Zhongtian International Limited
中天國際控股有限公司*

Incorporated in the Cayman Islands with limited liability

Stock Code: 02379

* for identification purposes only

Interim Report 2010

CONTENTS

CORPORATE INFORMATION

Executive Directors

CHEN Jun
ZHAO Yun

Independent Non-executive Directors

HUNG, Randy King Kuen
CHEN Wen Ping
LIU Jin Lu

Company secretary

TAI Man Hin, Tony

Audit committee

HUNG, Randy King Kuen
CHEN Wen Ping
LIU Jin Lu

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 2001-05, 20th 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
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George Town
Grand Cayman KY1-1107
Cayman Islands

Registered office

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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 2010.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Notes	**Unaudited Six months ended 30 June 2010 RMB'000**	2009 RMB'000
Turnover	2	**5,633**	3,269
Cost of sales		**(4,583)**	(2,972)
Gross profit		**1050**	297
Other operating income	3	**3**	45
Gain on disposal of subsidiaries		**–**	930
General and administrative expenses		**(2,898)**	(3,420)
Finance costs		**–**	(8)
Loss before income tax	4	**(1,845)**	(2,156)
Income tax	5	**–**	–
Loss for the period		**(1,845)**	(2,156)
Attributable to:			
Equity holders of the Company		**(1,845)**	(2,156)
Other comprehensive loss for the period			
Exchange differences on translation of foreign operations		**–**	(21)
Total comprehensive loss for the period		**(1,845)**	(2,177)
Attributable to:			
Equity holders of the Company		**(1,845)**	(2,177)
Loss per share (RMB Cents)	7		
– Basic		**(1.02)**	(2.16)
– Diluted		**(1.02)**	(2.16)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

	Notes	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**302**	159
Investment properties		**50,400**	–
Available-for-sale equity investment	8	**34,140**	–
		84,842	159
CURRENT ASSETS			
Trade and other receivables	9	**6,149**	6,353
Amount due from directors		**603**	–
Cash and bank balances		**27,466**	19,317
Asset of a disposal group classified as held for sale		**–**	36,334
		34,218	62,004
CURRENT LIABILITIES			
Trade and other payables	10	**6,289**	6,946
Amounts due to directors		**–**	1,360
Income tax payable		**1,238**	1,100
Liabilities of a disposal group classified as held for sale		**–**	1,711
		7,527	11,117
NET CURRENT ASSETS		**26,691**	50,887
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,533**	51,046
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**15,953**	–
NET ASSETS		**95,580**	51,046
CAPITAL AND RESERVES			
Share capital		**1,772**	1,237
Reserves		**93,808**	49,809
TOTAL EQUITY		**95,580**	51,046

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	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 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
At 1 January 2010	**1,237**	**58,876**	**-**	**-**	**-**	**-**	**-**	**(9,067)**	**51,046**
Issue of new ordinary shares	**535**	**69,009**	**-**	**-**	**-**	**-**	**-**	**-**	**69,544**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,845)**	**(1,845)**
Deemed distribution	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(23,165)**	**(23,165)**
At 30 June 2010	**1,772**	**127,885**	**-**	**-**	**-**	**-**	**-**	**(34,077)**	**95,580**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2010

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	**(1,875)**	1,197
Net cash generated from/(used in) investing activities	**9,096**	(5,789)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**7,221**	(4,592)
Cash and cash equivalents at beginning of the period	**20,318**	20,081
Effect of foreign exchange rate changes	**(73)**	(21)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY CASH AND BANK BALANCES	**27,466**	15,468

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

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 2010, and the related interim condensed consolidated statements of 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 2009.

