



# 2011

## 中國數碼信息有限公司

INTERIM REPORT 二零一一年度 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. LAM Bing Kwan

#### Independent Non-executive

Mr. HUANG Yaowen

Prof. JIANG Ping

Mr. FUNG Wing Lap

### COMPANY SECRETARY

Mr. WATT Ka Po James

### AUDITOR

BDO Limited

Certified Public Accountants

Hong Kong

### 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 2011 together with the comparative figures for 2010 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30 June 2011

	Notes	For the six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000
<b>Revenue/Turnover</b>	4 (a)	<b>378,942</b>	305,567
Cost of sales and services provided		<b>(91,212)</b>	(86,172)
<b>Gross profit</b>		<b>287,730</b>	219,395
Other operating income	4 (b)	<b>79,592</b>	55,752
Selling and marketing expenses		<b>(169,946)</b>	(121,403)
Administrative expenses		<b>(179,424)</b>	(115,907)
Other operating expenses		<b>(100,250)</b>	(122,734)
Finance costs	5	<b>(2,338)</b>	(2,346)
Share of results of an associate		-	-
<b>Loss before income tax</b>	6	<b>(84,636)</b>	(87,243)
Income tax expense	7	<b>(5,414)</b>	(7,954)
<b>Loss for the period</b>		<b>(90,050)</b>	(95,197)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(82,554)</b>	(86,007)
Non-controlling interests		<b>(7,496)</b>	(9,190)
<b>Loss for the period</b>		<b>(90,050)</b>	(95,197)
		<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>(0.415)</b>	(0.432)
Diluted		<b>N/A</b>	N/A

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED**

For the six months ended 30 June 2011

	<b>For the six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
<b>Loss for the period</b>	<b>(90,050)</b>	(95,197)
<b>Other comprehensive income, including reclassification adjustments:</b>		
Exchange differences on translation of financial statements of foreign operations	<b>335</b>	3,728
<b>Other comprehensive income for the period, including reclassification adjustments, and net of tax</b>	<b>335</b>	3,728
<b>Total comprehensive income for the period</b>	<b>(89,715)</b>	(91,469)
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>(82,155)</b>	(83,161)
Non-controlling interests	<b>(7,560)</b>	(8,308)
<b>Total comprehensive income for the period</b>	<b>(89,715)</b>	(91,469)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2011

		(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
	Notes		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>345,840</b>	281,795
Prepaid land lease payments under operating leases		<b>14,128</b>	14,010
Interest in an associate		-	-
Available-for-sale financial assets		<b>476</b>	473
Goodwill		<b>117,520</b>	115,866
Deposits		<b>17,960</b>	17,602
Other intangible assets		<b>165,238</b>	168,961
Loan to ultimate holding company		<b>1,495,776</b>	-
		<b>2,156,938</b>	598,707
<b>Current assets</b>			
Financial assets at fair value through profit or loss		-	22,932
Trade receivables	10	<b>70,459</b>	118,778
Deposits, prepayments and other receivables		<b>220,552</b>	243,059
Loan to ultimate holding company		-	1,634,551
Cash and cash equivalents		<b>54,442</b>	79,257
		<b>345,453</b>	2,098,577
Non-current assets classified as held for sale		-	75,225
		<b>345,453</b>	2,173,802

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

As at 30 June 2011

		(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
	Notes		
<b>Current liabilities</b>			
Trade payables	11	33,977	43,134
Other payables and accruals		110,711	172,826
Deferred revenue		67,088	64,030
Provision for tax		74,264	68,516
Amount due to ultimate holding company		90,069	305,733
Amount due to a director		28,515	32,374
Amounts due to shareholders		5,006	5,006
Amount due to an associate		5,505	5,505
Bank borrowings, secured	12	101,095	–
Finance lease liabilities		102	–
		<b>516,332</b>	697,124
<b>Net current (liabilities)/assets</b>		<b>(170,879)</b>	1,476,678
<b>Total assets less current liabilities</b>		<b>1,986,059</b>	2,075,385
<b>Non-current liabilities</b>			
Finance lease liabilities		389	–
		<b>389</b>	–
<b>Net assets</b>		<b>1,985,670</b>	2,075,385
<b>EQUITY</b>			
Share capital	13	199,145	199,145
Reserves		1,756,814	1,837,258
<b>Equity attributable to the Company's owners</b>		<b>1,955,959</b>	2,036,403
<b>Non-controlling interests</b>		<b>29,711</b>	38,982
<b>Total equity</b>		<b>1,985,670</b>	2,075,385

