

2012

INTERIM REPORT

中國數碼信息有限公司

二零一二年度 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

Non-executive

Mr. WANG Gang

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

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Shun Tak Centre

168–200 Connaught Road Central

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Share Registrar

Tricor Abacus Limited

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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 2012 together with the comparative figures for 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

For the six months ended 30 June 2012

		For the six months ended 30 June	
	Notes	2012 HK\$'000	2011 HK\$'000 (Re-presented)
Continuing operations			
Revenue/Turnover	4(a)	322,834	365,559
Cost of sales and services provided		(78,582)	(84,307)
Gross profit		244,252	281,252
Other operating income	4(b)	42,487	76,319
Selling and marketing expenses		(152,372)	(163,223)
Administrative expenses		(104,169)	(156,483)
Other operating expenses		(90,469)	(99,639)
Finance costs	5	(4,329)	(2,338)
Share of results of an associate		—	—
Loss before income tax	6	(64,600)	(64,112)
Income tax expense	7	(5,712)	(5,414)
Loss for the period from continuing operations		(70,312)	(69,526)
Discontinued operations			
Loss for the period from discontinued operations		—	(20,524)
Loss for the period		(70,312)	(90,050)

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED (continued)

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000 (Re-presented)
Loss for the period attributable to:			
Owners of the Company		(69,233)	(82,554)
Non-controlling interests		(1,079)	(7,496)
Loss for the period		(70,312)	(90,050)
		HK cent	HK cent
Loss per share for loss from continuing operations attributable to the owners of the Company during the period			
Basic	8(b)	(0.348)	(0.321)
Diluted		N/A	N/A
Loss per share for loss from discontinued operations attributable to the owners of the Company during the period			
Basic	8(c)	—	(0.094)
Diluted		N/A	N/A
Loss per share for loss attributable to the owners of the Company during the period			
Basic	8(a)	(0.348)	(0.415)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

For the six months ended 30 June 2012

	For the six months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
Loss for the period	(70,312)	(90,050)
Other comprehensive income, including reclassification adjustments:		
Exchange differences on translation of financial statements of foreign operations	(4,407)	335
Total comprehensive income for the period	(74,719)	(89,715)
Total comprehensive income attributable to:		
Owners of the Company	(73,290)	(82,155)
Non-controlling interests	(1,429)	(7,560)
Total comprehensive income for the period	(74,719)	(89,715)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	446,151	429,814
Prepaid land lease payments under operating leases		27,347	27,662
Interest in an associate		—	—
Available-for-sale financial assets		478	479
Goodwill		53,116	53,457
Other intangible assets		99,522	108,202
Loan to ultimate holding company		—	1,357,377
		626,614	1,976,991
Current assets			
Trade receivables	10	19,192	14,427
Deposits, prepayments and other receivables		392,780	432,548
Loan to ultimate holding company		1,397,216	—
Cash and cash equivalents		21,438	40,152
		1,830,626	487,127

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2012

		(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
	Notes		
Current liabilities			
Trade payables	11	42,597	47,514
Other payables and accruals		182,953	115,045
Deferred revenue		49,799	44,304
Provision for tax		73,394	67,761
Amount due to a director		13,502	11,794
Amounts due to shareholders		5,006	5,006
Amount due to an associate		5,502	5,502
Bank borrowings, secured	12	106,311	133,901
Finance lease liabilities		107	105
		479,171	430,932
Net current assets		1,351,455	56,195
Total assets less current liabilities		1,978,069	2,033,186
Non-current liabilities			
Finance lease liabilities		281	336
Amount due to ultimate holding company		125,573	105,916
		125,854	106,252
Net assets		1,852,215	1,926,934
EQUITY			
Share capital	13	199,145	199,145
Reserves		1,618,834	1,692,117
Equity attributable to the Company's owners		1,817,979	1,891,262
Non-controlling interests		34,236	35,672
Total equity		1,852,215	1,926,934