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 2009, 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 2010

1. Basis of preparation *(Continued)*

Significant accounting policies *(Continued)*

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 27 (Revised)	Consolidated and separate financial statements
HKFRS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settlement share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) 17	Distributions of non-cash assets to owners

The application of the new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 [1]
HKAS 24 (Revised)	Related party disclosures [4]
HKAS 32 (Amendment)	Classification of rights issued [2]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters [3]
HKFRS 9	Financial instruments [5]
HK(IFRIC)– Int 14 (Amendment)	Prepayments of a minimum funding requirement [4]
HK(IFRIC)– Int 19	Extinguish financial liabilities with equity instruments [3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

2 Effective for annual periods beginning on or after 1 February 2010

3 Effective for annual periods beginning on or after 1 July 2010

4 Effective for annual periods beginning on or after 1 January 2011

5 Effective for annual periods beginning on or after 1 January 2013

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

2. Turnover and segment information

(a) Turnover

The Group's turnover represents income earned from the sale of information technology products and investment income.

(b) Business segments

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

(i) Information technology-sale of intelligent electronic products

(ii) Equity investment-investment in bank shares

(iii) Property investment

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

2. Turnover and segment information *(Continued)*

(b) Business segments *(Continued)*

Business segments for the period are as follows:

	Unaudited Six months ended 30 June 2010 RMB'000	2009 RMB'000
Turnover		
Information technology	**5,041**	3,269
Equity investment	**592**	–
Property investment	**–**	–
	5,633	3,269
Segment results		
Information technology	**458**	297
Equity investment	**592**	–
Property investment	**–**	–
	1,050	297
Unallocated other operating income	**3**	45
Unallocated corporate expenses	**(2,898)**	(2,498)
Loss for the period	**(1,845)**	(2,156)

(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 2010

3. Other operating income

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Interest income on bank deposits	**3**	5
Others	**–**	40
	3	45

4. Loss before income tax

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

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Cost of inventories sold	**4,583**	2,972
Depreciation of property, plant and equipment	**32**	127
Gain on disposal of subsidiaries	**–**	(930)

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

5. Income tax

No provision for Hong Kong Profits Tax is made as the Group has no assessable profit for both periods.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Pursuant to the income tax rules and regulations of the PRC, the applicable PRC Enterprise Income Tax of the Group's subsidiaries is 25% (2009: 25%).

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.

6. Dividends

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

7. 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 2010 of approximately RMB1,845,000 (six months ended 30 June 2009: loss of approximately RMB2,156,000) and weighted average number of ordinary shares in issue during six months ended 30 June 2010 of 180,859,122 (six months ended 30 June 2009: 100,000,000).

There were no dilutive potential shares for the six months period ended 30 June 2010 and 30 June 2009, and diluted loss per share is the same as basic loss per share.

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

8. Available-for-sale equity investment

	Unaudited 30 June 2010 RMB'000
Unlisted equity investment, at cost	34,140

Available-for-sale equity investment represented 2.14% equity interest in Qingdao Huafeng Rural Co-operative Bank Limited in Qingdao, the PRC. The investment is stated at cost less impairment loss at the end of reporting period because of the range of reasonable fair value estimates is so significant and there is no active market. No impairment was considered necessary by the directors of the Company as at 30 June 2010.

9. Trade and other receivables

Trade and other receivables of RMB$6,149,000 (31 December 2009 – RMB6,353,000) include trade receivables of RMB5,899,000 (31 December 2009 – RMB6,321,000).

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 end of reporting period, based on payment due date, is as follows:

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Current to 90 days	5,899	6,321

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

10. Trade and other payables

Trade and other payables of RMB$6,289,000 (31 December 2009 – RMB6,946,000) include trade payables of RMB5,362,000 (31 December 2009 – RMB5,746,000)

The aging analysis of trade payables at the end of reporting period, base on payment due date, is as follows:

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Current to 90 days	**5,362**	5,746

11. Commitments

At the end of reporting period, the Group had no significant commitments.

12. Acquisitions of subsidiaries

On 25 February 2010, the Group acquired from Mr. Chen Jun, the controlling shareholder and a director of the Company, 100% equity interest in Great Miracle Holdings Limited and its subsidiaries which are principally engaged in properties and investment holding and sale of building materials and intelligent electronic components in the PRC, for an aggregate consideration of RMB71,432,000, comprising cash consideration of RMB25,000,000 and RMB46,432,000 (equivalent to HK$52,704,000) to be satisfied by the issue of an aggregate of 60,859,122 new shares ("consideration shares") of the Company. This transaction was approved by the Company's independent shareholders at the extra-ordinary general meeting held on 23 February 2010.

