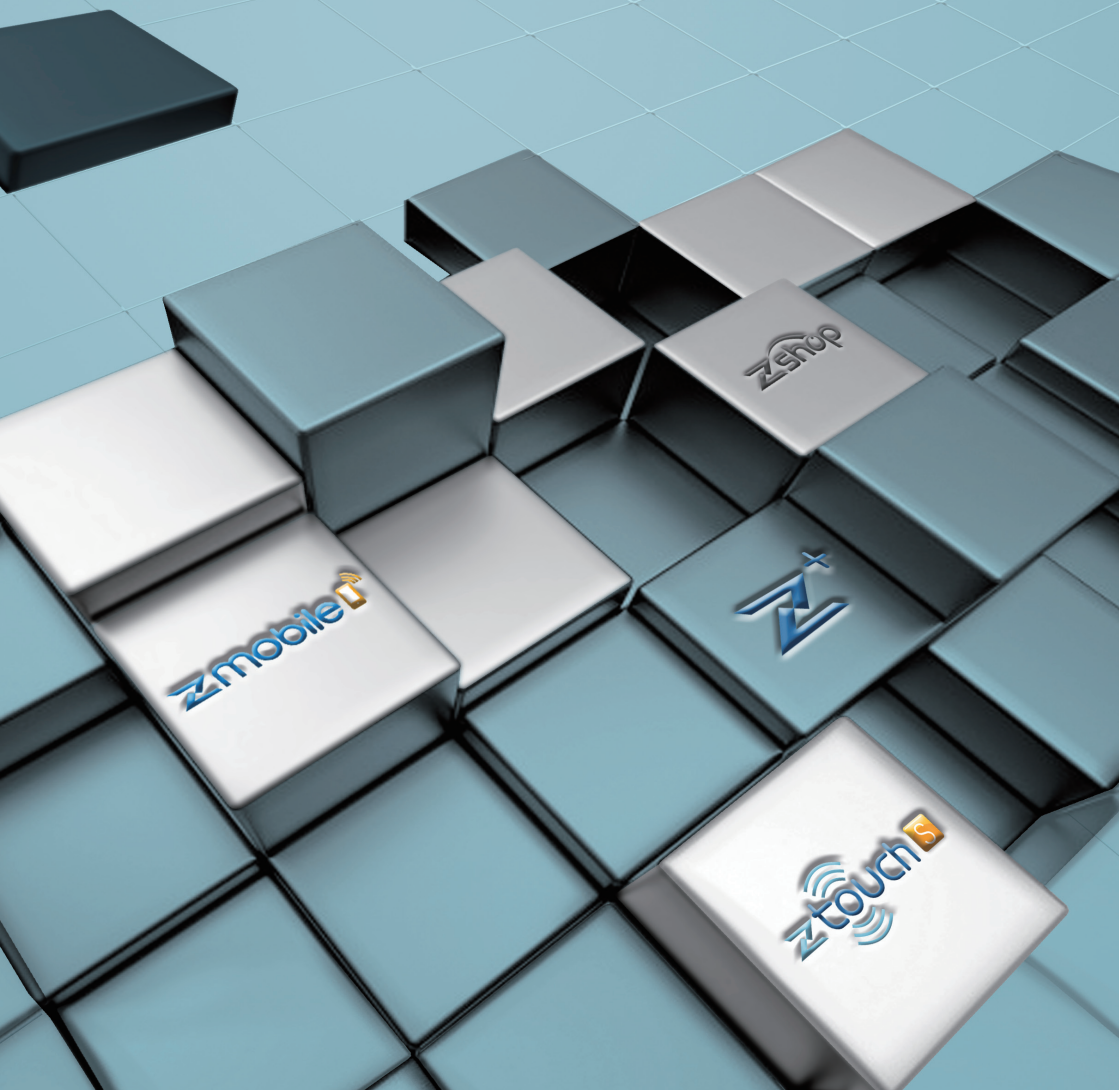


中國數碼信息有限公司

2014 INTERIM REPORT

二零一四年度 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. HU Bin

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

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Stock Code

250

Principal Bankers

DBS Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking

Corporation Limited

Website Address

<http://www.sino-i.com>

INTERIM RESULTS

The board of directors (the "Board") of Sino-i Technology Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 together with the comparative figures for 2013 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