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

For the six months ended 30 June 2012

	For the six months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	60,694	(158,744)
Net cash (used in)/generated from investing activities	(48,429)	9,746
Net cash (used in)/generated from financing activities	(30,732)	122,962
Net decrease in cash and cash equivalents	(18,467)	(26,036)
Cash and cash equivalents at 1 January	40,152	79,257
Effect of foreign exchange rate changes, on cash held	(247)	1,221
Cash and cash equivalents at 30 June	21,438	54,442
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	21,438	54,442

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the six months ended 30 June 2012

	Equity attributable to the Company's owners								Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Capital distribution reserve	General reserve	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
Loss for the period	—	—	—	—	—	—	(82,554)	(82,554)	(7,496)	(90,050)
Other comprehensive income										
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	399	—	399	(64)	335
Total comprehensive income for the period	—	—	—	—	—	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)	—
At 30 June 2011	199,145	39,194	2,258	52,622	11,230	63,614	1,587,896	1,955,959	29,711	1,985,670
At 1 January 2012	199,145	39,194	2,258	52,622	8,756	73,701	1,515,586	1,891,262	35,672	1,926,934
Loss for the period	—	—	—	—	—	—	(69,233)	(69,233)	(1,079)	(70,312)
Other comprehensive income										
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	(4,057)	—	(4,057)	(350)	(4,407)
Total comprehensive income for the period	—	—	—	—	—	(4,057)	(69,233)	(73,290)	(1,429)	(74,719)
Transfer from general reserve	—	—	—	—	(2,176)	—	2,176	—	—	—
Released on deemed partial disposal of a subsidiary	—	—	—	—	—	—	7	7	(7)	—
At 30 June 2012	199,145	39,194	2,258	52,622	6,580	69,644	1,448,536	1,817,979	34,236	1,852,215

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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 2011.

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 2012.

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 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 2011, 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 2012.

Amendments to HKFRS 7

Disclosures — Transfers of Financial Assets

Other than as noted below, the adoption of these new/revised 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 2011.

Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

The adoption of these 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 not yet effective. 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 2012

3. SEGMENT INFORMATION

The executive directors have identified the Group's three service lines 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. Subsequent to the disposal of the financial information services and distance learning education services businesses during the year ended 31 December 2011, the Group principally focuses on the provision of corporate IT application services. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. For the purpose of presenting discontinued operations, the comparative unaudited condensed consolidated income statement and the related notes have been re-presented as if the operations had been discontinued at the beginning of the comparative period as consistent with the annual audited consolidated financial statements of the Group for the year ended 31 December 2011.

The segment results for the six months ended 30 June 2012 and 30 June 2011 are as follows:

	For the six months ended 30 June 2012 (Unaudited)						
	Continuing operations			Discontinued operations			Total
	Corporate IT application services	All other segments	Total	Financial information services	Distance learning education services	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue							
From external customers	322,834	—	322,834	—	—	—	322,834
From other segments	—	—	—	—	—	—	—
Reportable segment revenue	322,834	—	322,834	—	—	—	322,834
Reportable and all other segments loss	(99,953)	—	(99,953)	—	—	—	(99,953)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2012

3. SEGMENT INFORMATION (continued)

	For the six months ended 30 June 2011 (Unaudited) (Re-presented)						Total HK\$'000
	Continuing operations			Discontinued operations			
	Corporate IT application services	All other segments	Total	Financial information services	Distance learning education services	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue							
From external customers	365,559	—	365,559	8,838	4,545	13,383	378,942
From other segments	—	—	—	—	—	—	—
Reportable segment revenue	365,559	—	365,559	8,838	4,545	13,383	378,942
Reportable and all other segments (loss)/profit	(98,941)	2,004	(96,937)	(18,704)	(1,820)	(20,524)	(117,461)

The reportable and all other segments assets as at 30 June 2012 and 31 December 2011 are as follows:

	Continuing operations			Discontinued operations			Total HK\$'000
	Corporate IT application services	All other segments	Total	Financial information services	Distance learning education services	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	As at 30 June 2012 (unaudited)	951,120	—	951,120	—	—	
As at 31 December 2011 (audited)	1,018,205	—	1,018,205	—	—	—	1,018,205

