



SinoCom

SINOCOM SOFTWARE GROUP LIMITED

中訊軟件集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 0299

2014
INTERIM REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Wang Zhiqiang (*Co-Chairman*)

Zuo Jian Zhong (*Co-Chairman*)

Non-Executive Directors

Li Jian (resigned on 31 July 2014)

Wang Xubing (retired on 26 March 2014)

Shi Chong Ming (retired on 26 March 2014)

Kotoi Hirofumi

(re-designated on 31 July 2014)

Sasaki So (appointed on 31 July 2014)

Independent Non-Executive Directors

Chui Man Lung, Everett

Takei Akio (appointed on 31 July 2014)

Wu Hong

Yamamoto Yoshimasa

(resigned on 31 July 2014)

COMPANY SECRETARY

Foo Man Yee, Carina

AUDIT COMMITTEE

Chui Man Lung, Everett*

Takei Akio (appointed on 31 July 2014)

Wu Hong

Yamamoto Yoshimasa

(resigned on 31 July 2014)

* *Chairman*

NOMINATION COMMITTEE

Wang Zhiqiang*

Chui Man Lung, Everett

Takei Akio (appointed on 31 July 2014)

Wu Hong

Yamamoto Yoshimasa

(resigned on 31 July 2014)

SALARY REVIEW COMMITTEE

Wu Hong*

Chui Man Lung, Everett

Takei Akio (appointed on 31 July 2014)

Wang Zhiqiang

Yamamoto Yoshimasa

(resigned on 31 July 2014)

AUTHORISED REPRESENTATIVE

Wang Zhiqiang

Foo Man Yee, Carina

AUDITOR

RSM Nelson Wheeler

Certified Public Accountants

SOLICITOR

Baker & McKenzie

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2001, 20/F., Lippo Centre

Tower 2, No. 89 Queensway

Admiralty

Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

6/F., Guangyuan Building
No. 5 Guangyuanzha Road
Haidian District, Beijing
China
Postal Code: 100081

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International
(Cayman) Limited
68 Fort Street, P. O. Box 705
George Town, Grand Cayman
Cayman Islands

REGISTERED OFFICE

Cricket Square Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL BANKERS

Bank of East Asia Limited
Bank of China
China Merchant Bank Co., Ltd.
Mizuho Corporate Bank (China) Limited
Hong Kong and Shanghai Banking
Corporation

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
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STOCK CODE

299

WEBSITE

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Management Discussion and Analysis

INDUSTRY AND MARKET OVERVIEW

Over the first half of 2014, the global economy had been clouded with many uncertainties and imbalance, together with downside pressure. At the same time, there was accelerating investment in information platforms to the software development industry. The rapid developments of e-commerce, smart phone, mobile internet and cloud computing resulted in a surge in demand for experts in the software development industry. In respect of software outsourcing services for the Japanese market, which is the Group's core business, along with the improved Japanese economy, particularly the shortage of software development experts in the IT industry in Japan which is ever-increasing, it is necessary for enterprises to pursue lower costs to strengthen their competitive edge. These have caused the demand for overseas software outsourcing services continuing to increase. Though the depreciation of Japanese Yen last year has paused, the pressure from prevailing exchange rate and increasing development costs, especially as labour costs, on enterprises engaged in the operation of software outsourcing services for the Japanese market has not alleviated at all, and has impeded business growth and development. Therefore, many enterprises engaged in the operation of software outsourcing services for the Japanese market have stepped up their efforts in implementing the strategy of business localization so as to cut their development cost further. In addition, they seek for price adjustment with the clients and improve operating conditions by extending business scale and enhancing efficiency.

BUSINESS REVIEW

Since the growth of the software development market began to slowdown, the exchange rate of Japanese Yen has been a main factor to the operating results of the Group. Despite the exchange rate of Japanese Yen remained low and the increasing development costs, the Group achieved outstanding performance in its software development business for the Japanese market with the devoted efforts of our management and staff. For the six months ended 30 June 2014, the Group recorded approximately 48.3% increase in revenue generated from the Japanese market when compared to the corresponding period in 2013.

Amid fierce competition in the industry, severe market conditions, particularly the exchange rate of Japanese Yen remained low, for the six months ended 30 June 2014, the Group recorded an increase in total revenue by approximately 39.0% when compared to the corresponding period in 2013. The gross profit for the six months ended 30 June 2014 increased by approximately 59.3%, from HK\$26,117,000 to HK\$41,597,000.

OUTLOOK

Looking ahead, the movement of the exchange rate of Japanese Yen will continue to have direct impact on the Group's results and the performance of the software outsourcing services industry for the Japanese market. Along with the improvement of Japanese economy during the first half of 2014, the Japanese software market regained its growth momentum with a series of large scale development projects being launched consecutively. However, we expect the severe shortage of experts in software development in Japan will extend to 2016, which will bring about more business opportunities to the Group. Meanwhile, the industry is experiencing an increase in the investment in information platforms, a booming demand for information consumption and a rapid change in the form of software services, and as a result, it will probably generate an industry-wide business growth in spite of market adversities. Furthermore, the software market in China has been well developing, and the growth rate is expected to be higher than that of 2013, while software outsourcing services industry also demonstrates a growing trend.