12. Acquisitions of subsidiaries *(Continued)*

The assets and liabilities arising from the acquisition, provisionally determined were as follows:

	Acquiree's carrying amount RMB'000	Fair value RMB'000
Investment properties	50,400	50,400
Plant and equipment	102	102
Available-for-sale equity investment	34,140	34,140
Trade and other receivables	220	220
Amounts due from related companies	2,324	2,324
Amount due from a relate party, Mr. Chen Jun	2,147	2,147
Cash and bank balances	167	167
Trade and other payables	(768)	(768)
Amount due to a related party	(2,168)	(2,168)
Deferred tax liabilities	(15,953)	(15,953)
Net assets acquired	70,611	70,611
Direct costs relating to the acquisitions		768
Deemed distribution to the controlling shareholder (note (ii))		23,165
		94,544
Consideration represented:		
— Cash		25,000
— Fair value of consideration shares issued		69,544
		94,544

12. Acquisitions of subsidiaries *(Continued)*

Notes:

(i) Pursuant to the sale and purchase agreement dated 3 December 2009 for the acquisitions of Great Miracle Holdings Limited and its subsidiaries, 60,859,122 ordinary shares of the Company with par value of HK$0.01 were issued. The fair value of the ordinary shares issued for the acquisitions amounting to approximately HK$79,117,000 (equivalent to RMB69,544,000) was determined using the published closing price of the shares of the Company at the date of acquisition.

(ii) Great Miracle Holdings Limited and its subsidiaries were acquired from the controlling shareholder. The deemed distribution represented the excess of the fair value of the consideration over the fair value of assets acquired, which was resulted from the difference of the share price of HK$0.86 each issued for acquisitions and the published closing price of the shares of the Company at the completion date of the acquisition.

13. Disposal of subsidiaries

On 3 December 2009, the Company and Mr. Chen Jun, the controlling shareholder and director of the Company entered into a sale and purchase agreement to dispose of its entire equity interest in Qingdao Zhongtian Software Park Co., Ltd ("Zhongtian Software Park"), an indirect wholly-owned subsidiary of the Company at a consideration of RMB35,000,000. The transaction was approved by the Company's independent shareholders at the extraordinary general meeting held on 23 February 2010. The transaction was subsequently completed on 25 February 2010.

13. Disposal of subsidiaries *(Continued)*

The net asset of disposed subsidiaries at the date of disposal were as follows:

	RMB'000
Land use rights and property under development, net	34,623
Other receivables	710
Cash and bank balances	1,001
Other payables	(1,711)
Net asset disposed of	34,623
Direct cost relating to the disposal	377
	35,000
Consideration-cash	35,000

14. Approval of the interim financial statements

The interim financial statements were approved and authorised for issue by the board of directors on 27 August 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

Information Technology

The Group had gradually faded out from the markets of software services for the financial industry and other industries. Meanwhile, taking the advantage of the Group's existing technology, human and marketing resources, the development and sale of intelligent electronic products became a project with fewer obstructions in the course of the transition to the Group's diversified operation. Such sales initially embodied the advantage of low input and high output which are of a vast market and a promising development prospect and were valued highly by the Group.

Equity Investment

Given the continued boom in the local banking industry in recent years, the Board had acquired its equity interests in commercial banks by acquisitions of enterprises and to generate a sustained and stable cash flow through dividend return on the equity interests held by it.

For details on the above acquisition of the equity interests in commercial banks, please refer to the circular issued by the Group on 28 January 2010. The relevant acquisition had been completed on 25 February 2010.

Property Investment

Influenced by international situation and China's macro-control policies, the level of land tenure and development cost, building materials and wages continued to rise, which posed a heavy burden to the financial condition of the Group. The Board, after analysis and discussion, disposed the "Zhongtian Software Park" Project located at Laoshan District, Qingdao City to mitigate the pressure on the liquidity of the Group.

