

# 2010

INTERIM REPORT

中國數碼信息有限公司

二零一零年度 中期報告



Sino-i Technology Limited

Stock code: 250 股份代號: 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

Units 15-18, 36/F.,

China Merchants Tower, Shun Tak Centre

168-200 Connaught 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 2010 together with the comparative figures for 2009 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED**

For the six months ended 30 June 2010

	Notes	For the six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000
<b>Revenue/Turnover</b>	4(a)	<b>305,567</b>	195,212
Cost of sales and services provided		<b>(86,172)</b>	(53,081)
<b>Gross profit</b>		<b>219,395</b>	142,131
Other operating income	4(b)	<b>55,752</b>	77,210
Selling and marketing expenses		<b>(121,403)</b>	(125,808)
Administrative expenses		<b>(115,907)</b>	(130,191)
Other operating expenses		<b>(122,734)</b>	(43,047)
Finance costs	5	<b>(2,346)</b>	(2,981)
Share of results of an associate		–	–
<b>Loss before income tax</b>	6	<b>(87,243)</b>	(82,686)
Income tax expense	7	<b>(7,954)</b>	(9,033)
<b>Loss for the period</b>		<b>(95,197)</b>	(91,719)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(86,007)</b>	(87,242)
Non-controlling interests		<b>(9,190)</b>	(4,477)
<b>Loss for the period</b>		<b>(95,197)</b>	(91,719)
		<b>HK cent</b>	HK cent
<b>Loss per share for loss attributable to the owners of the Company during the period</b>	8		
– Basic		<b>(0.432)</b>	(0.438)
– Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30 June 2010

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
<b>Loss for the period</b>	<b>(95,197)</b>	(91,719)
<b>Other comprehensive income, including reclassification adjustments:</b>		
Exchange differences on translation of financial statements of foreign operations	<b>3,728</b>	(1,043)
<b>Other comprehensive income for the period, including reclassification adjustments, and net of tax</b>	<b>3,728</b>	(1,043)
<b>Total comprehensive income for the period</b>	<b>(91,469)</b>	(92,762)
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>(83,161)</b>	(88,232)
Non-controlling interests	<b>(8,308)</b>	(4,530)
<b>Total comprehensive income for the period</b>	<b>(91,469)</b>	(92,762)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2010

		(Unaudited) <b>30 June 2010</b> <b>HK\$'000</b>	(Audited) 31 December 2009 HK\$'000
	Notes		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>258,969</b>	222,594
Investment property		–	11,409
Prepaid land lease payments under operating leases		<b>56,295</b>	56,316
Interest in an associate		–	–
Available-for-sale financial assets		<b>2,284</b>	324
Goodwill	11	<b>104,323</b>	82,098
Deposits		–	142,199
Other intangible assets		<b>188,392</b>	65,184
Loan to ultimate holding company		–	1,544,576
		<b>610,263</b>	2,124,700
<b>Current assets</b>			
Financial assets at fair value through profit or loss		<b>38,676</b>	102,440
Trade receivables	12	<b>96,586</b>	23,004
Deposits, prepayments and other receivables		<b>413,592</b>	368,860
Amount due from ultimate holding company		<b>1,340,478</b>	–
Cash and cash equivalents		<b>47,349</b>	78,654
		<b>1,936,681</b>	572,958
<b>Current liabilities</b>			
Trade payables	13	<b>51,626</b>	31,981
Other payables and accruals		<b>146,913</b>	107,769
Deferred revenue		<b>75,009</b>	82,404
Provision for tax		<b>66,191</b>	58,988
Amount due to ultimate holding company		–	174,811
Amount due to a director		<b>42,938</b>	41,664
Amounts due to shareholders		<b>5,006</b>	5,006
Amount due to an associate		<b>5,505</b>	5,505
Bank borrowings, secured	14	<b>78,404</b>	11,400
		<b>471,592</b>	519,528
<b>Net current assets</b>		<b>1,465,089</b>	53,430
<b>Total assets less current liabilities</b>		<b>2,075,352</b>	2,178,130