In addition, the Group will explore new ideas and seek a new drive for business development, such as customer acquisition and sharing of human resources. The Group also hopes to enhance our operation and accelerate our business development through merger and acquisitions. The Board believes that the management will be able to lead the way to strengthen a customer-oriented development system, thus capitalizing on new opportunities in the market on an ongoing basis.

In order to ensure a stable environment for business development, the Group will step up its efforts in implementing the strategy of business localization so as to cut our software development cost further. The Group will also take an active role to enlarge the scale of its upstream business according to the demand from clients, to increase the added-value of its services and to enhance the efficiency of product development for the purpose of generating more revenue for the Company.

REVIEW OF RESULTS AND OPERATIONS

The Group's consolidated turnover for the six months ended 30 June 2014 was approximately HK\$314,016,000, representing an increase of approximately 39.0% when compared to HK\$225,863,000 in the corresponding period in 2013. The increase was mainly attributable to the increase in services demand in the Japanese market and price adjustment for our services for the six months ended 30 June 2014. Turnover generated from Japan increased by approximately 48.3% from HK\$202,290,000 in the corresponding period in 2013 to HK\$299,905,000 in the six months ended 30 June 2014. However, turnover sourced from the PRC decreased by approximately 40.1% to HK\$14,111,000.

Gross profit for the six months ended 30 June 2014 increased to approximately HK\$41,597,000, representing a 59.3% increase when compared with the gross profit of approximately HK\$26,117,000 in the corresponding period in 2013. The Group's gross profit margin was approximately 13.2% for the six months ended 30 June 2014 (the corresponding period in 2013: 11.6%). The slight increase in gross profit margin by 1.6% was resulted from the stable Japanese exchange rate against our reporting currency of Hong Kong Dollar and our price adjustment.

Operating profit of approximately HK\$20,046,000 was recorded in the six months ended 30 June 2014 when compared with the operating loss of approximately HK\$59,545,000 in the corresponding period in 2013. The operating profit for the six months ended 30 June 2014 was due to an increase in gross profit by approximately HK\$15,480,000 and recording of net foreign exchange gain of approximately HK\$13,481,000 whereas the net foreign exchange loss of approximately HK\$49,718,000 for the corresponding period in 2013 but offset by the increase in administrative expenses of approximately HK\$7,136,000.

Net profit attributable to owners of the Company was approximately HK\$9,694,000 for the six months ended 30 June 2014 whereas net loss attributable to owners of the Company was approximately HK\$57,418,000 for the corresponding period in 2013. The net profit attributable to owners of the Company was primarily because of the recording of operating profit as mentioned above but offset by income tax expenses of approximately HK\$9,147,000 in 2014 whereas income tax credit of approximately HK\$3,007,000 in 2013.

LIQUIDITY AND FINANCIAL RESOURCES

Since inception, the Group has no bank borrowing, and has funded its operations through equity funding and operating cash flow. The Group managed to maintain this strong cash generating capability for the period. During the six months ended 30 June 2014, the Group financed its operations and investing activities solely with internally generated cash flows. The Company maintained a high level of cash and bank balances and term deposits with initial terms of over three months of approximately HK\$551,706,000 and there was no bank borrowing as at 30 June 2014.

SHARE CAPITAL

As at 30 June 2014, the number of shares in respect of which options had been granted and remained outstanding under the Company's share option scheme was 12,620,000 (31 December 2013: 13,580,000), representing 1.1% (31 December 2013: 1.21%) of issued shares of the Company at that date.

PLEDGE OF ASSETS

As at 30 June 2014, the Group had not pledged any of its assets.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2014, total headcount of the Group reached 1,510 of which 1,349 in China and 161 in Japan. Employees are remunerated based on their performance, work experience and the prevailing market rates. Performance related bonuses are granted on a discretionary basis. Other employee benefits include pension fund, insurance and medical coverage, training programs and participation in the Group's share option scheme.