For the six months ended 30 June 2014

| | Notes | For the six months ended 30 June | |
|--|-------|-------------------------------------|------------------|
| | | 2014 HK\$'000 | 2013 HK\$'000 |
| Revenue/Turnover | 6(a) | 376,570 | 317,364 |
| Cost of sales and services provided | | (72,327) | (46,383) |
| Gross profit | | 304,243 | 270,981 |
| Other operating income | 6(b) | 62,888 | 51,463 |
| Loss on disposal and dissolution of subsidiaries | 16 | (7,645) | — |
| Selling and marketing expenses | | (208,617) | (159,178) |
| Administrative expenses | | (87,826) | (81,625) |
| Other operating expenses | | (74,297) | (77,616) |
| Finance costs | 7 | (8,821) | (8,038) |
| Share of results of an associate | | — | — |
| Loss before income tax | 8 | (20,075) | (4,013) |
| Income tax expense | 9 | (7,681) | (6,094) |
| Loss for the period | | (27,756) | (10,107) |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (26,294) | (8,305) |
| Non-controlling interests | | (1,462) | (1,802) |
| Loss for the period | | (27,756) | (10,107) |
| | | HK cent | HK cent |
| Loss per share for loss attributable to the owners of the Company during the period | | | |
| Basic | 10(a) | (0.132) | (0.042) |
| Diluted | 10(b) | N/A | N/A |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

For the six months ended 30 June 2014

| | For the six months ended 30 June | |
|--|-------------------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Loss for the period | (27,756) | (10,107) |
| 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 | (11,847) | 10,165 |
| Exchange differences reclassified on disposal and dissolution of subsidiaries | 12,371 | – |
| Total comprehensive income for the period | (27,232) | 58 |
| Total comprehensive income attributable to: | | |
| Owners of the Company | (25,110) | 650 |
| Non-controlling interests | (2,122) | (592) |
| Total comprehensive income for the period | (27,232) | 58 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

| | | (Unaudited) 30 June 2014 HK\$'000 | (Audited) 31 December 2013 HK\$'000 |
|--|-------|--|--|
| | Notes | | |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 649,072 | 674,109 |
| Prepaid land lease payments under operating leases | | 26,816 | 27,766 |
| Interest in an associate | | – | – |
| Available-for-sale financial assets | | 324 | 324 |
| Goodwill | | 84,880 | 86,496 |
| Other intangible assets | | 135,833 | 128,854 |
| Deposits and other receivables | | 736 | 2,182 |
| Loan to ultimate holding company | | – | 1,367,219 |
| | | 897,661 | 2,286,950 |
| Current assets | | | |
| Trade receivables | 12 | 25,625 | 11,843 |
| Deposits, prepayments and other receivables | | 211,792 | 239,402 |
| Loan to ultimate holding company | | 1,416,206 | – |
| Time deposits maturing over three months | | 625 | 653 |
| Cash and cash equivalents | | 47,458 | 65,762 |
| | | 1,701,706 | 317,660 |
| Current liabilities | | | |
| Trade payables | 13 | 47,782 | 25,900 |
| Other payables and accruals | | 297,558 | 243,873 |
| Deferred revenue | | 18,559 | 17,643 |
| Provision for tax | | 99,263 | 92,684 |
| Amount due to a director | | 7,816 | 3,574 |
| Amounts due to shareholders | | 2,306 | 5,006 |
| Amount due to an associate | | 5,501 | 5,501 |
| Bank borrowings, secured | 14 | 247,500 | 230,976 |
| Finance lease liabilities | | 417 | 116 |
| | | 726,702 | 625,273 |
| Net current assets/(liabilities) | | 975,004 | (307,613) |
| Total assets less current liabilities | | 1,872,665 | 1,979,337 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2014

