 June 2009 of 100,000,000 (six months ended 30 June 2008 restated: 100,000,000). The weighted average number of ordinary shares adopted in the calculations of the basic loss per share for the six months ended 30 June 2009 and the six months ended 30 June 2008 have been adjusted to reflect the impact of the shares consolidation effected subsequent to 30 June 2009 (note 13).

There were no dilutive potential shares for the six months period ended 30 June 2009 and 30 June 2008, and diluted loss per share is the same as basic loss per share.

9. Property held for development

| | Unaudited 30 June 2009 RMB'000 |
|---------------------------------|---|
| At 1 January | — |
| Amortisation of land use rights | 486 |
| Other direct costs | 5,760 |
| | 6,246 |

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

10. Trade receivables

The Group has a policy of allowing a credit period ranging from 90 to 180 days.

The aging analysis of trade receivables net of provision for impairment at the balance sheet date, based on payment due date, is as follows:

| | Unaudited 30 June 2009 RMB'000 | Audited 31 December 2008 RMB'000 |
|------------------------------------|---|---|
| Current to 90 days | 3,825 | 6,077 |
| 91 to 180 days | - | - |
| 181 to 365 days | - | - |
| Over 365 days | - | 5,585 |
| | 3,825 | 11,662 |
| Less: Allowance for doubtful debts | - | (5,585) |
| | 3,825 | 6,077 |

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

11. Trade and other payables

The aging analysis of trade and other payables at the balance sheet date, base on payment due date, is as follows:

| | Unaudited 30 June 2009 RMB'000 | Audited 31 December 2008 RMB'000 |
|--------------------|---|---|
| Current to 90 days | 3,755 | 6,523 |
| 91 to 180 days | - | - |
| 181 to 365 days | 779 | - |
| | 4,534 | 6,523 |

12. Commitments

At the balance sheet date, the Group had the following commitments:

(a) Capital commitments

At 30 June 2009, the Group had no significant capital commitments (31 December 2008: Nil).

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

12. Commitments (Continued)

(b) Operating lease commitments

| | Unaudited 30 June 2009 RMB'000 | Audited 31 December 2008 RMB'000 |
|---|---|---|
| Minimum lease payments under operating leases for office premises | 68 | 1,847 |

13. Post balance sheet events

On 10 July 2009, the Cayman Island Court approved the capital reorganisation of the Company which involved (i) capital reduction by reducing the nominal value of the then issued consolidated shares from HK\$0.10 to HK\$0.0025 each; (ii) share consolidation by consolidating every 4 shares of HK\$0.0025 each into 1 consolidated share of HK\$0.01 each; and (iii) subdivision by subdividing each authorised but unissued share capital of the Company into 40 new shares of HK\$0.01 each; as a result of the capital reorganisation, the authorised share capital of the Company remains at HK\$100,000,000 and is represented by 10,000,000,000 shares of HK\$0.01 each after capital reduction and subdivision and the issued share capital is approximately HK\$1,000,000, represented by 100,000,000 shares of HK\$0.01 each. The capital reorganisation completed and became effective on 15 July 2009.

14. Approval of the interim financial statements

The interim financial statements were approved and authorised for issue by the board of directors on 25 September 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the reporting period, the Group was principally engaged in two major business segments, which were information technology and property development and investment respectively.

Information Technology

The Group had gradually faded out from the markets of providing software services in the financial industry and for other industries. As transitional part of the Group's diversified operation policy, sale of project intelligent electronic products, which was best represented by the sale of intelligent control components for buildings. With the gradual fade-away of the impacts of the financial crisis and the accelerated recovery of the market, this business is expected to generate more income in the second half of the year.

Property Development and Investment

The Group had once suspended the construction of "Zhongtian International Venture Plaza", the project located in Laoshan District in Qingdao City (the "Project") as the raging financial tsunami caused downward spiral of the property market during the previous year. However, the Board considers that a crisis represents also an opportunity, and that the Group has to address a difficulty with calm confidence and seize a chance in order to depart from the difficult position. Therefore, the construction of the Project had been resumed during the period and expedited progressively. For the sake of its geographical location and nature, as well as the promising prospect of market recovery, the construction of the Project will be further accelerated in the second half of the year, with an aim to bring new scene for the Group in the short run.

FINANCIAL REVIEW

Turnover and Gross Profit Margin

The Group's total turnover for the six months ended 30 June 2009 was approximately RMB3,269,000, representing an increase of 27% from approximately RMB2,573,000 of the same period in last year. The gross profit decreased by 62% from 71% in 2008 to 9% in 2009. This was mainly attributable to the lack of large-scale tender projects in the market of the Rural Credit Co-operatives ("RCCs") in various provinces, due to a revision of information network construction projects being conducted by their supervisory bodies at provincial level.

