



Sino-i Technology Limited
Stock Code: 250 股份代號: 250

2013

INTERIM REPORT

中國數碼信息有限公司

二零一三年度 中期報告

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

Prof. JIANG Ping
Mr. FUNG Wing Lap

Company Secretary

Mr. WATT Ka Po James

Auditor

BDO Limited
Certified Public Accountants
Hong Kong

Registered Office

26/F., Siu On Centre
188 Lockhart Road
Wanchai
Hong Kong

Share Registrar

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
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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 2013 together with the comparative figures for 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June	
		2013 HK\$'000	2012 HK\$'000
Revenue/Turnover	6(a)	317,364	322,834
Cost of sales and services provided		(46,383)	(78,582)
Gross profit		270,981	244,252
Other operating income	6(b)	51,463	42,487
Selling and marketing expenses		(159,178)	(152,372)
Administrative expenses		(81,625)	(104,169)
Other operating expenses		(77,616)	(90,469)
Finance costs	7	(8,038)	(4,329)
Share of results of an associate		–	–
Loss before income tax	8	(4,013)	(64,600)
Income tax expense	9	(6,094)	(5,712)
Loss for the period		(10,107)	(70,312)
Loss for the period attributable to:			
Owners of the Company		(8,305)	(69,233)
Non-controlling interests		(1,802)	(1,079)
Loss for the period		(10,107)	(70,312)
		HK cent	HK cent
Loss per share for loss attributable to the owners of the Company during the period			
Basic	10(a)	(0.042)	(0.348)
Diluted	10(b)	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

For the six months ended 30 June 2013

	For the six months ended	
	30 June	
	2013	2012
	HK\$'000	HK\$'000
Loss for the period	(10,107)	(70,312)
Other comprehensive income, including reclassification adjustments		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	10,165	(4,407)
Total comprehensive income for the period	58	(74,719)
Total comprehensive income attributable to:		
Owners of the Company	650	(73,290)
Non-controlling interests	(592)	(1,429)
Total comprehensive income for the period	58	(74,719)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	486,594	474,447
Prepaid land lease payments under operating leases		27,456	27,510
Interest in an associate		–	–
Available-for-sale financial assets		324	324
Goodwill		54,281	53,720
Other intangible assets		90,975	107,057
Deposits and other receivables		180,016	135,205
Loan to ultimate holding company		1,317,420	1,436,406
		2,157,066	2,234,669
Current assets			
Trade receivables	12	15,328	18,102
Deposits, prepayments and other receivables		260,093	327,117
Cash and cash equivalents		26,538	16,640
		301,959	361,859

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2013

		(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
	Notes		
Current liabilities			
Trade payables	13	27,414	45,068
Other payables and accruals		104,084	128,279
Deferred revenue		69,433	45,664
Provision for tax		83,645	77,845
Amount due to a director		7,660	10,473
Amounts due to shareholders		5,006	5,006
Amount due to an associate		5,501	5,501
Bank borrowings, secured	14	235,175	247,512
Finance lease liabilities		123	110
		538,041	565,458
Net current liabilities		(236,082)	(203,599)
Total assets less current liabilities		1,920,984	2,031,070
Non-current liabilities			
Finance lease liabilities		158	226
Amount due to ultimate holding company		54,063	164,139
		54,221	164,365
Net assets		1,866,763	1,866,705
EQUITY			
Share capital	15	199,145	199,145
Reserves		1,636,335	1,635,685
Equity attributable to the Company's owners		1,835,480	1,834,830
Non-controlling interests		31,283	31,875
Total equity		1,866,763	1,866,705

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

For the six months ended 30 June 2013

	For the six months ended	
	30 June	
	2013	2012
	HK\$'000	HK\$'000
Net cash generated from operating activities	57,710	60,694
Net cash used in investing activities	(67,377)	(48,429)
Net cash generated from/(used in) financing activities	19,220	(30,732)
Net increase/(decrease) in cash and cash equivalents	9,553	(18,467)
Cash and cash equivalents at 1 January	16,640	40,152
Effect of foreign exchange rate changes, on cash held	345	(247)
Cash and cash equivalents at 30 June	26,538	21,438
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	26,538	21,438