| | Notes | (Unaudited) 30 June 2014 HK\$'000 | (Audited) 31 December 2013 HK\$'000 |
|--|-------|--|--|
| Non-current liabilities | | | |
| Finance lease liabilities | | 905 | 110 |
| Amount due to ultimate holding company | | 40,334 | 117,474 |
| Deferred tax liabilities | | 9,991 | 10,239 |
| | | 51,230 | 127,823 |
| Net assets | | 1,821,435 | 1,851,514 |
| EQUITY | | | |
| Share capital – nominal value | 15 | | 199,145 |
| Share premium | | | 39,194 |
| Capital redemption reserve | | | 2,258 |
| Share capital (31 December 2013: Share capital and statutory reserves) | 15 | 240,597 | 240,597 |
| Other reserves | | 1,554,102 | 1,579,212 |
| Equity attributable to the Company's owners | | 1,794,699 | 1,819,809 |
| Non-controlling interests | | 26,736 | 31,705 |
| Total equity | | 1,821,435 | 1,851,514 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

For the six months ended 30 June 2014

| | For the six months ended 30 June | |
|--|-------------------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Net cash generated from operating activities | 79,756 | 57,710 |
| Net cash used in investing activities | (37,606) | (67,377) |
| Net cash (used in)/generated from financing activities | (58,438) | 19,220 |
| Net (decrease)/increase in cash and cash equivalents | (16,288) | 9,553 |
| Cash and cash equivalents at 1 January | 65,762 | 16,640 |
| Effect of foreign exchange rate changes, on cash held | (2,016) | 345 |
| Cash and cash equivalents at 30 June | 47,458 | 26,538 |
| Analysis of the balances of cash and cash equivalents | | |
| Cash at banks and in hand | 47,458 | 26,538 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the six months ended 30 June 2014

| | Equity attributable to the Company's owners | | | | | | | | | |
|--|---|---------------------------|--|--|-----------------------------|------------------------------|------------------------------|-------------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Capital redemption reserve HK\$'000 | Capital distribution reserve HK\$'000 | General reserve HK\$'000 | Exchange reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
| At 1 January 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 | | | | | | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | | | | | | |
| 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 |
| At 1 January 2014 | 199,145 | 39,194 | 2,258 | 52,622 | 6,574 | 90,962 | 1,429,054 | 1,819,809 | 31,705 | 1,851,514 |
| Transaction with owners — | | | | | | | | | | |
| Release of non-controlling interests upon disposal and dissolution of subsidiaries (note 16) | - | - | - | - | - | - | - | - | (2,847) | (2,847) |
| Loss for the period | - | - | - | - | - | - | (26,294) | (26,294) | (1,462) | (27,756) |
| Other comprehensive income | | | | | | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign operations | - | - | - | - | - | (11,187) | - | (11,187) | (660) | (11,847) |
| Exchange differences reclassified on disposal and dissolution of subsidiaries | - | - | - | - | - | 12,371 | - | 12,371 | - | 12,371 |
| Total comprehensive income for the period | - | - | - | - | - | 1,184 | (26,294) | (25,110) | (2,122) | (27,232) |
| Transfer upon the abolition of nominal value of shares on 3 March 2014 | 41,452 | (39,194) | (2,258) | - | - | - | - | - | - | - |
| At 30 June 2014 | 240,597 | - | - | 52,622 | 6,574 | 92,146 | 1,402,760 | 1,794,699 | 26,736 | 1,821,435 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 "Hong Kong 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 Hong Kong 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 the Company on 29 August 2014.

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 Hong Kong 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 2013.

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

For the six months ended 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain 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 2013, except that the Group has applied, for the first time, the following new standards, amendments and interpretations (the "new/amended 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 2014.

| | |
|----------------------|---|
| HKAS 32 (Amendments) | Offsetting Financial Assets and Financial Liabilities |
| HK (IFRIC) 21 | Levies |

Other than as noted below, the adoption of these new/amended 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 2013.

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

HK(IFRIC) 21 — Levies

HK(IFRIC) 21 clarifies that an entity recognises a liabilities to pay a levy imposed by government when the activities that triggers payment, as identified by the relevant legislation, occurs.