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

For the six months ended 30 June 2012

3. SEGMENT INFORMATION *(continued)*

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 (Unaudited)	
	2012 HK\$'000	2011 HK\$'000 (Re-presented)
Reportable segment revenue — continuing operations	322,834	365,559
Reportable segment revenue — discontinued operations	—	13,383
Elimination of inter-segment revenue	—	—
Group revenue	322,834	378,942
Reportable segment results — continuing operations	(99,953)	(98,941)
All other segments results — continuing operations	—	2,004
Reportable segment results — discontinued operations	—	(20,524)
Bank interest income	2	5
Other interest income	42,162	42,497
Total interest income on financial assets not at fair value through profit or loss	42,164	42,502
Depreciation and amortisation	(26)	(24)
Finance costs	—	(1,251)
Unallocated corporate expenses	(6,785)	(8,402)
Loss before income tax (note)	(64,600)	(84,636)

Note:

	For the six months ended 30 June (Unaudited)	
	2012 HK\$'000	2011 HK\$'000 (Re-presented)
Loss before income tax — continuing operations	(64,600)	(64,112)
Loss before income tax — discontinued operations	—	(20,524)
	(64,600)	(84,636)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2012

4. REVENUE/TURNOVER AND OTHER OPERATING INCOME — UNAUDITED

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

	Continuing operations		For the six months ended 30 June Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Re-presented)		(Re-presented)		(Re-presented)
Corporate IT application services	322,834	365,559	—	—	322,834	365,559
Financial information services	—	—	—	8,838	—	8,838
Distance learning education services	—	—	—	4,545	—	4,545
	322,834	365,559	—	13,383	322,834	378,942

- (b) Other operating income:

	Continuing operations		For the six months ended 30 June Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Re-presented)		(Re-presented)		(Re-presented)
Bank interest income	67	161	—	4	67	165
Other interest income	42,162	42,497	—	3,267	42,162	45,764
Total interest income on financial assets not at fair value through profit or loss	42,229	42,658	—	3,271	42,229	45,929
Gain on disposal of non-current assets classified as held for sale	—	31,052	—	—	—	31,052
Net fair value gain on financial assets at fair value through profit or loss	—	2,005	—	—	—	2,005
Sundry income	258	604	—	2	258	606
	42,487	76,319	—	3,273	42,487	79,592

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

For the six months ended 30 June 2012

5. FINANCE COSTS — UNAUDITED

	Continuing operations		For the six months ended 30 June Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000 (Re-presented)	HK\$'000	HK\$'000 (Re-presented)	HK\$'000	HK\$'000 (Re-presented)
Interest charges on:						
Bank loans wholly repayable within five years	4,319	2,323	—	—	4,319	2,323
Finance leases	10	15	—	—	10	15
Total	4,329	2,338	—	—	4,329	2,338

6. LOSS BEFORE INCOME TAX — UNAUDITED

	Continuing operations		For the six months ended 30 June Discontinued operations	
	2012	2011	2012	2011
	HK\$'000	HK\$'000 (Re-presented)	HK\$'000	HK\$'000 (Re-presented)
Loss before income tax is arrived at after charging/(crediting):				
Amortisation of intangible assets	18,206	32,835	—	—
Gross depreciation of property, plant and equipment — owned assets	14,954	13,696	—	300
Less: Amounts capitalised in intangible assets	—	(41)	—	—
Net depreciation of property, plant and equipment — owned assets	14,954	13,655	—	300
Depreciation of property, plant and equipment — leased assets	87	30	—	—
Operating lease charges on prepaid land lease	169	165	—	—
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)	—	—
Loss on disposal of property, plant and equipment	—	—	—	42
Write-off of property, plant and equipment	4,443	—	—	—

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

For the six months ended 30 June 2012

7. INCOME TAX EXPENSE — UNAUDITED

	Continuing operations		For the six months ended 30 June Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Re-presented)		(Re-presented)		(Re-presented)	
Current tax charge for the period						
— Hong Kong Profits Tax	4,797	4,365	—	—	4,797	4,365
— PRC Enterprise Income Tax ("EIT")	915	1,049	—	—	915	1,049
	5,712	5,414	—	—	5,712	5,414

For the six months ended 30 June 2012, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2011: 16.5%) on the estimated assessable profits for the period.

PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (six months ended 30 June 2011: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

Certain subsidiaries of the Group are wholly-owned foreign enterprise, and in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, they 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 2011: 15%).

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

For the six months ended 30 June 2012

8. LOSS PER SHARE — UNAUDITED

(a) From continuing and discontinued operations

The calculation of basic loss per share from continuing and discontinued operations is based on the loss for the period attributable to the owners of the Company of HK\$69,233,000 (six months ended 30 June 2011: HK\$82,554,000) and on 19,914,504,877 (six months ended 30 June 2011: 19,914,504,877) ordinary shares in issue during the period.

(b) From continuing operations

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

Loss figures are calculated as follows:

	For the six months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
		(Re-presented)
Loss for the period from continuing operations	(70,312)	(69,526)
Less: Loss for the period from continuing operations attributable to non-controlling interests	1,079	5,733
Loss for the period from continuing operations attributable to owners of the Company	(69,233)	(63,793)

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

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

For the six months ended 30 June 2012

8. LOSS PER SHARE — UNAUDITED *(continued)*

(c) From discontinued operations

The basic loss per share from discontinued operations attributable to the owners of the Company is calculated based on the following data:

Loss figures are calculated as follows:

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000 (Re-presented)
Loss for the period from discontinued operations	—	(20,524)
Less: Loss for the period from discontinued operations attributable to non-controlling interests	—	1,763
Loss for the period from discontinued operations attributable to owners of the Company	—	(18,761)

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

- (d) Diluted per share amount for the six months ended 30 June 2012 and 30 June 2011 is not presented as there were no potentially dilutive ordinary shares in issue during the periods.

9. PROPERTY, PLANT AND EQUIPMENT — UNAUDITED

During the six months ended 30 June 2012, the Group acquired property, plant and equipment with a cost of approximately HK\$39,768,000 (six months ended 30 June 2011: HK\$72,375,000).

During the six months ended 30 June 2012, property, plant and equipment with net book value of approximately HK\$4,443,000 (six months ended 30 June 2011: Nil) were written off by the Group.

During the six months ended 30 June 2011, property, plant and equipment with net book value of approximately HK\$49,000 were disposed of by the Group, resulting in a net loss on disposal of approximately HK\$42,000.

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

For the six months ended 30 June 2012

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:

	(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
0-90 days	11,432	11,847
91-180 days	5,312	4,240
181-270 days	3,677	2,335
271-360 days	2,010	1,681
Over 360 days	7,171	4,840
Trade receivables, gross	29,602	24,943
Less: Provision for impairment of receivables	(10,410)	(10,516)
Trade receivables, net	19,192	14,427

11. TRADE PAYABLES

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

	(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
0-90 days	4,765	5,411
91-180 days	1,823	6,742
181-270 days	1,627	3,883
271-360 days	4,919	2,415
Over 360 days	29,463	29,063
	42,597	47,514

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

For the six months ended 30 June 2012

12. BANK BORROWINGS, SECURED

At 30 June 2012, the bank borrowings, which are denominated in RMB, are repayable as follows:

	(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
Within one year	106,311	133,901

13. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	HK\$'000
Authorised:		
At 1 January 2011, 31 December 2011 (audited) and 30 June 2012 (unaudited)	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2011, 31 December 2011 (audited) and 30 June 2012 (unaudited)	19,914,504,877	199,145

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

For the six months ended 30 June 2012

14. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	(Unaudited)	(Audited)
	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
An associate (note a)	15,159	14,768
Third parties (note b)	65,012	65,091
	80,171	79,859

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 2011. 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 2011 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 2012

15. CAPITAL COMMITMENTS

At 30 June 2012, the Group had outstanding capital commitments as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
<hr/>		
Contracted but not provided for in respect of:		
— construction in progress	192,865	116,007
	<hr/>	

16. CREDIT FACILITIES

As at 30 June 2012 (unaudited) and 31 December 2011 (audited), 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\$14,003,000 (31 December 2011: HK\$14,318,000);
- (b) charge over construction in progress with a net carrying value of approximately HK\$390,237,000 (31 December 2011: HK\$360,455,000);
- (c) charge over certain intangible assets with net carrying value of approximately HK\$28,631,000 (31 December 2011: HK\$19,971,000);
- (d) charge over certain trade receivables with net carrying value of approximately HK\$8,112,000 (31 December 2011: Nil); and
- (e) charge over certain properties under development and completed properties held for sale provided by a fellow subsidiary with carrying value of approximately HK\$40,866,000 (31 December 2011: HK\$47,054,000).