Independent Review Report



TO THE BOARD OF DIRECTORS OF
SINOCOM SOFTWARE GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 10 to 32 which comprises the condensed consolidated statement of financial position of SinoCom Software Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

18 August 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Revenue	4	314,016	225,863
Cost of services		(272,419)	(199,746)
Gross profit		41,597	26,117
Administrative expenses		(49,692)	(42,556)
Other income, gains/(losses)		28,141	(43,106)
Profit/(loss) from operations		20,046	(59,545)
Share of result of an associate		(394)	(996)
Profit/(loss) before tax		19,652	(60,541)
Income tax (expense)/credit	5	(9,147)	3,007
Profit/(loss) for the period	6	10,505	(57,534)
Other comprehensive income:			
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(4,726)	8,911
Fair value changes on available-for-sale financial assets		–	9,004
Income tax relating to fair value changes on available-for-sale financial assets		–	(3,542)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

	Note	Six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Other comprehensive income for the period, net of tax		(4,726)	14,373
Total comprehensive income for the period		5,779	(43,161)
Profit/(loss) for the period attributable to:			
Owners of the Company		9,694	(57,418)
Non-controlling interests		811	(116)
		10,505	(57,534)
Total comprehensive income for the period attributable to:			
Owners of the Company		5,005	(43,567)
Non-controlling interests		774	406
		5,779	(43,161)
Earnings/(loss) per share	8		
Basic		HK0.87 cents	HK(5.15) cents
Diluted		N/A	N/A

Condensed Consolidated Statement of Financial Position

	Note	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Non-current assets			
Plant and equipment	9	18,573	19,057
Goodwill		7,262	7,333
Investment in an associate		2,712	3,124
Available-for-sale financial assets	10	15,315	14,690
Other deposits		1,635	425
Deferred tax assets	13	973	989
		46,470	45,618
Current assets			
Trade and other receivables	11	112,997	92,514
Amount due from a fellow subsidiary	15	11,351	1,272
Amount due from ultimate holding company	15	107	–
Tax recoverables		467	–
Term deposits with initial terms of over three months		23,833	25,180
Bank balances and cash		527,873	535,174
		676,628	654,140

Condensed Consolidated Statement of Financial Position (continued)

	Note	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Current liabilities			
Trade and other payables	12	125,829	111,628
Current tax liabilities		24,493	21,077
		150,322	132,705
Net current assets		526,306	521,435
Total assets less current liabilities		572,776	567,053
Non-current liabilities			
Deferred tax liabilities	13	2,125	2,181
NET ASSETS		570,651	564,872
Capital and reserves			
Share capital		27,896	27,896
Reserves		538,018	533,013
Equity attributable to owners of the Company		565,914	560,909
Non-controlling interests		4,737	3,963
TOTAL EQUITY		570,651	564,872

Approved by the Board of Directors on 18 August 2014

Wang Zhiqiang
Director

Zuo Jian Zhong
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company													Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share redemption reserve HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	General reserve fund HK\$'000	Shareholder's contribution HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
For the six months ended 30 June 2013														
At 1 January 2013 (audited)	27,896	166,189	2,269	10,657	5,078	28,639	4,118	98,534	10,104	-	353,918	707,402	4,382	711,784
Total comprehensive income for the period (unaudited)	-	-	-	-	-	-	-	8,826	-	5,025	(57,418)	(43,567)	406	(43,161)
Transfer of share option reserve upon forfeiture of share options (unaudited)	-	-	-	-	-	-	-	(563)	-	563	-	-	-	-
Changes in equity for the period (unaudited)	-	-	-	-	-	-	-	8,826	(563)	5,025	(56,855)	(43,567)	406	(43,161)
At 30 June 2013 (unaudited)	27,896	166,189	2,269	10,657	5,078	28,639	4,118	107,360	9,541	5,025	297,063	663,835	4,788	668,623
For the six months ended 30 June 2014														
At 1 January 2014 (audited)	27,896	111,189	2,269	10,657	5,078	28,639	4,118	113,667	8,426	-	248,970	560,909	3,963	564,872
Total comprehensive income for the period (unaudited)	-	-	-	-	-	-	-	(4,689)	-	-	9,694	5,005	774	5,779
Transfer of share option reserve upon forfeiture of share options (unaudited)	-	-	-	-	-	-	-	(550)	-	550	-	-	-	-
Changes in equity for the period (unaudited)	-	-	-	-	-	-	-	(4,689)	(550)	-	10,244	5,005	774	5,779
At 30 June 2014 (unaudited)	27,896	111,189	2,269	10,657	5,078	28,639	4,118	108,978	7,876	-	259,214	565,914	4,737	570,651

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	8,145	(37,668)
Purchase of short term investments	(921,739)	(582,270)
Loan granted to an independent third party	(19,021)	–
Loan granted to related companies	–	(150,367)
Purchase of available-for-sale financial assets	–	(15,711)
Purchases of plant and equipment	(8,193)	(7,346)
Proceeds from disposal of short term investments	921,739	582,270
Loan repayment from related companies	–	230,659
Decrease in term deposit	1,105	93,137
Interest received from loan receivables	–	2,975
Interest received from short term investments	4,156	1,177
Proceeds from disposal of plant and equipment	32	2
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(21,921)	154,526
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(13,776)	116,858
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	535,174	437,786
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	6,475	(28,418)
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	527,873	526,226
Bank balances and cash	527,873	526,226

Notes to the Condensed Financial Statements

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the 2013 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2013.