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the six months ended 30 June 2013

	Equity attributable to the Company's owners								Non-controlling interests HK\$'000	Total equity HK\$'000
	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		
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 to 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
At 1 January 2013	199,145	39,194	2,258	52,622	6,574	77,174	1,457,863	1,834,830	31,875	1,866,705
Loss for the period	-	-	-	-	-	-	(8,305)	(8,305)	(1,802)	(10,107)
Other comprehensive income										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	8,955	-	8,955	1,210	10,165
Total comprehensive income for the period	-	-	-	-	-	8,955	(8,305)	650	(592)	58
At 30 June 2013	199,145	39,194	2,258	52,622	6,574	86,129	1,449,558	1,835,480	31,283	1,866,763

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office and its principal place of business is 26/F., Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is principally engaged in the provision of corporate IT application services.

The ultimate holding parent company of the Group is Nan Hai Corporation Limited ("Nan Hai"), a company incorporated and domiciled in Bermuda and its shares are listed on the Stock Exchange.

These condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

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 2013.

2. 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 (the "Listing Rules"). 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 2012.

The Group incurred a loss of approximately HK\$10,107,000 during the six months ended 30 June 2013 and as of that date, the Group had net current liabilities of approximately HK\$236,082,000. Notwithstanding the above conditions, going concern basis has been adopted on the basis that the Group may dispose of some of its assets e.g. part of its property namely "Sino-i Campus" in Beijing, the People's Republic of China (the "PRC"). In view of the above, the directors of the Company are of the opinion that the Group will satisfy its future working capital and other financing requirements, and accordingly the financial statements have been prepared on a going concern basis.

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

For the six months ended 30 June 2013

3. 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 2012, 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 2013.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures

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 2012.

Amendments to HKAS 1 (Revised) Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation — Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013. Accordingly, the new accounting policy does not have any material impact on the financial position and the financial result of the Group.

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

For the six months ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKFRS 13 Fair Value Measurement

The adoption of HKFRS 13 did not result in a change in the accounting policy relating to fair value measurement. HKFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. In accordance with HKFRS 13, some of the disclosures for financial instruments required for annual financial statements are included in note 21 to these unaudited condensed consolidated financial statements.

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.

4. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

5. SEGMENT INFORMATION

The Group is principally engaged in the corporate IT application services business in the PRC and all of the Group's operating facilities are located in the PRC. Accordingly, no business and geographical segment analyses are presented.

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

For the six months ended 30 June 2013

6. REVENUE/TURNOVER AND OTHER OPERATING INCOME — UNAUDITED

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

	For the six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Corporate IT application services	317,364	322,834

- (b) Other operating income:

	For the six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Bank interest income	50	67
Other interest income	41,140	42,162
Total interest income on financial assets not at fair value through profit or loss	41,190	42,229
Rental income	2,568	–
Government grants	711	–
Sundry income	6,994	258
	51,463	42,487

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

For the six months ended 30 June 2013

7. FINANCE COSTS — UNAUDITED

	For the six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Interest charges on:		
Bank loans wholly repayable within five years	8,031	4,319
Finance leases	7	10
Total	8,038	4,329

8. LOSS BEFORE INCOME TAX — UNAUDITED

	For the six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Loss before income tax is arrived at after charging:		
Amortisation of intangible assets	22,911	18,206
Depreciation of property, plant and equipment — owned assets	12,940	14,954
Depreciation of property, plant and equipment — leased assets	72	87
Operating lease charges on prepaid land lease	279	169
Write-off of property, plant and equipment	167	4,443

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

For the six months ended 30 June 2013

9. INCOME TAX EXPENSE — UNAUDITED

	For the six months ended	
	30 June	
	2013	2012
	HK\$'000	HK\$'000
Current tax charge for the period		
— Hong Kong Profits Tax	4,858	4,797
— PRC Enterprise Income Tax ("EIT")	1,236	915
	6,094	5,712

For the six months ended 30 June 2013, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 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 2012: 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 2012: 15%).