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

As at 30 June 2010

	Notes	(Unaudited) 30 June 2010 HK\$'000	(Audited) 31 December 2009 HK\$'000
<b>Non-current liabilities</b>			
Bank borrowings, secured	14	<b>7,991</b>	19,300
		<b>7,991</b>	19,300
<b>Net assets</b>		<b>2,067,361</b>	2,158,830
<b>EQUITY</b>			
Share capital	15	<b>199,145</b>	199,145
Share premium		<b>39,194</b>	39,194
Reserves		<b>1,788,720</b>	1,871,881
<b>Equity attributable to the Company's owners</b>		<b>2,027,059</b>	2,110,220
<b>Non-controlling interests</b>		<b>40,302</b>	48,610
<b>Total equity</b>		<b>2,067,361</b>	2,158,830

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED**

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Net cash (used in)/generated from operating activities	<b>(74,940)</b>	87,311
Net cash (used in)/generated from investing activities	<b>(48,252)</b>	50,545
Net cash generated from financing activities	<b>91,266</b>	76,772
Net (decrease)/increase in cash and cash equivalents	<b>(31,926)</b>	214,628
<b>Cash and cash equivalents at 1 January</b>	<b>78,654</b>	103,692
Effect of foreign exchange rate changes, on cash held	<b>621</b>	(132)
<b>Cash and cash equivalents at 30 June</b>	<b>47,349</b>	318,188
<b>Analysis of balances of cash and cash equivalents</b>		
Cash at banks and in hand	<b>47,349</b>	318,188

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2010

	Equity attributable to the Company's owners									
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital distribution reserve HK\$'000	General reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
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
<b>Loss for the period</b>	-	-	-	-	-	-	(87,242)	(87,242)	(4,477)	(91,719)
<b>Other comprehensive income</b>										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(990)	-	(990)	(53)	(1,043)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(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
<b>At 1 January 2010</b>	<b>199,145</b>	<b>39,194</b>	<b>2,258</b>	<b>52,622</b>	<b>5,885</b>	<b>57,175</b>	<b>1,753,941</b>	<b>2,110,220</b>	<b>48,610</b>	<b>2,158,830</b>
<b>Loss for the period</b>	-	-	-	-	-	-	(86,007)	(86,007)	(9,190)	(95,197)
<b>Other comprehensive income</b>										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	2,846	-	2,846	882	3,728
<b>Total comprehensive income for the period</b>	-	-	-	-	-	2,846	(86,007)	(83,161)	(8,308)	(91,469)
<b>At 30 June 2010</b>	<b>199,145</b>	<b>39,194</b>	<b>2,258</b>	<b>52,622</b>	<b>5,885</b>	<b>60,021</b>	<b>1,667,934</b>	<b>2,027,059</b>	<b>40,302</b>	<b>2,067,361</b>



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010

### 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 2009.

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 (the “Board”) of the Company on 27 August 2010.

### 2. 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 financial statements for the year ended 31 December 2009, except that the Group has applied, for the first time, the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2010.

HKFRS 3 (Revised 2008)	Business Combinations
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
Various	Annual Improvements to HKFRSs 2009

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

For the six months ended 30 June 2010

**2. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***HKFRS 3 Business Combinations (Revised 2008)**

The revised standard introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in the revised standard are as follows:

- Acquisition-related costs of the combination are recorded as an expense in the consolidated income statement. Previously, these costs would have been accounted for as part of the cost of the acquisition.
- The assets acquired and liabilities assumed are generally measured at their acquisition-date fair values unless the revised standard provides an exception and provides specific measurement rules.
- Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.

The revised standard has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The Group considers that this is unlikely to have material financial impact on the Group. Business combinations for which the acquisition date is before 1 January 2010 have not been restated.

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

For the six months ended 30 June 2010

**2. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***HKAS 27 Consolidated and Separate Financial Statements (Revised 2008)**

The adoption of HKFRS 3 (Revised 2008) required that the HKAS 27 (Revised 2008) is adopted at the same time. The revised standard introduced changes to the accounting requirements for transactions with non-controlling (formerly known as “minority”) interests and the loss of control of a subsidiary. Similar to HKFRS 3 (Revised 2008), the adoption of the revised standard is applied prospectively. Previously, goodwill arising on the acquisition of non-controlling interests in a subsidiary has been recognised, and represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction. The Group did not have transactions with non-controlling interests in the current period. In addition, total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The adoption of the revised standard did not have material financial impact on the current interim results and financial position.

**Annual Improvements to HKFRSs 2009 – Amendment to HKAS 17 Leases**

The Improvements to HKFRSs 2009 made several minor amendments to HKFRSs. The only amendment relevant to the Group relates to HKAS 17 Leases. The amendment requires that leases of land are classified as finance or operating applying the general principles of HKAS 17. Prior to this amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The Group has reassessed the classification of unexpired prepaid land lease payments as at 1 January 2010 on the basis of information existing at the inception of those leases, and considered this amendment did not have material financial impact to the Group.