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 expense. 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 2013.

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

For the six months ended 30 June 2014

5. SEGMENT INFORMATION

The Board has identified the corporate IT application services as the only business component in internal reporting for their decisions about resources allocation and performance review

| | (Unaudited) For the six months ended 30 June | |
|--------------------------------|--|--|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Reportable segment revenue | 376,570 | 317,364 |
| Reportable segment results | (64,829) | (40,197) |
| Bank interest income | 2 | 1 |
| Other interest income | 50,867 | 41,140 |
| Depreciation and amortisation | (67) | (52) |
| Unallocated corporate expenses | (6,048) | (4,905) |
| Loss before income tax | (20,075) | (4,013) |
| | (Unaudited) 30 June 2014 HK\$'000 | (Audited) 31 December 2013 HK\$'000 |
| Reportable segment assets | 1,101,107 | 1,151,332 |
| Reportable segment liabilities | 603,707 | 513,059 |

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

For the six months ended 30 June 2014

6. REVENUE/TURNOVER AND OTHER OPERATING INCOME — UNAUDITED

- (a) The Group's turnover represents revenue from corporate IT application services.
- (b) Other operating income:

| | For the six months ended 30 June | |
|---|-------------------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Bank interest income | 375 | 50 |
| Other interest income | 50,867 | 41,140 |
| Total interest income on financial assets not at fair value through profit or loss | 51,242 | 41,190 |
| Rental income | 5,932 | 2,568 |
| Government grants | 5,203 | 711 |
| Sundry income | 511 | 6,994 |
| | 62,888 | 51,463 |

7. FINANCE COSTS — UNAUDITED

| | For the six months ended 30 June | |
|---|-------------------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Interest charges on: | | |
| Bank loans wholly repayable within five years | 8,792 | 8,031 |
| Finance leases | 29 | 7 |
| Total | 8,821 | 8,038 |

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

For the six months ended 30 June 2014

8. LOSS BEFORE INCOME TAX — UNAUDITED

| | For the six months ended 30 June | |
|---|----------------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Loss before income tax is arrived at after charging: | | |
| Amortisation of intangible assets | 12,724 | 22,911 |
| Depreciation of property, plant and equipment — owned assets | 27,012 | 12,940 |
| Depreciation of property, plant and equipment — leased assets | 128 | 72 |
| Operating lease charges on prepaid land lease | 278 | 279 |
| Write-off of property, plant and equipment | 37 | 167 |

9. INCOME TAX EXPENSE — UNAUDITED

| | For the six months ended 30 June | |
|--|----------------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Current tax charge for the period | | |
| — Hong Kong Profits Tax | 5,759 | 4,858 |
| — People's Republic of China ("PRC") Enterprise Income Tax ("EIT") | 1,922 | 1,236 |
| | 7,681 | 6,094 |

For the six months ended 30 June 2014, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2013: 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 2013: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

A subsidiary 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 2013: 15%).

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

For the six months ended 30 June 2014

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\$26,294,000 (six months ended 30 June 2013: HK\$8,305,000) and on 19,914,504,877 (six months ended 30 June 2013: 19,914,504,877) ordinary shares in issue during the period.
- (b) Diluted loss per share for the six months ended 30 June 2014 and 30 June 2013 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 2014, the Group acquired property, plant and equipment with a cost of HK\$18,463,000 (six months ended 30 June 2013: HK\$17,270,000).