These condensed financial statements have been prepared under the historical cost convention.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2014

4. SEGMENT INFORMATION

The operating segments of the Group, based on information reported to the chief operating decision maker (i.e. Chief Executive Officer) for the purposes of resources allocation and assessment of performance are analysed on the basis of the location of the customers' headquarters.

The Group has carried on a single business in two geographical locations, which is the outsourcing software development services, and all the assets are principally located in the PRC and Japan. Accordingly, there are two reportable segments of the Group which are regularly reviewed by the chief operating decision maker.

Segment revenue and results

The following is an analysis of revenue and results by operating segment of the Group:

Six months ended 30 June 2014

	PRC HK\$'000 (unaudited)	Japan HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue	14,111	299,905	314,016
Cost of services	(14,625)	(257,794)	(272,419)
Gross (loss)/profit	(514)	42,111	41,597
Administrative expenses	(918)	(34,961)	(35,879)
Segment results	(1,432)	7,150	5,718
Share of result of an associate			(394)
Other income, gains/(losses)			28,141
Unallocated corporate expenses			(13,813)
Profit before tax			19,652

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2014

4. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Six months ended 30 June 2013

	PRC HK\$'000 (unaudited)	Japan HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue	23,573	202,290	225,863
Cost of services	(23,894)	(175,852)	(199,746)
Gross (loss)/profit	(321)	26,438	26,117
Administrative expenses	(1,169)	(35,551)	(36,720)
Segment results	(1,490)	(9,113)	(10,603)
Share of result of an associate			(996)
Other income, gains/(losses)			(43,106)
Unallocated corporate expenses			(5,836)
Loss before tax			(60,541)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in either period.

Segment result represents the profit/(loss) of each segment without allocation of central administration cost, directors' emoluments, share of result of an associate and other income, gains/(losses). This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2014

4. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the assets and liabilities by operating segment of the Group:

At 30 June 2014

	PRC HK\$'000 (unaudited)	Japan HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment assets	303,004	165,858	468,862
Unallocated assets			254,236
Consolidated total			723,098
Segment liabilities	31,178	115,731	146,909
Unallocated liabilities			5,538
Consolidated total			152,447

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2014

4. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

At 31 December 2013

	PRC HK\$'000 (audited)	Japan HK\$'000 (audited)	Total HK\$'000 (audited)
Segment assets	392,054	251,820	643,874
Unallocated assets			55,884
Consolidated total			699,758
Segment liabilities	29,375	93,446	122,821
Unallocated liabilities			12,065
Consolidated total			134,886

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated bank balances and cash, goodwill, deferred tax assets, available-for-sale financial assets, investment in an associate and assets used jointly by operating segments.
- term deposit with initial terms of over three months and bank balances and cash are allocated to operating segments based on the location of the term deposit with initial terms of over three months and bank balances and cash.
- all liabilities are allocated to operating segments other than deferred tax liabilities and liabilities for which operating segments are jointly liable.
- liabilities payable to the government department such as tax bureau and social security department are allocated to operating segments based on the location of the tax bureau and social security department.

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2014

5. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Current tax		
PRC Enterprise Income Tax	3,320	28
Japan income tax	5,241	2,500
	8,561	2,528
Under/(over) provision in prior years		
PRC Enterprise Income Tax	626	(3,881)
	9,187	(1,353)
Deferred tax (Note 13)		
Current period	(40)	(1,654)
	9,147	(3,007)

Under the law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rates of the PRC subsidiaries is 25% from 1 January 2008 onward except as describe below.

Pursuant to the EIT Law, a subsidiary, SinoCom Computer System (Beijing) Co., Ltd. ("SinoCom Beijing") is recognised as a high and new technology enterprise by the relevant PRC government authorities and SinoCom Beijing was entitled to enjoy a concessionary Enterprise Income Tax rate of 10% (2013: 15%) as compared to the unified tax rate of 25% in 2014.

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2014

5. INCOME TAX EXPENSE/(CREDIT) (continued)

A subsidiary, SinoCom Shensoft Computer Technology (Shanghai) Company Limited, was recognised as Service Enterprise with Advanced Technology in January 2011 and was subject to income tax at a tax rate of 15% from 2011 to 2014 in accordance with a joint circular of Ministry of Finance, the State Administration of Taxation, the Ministry of Commerce, the Ministry of Science and Technology and the National Development and Reform Commission, Cai Shui No. 63 of 2009.

No provision for Hong Kong Profits Tax has been made in the condensed financial statements as the Group had no assessable profits in Hong Kong for either period.