The adoption of other new HKFRSs has no material impact on the Group’s results and financial position for the current and prior periods.

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 2010. The Group has not early adopted these standards. The directors are currently assessing the impact of these new and amended 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.

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

For the six months ended 30 June 2010

**3. SEGMENT INFORMATION**

The executive directors have identified the Group's three major services line as reportable segments: corporate IT application services, financial information services and distance learning education services. Information about other business activities and operating segments that are not reportable are combined and disclosed in an "Other segment". Other segment includes trading of securities. The operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

The segment results for the six months ended 30 June 2010 and 30 June 2009 are as follows:

	For the six months ended 30 June 2010				
	Corporate IT application services HK\$'000	Financial information services HK\$'000	Distance learning education services HK\$'000	Other segment HK\$'000	Total HK\$'000
<b>Revenue</b>					
From external customers	292,133	9,710	3,724	-	305,567
From other segments	-	-	-	-	-
<b>Reportable segment revenue</b>	<b>292,133</b>	<b>9,710</b>	<b>3,724</b>	<b>-</b>	<b>305,567</b>
<b>Reportable segment results</b>	<b>(76,929)</b>	<b>(19,421)</b>	<b>(1,061)</b>	<b>(26,411)</b>	<b>(123,822)</b>

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**3. SEGMENT INFORMATION** (continued)

	For the six months ended 30 June 2009				
	Corporate IT application services HK\$'000	Financial information services HK\$'000	Distance learning education services HK\$'000	Other segment HK\$'000	Total HK\$'000
<b>Revenue</b>					
From external customers	183,327	9,814	2,071	-	195,212
From other segments	-	-	-	-	-
<b>Reportable segment revenue</b>	<b>183,327</b>	<b>9,814</b>	<b>2,071</b>	<b>-</b>	<b>195,212</b>
<b>Reportable segment results</b>	<b>(113,562)</b>	<b>(21,006)</b>	<b>(2,818)</b>	<b>727</b>	<b>(136,659)</b>

The reportable segment assets as at 30 June 2010 and 31 December 2009 are as follows:

	Corporate IT application services HK\$'000	Financial information services HK\$'000	Distance learning education services HK\$'000	Other segment HK\$'000	Total HK\$'000
<b>As at 30 June 2010</b>	<b>950,670</b>	<b>8,580</b>	<b>1,745</b>	<b>40,731</b>	<b>1,001,726</b>
As at 31 December 2009	832,112	10,079	919	102,497	945,607

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**3. SEGMENT INFORMATION** (continued)

The total presented for the Group's operating segments results are reconciled to the Group's key financial figures as presented in these condensed consolidated interim financial statements as follows:

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Reportable segment revenues	<b>305,567</b>	195,212
Elimination of inter segment revenues	–	–
<b>Group revenues</b>	<b>305,567</b>	195,212
Reportable segment results	<b>(97,411)</b>	(137,386)
Other segment results	<b>(26,411)</b>	727
Bank interest income	–	12
Other interest income	<b>46,428</b>	68,833
Total interest income on financial assets not at fair value through profit or loss	<b>46,428</b>	68,845
Depreciation and amortisation	<b>(4)</b>	(146)
Gain on disposal of subsidiaries	<b>162</b>	–
Unallocated corporate expenses	<b>(10,007)</b>	(14,726)
<b>Loss before income tax</b>	<b>(87,243)</b>	(82,686)

**4. REVENUE/TURNOVER AND OTHER OPERATING INCOME**

- (a) The Group's turnover represents revenue from its principal activities as set out below:

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Corporate IT application services	<b>292,133</b>	183,327
Financial information services	<b>9,710</b>	9,814
Distance learning education services	<b>3,724</b>	2,071
	<b>305,567</b>	195,212

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

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

(b) Other operating income:

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Bank interest income	<b>94</b>	163
Other interest income	<b>46,428</b>	68,833
Total interest income on financial assets not at fair value through profit or loss	<b>46,522</b>	68,996
Gain on disposal of subsidiaries	<b>162</b>	–
Net fair value gain on financial assets at fair value through profit or loss	–	820
Government grants	<b>7,449</b>	2,949
Rental income	–	1,787
Sundry income	<b>1,619</b>	2,658
	<b>55,752</b>	77,210