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

For the six months ended 30 June 2013

10. LOSS PER SHARE — UNAUDITED

- (a) The calculation of basic loss per share is based on the loss for the period attributable to the owners of the Company of HK\$8,305,000 (six months ended 30 June 2012: HK\$69,233,000) and on 19,914,504,877 (six months ended 30 June 2012: 19,914,504,877) ordinary shares in issue during the period.
- (b) Diluted loss per share for the six months ended 30 June 2013 and 30 June 2012 was not presented as there was no potentially dilutive ordinary shares in issue during the periods.

11. PROPERTY, PLANT AND EQUIPMENT — UNAUDITED

During the six months ended 30 June 2013, the Group acquired property, plant and equipment with a cost of HK\$17,270,000 (six months ended 30 June 2012: HK\$39,768,000).

During the six months ended 30 June 2013, property plant and equipment with net book value of HK\$167,000 (six months ended 30 June 2012: HK\$4,443,000) were written off by the Group.

12. 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 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
0–90 days	12,187	12,739
91–180 days	2,561	3,812
181–270 days	2,521	2,855
271–360 days	2,009	2,097
Over 360 days	1,009	7,198
Trade receivables, gross	20,287	28,701
Less: Provision for impairment of receivables	(4,959)	(10,599)
Trade receivables, net	15,328	18,102

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

For the six months ended 30 June 2013

13. TRADE PAYABLES

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

	(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
0-90 days	3,630	8,833
91-180 days	218	2,464
181-270 days	191	229
271-360 days	196	2,101
Over 360 days	23,179	31,441
	27,414	45,068

14. BANK BORROWINGS, SECURED

At 30 June 2013, the bank borrowings, which are denominated in RMB, are repayable as follows:

	(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
Within one year	235,175	247,512

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

For the six months ended 30 June 2013

14. BANK BORROWINGS, SECURED *(continued)*

Movements in borrowings is analysed as follows:

	Six months ended 30 June 2013 HK\$'000
Opening amount as at 1 January 2013	247,512
Repayments of borrowings	(249,812)
Proceeds from new borrowings	233,492
Exchange difference	3,983
Closing amount as at 30 June 2013	235,175
	Six months ended 30 June 2012 HK\$'000
Opening amount as at 1 January 2012	133,901
Repayments of borrowings	(96,944)
Proceeds from new borrowings	70,593
Exchange difference	(1,239)
Closing amount as at 30 June 2012	106,311

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

For the six months ended 30 June 2013

15. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	HK\$'000
Authorised:		
At 1 January 2012, 31 December 2012 (audited) and 30 June 2013 (unaudited)	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2012, 31 December 2012 (audited) and 30 June 2013 (unaudited)	19,914,504,877	199,145

16. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
An associate (note a)	15,945	15,555
Third parties (note b)	56,852	62,629
	72,797	78,184

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 2012. 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 2012 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 2013

17. CAPITAL COMMITMENTS

At 30 June 2013, the Group had outstanding capital commitments as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
<hr/>		
Contracted but not provided for in respect of:		
— construction in progress	120,077	151,486
	<hr/>	

18. CREDIT FACILITIES

As at 30 June 2013 (unaudited) and 31 December 2012 (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\$27,456,000 (31 December 2012: HK\$14,085,000);
- (b) charge over certain buildings and construction in progress with a net carrying value of approximately HK\$449,596,000 (31 December 2012: HK\$424,827,000);
- (c) charge over certain intangible assets with net carrying value of approximately HK\$34,055,000 (31 December 2012: Nil);
- (d) charge over certain trade receivables with net carrying value of approximately HK\$13,833,000 (31 December 2012: HK\$16,016,000);
- (e) no properties under development and completed properties held for sale provided by a fellow subsidiary is pledged (31 December 2012: HK\$41,487,000); and
- (f) personal guarantee given by directors (31 December 2012: Nil).