During the six months ended 30 June 2014, property plant and equipment with net book value of HK\$37,000 (six months ended 30 June 2013: HK\$167,000) 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 2014 HK\$'000 | (Audited) 31 December 2013 HK\$'000 |
|---|--|--|
| 0–90 days | 21,403 | 1,530 |
| 91–180 days | 2,628 | 10,441 |
| 181–270 days | 3,667 | 2,836 |
| 271–360 days | 1,095 | 1,078 |
| Over 360 days | 15,544 | 15,199 |
| Trade receivables, gross | 44,337 | 31,084 |
| Less: Provision for impairment of receivables | (18,712) | (19,241) |
| Trade receivables, net | 25,625 | 11,843 |

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

For the six months ended 30 June 2014

13. TRADE PAYABLES

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

| | (Unaudited) 30 June 2014 HK\$'000 | (Audited) 31 December 2013 HK\$'000 |
|---------------|--|--|
| 0–90 days | 34,273 | 2,279 |
| 91–180 days | 199 | 2,459 |
| 181–270 days | 707 | 630 |
| 271–360 days | 2,215 | 9,740 |
| Over 360 days | 10,388 | 10,792 |
| | 47,782 | 25,900 |

14. BANK BORROWINGS, SECURED

At 30 June 2014, the bank borrowings, which are denominated in RMB, are repayable as follows:

| | (Unaudited) 30 June 2014 HK\$'000 | (Audited) 31 December 2013 HK\$'000 |
|-----------------|--|--|
| Within one year | 247,500 | 230,976 |

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

For the six months ended 30 June 2014

14. BANK BORROWINGS, SECURED *(continued)*

Movements in borrowings is analysed as follows:

| | (Unaudited) For the six months ended 30 June 2014 HK\$'000 |
|--|---|
| Opening amount as at 1 January 2014 | 230,976 |
| Repayments of borrowings | (183,003) |
| Proceeds from new borrowings | 205,189 |
| Exchange difference | (5,662) |
| Closing amount as at 30 June 2014 | 247,500 |
| | (Unaudited) For the 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 |

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

For the six months ended 30 June 2014

15. SHARE CAPITAL

| | (Unaudited) 30 June 2014 | | (Audited) 31 December 2013 | |
|---|-----------------------------|-----------|-------------------------------|----------|
| | No. of shares | HK\$'000 | No. of shares | HK\$'000 |
| Authorised: | | | | |
| Ordinary shares of HK\$0.01 each | | | | |
| At beginning of the period/year | 30,000,000,000 | 300,000 | 30,000,000,000 | 300,000 |
| The concept of authorised share capital is abolished on 3 March 2014 (note (a)) | (30,000,000,000) | (300,000) | – | – |
| At the end of the period/year | – | – | 30,000,000,000 | 300,000 |
| Ordinary shares, issued and fully paid: | | | | |
| At beginning of the period/year | 19,914,504,877 | 199,145 | 19,914,504,877 | 199,145 |
| Transfer from share premium and capital redemption reserve on 3 March 2014 (note (a)) | – | 41,452 | – | – |
| At end of the period/year | 19,914,504,877 | 240,597 | 19,914,504,877 | 199,145 |

Notes:

- (a) The Hong Kong Companies Ordinance, Cap.622 (the "Ordinance") came into effect on 3 March 2014. Under s.135 of the Ordinance, shares in a company do not have nominal value. Accordingly, the concept of authorised share capital is abolished. The no nominal value regime applies to the Company. Following the transitional provisions in the Ordinance, any amount standing to the credit of the share premium and capital redemption reserve at the beginning of 3 March 2014 became part of the Company's share capital. The use of share capital as from 3 March 2014 is governed by s.149 of the Ordinance. However, the application of the amount transferred from share premium at the beginning of 3 March 2014 is governed by the transitional provision in s.38 of Schedule 11 to the Ordinance.
- (b) On the face of condensed consolidated statement of financial position, a breakdown of share capital and statutory reserves as of 31 December 2013 is presented.

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

For the six months ended 30 June 2014

16. DISPOSAL AND DISSOLUTION OF SUBSIDIARIES

During the six months ended 30 June 2014, a wholly-owned subsidiary of the Group, 北京高銀投資顧問有限公司, was dissolved.

In addition, the Group entered into a sale and purchase agreement to dispose of 51.69% equity interests in a subsidiary, 北京共創開源軟件有限公司 to an independent third party at a consideration of approximately HK\$62,000. The disposal was completed on 28 May 2014.