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

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Net cash used in operating activities	<b>(158,744)</b>	(74,940)
Net cash generated from/(used in) investing activities	<b>9,746</b>	(48,252)
Net cash generated from financing activities	<b>122,962</b>	91,266
Net decrease in cash and cash equivalents	<b>(26,036)</b>	(31,926)
<b>Cash and cash equivalents at 1 January</b>	<b>79,257</b>	78,654
Effect of foreign exchange rate changes, on cash held	<b>1,221</b>	621
<b>Cash and cash equivalents at 30 June</b>	<b>54,442</b>	47,349
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at banks and in hand	<b>54,442</b>	47,349

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2011

	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 2010	199,145	39,194	2,258	52,622	5,885	57,175	1,753,941	2,110,220	48,610	2,158,830
<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>
At 1 January 2011	199,145	39,194	2,258	52,622	5,885	63,215	1,674,084	2,036,403	38,982	2,075,385
<b>Loss for the period</b>	-	-	-	-	-	-	(82,554)	(82,554)	(7,496)	(90,050)
<b>Other comprehensive income</b>										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	399	-	399	(64)	335
<b>Total comprehensive income for the period</b>	-	-	-	-	-	399	(82,554)	(82,155)	(7,560)	(89,715)
Transfer to general reserve	-	-	-	-	5,345	-	(5,345)	-	-	-
Released on acquisition of additional interest in subsidiaries	-	-	-	-	-	-	1,711	1,711	(1,711)	-
<b>At 30 June 2011</b>	<b>199,145</b>	<b>39,194</b>	<b>2,258</b>	<b>52,622</b>	<b>11,230</b>	<b>63,614</b>	<b>1,587,896</b>	<b>1,955,959</b>	<b>29,711</b>	<b>1,985,670</b>



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

### 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 2010.

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 30 August 2011.

### 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 2010, 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 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendment to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

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

For the six months ended 30 June 2011

### 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other than as noted below, the adoption of these new HKFRSs did not change the Group's accounting policies as followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

#### HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

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 2011. 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.

### 3. SEGMENT INFORMATION

The executive directors have identified the Group's three services line as operating 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 "all other segments". All other segments included trading of securities. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

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

For the six months ended 30 June 2011

### 3. SEGMENT INFORMATION *(continued)*

The segment results for the six months ended 30 June 2011 and 30 June 2010 are as follows:

For the six months ended 30 June 2011					
	Corporate IT application services HK\$'000	Financial information services HK\$'000	Distance learning education services HK\$'000	All other segments HK\$'000	Total HK\$'000
<b>Revenue</b>					
From external customers	365,559	8,838	4,545	-	378,942
From other segments	-	-	-	-	-
<b>Reportable segment revenue</b>	<b>365,559</b>	<b>8,838</b>	<b>4,545</b>	<b>-</b>	<b>378,942</b>
<b>Reportable and all other segments (loss)/profit</b>	<b>(98,941)</b>	<b>(21,971)</b>	<b>(1,820)</b>	<b>2,004</b>	<b>(120,728)</b>

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	All other segments 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 and all other segments loss</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 2011

### 3. SEGMENT INFORMATION *(continued)*

The reportable and all other segments assets as at 30 June 2011 and 31 December 2010 are as follows:

	Corporate IT application services HK\$'000	Financial information services HK\$'000	Distance learning education services HK\$'000	All other segments HK\$'000	Total HK\$'000
<b>As at 30 June 2011</b>	<b>946,438</b>	<b>5,132</b>	<b>3,819</b>	<b>120</b>	<b>955,509</b>
As at 31 December 2010	1,074,355	8,194	4,229	23,035	1,109,813