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

For the six months ended 30 June 2013

19. RELATED PARTY TRANSACTIONS — UNAUDITED

Directors' fees and remuneration were as follows:

	For the six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Directors' fees	300	276
Basic salaries, housing, other allowances and benefits in kind	284	280
Pension scheme contributions	3	39
	587	595

Included in other interest income of HK\$41,140,000 (six months ended 30 June 2012: HK\$42,162,000), HK\$39,463,000 (six months ended 30 June 2012: HK\$39,839,000) 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 periods.

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 statements for the year ended 31 December 2012.

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

For the six months ended 30 June 2013

21. FAIR VALUE MEASUREMENTS

The fair value of available-for-sale financial assets with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market prices.

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted price (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable of the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities of the Group measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 June 2013				
Assets				
Available-for-sale financial assets	–	324	–	324
Total fair values	–	324	–	324
As at 31 December 2012				
Assets				
Available-for-sale financial assets	–	324	–	324
Total fair values	–	324	–	324

There have been no transfers between level 1 and 2 in the reporting period. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

INTERIM DIVIDEND

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period, turnover of the Group was approximately HK\$317.4 million (six months ended 30 June 2012: HK\$322.8 million), a mild decrease by comparing with the corresponding period last year, and net loss attributable to the owners of the Company was approximately HK\$8.3 million (six months ended 30 June 2012: HK\$69.2 million), a significant improvement about 88% as compared with the corresponding period last year. The net assets attributable to the owners of the Company were approximately HK\$1,835.5 million (31 December 2012: HK\$1,834.8 million), representing a value of approximately HK\$0.092 per share. The Group's key subsidiary namely 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli") was the core operation arm of its corporate IT application services business, therefore, changes in turnover and net profit of the Group were mainly attributed to CE Dongli's performance.

The Group's turnover did not record growth as compared with the corresponding period last year was due to two main reasons:

1. CE Dongli's major target customer group — SMEs, in particular, those manufacturing enterprises which account for the largest proportion of the Group's business, still tended to adopt cautious approach in IT investments. In the absence of growth momentum in market demand and CE Dongli's existing products facing to intensified market competition, a mild drop in sales revenue as compared with the corresponding period last year was recorded.
2. CE Dongli's new products — mobile platform was still in its incubation period, its contribution to the Group's results was not readily reflected. Furthermore, in order to achieve the objective of being a leader in the industry, CE Dongli decided certain strategies and investments in various new business segments such as e-commerce and cloud computing. However, the new products were still in an early development stage, which require for massive resources investment continuously and are expected to be launched to the market next year.

Significant decrease in net loss of the Group as compared with the corresponding period last year was mainly attributed to the remarkable improvement achieved by CE Dongli in operating efficiency and cost control.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Firstly, after implementation of the initiatives to reform last year, CE Dongli reorganized and redeveloped sales model of its branches and organization structure. CE Dongli continued to streamline district management functions and optimize marketing system in the headquarters. Resulting from the optimization and streamlining of both the sales departments and sales forces, costs of sales and services were lowered. Secondly, CE Dongli initiated measures to save various administrative costs in the first half of the year, the administrative costs of CE Dongli's headquarters and sales branches dropped significantly as compared with the corresponding period last year.