Taxation arising in Japan comprises corporate tax, special corporate tax for reconstruction, corporate enterprise tax, special local corporate tax and corporate inhabitant tax. Corporate tax is calculated at a progressive statutory rate of 15% (six months ended 30 June 2013: 15%) on the portion of taxable income not exceeding Japanese Yen ("JPY") 8,000,000 (equivalent to approximately HK\$612,000, six months ended 30 June 2013: HK\$629,000) and 25.5% (six months ended 30 June 2013: 25.5%) on the portion of taxable income in excess of JPY8,000,000. Special corporate tax for reconstruction is calculated at a fixed tax rate of 10% of corporate tax from 1 January 2013 to 31 March 2014. Corporate enterprise tax is calculated at a progressive statutory rate of 2.95% (six months ended 30 June 2013: 2.95%) on the portion of taxable income not exceeding JPY4,000,000 (equivalent to approximately HK\$306,000, six months ended 30 June 2013: HK\$314,000), 4.365% (six months ended 30 June 2013: 4.365%) on the portion of taxable income in excess of JPY4,000,000 but not exceeding JPY8,000,000 and 5.78% (six months ended 30 June 2013: 5.78%) on the portion of taxable income in excess of JPY8,000,000. Special local corporate tax is calculated at a fixed tax rate of 81% or 148% of corporate enterprise tax, depending on the amount of paid-in capital. Corporate inhabitant tax is calculated at a fixed tax rate of 17.3% or 20.7% of the corporate tax, depending on the amount of the corporate tax per annum, also with a fixed yearly amount from JPY70,000 (equivalent to approximately HK\$5,000, six months ended 30 June 2013: HK\$6,000) to JPY200,000 (equivalent to approximately HK\$15,000, six months ended 30 June 2013: HK\$16,000), depending on the headcount and capital of the entities.

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2014

6. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Allowance for doubtful debts	834	–
Depreciation of plant and equipment	8,278	3,896
Loss on disposal of plant and equipment	228	45
Operating lease rentals in respect of office premises	14,975	14,898
Net foreign exchange (gain)/loss	(13,481)	49,718
Directors' remuneration	6,157	4,757
Interest income from bank balances	(662)	(2,671)
Interest income from loan receivables	–	(1,758)
Interest income from short term investments	(4,156)	(1,177)
Government subsidies	(852)	(1,000)

7. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the current period (2013: Nil).

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2014

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the following:

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings/(loss)		
Profit/(loss) for the period attributable to owners of the Company, for the purpose of basic earnings/(loss) per share calculation	9,694	(57,418)
	2014	2013
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share calculation	1,115,835	1,115,835

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the six months ended 30 June 2014.

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2013.

9. PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group disposed of certain plant and equipment with an aggregate carrying amount of approximately HK\$260,000 (unaudited) (six months ended 30 June 2013: HK\$47,000 (unaudited)) for proceeds of approximately HK\$32,000 (unaudited) (six months ended 30 June 2013: HK\$2,000 (unaudited)), resulting in a loss on disposal of approximately HK\$228,000 (unaudited) (six months ended 30 June 2013: HK\$45,000 (unaudited)). In addition, during the six months ended 30 June 2014, the Group acquired plant and equipment of approximately HK\$8,193,000 (unaudited) (six months ended 30 June 2013: HK\$13,163,000 (unaudited)).

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2014

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Non-current portion		
Unlisted equity securities in Japan, at cost	15,315	14,690

Notes:

- (a) Unlisted equity securities were carried at cost less impairment loss as they do not have a quoted market price in an active market and their fair value cannot be reliably measured.
- (b) All available-for-sale financial assets are denominated in JPY.

11. TRADE AND OTHER RECEIVABLES

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Trade receivables	83,014	77,239
Less: allowance for doubtful debts	(2,320)	(1,500)
	80,694	75,739
Other receivables	22,742	4,538
Other deposits	3,735	3,574
Prepayments	5,826	8,663
Total trade and other receivables	112,997	92,514

The Group allows an average credit period of 30 to 210 days (31 December 2013: 30 to 150 days) for its trade customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2014

11. TRADE AND OTHER RECEIVABLES (continued)

The aging analysis of trade receivables, net of allowance of doubtful debts presented based on dates on which revenue was recognised, is as follows:

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
0–30 days	57,232	46,361
31–60 days	8,697	13,265
61–90 days	1,966	1,690
91–180 days	5,231	3,828
181–360 days	3,229	6,149
Over 360 days	4,339	4,446
	80,694	75,739

Aging of trade receivables which are past due but not impaired based on invoice dates:

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
91–180 days	241	243

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2014

12. TRADE AND OTHER PAYABLES

	30 June 2014 <i>HK\$'000</i> (unaudited)	31 December 2013 <i>HK\$'000</i> (audited)
Trade payables	26,376	16,861
Wages and salaries payable	77,606	76,887
Accruals	5,428	9,757
Other tax payables	11,582	4,483
Other payables	4,837	3,640
	125,829	111,628

The average credit period of trade payables is 30 to 60 days.