**5. FINANCE COSTS**

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Interest charges on:		
Bank loans wholly repayable within five years	<b>2,346</b>	2,977
Other payables	–	4
Total	<b>2,346</b>	2,981

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

For the six months ended 30 June 2010

**6. LOSS BEFORE INCOME TAX**

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Loss before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets	<b>33,792</b>	16,421
Gross depreciation of property, plant and equipment	<b>13,518</b>	15,424
<i>Less: Amounts capitalised in intangible assets</i>	<b>(14)</b>	(220)
Net depreciation of property, plant and equipment	<b>13,504</b>	15,204
Depreciation of investment property	<b>54</b>	144
Operating lease charges on prepaid land lease	<b>659</b>	654
Net fair value loss/(gain) on financial assets at fair value through profit or loss	<b>26,724</b>	(820)

**7. INCOME TAX EXPENSE**

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Hong Kong Profits Tax		
Current tax expense	<b>4,317</b>	7,423
PRC Enterprise Income Tax		
Current tax expense	<b>3,637</b>	1,610
	<b>7,954</b>	9,033

For the six months ended 30 June 2010, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2009: 16.5%) on the estimated assessable profits for the period.



**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

For the six months ended 30 June 2010

**7. INCOME TAX EXPENSE** *(continued)*

PRC Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (six months ended 30 June 2009: 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.

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 2009: 15%).

**8. LOSS PER SHARE**

The calculation of basic loss per share is based on the loss for the period attributable to the owners of the Company of HK\$86,007,000 (six months ended 30 June 2009: HK\$87,242,000) and on 19,914,504,877 (six months ended 30 June 2009: 19,914,504,877) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2010 and 30 June 2009 is not presented as there were no potential dilutive ordinary shares in issue during the period.

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

For the six months ended 30 June 2010

**9. BUSINESS COMBINATION****Current period**

In January 2010, the Group, through its subsidiary, entered into sales and purchases agreements to acquire 100% equity interest in a subsidiary, 北京中企動力廣告有限公司 (Beijing CE Dongli Advertising Limited), which engages in corporate IT application services, for a consideration of RMB1,000,000.

These acquisitions were made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

Since the acquisition, the subsidiary in aggregate contributed HK\$3,633,000 to the Group's revenue and HK\$3,823,000 to the consolidated loss for the six months ended 30 June 2010.

Had the combination been taken place at the beginning of the period, the revenue and the consolidated loss of the Group for the six months ended 30 June 2010 would have been HK\$305,900,000 and HK\$98,512,000 respectively.

The Group and CE Dongli Advertising Limited are parties to a tenancy agreement under which the Group leases an investment property to Beijing CE Dongli Advertising Limited at a fixed monthly rental rate and the amount is recognised in other operating income. This transaction does not have material financial impact on the Group.

Details of the provisional assets acquired and liabilities assumed and the corresponding goodwill are as follows:

	<b>Total HK\$'000</b>
Cash consideration	<b>1,142</b>
Provisional fair value of net liabilities assumed	<b>20,334</b>
Goodwill	<b>21,476</b>

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**9. BUSINESS COMBINATION** (continued)**Current period** (continued)

The carrying amounts of the assets and liabilities of the acquired business approximate their provisional fair values and are as follows:

	<b>Total HK\$'000</b>
Net liabilities assumed:	
Property, plant and equipment	<b>5</b>
Other intangible assets	<b>1,120</b>
Available-for-sale financial assets	<b>1,941</b>
Deposits, prepayments and other receivables	<b>44,938</b>
Cash and cash equivalents	<b>410</b>
Other payables and accruals	<b>(68,748)</b>
Provisional fair value of net liabilities assumed	<b>(20,334)</b>

As at the date of this interim report, the Group has yet to finalise the fair value assessments for net assets acquired from these acquisitions. The Group expects to finalise the assessments by 31 December 2010. Acquisition-related costs have been recognised as administrative expenses in the consolidated income statement. The goodwill is attributable to the future profitability of the above subsidiary acquired and the significant synergies expected to arise after the Group's acquisitions. The goodwill that arose from these business combinations is not expected to be deductible for tax purposes.

**Prior period**

In January 2009, the Group, through its subsidiary, entered into sales and purchases agreements to acquire 100% equity interest in a subsidiary. Details of this business combination were disclosed in note 44(b) of the Group's annual financial statements for the year ended 31 December 2009.