As the commercial property rentals in Qingdao City remained at high level, it was expected that the property lease market would be able to keep its boom within a particular period. After analysis and consideration, the Board decided to acquire quality properties that have potentials for appreciation in the long run for the Group. The properties were also available for lease to provide stable rental income.

For details on the above disposal of Zhongtian Software Park and the acquisition of properties, please refer to the circular issued by the Group on 28 January 2010. The relevant disposal/acquisition had been completed on 25 February 2010.

FINANCIAL REVIEW

Turnover and Gross Profit Margin

The Group's total turnover for the six months ended 30 June 2010 was approximately RMB5,633,000, representing an increase of 72% from approximately RMB3,269,000 of the same period in last year. This was mainly attributable to the growth in sales of intelligent electronic products. The gross profit margin increased by 10% from 9% in 2009 to 19% in 2010.

Distribution Costs

During the period, the Group postponed all the marketing activities due to the lack of large-scale tender projects. There is no distribution cost for the period ended 30 June 2010 (30 June 2009: Nil).

General and Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2010 were approximately RMB2,898,000 (corresponding period in 2009: approximately RMB3,420,000) representing a decrease of approximately 15% over the corresponding period in 2009.

Net Loss

During the period, the Group recorded a net loss of approximately RMB1,845,000, improved as compared to the net loss of approximately RMB2,156,000 for the corresponding period last year. This was attributable to the effect of the decrease in general and administrative costs together with a gain in gross profit 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 from information technology segment, which accounted for 89% of the total turnover of the Group. Equity investment segment accounts for the remaining 11% of the total turnover.

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

The Group will continue to promote the development and sales of intelligent components products and consolidate the business divisions of the existing and newly acquired subsidiaries.

Meanwhile, the Group secured quality resources on commercial properties through acquisition that was completed at the beginning of the year and properly planned for leasing. The property is expected to generate steady rental income in the future. The Group also considered the possibility of further investment in commercial properties.

On the other hand, given to the prospect for a rapid development of the local banking industry, it is expected that the equity interests in banks acquired by the Group through acquisition will continue to generate stable income. The Group will also conduct a detailed assessment on the possibility of further investment in the financial industry.

DEBTS

As at 30 June 2010, 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 2009: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's capital requirement represents mainly working capital in relation to the sale of information technology products, costs of business expansion and investment. The Group used to finance its operation and investment from operating income and internal resources.

As at 30 June 2010, the Group had cash and bank balances of approximately RMB27,466,000 (31 December 2009: approximately RMB 19,317,000) of which 80% and 20% was held in RMB and HK$ respectively. The gearing ratio (defined as total interest-bearing debts divided by shareholder's equity) was 0% (31 December 2009: 0%).

During the six months ended 30 June 2010, 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 2010.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 3 December 2009, the Company's wholly-owned subsidiary, New East Glory Limited (the "Purchaser") and Mr. Chen Jun ("Mr. Chen") entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which the Purchaser had conditionally agreed to acquire and Mr. Chen had conditionally agreed to sell the entire issued share capital of Great Miracle Holdings Limited ("Great Miracle"), together with, among others, the interests of 6,510,000 shares in 青島華豐農村合作銀行(Qingdao Huafeng Rural Co-operation Bank), a bank established in the PRC, and the interests in two properties located in Qingdao City, the Shandong Province, the PRC, all held by 青島海逸投資諮詢有限公司 (Qingdao Hai Yi Investment and Consultancy Co., Ltd.) which is a wholly-owned subsidiary of Great Miracle, at a consideration of HK$52,704,000 (the "Acquisition"). The consideration under the Acquisition Agreement was to be satisfied by the issue and allotment of 60,859,122 new shares of the Company (the "Consideration Shares") at the issue price of HK$0.866 per Consideration Share to Mr. Chen (or his nominee which shall be a company controlled by him) upon completion of the Acquisition Agreement.