The following is an aged analysis of trade payables based on invoice dates at the end of the reporting period:

	30 June 2014 <i>HK\$'000</i> (unaudited)	31 December 2013 <i>HK\$'000</i> (audited)
0–30 days	17,546	11,752
31–60 days	8,410	5,048
61–90 days	171	61
91–180 days	249	–
	26,376	16,861

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2014

13. DEFERRED TAXATION

The following are the major deferred tax (assets)/liabilities recognised and movements thereon during the current period and prior year:

	Deferred tax assets		Deferred tax liabilities	
	Accrued expenses HK\$'000	Prepaid expenses HK\$'000	Distributable profit of the PRC subsidiaries HK\$'000	Total HK\$'000
At 1 January 2013 (audited)	(4,941)	1,215	6,661	7,876
Charge/(credit) to profit or loss for the year (audited)	4,032	(224)	(5,492)	(5,716)
Exchange differences (audited)	(80)	21	-	21
At 31 December 2013 and 1 January 2014 (audited)	(989)	1,012	1,169	2,181
Charge/(credit) to profit or loss for the period (unaudited)	8	(559)	511	(48)
Exchange differences (unaudited)	8	(8)	-	(8)
At 30 June 2014 (unaudited)	(973)	445	1,680	2,125

14. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 2 April 2004 for the primary purposes of providing incentives to eligible employees, and expired on 1 April 2014. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees to subscribe for shares in the Company.

During the six months ended 30 June 2014, the Company has terminated the Scheme and adopted a new share option scheme (the "New Scheme") pursuant to a resolution passed in the annual general meeting dated 26 March 2014 which became effective on the same date. The New Scheme will remain in force for ten years commencing from the effective date. Any options granted under the Scheme prior to its termination continue to be valid and exercisable in accordance with the rules of the Scheme. No share options have been granted under the New Scheme since its adoption.

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2014

14. SHARE-BASED PAYMENTS (continued)

Details of specific category of options are as follows:

Date of grant	Vesting period	Exercise price
24/01/2006 (Note b)	24/01/2006–23/01/2010	HK\$1.3875
28/01/2008 (Note a and b)	28/01/2008–27/01/2011	HK\$1.36
28/01/2008 (Note b)	28/01/2008–27/01/2013	HK\$1.36

Note a: On 28 January 2008, 15,750,000 share options, which represent the then outstanding options previously granted on 15 January 2007 with an exercise price of HK\$1.73 per share, were cancelled and the same number of share options were granted to the option holders with an exercise price of HK\$1.36 per share and other terms remained the same as those of the old options.

Note b: All the outstanding options are exercisable as at 30 June 2014.

The following table discloses movements of the number of the Company's shares under options held by employees, during the six months ended 30 June 2014 are as follows:

Date of grant	Outstanding at 1/1/2014 (audited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at 30/6/2014 (unaudited)
24/01/2006	5,760,000	–	(720,000)	5,040,000
28/01/2008	7,820,000	–	(240,000)	7,580,000
	13,580,000	–	(960,000)	12,620,000

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2014

14. SHARE-BASED PAYMENTS (continued)

The following table discloses movements of the number of the Company's shares under options held by employees, during the six months ended 30 June 2013 are as follows:

Date of grant	Outstanding at 1/1/2013 (audited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at 30/6/2013 (unaudited)
24/01/2006	6,720,000	–	(240,000)	6,480,000
28/01/2008	9,670,000	–	(790,000)	8,880,000
	16,390,000	–	(1,030,000)	15,360,000

15. RELATED PARTY TRANSACTIONS

Transactions with related parties

The Group had the following transactions with its related parties during the period:

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Other income — receiving compensation from a fellow subsidiary (Note a)	10,086	–
Cost of services — receiving travelling and tourism services from an associate	–	760
Cost of services — receiving technical support services from an associate	–	365
Cost of services — rental charges from a fellow subsidiary	–	658
Administrative expenses — receiving management consulting services from ultimate holding company	–	292

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2014

15. RELATED PARTY TRANSACTIONS (continued)

Outstanding balances at the end of the reporting period

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Amount due from a fellow subsidiary (<i>Note b</i>)	11,351	1,272
Amount due from ultimate holding company	107	–

Note a: The amount represents compensation receivable from 福建聯迪資訊科技有限公司 (Fujian Liandi Information Technology Limited) ("Fujian Liandi"), a wholly-owned subsidiary of the ultimate holding company, SJI Inc., in relation to early termination of an operating lease of office premises located in Beijing, the PRC during the six months ended 30 June 2014.

Note b: The balance represents an advance of approximately HK\$1,265,000 to Fujian Liandi for the intention to lease office premises located in Beijing, the PRC during the year ended 31 December 2012 and compensation receivable from Fujian Liandi amounting approximately HK\$10,086,000.

Compensation of key management personnel

The remuneration of directors and other members of key management during the period is as follows:

	Six months ended 30 June 2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Salaries and other benefits	10,879	10,253
Retirement benefits scheme contributions	408	371
	11,287	10,624

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2014

16. OPERATING LEASE COMMITMENTS

At the end of the respective reporting periods, the Group had commitments for future minimum lease payments in respect of rental premises which fall due as follows:

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Within one year	22,869	23,152
In the second to fifth year inclusive	19,649	14,007
	42,518	37,159

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated and rentals are fixed for lease terms from one to three years.