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

For the six months ended 30 June 2010

**10. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2010, the Group acquired property, plant and equipment with a cost of HK\$36,591,000 (six months ended 30 June 2009: HK\$7,407,000), excluding property, plant and equipment acquired through business combination (see note 9).

Property, plant and equipment with net book value of HK\$429,000 were disposed of by the Group during the six months ended 30 June 2010 (six months ended 30 June 2009: HK\$143,000), resulting in a net loss on disposal of HK\$232,000 (six months ended 30 June 2009: HK\$87,000).

**11. GOODWILL**

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Opening net carrying amount	<b>82,098</b>	81,789
Acquisition of subsidiaries	<b>21,476</b>	127
Disposal of subsidiaries	<b>(6)</b>	–
Net exchange differences	<b>755</b>	182
Closing net carrying amount	<b>104,323</b>	82,098

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**12. TRADE RECEIVABLES**

Trade receivables are due on presentation of invoices. Based on the invoice dates, the aging analysis of trade receivables is as follows:

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
0-90 days	<b>70,771</b>	5,448
91-180 days	<b>296</b>	1,475
181-270 days	<b>7,142</b>	879
271-360 days	<b>2,118</b>	884
Over 360 days	<b>26,604</b>	24,432
Trade receivables, gross	<b>106,931</b>	33,118
Less: Provision for impairment of receivables	<b>(10,345)</b>	(10,114)
Trade receivables, net	<b>96,586</b>	23,004

**13. TRADE PAYABLES**

Based on invoice dates, the aging analysis of trade payables is as follows:

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
0-90 days	<b>11,997</b>	6,045
91-180 days	<b>5,683</b>	4,234
181-270 days	<b>6,036</b>	13,041
271-360 days	<b>6,073</b>	148
Over 360 days	<b>21,837</b>	8,513
	<b>51,626</b>	31,981

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

For the six months ended 30 June 2010

**14. BANK BORROWINGS, SECURED**

At 30 June 2010, the bank borrowings, which are denominated in RMB, were repayable as follows:

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Within one year	<b>78,404</b>	11,400
In the second year	<b>7,991</b>	11,400
In the third to fifth years	–	7,900
Wholly repayable within five years	<b>86,395</b>	30,700
Less: Portion due within one year under current liabilities	<b>(78,404)</b>	(11,400)
Portion due over one year under non-current liabilities	<b>7,991</b>	19,300

**15. SHARE CAPITAL**

	<b>Number of ordinary shares of HK\$0.01 each</b>	<b>HK\$'000</b>
Authorised:		
At 1 January 2009, 31 December 2009 and <b>30 June 2010</b>	<b>30,000,000,000</b>	<b>300,000</b>
Issued and fully paid:		
At 1 January 2009, 31 December 2009 and <b>30 June 2010</b>	<b>19,914,504,877</b>	<b>199,145</b>

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

For the six months ended 30 June 2010

**16. CONTINGENT LIABILITIES**

Guarantees given in connection with credit facilities granted to:

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
An associate (note a)	<b>13,586</b>	13,197
Third parties (note b)	<b>65,660</b>	65,370
	<b>79,246</b>	78,567

Notes:

- (a) There have been no material developments in respect of pending litigation with the loan borrowed by an associate since the disclosures in the Group's annual audited financial statements for the year ended 31 December 2009. Due to the pending litigation, the Group cannot ascertain the fair value of the guarantee in respect of the loan borrowed by the associate.
- (b) Up to the reporting date, information of the outstanding balance of the indebtedness under the ICBC Loan ("ICBC Indebtedness") disclosed in the Group's annual audited financial statements for the year ended 31 December 2009 for ascertaining the fair value of the guarantee for ICBC Indebtedness has yet been available.

**17. CAPITAL COMMITMENTS**

At 30 June 2010, the Group had outstanding capital commitments as follows:

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Contracted but not provided for in respect of:		
– construction in progress	<b>179,123</b>	177,358

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

For the six months ended 30 June 2010

**18. CREDIT FACILITIES**

At 30 June 2010, 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\$23,979,000 (31 December 2009: HK\$23,990,000);
- (b) charge over buildings with a net carrying value of approximately HK\$18,112,000 (31 December 2009: HK\$18,435,000);
- (c) charge over financial assets at fair value through profit or loss with a net carrying value of approximately HK\$1,445,000 (31 December 2009: HK\$2,193,000); and
- (d) pledge of certain bank deposits of approximately HK\$77,944,000 (31 December 2009: Nil) provided by a fellow subsidiary.