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

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Reportable segment revenue	<b>378,942</b>	305,567
Elimination of inter-segment revenue	-	-
Group revenue	<b>378,942</b>	305,567
Reportable segment results	<b>(122,732)</b>	(97,411)
All other segments results	<b>2,004</b>	(26,411)
Bank interest income	<b>5</b>	-
Other interest income	<b>45,764</b>	46,428
Total interest income on financial assets not at fair value through profit or loss	<b>45,769</b>	46,428
Depreciation and amortisation	<b>(24)</b>	(4)
Gain on disposal of subsidiaries	-	162
Finance costs	<b>(1,251)</b>	-
Unallocated corporate expenses	<b>(8,402)</b>	(10,007)
Loss before income tax	<b>(84,636)</b>	(87,243)

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

For the six months ended 30 June 2011

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

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

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Corporate IT application services	365,559	292,133
Financial information services	8,838	9,710
Distance learning education services	4,545	3,724
	<b>378,942</b>	305,567

(b) Other operating income:

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Bank interest income	165	94
Other interest income	45,764	46,428
Total interest income on financial assets not at fair value through profit or loss	45,929	46,522
Gain on disposal of subsidiaries	-	162
Gain on disposal of non-current assets classified as held for sale	31,052	-
Net fair value gain on financial assets at fair value through profit or loss	2,005	-
Government grants	-	7,449
Sundry income	606	1,619
	<b>79,592</b>	55,752

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

For the six months ended 30 June 2011

### 5. FINANCE COSTS

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Interest charges on:		
Bank loans wholly repayable within five years	<b>2,323</b>	2,346
Finance leases	<b>15</b>	–
<b>Total</b>	<b>2,338</b>	2,346

### 6. LOSS BEFORE INCOME TAX

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Loss before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets	<b>32,835</b>	33,792
Gross depreciation of property, plant and equipment		
– owned assets	<b>13,996</b>	13,518
Less: Amounts capitalised in intangible assets	<b>(41)</b>	(14)
Net depreciation of property, plant and equipment – owned assets	<b>13,955</b>	13,504
Net depreciation of property, plant and equipment – leased assets	<b>30</b>	–
Depreciation of investment property	<b>–</b>	54
Operating lease charges on prepaid land lease	<b>165</b>	659
Gain on disposal of non-current assets classified as held for sale	<b>(31,052)</b>	–
Net fair value (gain)/loss on financial assets at fair value through profit or loss	<b>(2,005)</b>	26,724
Loss on disposal of property, plant and equipment	<b>42</b>	232

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

For the six months ended 30 June 2011

### 7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Current tax charge for the period		
– Hong Kong Profits Tax	4,365	4,317
– PRC Enterprise Income Tax	1,049	3,637
	<b>5,414</b>	7,954

For the six months ended 30 June 2011, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2010: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (six months ended 30 June 2010: 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 2010: 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\$82,554,000 (six months ended 30 June 2010: HK\$86,007,000) and on 19,914,504,877 (six months ended 30 June 2010: 19,914,504,877) ordinary shares in issue during the period.

Diluted per share amount for the six months ended 30 June 2011 and 30 June 2010 is not presented as there were no potentially dilutive ordinary shares in issue during the period.

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

For the six months ended 30 June 2011

### 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment with a cost of HK\$72,375,000 (six months ended 30 June 2010: HK\$36,591,000, excluding property, plant and equipment acquired through business combination).

Property, plant and equipment with net book value of HK\$49,000 were disposed of by the Group during the six months ended 30 June 2011 (six months ended 30 June 2010: HK\$429,000), resulting in a net loss on disposal of HK\$42,000 (six months ended 30 June 2010: HK\$232,000).

### 10. TRADE RECEIVABLES

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

	<b>30 June 2011</b>	31 December 2010
	<b>HK\$'000</b>	HK\$'000
0 – 90 days	<b>46,959</b>	56,550
91 – 180 days	<b>3,655</b>	2,762
181 – 270 days	<b>3,778</b>	68,211
271 – 360 days	<b>10,537</b>	588
Over 360 days	<b>16,328</b>	1,250
Trade receivables, gross	<b>81,257</b>	129,361
Less: Provision for impairment of receivables	<b>(10,798)</b>	(10,583)
Trade receivables, net	<b>70,459</b>	118,778



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

For the six months ended 30 June 2011

### 11. TRADE PAYABLES

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

	<b>30 June 2011 HK\$'000</b>	31 December 2010 HK\$'000
0 – 90 days	<b>13,800</b>	19,886
91 – 180 days	<b>509</b>	9,207
181 – 270 days	<b>944</b>	5,954
271 – 360 days	<b>9,261</b>	1,514
Over 360 days	<b>9,463</b>	6,573
	<b>33,977</b>	43,134