Furthermore, CE Dongli enhanced and reorganized its business and customer service management functions, and launched new business management system. These reforming measures on operation and technology platforms greatly enhanced the Group's operating efficiency and lowered the costs of services and operating expenses.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continued to adopt prudent funding and treasury policies. As at 30 June 2013, the net assets attributable to the owners of the Company amounted to approximately HK\$1,835.5 million (31 December 2012: HK\$1,834.8 million), including cash and bank balances of approximately HK\$26.5 million (31 December 2012: HK\$16.6 million), which were mainly denominated in Renminbi and Hong Kong dollars. As at 30 June 2013, the Group's aggregate borrowings were approximately HK\$235.5 million (31 December 2012: HK\$247.8 million), of which approximately HK\$25.6 million (31 December 2012: HK\$36.4 million) were bearing interest at fixed rates while approximately HK\$209.9 million (31 December 2012: HK\$211.4 million) were at floating rates.

As at 30 June 2013, the capital commitment of the Group was approximately HK\$120.1 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 10% as at 30 June 2013 (31 December 2012: 11%).

The Group's contingent liabilities as at 30 June 2013 were approximately HK\$72.8 million in connection with the guarantees given to secure credit facilities.

As at 30 June 2013, certain interests in leasehold land, construction in progress, buildings, trade receivables and intangible assets with a total net carrying value of approximately HK\$524.9 million were pledged to secure the 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 primarily denominated in Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The continued growth in the 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.

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 2013, the Group had approximately 5,487 employees (30 June 2012: 7,075 employees). The salaries of and allowances for employees for the six months ended 30 June 2013 were approximately HK\$209.2 million (six months ended 30 June 2012: HK\$282.2 million).

PROSPECT

The Group will continue to focus on developing its corporate IT application services business. In the second half of 2013, the Group will continue to invest in e-commerce business sector and put in relatively large efforts in the research and development of new products and the construction of operating infrastructure, in particular, the research and development for mobile business products and the construction of operating infrastructure for cloud computing technology in order to enhance its core competitiveness in the long term. Secondly, the Group will enhance its overall business development capability by putting in more efforts in the sales of its self-developed products in order to improve its results. In the meantime, the Group will further facilitate the integration of internal resources and improve its operating efficiencies so as to consolidate its achievement in narrowing down the losses in the first half of this year and strive to achieve turnaround for the whole year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, 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 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. 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 2013, 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 (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%
Fung Wing Lap	15,756	-	-	15,756	0.00002%

Notes:

1. 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 indirectly 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.

Save as disclosed above, as at 30 June 2013, 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 as 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 28 May 2012, 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.

During the six months ended 30 June 2013, no share options have been granted under the Scheme by the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2013, 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	Notes
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
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
CITIC Limited	Corporate interest	10,200,000,000	51.22%	2
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 Group Corporation, CITIC Limited and CITIC Capital Holdings Limited were each taken to be interested in the security interest in which CITIC Capital Credit Limited held an interest.

Save as disclosed above, as at 30 June 2013, 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 DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Huang Yaowen ("Mr. Huang") has tendered his resignation as an independent non-executive director of the Company with effect from 1 July 2013 as he would like to devote more time to his own business. Upon his resignation, he also ceased to be the chairman of audit committee and remuneration committee, and the member of nomination committee of the Company.

Following the resignation of Mr. Huang, the number of independent non-executive directors and the members of the audit committee of the Company has fallen below the minimum number required under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules. In addition, the Company has not met the composition requirement that the majority of independent non-executive director of the remuneration committee under Rule 3.25 of the Listing Rules.

The Board of the Company will identify a suitable candidate to fill the vacancy as soon as possible within three months from the date of resignation of Mr. Huang.

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 2013.

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 2013, 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.

Code Provision A.5.1 stipulated that nomination committee comprises a majority of independent non-executive directors.

Following the resignation of Mr. Huang, the number of independent non-executive directors of the nomination committee of the Company has fallen below a majority. The Board of the Company will identify a suitable candidate to fill the vacancy as soon as possible within three months from the date of resignation of Mr. Huang.

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 2013.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company, namely 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 2013, and discussed the financial control, internal control and risk management systems.

By order of the Board
Sino-i Technology Limited
Yu Pun Hoi
Chairman

Hong Kong, 30 August 2013



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