**19. RELATED PARTY TRANSACTIONS**

Directors' fees and remuneration were as follows:

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Directors' fees	<b>256</b>	202
Basic salaries, housing, other allowances and benefits in kind	<b>470</b>	410
Pension scheme contributions	<b>34</b>	–
	<b>760</b>	612



**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

For the six months ended 30 June 2010

**19. RELATED PARTY TRANSACTIONS** *(continued)*

Included in other interest income of HK\$46,428,000 (six months ended 30 June 2009: HK\$68,833,000), HK\$44,988,000 (six months ended 30 June 2009: HK\$65,984,000) was interest income from ultimate holding company.

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

**20. 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 2009.

## INTERIM DIVIDEND

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

During the period under review, notwithstanding the effect of macroeconomic environment resulting from the slowdown of the PRC economy, the Group spared no effort to improve the operation of its self-developed products and did make some improvements, though it was not significantly enough to realize a turnaround in profitability. In the second half of this year, the Group will focus on its self-alignment and continue to step up the marketing efforts for its self-developed products, improve efficiency in internal management and implement positive transformation for its overall operation structure. During the period, turnover was approximately HK\$305.6 million (6 months ended 30 June 2009: HK\$195.2 million) and net loss attributable to the owners of the Company was approximately HK\$86.0 million (6 months ended 30 June 2009: HK\$87.2 million). The net assets attributable to the owners of the Company were approximately HK\$2,027.1 million (31 December 2009: HK\$2,110.2 million), representing a value of approximately HK\$0.102 per share.

### Corporate IT Application Services

During the period, turnover of this division was approximately HK\$292.1 million (6 months ended 30 June 2009: HK\$183.3 million), having an increase of approximately 59.4% by comparing with the same period last year. Net loss before income tax was reduced to approximately HK\$76.9 million (6 months ended 30 June 2009: HK\$113.6 million).

The Company through 中企動力科技股份有限公司 (CE Dongli Technology Company Limited), a subsidiary of the Company, continued to focus on market development for website construction, mailbox and network sales platform. Both turnover and sales proportion of its self-developed products increased to a certain extent. However, given the on-going investments in R&D and expansion in operation, which are consistent with the persistent and significant investment strategy, so the overall business result has yet reached a prominent improvement.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### BUSINESS REVIEW *(continued)*

#### Financial Information Services

During the period, turnover of this division was approximately HK\$9.7 million (6 months ended 30 June 2009: HK\$9.8 million) and net loss before income tax was approximately HK\$19.4 million (6 months ended 30 June 2009: HK\$21.0 million).

In light of the increasingly keen competition in the domestic financial information service industry, the business of 北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited) (“Shihua”), a subsidiary of the Company, progressed insignificantly. Given this macro-environmental situation, Shihua has reallocated its substantial resources to actively adjust product mix and optimize product development procedures in a timely manner so as to further strengthen the product competitiveness.

#### Distance Learning Education Services

During the period, turnover of this division was approximately HK\$3.7 million (6 months ended 30 June 2009: HK\$2.1 million) and net loss before income tax was approximately HK\$1.1 million (6 months ended 30 June 2009: HK\$2.8 million).

北京華夏大地遠程教育網絡服務有限公司 (Beijing Chinese Dadi Distance Education Company Limited) (“Chinese Dadi”), a subsidiary of the Company, provided integrated academic assessment services for a wide range of learners by means of extensive cooperation with local education institutions. Meanwhile, Chinese Dadi continuously expanded its product lines and variety of services as well as professional aspects, which culminated a two-fold increase in the number of B2C learners over the previous year, which in turn marked an improvement in loss-making situation in this division.

### TECHNOLOGICAL DEVELOPMENT

北京中企開源信息技術有限公司 (Beijing CE Open Source Software Co., Ltd.), a subsidiary of the Company, strengthened its core capabilities in basic and application technologies, and achieved a certain extent of progress in such servicing sectors as domestic basic software, cloud computing and operation support.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 30 June 2010, the net assets attributable to the owners of the Company amounted to approximately HK\$2,027.1 million (31 December 2009: HK\$2,110.2 million), including cash and bank balances of approximately HK\$47.3 million (31 December 2009: HK\$78.7 million), which were denominated mainly in Renminbi and Hong Kong dollars. As at 30 June 2010, the Group's aggregate borrowings were approximately HK\$86.4 million (31 December 2009: HK\$30.7 million), were bearing interest at floating rates. The gearing ratio of the Group was approximately 1.85% as at 30 June 2010 (31 December 2009: N/A).