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

For the six months ended 30 June 2012

17. RELATED PARTY TRANSACTIONS — UNAUDITED

Directors' fees and remuneration were as follows:

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Directors' fees	276	262
Basic salaries, housing, other allowances and benefits in kind	280	488
Pension scheme contributions	39	38
	595	788

Included in other interest income of HK\$42,162,000 (six months ended 30 June 2011: HK\$45,764,000), HK\$39,839,000 (six months ended 30 June 2011: HK\$44,771,000) 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 2011.

INTERIM DIVIDEND

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

After the disposal of the businesses of financial information services and distance learning education services in late 2011, the Group has been concentrating on the corporate IT application services business. The Group continues to focus on developing the informationization market of the SME through 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) and 新網華通信息技術有限公司 (Xinnet Technology Information Co., Ltd.), both are the key operation arms of such business segment. During the period, the Group continued to consolidate its business subsequent to its expansion last year as well as enhance its brand awareness and influence by significantly increasing investment in internet advertising, with an aim to further strengthen its marketing strategy for different target customers. Moreover, the Group sustained its long-term investment strategy in R&D by allocating more resources for the development of mobile commerce and cloud computing business. With the introduction of new and pioneer product “Ztouch (觸享官網)” during the period, the Group’s market position has been further solidified.

During the period, turnover of the Group was approximately HK\$322.8 million (six months ended 30 June 2011: HK\$378.9 million, comprising HK\$365.5 million from continuing operations and HK\$13.4 million from discontinued operations), and income from principal business decreased by 14.8% as compared with the corresponding period last year, mainly because of the corresponding decrease in operating income from those disposed loss-making businesses in last year end. A net loss attributable to the owners of the Company was approximately HK\$69.2 million (six months ended 30 June 2011: HK\$82.6 million), decreased by 16.2% as compared to the corresponding period last year. The net assets attributable to the owners of the Company were approximately HK\$1,818.0 million (31 December 2011: HK\$1,891.3 million), representing a value of approximately HK\$0.091 per share.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

The Group's continuing business is corporate IT application services business. Extensive reorganization commenced by the end of the second half of last year in view of sales efficiency of its branches, including the closing of certain branches which recorded recurring operating losses or failed to meet specific targets, and establishment of new branches in areas having market potential. However, these new branches are still in their early stage, and need more time for marketing development, thus their contribution towards the Group's business growth has yet been seen in the first half of this year. The reorganization in the view of sales efficiency of branches resulted in a decrease of 12.0% in operating income of the business as compared to the corresponding period last year. Meanwhile, as new branches have successfully explored the market, and each of the divisions of the business has carried out a series of personnel streamlining and integration since the fourth quarter of last year, the operating income and results of such business are expected to improve and make certain contribution to the Group's profit.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continued to adopt prudent funding and treasury policies. As at 30 June 2012, the net assets attributable to the owners of the Company amounted to approximately HK\$1,818.0 million (31 December 2011: HK\$1,891.3 million), including cash and bank balances of approximately HK\$21.4 million (31 December 2011: HK\$40.2 million), which were mainly denominated in Renminbi and Hong Kong dollars. As at 30 June 2012, the Group's aggregate borrowings were approximately HK\$106.7 million (31 December 2011: HK\$134.3 million), of which approximately HK\$35.8 million (31 December 2011: HK\$0.4 million) were bearing interest at fixed rates while approximately HK\$70.9 million (31 December 2011: HK\$133.9 million) were at floating rates.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL *(continued)*

As at 30 June 2012, the Group's capital commitment was approximately HK\$192.9 million, which would be used as the funding for the construction of the headquarters of corporate IT application services. The gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt, was approximately 4.4% as at 30 June 2012 (31 December 2011: 4.7%).