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 18 August 2014.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY (THE "SHARES"), UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

(a) Interests and short positions in Shares and underlying Shares in the Company

Name of Director	Capacity/ Nature of interests	Number of shares	Note	Approximate percentage of issued share capital of the Company as at 30/6/2014
Wang Zhiqiang	Corporate Interests	111,396,000(L)	1	9.98%

Notes:

1. These shares are beneficially owned by China Way International Limited ("China Way"). By virtue of his 49% shareholding interests in China Way. Mr. Wang Zhiqiang is deemed or taken to be interested in the 111,396,000 shares of the Company owned by China Way for the purpose of SFO.
2. As at 30 June 2014, the total issued share capital of the Company is amounted to 1,115,835,128 shares

Abbreviations: "L" stands for long position

(b) Interests in shares of associated corporation of the Company

Name of associated corporation	Name of Director	Capacity/ Nature of interest	No. of ordinary shares (US\$1.00 each)	Percentage of shareholding
China Way	Wang Zhiqiang	Corporate interest	49	49%

Save as disclosed above, as at 30 June 2014, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, so far as is known to the Directors, the following persons have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Long positions in the Shares and Underlying Shares

Name	Capacity/Nature of interests	Number of Ordinary Shares	Approximate percentage of total interests in issued capital as at 30/6/2014	Notes
SJI Inc.	Corporate Interests	636,688,918 (L)	57.06%	1
SJ Asia Pacific Limited	Corporate Interests	636,688,918 (L)	57.06%	1
SJI (Hong Kong) Limited	Beneficial Owner	636,688,918 (L)	57.06%	1
NEC Capital Solutions Limited	Corporate Interests	268,000,000(L)	24.01%	2
NEC Corporation	Corporate Interests	268,000,000(L)	24.01%	2
Risa Partners Inc.	Security Interests	268,000,000(L)	24.01%	2
China Way	Beneficial Owner	111,396,000(L)	9.98%	3 & 4
Wang Xubing	Corporate Interests	111,396,000(L)	9.98%	3
Wang Zhiqiang	Corporate Interests	111,396,000(L)	9.98%	4
Zhang Yue	Spouse Interests	111,396,000(L)	9.98%	5
Yuan Yue Ling	Spouse Interests	111,396,000(L)	9.98%	6

Name	Capacity/Nature of interests	Number of Ordinary Shares	Approximate percentage of total interests in issued capital as at 30/6/2014	Notes
Dymagin Global Limited	Beneficial Owner	109,000,000(L)	9.77%	7
Sado Yasutaka	Corporate Interests	109,000,000(L)	9.77%	7
Nomura Research Institute Ltd.	Beneficial Owner	72,356,100(L)	6.49%	8
Nomura Holdings Inc.	Corporate Interests	72,356,100(L)	6.49%	8
Mizuho Financial Group, Inc.	Corporate Interests	350,000,000(L)	31.37%	9

Notes:

1. SJI Inc. is the ultimate holding company of SJI (Hong Kong) Limited, the controlling shareholder of the Company. SJI (Hong Kong) Limited is a wholly owned subsidiary of SJ Asia Pacific Limited. SJ Asia Pacific Limited is wholly owned by SJI Inc. By virtue of the SFO, SJI Inc., SJI (Hong Kong) Limited and SJ Asia Pacific Limited are deemed to be interested in the same parcel of Shares.
2. Risa Partners Inc. ("Risa Partners") is a wholly-owned subsidiary of NEC Capital Solutions Limited("NEC Capital") which is a controlled corporation of NEC Corporation. By virtue of SFO, Risa Partners, NEC Capital and NEC Corporation are deemed to be interested in the same parcel of Shares. Risa Partners holds the Shares as a pledgee only because SJI Inc. pledged the Shares to Risa Partners in consideration for a loan advanced to SJI Inc.
3. These shares are beneficially owned by China Way. By virtue of this 51% shareholding interest in China Way, Mr. Wang Xubing is deemed or taken to be interested in the 111,396,000 shares of the Company owned by China Way for the purpose of the SFO.
4. These shares are beneficially owned by China Way. By virtue of his 49% shareholding interest in China Way, Mr. Wang Zhiqiang is deemed or taken to be interested in the 111,396,000 shares of the Company owned by China Way for the purpose of the SFO.
5. Madam Zhang Yu is the wife of Mr. Wang Xubing and is deemed to be interested in the 111,396,000 shares in which Mr. Wang Xubing is deemed to be interested for the purpose of the SFO.
6. Madam Yuan Yue Ling is the wife of Mr. Wang Zhiqiang and is deemed to be interested in the 111,396,000 shares in which Mr. Wang Zhiqiang is deemed to be interested for purpose of SFO.