Capital commitment of the Group as at 30 June 2010 was approximately HK\$179.1 million, appropriated for the construction expenses of the headquarters of our corporate IT application services.

The Group's contingent liabilities as at 30 June 2010 were approximately HK\$79.2 million due to the guarantees given in connection with credit facilities.

As at 30 June 2010, prepaid land lease payments and buildings with a total net carrying value of approximately HK\$42.1 million and financial assets at fair value through profit or loss with a net carrying amount of HK\$1.5 million were pledged to secure credit facilities granted to the Group. In addition, bank deposit of approximately HK\$77.9 million of a fellow subsidiary was also pledged to secure credit facilities granted to the Group.

### EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's borrowings and transactions were denominated in Renminbi and Hong Kong dollars. Both the operating expenses and revenues were primarily in Renminbi. The ever-growing economy of the PRC is expected to warrant a continued appreciation of Renminbi. The Group's reported assets, liabilities and profits may be affected by Renminbi exchange rate. Although the Renminbi exchange risk exposure is not significant to the Group during the period under review, the Group will keep on reviewing and monitoring the exchange fluctuation between Renminbi and Hong Kong dollars, and foreign exchange hedging arrangements may be considered as and 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 2010, the Group had approximately 7,410 employees (30 June 2009: 7,009 employees). The salaries of and allowances for employees for the six months ended 30 June 2010 were approximately HK\$246.5 million (6 months ended 30 June 2009: HK\$174.1 million).

### PROSPECT

The uncertainties over the rebound of the global economy will certainly hinder recovery progress of the economy in the PRC. Coupled with the changes in financial policies in the PRC, the overall market environment in 2010 will be more complicated and uncertain as compared to 2009. By adhering to the stated development direction, the Group will endeavor to expand its core businesses; continue to launch leading products and services by leveraging on its strong technical capabilities; step up marketing efforts to enhance corporate recognition; expand the market share through the expansion and optimization of its distribution channels; enhance the integration of internal resources for improvement of management efficiency and lower operation costs, with a view to consolidating and strengthening its leading position in the relevant business sectors.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2010, 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 Corporation Limited ("Nan Hai"), the holding company of the Company. These 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of Nan Hai. As such, Mr. Yu was taken to be interested in these shares for the purposes of Part XV of the SFO.
- These 44,000,000 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

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

### Associated Corporations

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of Nan Hai. As such, Mr. Yu is taken to be interested in the shares that the Company, Nan Hai or their respective controlled corporations hold in the associated corporations of the Company within the meaning of Part XV of the SFO. Nan Hai is a company the shares of which are listed on the Stock Exchange and is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at 30 June 2010, 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	–	33,745,726,203 <i>(Note 1)</i>	69,326,400 <i>(Note 2)</i>	33,815,052,603	49.26%
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:

1. Out of these 33,745,726,203 shares, 30,003,232,705 shares were collectively held by Mr. Yu through Rosewood Assets Ltd., Phippen Limited and First Best Assets Limited, companies wholly owned by him; and 3,742,493,498 shares were held by Macro Resources Ltd., a company indirectly held as to 60% by Mr. Yu.
2. 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 2010, none of the directors nor 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 as set out in Appendix 10 to the Listing Rules.



## 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.

The share options granted on 12 November 2004 at the exercise price of HK\$0.16 per share expired at the close of the business on 31 December 2008.

During the six months ended 30 June 2010, no share options have been granted under the Scheme by the Company.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2010, 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:

<b>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</b>	<b>Nature of interest</b>	<b>Number of shares in issue subject to long position</b>	<b>Approximate percentage of issued share capital of the Company</b>	<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:*

- 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 2010, no person (other than directors and chief executive of the Company) had notified to the Company any interests or short positions in shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

## **PURCHASE, SALE OR REDEMPTION OF LISTED 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 2010.

## **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 2010, except for the deviations mentioned below:

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

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

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 2010.

## 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 2010, and discussed the financial control, internal control and risk management systems.

By order of the Board

**Yu Pun Hoi**

*Chairman*

Hong Kong, 27 August 2010