The carrying amount of the net assets/(liabilities) of the above subsidiaries at the date of disposal and dissolution were as follows:

| | (Unaudited) For the six months ended 30 June 2014 HK\$'000 |
|---|---|
| Net assets/(liabilities) disposed of: | |
| Cash and cash equivalents | 1 |
| Other payables and accruals | (1,818) |
| Non-controlling interests | (2,847) |
| | (4,664) |
| Exchange reserve released on disposal and dissolution | 12,371 |
| Loss on disposal and dissolution of subsidiaries | (7,645) |
| Total consideration | 62 |
| Satisfied by: | |
| Cash | 62 |

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

For the six months ended 30 June 2014

17. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

| | (Unaudited) 30 June 2014 HK\$'000 | (Audited) 31 December 2013 HK\$'000 |
|--------------------------|--|--|
| An associate (note (a)) | 16,730 | 16,341 |
| Third parties (note (b)) | 50,910 | 54,513 |
| | 67,640 | 70,854 |

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 2013. 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 2013 for ascertaining the fair value of the guarantee for ICBC Indebtedness has yet been available.

18. CAPITAL COMMITMENTS

At 30 June 2014, the Group had outstanding capital commitments as follows:

| | (Unaudited) 30 June 2014 HK\$'000 | (Audited) 31 December 2013 HK\$'000 |
|--|--|--|
| Contracted but not provided for in respect of: | | |
| — construction in progress | 106,744 | 120,560 |

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

For the six months ended 30 June 2014

19. CREDIT FACILITIES

As at 30 June 2014 (unaudited) and 31 December 2013 (audited), the Group's credit facilities were secured by the following:

- (a) charge over interest in certain leasehold land with a net carrying value of approximately HK\$26,595,000 (31 December 2013: HK\$27,537,000);
- (b) charge over certain buildings and construction in progress (31 December 2013: certain buildings) with a net carrying value of approximately HK\$618,605,000 (31 December 2013: HK\$635,567,000);
- (c) charge over certain intangible assets with net carrying value of approximately HK\$11,193,000 (31 December 2013: HK\$31,500,000) ; and
- (d) personal guarantee given by directors (31 December 2013: Nil).

20. RELATED PARTY TRANSACTIONS — UNAUDITED

Remuneration for key management personnel which represents amounts paid to the directors were as follows:

| | For the six months ended 30 June | |
|--|-------------------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Directors' fees | 302 | 300 |
| Basic salaries, housing, other allowances and benefits in kind | 284 | 284 |
| Pension scheme contributions | 3 | 3 |
| | 589 | 587 |

Included in other interest income of HK\$50,867,000 (six months ended 30 June 2013: HK\$41,140,000) and in rental income of HK\$5,932,000 (six months ended 30 June 2013: HK\$2,568,000), amounts of HK\$48,987,000 (six months ended 30 June 2013: HK\$39,463,000) and HK\$542,000 (six months ended 30 June 2013: HK\$329,000) was interest income earned from ultimate holding company and rental income earned from fellow subsidiaries respectively.

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

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

For the six months ended 30 June 2014

21. 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 financial statements for the year ended 31 December 2013.

22. 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.

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

For the six months ended 30 June 2014

22. FAIR VALUE MEASUREMENTS *(continued)*

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 2014 (Unaudited) | | | | |
| Assets | | | | |
| Available-for-sale financial assets | – | 324 | – | 324 |
| Total fair values | – | 324 | – | 324 |
| As at 31 December 2013 (Audited) | | | | |
| Assets | | | | |
| Available-for-sale financial assets | – | 324 | – | 324 |
| Total fair values | – | 324 | – | 324 |

There have been no significant transfers between level 1, 2 and 3 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 2014 (30 June 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period, the Group continued to use its key subsidiary namely 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli") together with 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet"), a newly acquired subsidiary, as the core operation arm of its corporate IT application services business. During the period, turnover of the Group was approximately HK\$376.6 million (six months ended 30 June 2013: HK\$317.4 million), an increase of approximately 18.7% as compared with the corresponding period last year, which was mainly attributable to the consolidation of turnover of Xinnet since November 2013. The net loss attributable to the owners of the Company was approximately HK\$26.3 million (six months ended 30 June 2013: HK\$8.3 million), an increase of approximately HK\$18.0 million as compared with the corresponding period last year. The net assets attributable to the owners of the Company were approximately HK\$1,794.7 million (31 December 2013: HK\$1,819.8 million), representing a value of approximately HK\$0.090 (31 December 2013: HK\$0.091) per share.