The Group's contingent liabilities as at 30 June 2012 were approximately HK\$80.2 million in connection with the guarantees given to secure credit facilities.

As at 30 June 2012, certain interests in leasehold land, construction in progress, intangible assets and trade receivables with a total net carrying value of approximately HK\$441.0 million were pledged to secure the credit facilities granted to the Group.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's borrowings and transactions were primarily denominated in Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The ever-growing economy of China is expected to warrant a continued appreciation of Renminbi. The Group's reported assets, liabilities and results may be affected by the Renminbi exchange rates. Although Renminbi exchange risk exposure did not have significant impact on the Group during the period under review, the Group will keep on reviewing and monitoring the fluctuation in exchange rates between Renminbi and Hong Kong dollars, and may make appropriate foreign exchange hedging arrangements when 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 of the Company. In general, salary review is conducted annually. As at 30 June 2012, the Group had approximately 7,075 employees (30 June 2011: 8,651 employees). The salaries of and allowances for employees for the six months ended 30 June 2012 were approximately HK\$282.2 million (six months ended 30 June 2011: HK\$339.4 million).

PROSPECT

For the second half of 2012, the Group will continuously endeavour to expand its corporate IT application services business; step up the marketing efforts for its self-developed products; speed up the development of newly established branch operations; strengthen its overall business development ability; enhance performance contribution; facilitate the integration of internal resources; and improve operation efficiency, aiming at reducing the operating loss substantially during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, 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 2012, the interests of the directors of the Company in shares and underlying shares of Nan Hai were as follows:

Nan Hai

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 <i>(Note 1)</i>	69,326,400 <i>(Note 2)</i>	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%
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)*

Long position in shares in issue (continued)

Save as disclosed above, as at 30 June 2012, 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

Under the ordinary resolution passed at the annual general meeting on 28 May 2012, the Board of the Company adopted a new share option scheme (the "New Scheme") and simultaneously terminated the share option scheme adopted on 29 August 2002. Under the New 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.

During the six months ended 30 June 2012, no share options have been granted under any share option scheme by the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2012, those persons (other than directors and chief executive of the Company) who had interests and short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Nature of interest	Number of shares in issue subject to long position	Approximate percentage of issued share capital of the Company	<i>Notes</i>
Kung Ai Ming	Family and Corporate interest	12,559,795,316	63.07%	1
CITIC Group Corporation	Corporate interest	10,200,000,000	51.22%	2
China Investment Corporation	Corporate interest	10,200,000,000	51.22%	2
CITIC Limited	Corporate interest	10,200,000,000	51.22%	2
CITIC Capital Holdings Limited	Corporate interest	10,200,000,000	51.22%	2
CITIC Capital Credit Limited	Security interest	10,200,000,000	51.22%	2
Nan Hai	Corporate interest	12,515,795,316	62.85%	

Notes:

- 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.
- CITIC Group Corporation, China Investment Corporation, CITIC Limited and CITIC Capital Holdings Limited were each taken to be interested in those security interests in which CITIC Capital Credit Limited held an interest.

Save as disclosed above, as at 30 June 2012, 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

Mr. Qin Tian Xiang, a non-executive director of the Company, was died on 30 March 2012.

Mr. Wang Gang ("Mr. Wang") has been re-designated from an executive director to a non-executive director of the Company and Nan Hai, and resigned all his positions in the Company, Nan Hai, and all their subsidiaries with effect from 28 May 2012.

Mr. Wang is entitled to receive a director's emoluments of HK\$120,000 per annum with reference to his duties and responsibilities within the Company, and is not entitled to receive any bonus payments, whether fixed or discretionary in nature, subject to review by the Board 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 2012.

CORPORATE GOVERNANCE

In the opinion of the Board of the Company, the Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2012, 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.

CORPORATE GOVERNANCE *(continued)*

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 2012.

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 2012, and discussed the financial control, internal control and risk management systems.

By order of the Board
Yu Pun Hoi
Chairman

Hong Kong, 30 August 2012

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