### 12. BANK BORROWINGS, SECURED

At 30 June 2011, the bank borrowings, which are denominated in RMB, were repayable as follows:

	<b>30 June 2011 HK\$'000</b>	31 December 2010 HK\$'000
Within one year	<b>101,095</b>	–
Wholly repayable within five years	<b>101,095</b>	–
Less: Portion due within one year under current liabilities	<b>(101,095)</b>	–
Portion due over one year under non-current liabilities	–	–

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

For the six months ended 30 June 2011

### 13. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	HK\$'000
Authorised:		
At 1 January 2010, 31 December 2010 and <b>30 June 2011</b>	<b>30,000,000,000</b>	<b>300,000</b>
Issued and fully paid:		
At 1 January 2010, 31 December 2010 and <b>30 June 2011</b>	<b>19,914,504,877</b>	<b>199,145</b>

### 14. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
An associate <i>(note a)</i>	<b>14,372</b>	13,982
Third parties <i>(note b)</i>	<b>65,211</b>	65,531
	<b>79,583</b>	79,513

Notes:

- (a) There have been no material developments in respect of pending litigation with the loans borrowed by an associate since the disclosures in the Group's annual audited financial statements for the year ended 31 December 2010. 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 2010 for ascertaining the fair value of the guarantee for ICBC Indebtedness has yet been available.

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

For the six months ended 30 June 2011

### 15. CAPITAL COMMITMENTS

At 30 June 2011, the Group had outstanding capital commitments as follows:

	<b>30 June 2011 HK\$'000</b>	31 December 2010 HK\$'000
Contracted but not provided for in respect of:		
– construction in progress	<b>125,020</b>	144,452

### 16. CREDIT FACILITIES

As at 30 June 2011 and 31 December 2010, the Group's credit facilities were secured by the following:

- (a) charge over interest in leasehold land with a net carrying value of approximately HK\$14,128,000 (31 December 2010: HK\$Nil);
- (b) charge over construction in progress with a net carrying value of approximately HK\$284,257,000 (31 December 2010: HK\$Nil);
- (c) charge over financial assets at fair value through profit or loss with a net carrying value of approximately HK\$Nil (31 December 2010: HK\$500,000); and
- (d) charge over certain properties held for and under development for sale with carrying value of approximately HK\$36,961,000 (31 December 2010: HK\$Nil) provided by a fellow subsidiary.

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

For the six months ended 30 June 2011

### 17. RELATED PARTY TRANSACTIONS

Directors' fees and remuneration were as follows:

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Directors' fees	262	256
Basic salaries, housing, other allowances and benefits in kind	488	470
Pension scheme contributions	38	34
	<b>788</b>	760

Included in other interest income of HK\$45,764,000 (six months ended 30 June 2010: HK\$46,428,000), HK\$44,771,000 (six months ended 30 June 2010: HK\$44,988,000) was interest income from ultimate holding company.

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

### 18. LITIGATIONS

There have been no material changes and developments in respect of pending litigation cases of the Group since the disclosures in the Group's annual audited financial statements for the year ended 31 December 2010.

## INTERIM DIVIDEND

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2011 (30 June 2010: 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, income from the Group's principal businesses increased to a certain extent as compared with the corresponding period last year, though the overall operations were still in a loss position with deficit about the same as last year. The Group's corporate IT application services business has expanded its branch network; increased advertising investment in mass media to better enhance the awareness and influence of the brand name; and sustained the long-term strategy of on-going investments in R&D. In the second half of this year, the Group will continue to step up the marketing efforts for its self-developed products; improve efficiency in internal management; and strive to reduce the operating loss substantially. During the period, turnover of the Group was approximately HK\$378.9 million (6 months ended 30 June 2010: HK\$305.6 million) and net loss attributable to the owners of the Company was approximately HK\$82.6 million (6 months ended 30 June 2010: HK\$86.0 million). The net assets attributable to the owners of the Company were approximately HK\$1,956.0 million (31 December 2010: HK\$2,036.4 million), representing a value of approximately HK\$0.098 per share.