CE Dongli continued to focus on provision of the IT application services for SMEs. In addition to traditional businesses such as website constructions and corporate communications, CE Dongli put much more efforts in research and development of new products and market development in the sectors of corporate self-developed e-commerce platform and application services. E-commerce solutions for certain industries initially launched by CE Dongli in the first half of the year were still under market testing and modification stage, which are intended to be officially launched during the year. However, CE Dongli's major target customer group — SMEs in the PRC remained conservative in corporate IT investments due to economic downturn and its unawareness of the importance of informatization, and research and development of and marketing of new products for catering the market development were still in incubation period and its contribution was not readily reflected. Given the foregoing, the development of CE Dongli experienced its periodic limitation in the short run, so it was unable to achieve growth in revenue during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

The development of Xinnet was progressed as scheduled by launching certain upgraded products such as “Cloud Hosting” and “New Freemail”, but such products were still in the market introduction stage. Since gaining full control over Xinnet, the Group, aiming at maximizing long-term synergy effect by integration of both Xinnet’s business and the Group’s current IT services business, carried out an overall review on its operating strategy which led to an increase in its investments in research and development of new products and cloud computing platform of Xinnet, and such investments in research and development would reinforce and improve Xinnet’s competitiveness in internet-based application services market.

During the period, the increase in the Group’s operating loss as compared with the corresponding period last year was due to the following reasons. Firstly, the Group recognized its accumulated foreign exchange differences arising from disposal and dissolution of certain subsidiaries as investment losses in an aggregate sum of approximately HK\$12.4 million according to the accounting standard in the first half of the year. Secondly, in order to reinforce and expand its market shares, CE Dongli devoted more resources to the construction of its marketing system, especially providing more incentives for its frontline business teams for enhancing its competitiveness in remuneration. As a result, the sales expenses in the first half of the year recorded a substantial increase as compared with the corresponding period last year. Although informatization measures had improved the operational and management procedures, which in turn led to reduction in both administrative and management expenses, the overall expenses still recorded a considerable growth as compared with the corresponding period last year. Furthermore, the Group increased its investments in research and development of Xinnet during the period so as to step up and strengthen the strategic planning for its IT application services business, and such investments would cause the Group for higher loss in the short run, but it is expected that such investments would gradually achieve its return in the coming few years.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continued to adopt prudent funding and treasury policies. As at 30 June 2014, the net assets attributable to the owners of the Company amounted to approximately HK\$1,794.7 million (31 December 2013: HK\$1,819.8 million), including cash and bank balances of approximately HK\$48.1 million (31 December 2013: HK\$66.4 million), which were mainly denominated in Renminbi and Hong Kong dollars. As at 30 June 2014, the Group's aggregate borrowings were approximately HK\$248.8 million (31 December 2013: HK\$231.2 million), of which approximately HK\$113.8 million (31 December 2013: HK\$82.6 million) were bearing interest at fixed rates while approximately HK\$135.0 million (31 December 2013: HK\$148.6 million) were at floating rates. The gearing ratio of the Group which is calculated as the net debt divided by the adjusted capital plus net debt, was approximately 9.93% as at 30 June 2014 (31 December 2013: 8.17%).

As at 30 June 2014, the capital commitment of the Group was approximately HK\$106.7 million, which would be used for the construction of the headquarters of corporate IT application services.

The Group's contingent liabilities as at 30 June 2014 were approximately HK\$67.6 million in connection with the guarantees given to secure credit facilities.