7. Dymagin Global Limited is a company wholly owned by Mr. Sado Yasutaka. Accordingly, Mr. Sado Yasutaka is deemed to be interested in the shares of the Company by virtue of SFO.
8. Nomura Holdings, Inc., is the ultimate holding company of Nomura Research Institute Ltd. By virtue of the SFO, Nomura Holdings Inc. and Nomura Research Institute Ltd. are deemed to be interested in the same parcel of Shares.
9. Mizuho Financial Group Inc. (“Mizuho”) is wholly owned by Mizuho Bank Ltd. Mizuho holds the Shares as a pledgee only because SJI Inc. pledged the Shares to Mizuho in exchange for a loan advanced to SJI Inc.
10. As at 30 June 2014, the issued share capital of the Company is 1,115,835,128 shares.

Abbreviations: “L” stands for long position

Save as disclosed above, as at 30 June 2014, the Directors and the chief executive of the Company were not aware of any person who has an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was recorded in the register kept by the Company under section 336 of SFO.

SHARE OPTION SCHEME

(a) Share Option Scheme adopted on 2 April 2004

As at 30 June 2014, there were options for 12,620,000 ordinary shares of HK\$0.025 each in the share capital of the Company (the “Share(s)”) granted by the Company pursuant to the option scheme, as adopted by the shareholders of the Company on 2 April 2004 (the “Old Share Option Scheme”), whereas 960,000 options were lapsed during the six months ended 30 June 2014. The Old Share Option Scheme expired on 1 April 2014. No share option can be granted under Old Share Option Scheme. Details of the movement of Old Share Option Scheme is set out in Note 14 of the condensed financial statements.

(b) New Share Option Scheme adopted on 26 March 2014

A new share option scheme was adopted by the shareholder of the Company on 26 March 2014 (“New Share Option Scheme”).

As at 30 June 2014, no option has been granted under the New Share Option Scheme.

INTERIM DIVIDEND

The directors of the Company do not recommend payment of any interim dividend for the six months period ended 30 June 2014 (2013: Nil).

CORPORATE GOVERNANCE

During the six months period ended 30 June 2014 (the “Relevant Period”), the Company has applied and complied with the applicable provisions as set out in the Corporate Governance Code contained in Appendix 14 (the “CG Code”) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited of the Listing Rules (the “Listing Rules”), except the deviation disclosed herein.

Code Provision	Deviation	Considered Reason for deviation
The role of chairman and chief executive should be separate.	Mr. Wang Zhiqiang has been both the chairman and the chief executive officer.	The Board considered that vesting the roles of chairman and CEO in the same person facilitates the execution of the Group’s business strategies and maximizes effectiveness of its operation. Further, as Mr. Kotoi Hirofumi served as co-chairman of the Board from 11 June 2012 to 1 March 2013, following which Mr. Zuo Jian Zhong has served as co-chairman of the Board since 1 March 2013, the Board considered that there is a sufficient balance and division of responsibilities and authority.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions and dealing (the “Code of Conduct”) by Directors on terms no less exacting than the required standard set out in Appendix 10 to Listing Rule (the “Model Code”). The Company has made specific enquiry of all Directors as to whether they have complied with the required standard set out in the Model Code and the Code of Conduct during the six months period ended 30 June 2014.

Save as disclosed above, all the Directors have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the six months period ended 30 June 2014.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Relevant Period, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Relevant Period was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors or the Chief Executive of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CHANGE OF DIRECTORS' INFORMATION

1. Mr. Li Jian resigned as a Non-Executive Director of the Company with effect from 31 July 2014.
2. Mr. Yamamoto Yoshimasa resigned as an Independent Non-Executive Director of the Company and ceased to be a member of Audit Committee, Nomination Committee and Salary Review Committee of the Company with effect from 31 July 2014.
3. Mr. Sasaki So was appointed as a Non-Executive Director of the Company with effect from 31 July 2014.
4. Mr. Takei Akio was appointed as an Independent Non-Executive Director, a member of Audit Committee, Nomination Committee and Salary Review Committee of the Company with effect from 31 July 2014.
5. Mr. Kotoi Hirofumi had been re-designated as a Non-Executive Director of the Company with effect from 31 July 2014.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, and to review the Company's annual report and to provide advice and comments thereon to the Board. The audit committee comprises of Mr. Chui Man Lung, Everett (Chairman), Mr. Wu Hong and Mr. Takei Akio.

The Audit Committee has reviewed and approved the Group's unaudited consolidated interim results for the six months period ended 30 June 2014 ("Interim Results"). The Interim Results have been reviewed by RSM Nelson Wheeler, the auditors of the Company.

By order of the board

Wang Zhiqiang
Co-Chairman

Zuo Jian Zhong
Co-Chairman

Hong Kong, 18 August 2014