Distribution Costs

During the period, the Group postponed all the marketing activities due to the lack of large-scale tender projects in the RCCs market. There is no distribution cost for the period ended 30 June 2009 as compared with approximately RMB538,000 for the period ended 30 June 2008.

General and Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2009 were approximately RMB3,420,000 (corresponding period in 2008: approximately RMB4,708,000) representing a decrease of approximately 27% over the corresponding period in 2008.

Property under development and Land Use Rights

The Project, at its preliminary stage under construction, is erected on the piece of land located in Qingdao, PRC and held under medium term lease of 40 years.

In light of impacts of the global financial turmoil which adversely affected the property market in the PRC, the Project remained at its preliminary stage under development with the construction cost increased by RMB6,246,000 for the six months ended 30 June 2009.

Net Loss

During the period, the Group recorded a net loss of approximately RMB2,156,000, improved as compared to the net loss of approximately RMB4,581,000 for the corresponding period last year. This was attributable to the effect of the decrease in distribution and administrative costs together with a gain of RMB930,000 recorded from the disposal of certain subsidiaries during the period.

BUSINESS REVIEW

Analysis by Business Segment

During the period under review, the Group's principal source of income was derived from the sale of intelligent electronic products, which accounted for 100% of the total turnover of the Group. No turnover and profit were contributed by property development and investment segment in the current period as the project is still at early stage of development.

During the reporting period, all of the Group's income was derived from Shangdong Province, accounting for 100% of the Group's total turnover.

FUTURE OUTLOOK

In order to mitigate the risks of relying on a single market, the Group will continue to explore the market for software designed for financial institution in addition to the RCCs segment, including state-owned banks that are undergoing radical reforms and other leading commercial banks in the PRC.

The Group believes that the Group is able to explore potential market in the non-finance sector by leveraging on its experiences gained from the provision of RCCs services, its leading position in the industry and its own strengths. Meanwhile, the Group has been proactively studying, identifying and exploring other markets with huge growth potentials in addition to its information technology business to diversify its income stream.

DEBTS

As at 30 June 2009, the Group had no debt securities that were issued, outstanding, approved or otherwise created but unissued, or term loans or other borrowings or debts of borrowing nature, including bank overdrafts, acceptance liabilities or acceptance credits, obligations under financing lease, mortgages or charges, guarantees or major contingent liabilities (30 June 2008: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's capital requirement represents mainly working capital in relation to the sale of software and hardware products, and related costs of business expansion, including research and development expenses. The Group used to finance its operation and investment from operating income and internal resources.

As at 30 June 2009, the Group had cash and bank balances of approximately RMB15,468,000 (31 December 2008: approximately RMB 20,081,000) that comprised HKD2,212,000 and RMB13,516,000 (31 December 2008: approximately HKD1,626,000 and RMB18,647,000) respectively. The gearing ratio (defined as total interest-bearing debts divided by shareholder's equity) was 0% (31 December 2008: 0%).

During the six months ended 30 June 2009, the Group did not employ any material financial instrument for hedging purposes.

FOREIGN EXCHANGE

Since most of the revenue generated from the sale of products by the Group and the payment for purchases of materials, components and equipment are in Renminbi, the Directors believe that the Group will have sufficient foreign exchange to meet its foreign exchange requirements. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and has not adopted any currency hedging policy or other hedging instruments during the period ended 30 June 2009.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 11 May 2009, the Group entered into the Agreement with and independent third party for the disposal of Money Chain Worldwide Limited, a then indirectly wholly-owned subsidiary of the Company, and its subsidiaries at an aggregate cash consideration of US\$1. The gain on the disposal of the subsidiaries recorded in the consolidated financial statement is approximately RMB930,000.

Save as disclosed above, during the period, there was no other material acquisition and disposal of subsidiaries and associated companies by the Company.

CHARGE ON ASSET

The Group had no pledged asset as at 30 June 2009 (30 June 2008: Nil).

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 June 2009 (30 June 2008: Nil).

POST BALANCE SHEET EVENTS

Save as disclosed in note 13 to the interim financial statements, there are no significant events occurred after the balance sheet date.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2009, the Group had 16 employees (30 June 2008: 34). The number of employees had decreased significantly as a result of the Group's implementation of personnel restructure. The departments under restructure were market development department and technology development department. Most of the Group's employees are based in the head office of the Group in Qingdao City of Shandong Province in the PRC.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from social insurance and in-house training programmes, discretionary bonuses and share options may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the six months ended 30 June 2009 was approximately RMB258,000 (30 June 2008: approximately RMB534,000).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: HK\$Nil).