As at 30 June 2014, certain interests in leasehold land, construction in progress, buildings and intangible assets with a total net carrying value of approximately HK\$656.4 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 the PRC 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 rate 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 2014, the Group had approximately 6,590 employees (30 June 2013: 5,487 employees). The salaries of and allowances for employees for the six months ended 30 June 2014 were approximately HK\$293.0 million (six months ended 30 June 2013: HK\$209.2 million).

PROSPECT

In recent years, the Group has focused on developing SMEs market. Despite the SMEs' awareness, knowledge, application level of and resources allocated to e-commerce were still at the preliminary stage, and most of such SMEs preferred to use 3rd party e-commerce platforms, the Group is confident that there will be an enormous development space for the corporate self-developed e-commerce platforms and basic applications in the medium and long term. Therefore, the Group will continue to put more efforts to develop this sector.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECT *(continued)*

In the second half of the year, the Group will continue to put more efforts into the research and development of new products and the construction of operating infrastructure, in particular, devoting more resources to the research and development and marketing of e-commerce solutions as well as accelerating its pace of development of cloud computing platform, with an aim to optimize its products, improve its services, satisfy and induce demands of its clients and enhance its core competitiveness in the long term. In the meantime, leveraging on the Group's continuous efforts in construction of its marketing system and marketing of new products, the Group is committed to deliver better results. Besides, the Group will also further facilitate the optimization of its operating procedures, step up informatization, improve its operating efficiencies and enhance its operational effectiveness.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (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, the holding company of the Company. These 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of Nan Hai. As such, Mr. Yu was taken to be interested in these shares for the purposes of Part XV of the SFO.
- These 44,000,000 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

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

Associated Corporations

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of Nan Hai. As such, Mr. Yu is taken to be interested in the shares that the Company, Nan Hai or their respective controlled corporations hold in the associated corporations of the Company within the meaning of Part XV of the SFO. Nan Hai is a company the shares of which are listed on the Hong Kong Stock Exchange and is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at 30 June 2014, 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 | – | 36,096,430,679 <i>(Note 1)</i> | 3,811,819,898 <i>(Note 2)</i> | 39,908,250,577 | 58.13% |
| 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:

- These 36,096,430,679 shares were collectively held by Rosewood Assets Ltd., Phippen Limited, Staverley Assets Limited and First Best Assets Limited, companies indirectly wholly owned by Mr. Yu through Dadi Holdings Limited, a company wholly owned by Mr. Yu.
- Out of these 3,811,819,898 shares, 69,326,400 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu; and 3,742,493,498 shares were held by Macro Resources Ltd., a company held as to 50% each by Ms. Kung Ai Ming and Mr. Yu Ben Hei, the son of Ms. Kung Ai Ming and Mr. Yu.

Save as disclosed above, as at 30 June 2014, none of the directors nor chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Hong Kong 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 2014, no share options have been granted under the Scheme by the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2014, 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 Limited | Corporate interest | 10,200,000,000 | 51.22% | 2 |
| CITIC Capital Holdings Limited | Corporate interest | 10,200,000,000 | 51.22% | 2 |
| CITIC Capital Credit Limited | Security interest | 10,200,000,000 | 51.22% | 2 |
| Nan Hai | Corporate interest | 12,515,795,316 | 62.85% | |

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 2014, no person (other than directors and chief executive of the Company) had notified to the Company any interests or short positions in shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

CORPORATE GOVERNANCE

In the opinion of the Board of the Company, the Company has complied with the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2014, except for the deviations mentioned below:

Code Provision A.2.1 stipulates 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 stipulates 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.

CORPORATE GOVERNANCE *(continued)*

Code Provision A.6.7 stipulates that independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

One independent non-executive director of the Company was unable to attend the annual general meeting held on 26 May 2014 (the "2014 AGM") due to his personal engagement.

Code Provision E.1.2 stipulates that the chairman of the board should attend annual general meeting.

The chairman of the board of the Company was unable to attend the 2014 AGM due to his unexpected illness.

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 2014.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company, namely Prof. Jiang Ping, Mr. Hu Bin 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 2014, 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, 29 August 2014



Sino-i Technology Limited
Stock Code: 250 股份代号: 250
www.sino-i.com