#### Corporate IT Application Services

During the period, turnover of this division was approximately HK\$365.6 million (6 months ended 30 June 2010: HK\$292.1 million), having an increase of approximately 25.2% by comparing with the same period last year, and net loss before income tax was approximately HK\$98.9 million (6 months ended 30 June 2010: HK\$76.9 million).

During the period, this division carried out internal integration. Both 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli") and 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet") are this division's key operation arms, continuing to focus on developing informationization market of the SME. Sales of its self-developed products increased 64.95% as compared with the same period last year. In order to expand its market coverage in different regions, CE Dongli has proceeded a new round of expansion by establishing more direct branches and increasing investment in marketing. Meanwhile, Xinnet has restructured its agency business; optimized the hierarchical management system of the agents; and formulated a more precise market developmental strategy. For the technology R&D, the Group continued to follow its previous investment strategy. Due to the effect brought by expansion of branch offices, the marketing investment and the on-going R&D investment, this division recorded a greater loss during the period. Nevertheless, the Group believes that such investments will have a positive impact on the business development of this division in the second half of the year and onwards.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### BUSINESS REVIEW *(continued)*

#### Financial Information Services

During the period, turnover of this division was approximately HK\$8.8 million (6 months ended 30 June 2010: HK\$9.7 million) and net loss before income tax was approximately HK\$22.0 million (6 months ended 30 June 2010: HK\$19.4 million).

During the period, 北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited) ("Shihua"), the financial information services arm of the Group, continuously implemented new developmental strategy in three core businesses – information, data and data analysis. By leveraging the advantage in its advanced product portfolio, it briskly enhanced the satisfaction of the end-product users. Shihua has achieved a significant increase in sales of its main product line in the first half of the year as compared with the same period last year, and adjustments were made to some of its old product lines. Although the adjustments affected the total sales, the benefits to be brought by the integration of resources will, to a certain extent, enhance the overall level of operation in the second half of the year and for the year of 2012.

#### Distance Learning Education Services

During the period, turnover of this division was approximately HK\$4.5 million (6 months ended 30 June 2010: HK\$3.7 million) and net loss before income tax was approximately HK\$1.8 million (6 months ended 30 June 2010: HK\$1.1 million).

During the period, by strengthening the franchised marketing, 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), a subsidiary of the Company, boosted the sales growth in the private learning market and enhanced its efforts in expanding the group learning market. Although sales income increased in the first half of the year, the cost incurred in developing the market was relatively higher and thus the business was in a loss position during the period.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 30 June 2011, the net assets attributable to the owners of the Company amounted to approximately HK\$1,956.0 million (31 December 2010: HK\$2,036.4 million), including cash and bank balances of approximately HK\$54.4 million (31 December 2010: HK\$79.3 million), which were denominated mainly in Renminbi and Hong Kong dollars. As at 30 June 2011, the Group's aggregate borrowings were approximately HK\$101.6 million (31 December 2010: Nil), of which approximately HK\$500,000 were bearing interest at fixed rates while approximately HK\$101.1 million were at floating rates. The gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt, was approximately 2.32% as at 30 June 2011 (31 December 2010: N/A).

Capital commitment of the Group as at 30 June 2011 was approximately HK\$125.0 million, appropriated for the construction expenses of the headquarters of its corporate IT application services.

The Group's contingent liabilities as at 30 June 2011 were approximately HK\$79.6 million due to the guarantees given in connection with credit facilities.

As at 30 June 2011, interest in leasehold land and construction in progress with a total net carrying value of approximately HK\$298.4 million were pledged to secure credit facilities granted to the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### 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 China 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 may make appropriate foreign exchange hedging arrangements when necessary.

### 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 of the Company. In general, salary review is conducted annually. As at 30 June 2011, the Group had approximately 8,651 employees (30 June 2010: 7,410 employees). The salaries of and allowances for employees for the six months ended 30 June 2011 were approximately HK\$339.4 million (6 months ended 30 June 2010: HK\$246.5 million).

### PROSPECT

For the second half of 2011, the Group will endeavor to expand its corporate IT application services business; launch new products in a timely manner to cater the market demand; expand the market share by speeding up branch business expansion; continue to facilitate the integration of internal resources; and curtail the operating loss significantly, in a bid to lead its operations into a new era of growth.