CORPORATE GOVERNANCE

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2009, the Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three independent non-executive Directors, namely Messrs. Hung, Randy King Kuen, Chen Wen Ping and Yuan Kai Hong, has discussed internal controls and financial reporting matters adopted by the Company and has reviewed the Group's 2009 interim report including the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2009.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, interests and short positions in the 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")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") are as follows:

Long Positions in ordinary shares of the Company

| Name of Directors | Capacity/Nature | Number of shares involved | Approximate shareholding percentage |
|-------------------|---|---------------------------|-------------------------------------|
| Mr. Chen Jun | Interest of a controlled corporation (Note) | 175,734,637 | 43.93% |
| | Beneficial owner | 22,100,000 | 5.53% |
| | | 197,834,637 | 49.46% |

Note:

Mr. Chen Jun is the beneficial owner of 100% of the issued shares in Fine Mean Investments Limited, and therefore, Mr. Chen Jun is deemed, or taken to be, interested in the shares of the Company which are beneficially owned by Fine Mean Investments Limited for the purposes of the SFO.

Save as disclosed above, as at 30 June 2009, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and 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 by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER

As at 30 June 2009, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long Positions in ordinary shares of the Company

| Name | Capacity/Nature | Number of shares | Approximate shareholding percentage |
|--|--------------------|------------------|-------------------------------------|
| Substantial Shareholder | | | |
| Fine Mean Investments Limited (Note 1) | Beneficial owner | 175,734,637 | 43.93% |
| Ms. Su Haiqing (Note 2) | Interest of spouse | 197,834,637 | 49.46% |

Notes:

- (1) Fine Mean Investments Limited is 100% beneficially owned by Mr. Chen Jun. Mr. Chen Jun is a director of Fine Mean Investments Limited.
- (2) Ms. Su Haiqing is the spouse of Mr. Chen Jun. Under the SFO, Ms. Su Haiqing is deemed to be interested in all the shares of the Company in which Mr. Chen Jun is interested.

Save as disclosed above, the Company had not been notified of any other persons (other than a Director and chief executive of the Company) who had an interest or short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to a share option scheme approved by a resolution of the shareholders of the Company dated 27 July 2004 (the “Scheme”), the Company may grant options to the directors, employees and shareholders of the Company or its subsidiaries and consultants, customers and suppliers, for the recognition of their contributions to the Group, to subscribe for shares in the Company with a payment of HK\$1.00 upon each grant of options offered and the options granted must be taken up within 28 days from the date of grant. The exercise price of the share option will be determined at the higher of the average of closing prices of shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; the closing price of the Company’s shares on the Stock Exchange on the date of grant; and the nominal value of the shares.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Scheme, the relevant PRC laws and regulations and any conditions of grant as may be stipulated by the board of directors.

The maximum number of shares in respect of which options may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes shall not exceed 30% of the number of shares of the Company in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not, in aggregate, exceed 10% of the number of shares of the Company in issue as at the date of approval of the Scheme unless further shareholders’ approval has been obtained pursuant to the conditions set out in the Scheme. No person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full, would result in such person’s maximum entitlement exceeding 1% of the number of issued shares of the Company.

The status of the share options granted up to 30 June 2009 is as follows:

| Category of participants | As at 1 January 2009 | Granted during the period | Exercised during the period | Cancelled/ lapsed during the period | As at 30 June 2009 | Date of grant of share options | Exercise period of share options | Exercise price of share options HK\$ | Share price of the Company as at the date of grant of share options** HK\$ |
|--------------------------|----------------------|---------------------------|-----------------------------|-------------------------------------|--------------------|--------------------------------|----------------------------------|---|---|
| Employee* | 40,000,000 | - | - | - | 40,000,000 | 11 May 2007 | 10 years from the date of grant | 0.55 | 0.55 |

* There was a total of 10 employees of the Company being granted options under the Scheme, all of whom are not Directors, chief executive or substantial shareholders of the Company or their respective associates.

** The closing price of the Shares immediately before the date on which the options were granted was HK\$0.46.

Apart from the foregoing, at no time during the period prior to the date of this report was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

OTHER INFORMATION

REMUNERATION COMMITTEE

The Company established a remuneration committee on 25 April 2005 with written terms of reference. The remuneration committee is primarily responsible for determining specific remuneration of all executive Directors and senior management and making recommendations to the board relating to the remuneration of non-executive Directors. The remuneration committee comprises three independent non-executive Directors, namely Mr. Hung, Randy King Kuen, Mr. Chen Wen Ping and Ms. Yuan Kai Hong, and one executive Director, namely Mr. Zhao Yun.

By Order of the Board

CHEN Jun

Chairman

Qingdao City, Shandong Province, the PRC
25 September 2009