On 3 December 2009, 青島中天企業發展有限公司 (Qingdao Zhongtian Enterprise Development Co., Ltd.) (the "Vendor"), a wholly-owned subsidiary of the Company and Mr. Chen entered into a disposal agreement (the "Disposal Agreement"), pursuant to which the Vendor had conditionally agreed to sell and Mr. Chen had conditionally agreed to acquire (i) the 100% equity interest in the entire registered capital of 青島中天軟件園有限公司 (Qingdao Zhongtian Software Park Co., Ltd.) ("Zhongtian Software Park"), an indirect wholly-owned subsidiary of the Company; and (ii) all amounts due to the Vendor by Zhongtian Software Park and all loans made to Zhongtian Software Park by the Vendor as at 31 October 2009 which amounted to RMB50,026,887.79, at a consideration of RMB35,000,000 (the "Disposal").

As the applicable percentage ratios under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") exceeded 100% for the Acquisition and 75% for the Disposal, the Acquisition and the Disposal constituted a very substantial acquisition and a very substantial disposal of the Company respectively. Mr. Chen is a Director and a controlling Shareholder. Therefore, Mr. Chen is a connected person of the Company and accordingly, the Acquisition and the Disposal constituted connected transactions of the Company and were subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The completion of the Acquisition and the Disposal was inter-conditional. On 23 February 2010, the independent Shareholders approved, among others, the Acquisition and the Disposal at the extraordinary general meeting held on the same date. The Acquisition and the Disposal completed on 25 February 2010 and all the Consideration Shares were issued and allotted to Fine Mean Investments Limited ("Fine Mean"), a company wholly-owned by Mr. Chen, on the same date.

Details of the Acquisition and the Disposal were announced by the Company in its announcements dated 16 December 2009, 21 December 2009, 23 February 2010 and 25 February 2010, and in its circular dated 29 January 2010 respectively.

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 2010 (30 June 2009: Nil).

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 June 2010 (30 June 2009: Nil).

EVENTS AFTER THE REPORTING PERIOD

There are no significant events occurred after end of reporting period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2010, the Group had 7 employees (30 June 2009: 16). The number of employees had decreased significantly as a result of the Group's implementation of personnel restructure. 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 2010 was approximately RMB160,000 (30 June 2009: approximately RMB258,000).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

Pursuant to the sale and purchase agreement dated 3 December 2009 for the acquisitions of Great Miracle Holdings Limited and its subsidiaries by the Group, 60,859,122 ordinary shares of the Company with par value of HK$0.01 were issued as consideration at the issue price of HK$0.866 per share. The acquisition was completed and the consideration shares was issued on 25 February 2010. Further details of the acquisition was announced by the Company in its announcements dated 16 December 2009, 21 December 2009, 23 February 2010 and 25 February 2010, and in its circular dated 29 January 2010.

Save as disclosed above, during the six months ended 30 June 2010, 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 2010 (six months ended 30 June 2009: HK$Nil).

CORPORATE GOVERNANCE

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2010, 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 to the Listing Rules.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to 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 has reviewed the 2010 interim report of the Company.

DISCLOSURE OF INTERESTS

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

As at 30 June 2010, 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:

A) 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)	104,792,781	57.94%
	Beneficial owner	5,525,000	3.05%
		110,317,781	60.99%

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.

B) Long Positions in shares of Associated Corporations

Name of Directors	Name of the associated corporation	Capacity	Number of shares held	Approximate shareholding percentage
Mr. Chen	Fine Mean	Beneficial owner	1	100%

Save as disclosed above, as at 30 June 2010, 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 2010, as far as is known to the Directors, the following persons (other than 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	104,792,781	57.94%
Ms. Su Haiqing (Note 2)	Interest of spouse	110,317,781	60.99%

Notes:

(1) Fine Mean Investments Limited is 100% benefically 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, as at 30 June 2010, 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.

At 30 June 2010, there were no outstanding share options.

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 two independent non-executive Directors, namely Mr. Hung, Randy King Kuen and Mr. Chen Wen Ping and one executive Director, namely Mr. Zhao Yun.

By Order of the Board
CHEN Jun
Chairman

Qingdao City, Shandong Province, the PRC
27 August 2010