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

As at 30 June 2011, 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 2011, 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	–	34,945,726,203 (Note 1)	69,326,400 (Note 2)	35,015,052,603	51.01%
Chen Dan	32,000,000	–	–	32,000,000	0.05%
Wang Gang	8,500,000	–	–	8,500,000	0.01%
Qin Tian Xiang	7,000,000	–	–	7,000,000	0.01%
Fung Wing Lap	15,756	–	–	15,756	0.00002%

#### Notes:

- Out of these 34,945,726,203 shares, 31,203,232,705 shares were collectively held by Mr. Yu through Rosewood Assets Ltd., Pippen Limited and First Best Assets Limited, companies wholly owned by him; and 3,742,493,498 shares were held by Macro Resources Ltd., a company indirectly held as to 60% by Mr. Yu.
- These 69,326,400 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

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

### Associated Corporations *(continued)*

#### Nan Hai *(continued)*

(ii) Long position in underlying shares

Name of Director	Number of underlying shares of HK\$0.01 each*	Nature of interest	Approximate percentage holding
Chen Dan	7,000,000	Personal	0.01%
Liu Rong	7,000,000	Personal	0.01%
Lam Bing Kwan	3,000,000	Personal	0.004%

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

Grantee	Date of grant	Exercise price per share HK\$	Number of share options granted	Exercisable period
Chen Dan	20-04-2009	0.0702	3,500,000	01-01-2010 to 31-12-2011
			3,500,000	01-01-2011 to 31-12-2011
Liu Rong	20-04-2009	0.0702	3,500,000	01-01-2010 to 31-12-2011
			3,500,000	01-01-2011 to 31-12-2011
Lam Bing Kwan	20-04-2009	0.0702	1,500,000	01-01-2010 to 31-12-2011
			1,500,000	01-01-2011 to 31-12-2011

Save as disclosed above, as at 30 June 2011, 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 of the Company.

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 2011, no share options have been granted under the Scheme by the Company.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2011, 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>Notes</i>
Kung Ai Ming	Family and Corporate interest	12,559,795,316	63.07%	1
CITIC Group	Security interest	10,200,000,000	51.22%	2
China Investment Corporation	Security interest	10,200,000,000	51.22%	2
CITIC Capital Holdings Limited	Security interest	10,200,000,000	51.22%	2
CITIC Capital Credit Limited	Security interest	10,200,000,000	51.22%	2
Martin Currie (Holdings) Limited	Corporate interest	1,276,340,000	6.41%	
Nan Hai	Corporate interest	12,515,795,316	62.85%	

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS *(continued)*

Notes:

1. Ms. Kung Ai Ming is the spouse of Mr. Yu and was taken to be interested in those shares in which Mr. Yu and herself (together with their respective corporate interests) held an interest.
2. CITIC Capital Credit Limited is a wholly-owned subsidiary of CITIC Capital Holdings Limited. CITIC Capital Holdings Limited is indirectly held as to 40% by China Investment Corporation and as to 55% by CITIC Group.

Save as disclosed above, as at 30 June 2011, no person (other than directors and chief executive of the Company) had notified to the Company any interests or short positions in shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

## UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

### Retirement of director

Mr. Luo Ning ("Mr. Luo") retired as a non-executive director of the Company by rotation at the annual general meeting of the Company held on 16 May 2011. Accordingly, Mr. Luo ceased to be a non-executive director of the Company with effect from 16 May 2011.

### Remuneration of director

Mr. Lam Bing Kwan, a non-executive director of the Company, is entitled to receive a director's fee of HK\$60,000 per annum with effect from 1 July 2011 determined with reference to his duties and responsibilities within the Company, and is subject to review by the Board of the Company from time to time.

## 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 2011.

## CORPORATE GOVERNANCE

In the opinion of the Board of the Company, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011, except for the deviations mentioned below:

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

The Company has not appointed a CEO. The role of the CEO is also performed by Mr. Yu Pun Hoi who is the chairman of the Company. The Board of the Company 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 of the Company 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 as set out in Appendix 10 to the Listing Rules throughout the six months ended 30 June 2011.

## 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 2011, and discussed the financial control, internal control and risk management systems.

By order of the Board  
**Yu Pun Hoi**  
*Chairman*

Hong Kong, 30 August 2011



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