

中國數碼信息有限公司

SINO-I TECHNOLOGY LIMITED

(Incorporated in Hong Kong with limited liability)(Stock Code: 250)

(於香港註冊成立之有限公司)(股份代碼：250)



2015 INTERIM REPORT

二零一五年度 中期報告

CORPORATE INFORMATION

Directors

Executive Directors

Mr. YU Pun Hoi (*Chairman*)
Ms. CHEN Dan
Ms. LIU Rong

Non-executive Directors

Mr. WANG Gang
Mr. LAM Bing Kwan

Independent Non-executive Directors

Prof. JIANG Ping
Mr. HU Bin
Mr. FUNG Wing Lap

Company Secretary

Mr. CHIU Ming King

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 2015 together with the comparative figures for 2014 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Revenue	6(a)	395,449	376,570
Cost of sales and services provided		(60,242)	(72,327)
Gross profit		335,207	304,243
Other operating income	6(b)	63,616	62,888
Loss on disposal and dissolution of subsidiaries	16	–	(7,645)
Selling and marketing expenses		(271,335)	(208,617)
Administrative expenses		(44,464)	(87,826)
Other operating expenses		(59,163)	(74,297)
Finance costs	7	(10,134)	(8,821)
Share of results of an associate		–	–
Profit/(Loss) before income tax	8	13,727	(20,075)
Income tax expense	9	(6,934)	(7,681)
Profit/(Loss) for the period		6,793	(27,756)
Profit/(Loss) for the period attributable to:			
Owners of the Company		7,801	(26,294)
Non-controlling interests		(1,008)	(1,462)
Profit/(Loss) for the period		6,793	(27,756)
		HK cent	HK cent
Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company during the period			
Basic	10(a)	0.039	(0.132)
Diluted	10(b)	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Profit/(Loss) for the period	6,793	(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	(5,553)	(11,847)
Exchange differences reclassified on disposal and dissolution of subsidiaries	–	12,371
Total comprehensive income for the period	1,240	(27,232)
Total comprehensive income attributable to:		
Owners of the Company	2,395	(25,110)
Non-controlling interests	(1,155)	(2,122)
Total comprehensive income for the period	1,240	(27,232)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	637,875	637,794
Prepaid land lease payments under operating leases		26,226	26,532
Interest in an associate		–	–
Available-for-sale financial assets		324	324
Goodwill		84,791	84,864
Other intangible assets		68,352	55,936
Deposits and other receivables		735	735
Loan to ultimate holding company		1,317,438	1,466,005
		2,135,741	2,272,190
Current assets			
Trade receivables	12	74,986	19,462
Deposits, prepayments and other receivables		291,885	205,706
Time deposits maturing over three months		–	625
Cash and cash equivalents		50,478	58,073
		417,349	283,866
Current liabilities			
Trade payables	13	87,186	46,942
Other payables and accruals		237,130	284,468
Deferred revenue		13,563	11,962
Provision for tax		111,685	104,184
Amount due to a director		8,050	7,858
Amount due to a shareholder		1	1
Amount due to an associate		5,501	5,499
Bank borrowings, secured	14	303,208	313,547
Finance lease liabilities		379	431
		766,703	774,892
Net current liabilities		(349,354)	(491,026)
Total assets less current liabilities		1,786,387	1,781,164

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2015

		(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
	Notes		
Non-current liabilities			
Finance lease liabilities		590	756
Amount due to ultimate holding company		41,676	37,018
Deferred tax liabilities		8,397	8,906
		50,663	46,680
Net assets		1,735,724	1,734,484
EQUITY			
Share capital	15	240,597	240,597
Reserves		1,470,743	1,468,348
Equity attributable to the Company's owners		1,711,340	1,708,945
Non-controlling interests		24,384	25,539
Total equity		1,735,724	1,734,484

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Net cash (used in)/generated from operating activities	(27,400)	79,756
Net cash generated from/(used in) investing activities	35,892	(37,606)
Net cash used in financing activities	(15,427)	(58,438)
Net decrease in cash and cash equivalents	(6,935)	(16,288)
Cash and cash equivalents at 1 January	58,073	65,762
Effect of foreign exchange rate changes, on cash held	(660)	(2,016)
Cash and cash equivalents at 30 June	50,478	47,458
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	50,478	47,458

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the six months ended 30 June 2015

	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 2014	199,145	39,194	2,258	52,622	6,574	90,962	1,429,054	1,819,809	31,705	1,851,514
Transfer upon the abolition of nominal value of shares on 3 March 2014	41,452	(39,194)	(2,258)	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	(26,294)	(26,294)	(1,462)	(27,756)
Other comprehensive income										
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 (note 16)	-	-	-	-	-	12,371	-	12,371	-	12,371
Total comprehensive income for the period	-	-	-	-	-	1,184	(26,294)	(25,110)	(2,122)	(27,232)
Transactions with owners — Release of non-controlling interests upon disposal and dissolution of subsidiaries (note 16)	-	-	-	-	-	-	-	-	(2,847)	(2,847)
At 30 June 2014	240,597	-	-	52,622	6,574	92,146	1,402,760	1,794,699	26,736	1,821,435
At 1 January 2015	240,597	-	-	52,622	6,574	95,461	1,313,691	1,708,945	25,539	1,734,484
Profit/(Loss) for the period	-	-	-	-	-	-	7,801	7,801	(1,008)	6,793
Other comprehensive income										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(5,406)	-	(5,406)	(147)	(5,553)
Total comprehensive income for the period	-	-	-	-	-	(5,406)	7,801	2,395	(1,155)	1,240
At 30 June 2015	240,597	-	-	52,622	6,574	90,055	1,321,492	1,711,340	24,384	1,735,724

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 Main Board of 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 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 Main Board of 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 and authorised for issue by the Board on 28 August 2015.

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 2014.

These condensed consolidated financial statements have been prepared on the going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group had net current liabilities of HK\$349,354,000 as at 30 June 2015. The Board is of the opinion that the Group will have sufficient resources to satisfy its working capital and other financing requirement in the foreseeable future based on the followings: (i) the Board foresees that the Group is able to generate positive cash flows from operation for the next twelve months; and (ii) with the leasehold land and buildings and construction in progress amounting to approximately HK\$636,564,000 being pledged for existing credit facilities (as set out in note 19), the Board is of the view that the Group will be able to renew these credit facilities when they fall due.

In view of the above, the Board is of the opinion that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.

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

For the six months ended 30 June 2015

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 2014, except that the Group has applied, for the first time, the following amendments issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2015.

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle

The adoption of the above amendments to HKFRSs has no material impact on the amounts reported and/or disclosures set out in these condensed consolidated interim financial statements.

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 9 (2014)	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers ²

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the potential impact of these new or amended HKFRSs and the directors are not yet in a position to quantify the effects on the Group's accounting policies and financial statements.

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 2014.

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

For the six months ended 30 June 2015

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	
	2015	2014
	HK\$'000	HK\$'000
Reportable segment revenue	395,449	376,570
Reportable segment results	(24,707)	(57,183)
Bank interest income	1	2
Other interest income	50,920	50,867
Depreciation and amortisation	(247)	(67)
Loss on disposal and dissolution of subsidiaries	–	(7,645)
Finance costs	(2)	(1)
Unallocated corporate expenses	(12,238)	(6,048)
Profit/(Loss) before income tax	13,727	(20,075)
	(Unaudited)	(Audited)
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
Reportable segment assets	1,195,369	1,004,425
Reportable segment liabilities	622,426	645,978

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

For the six months ended 30 June 2015

6. REVENUE AND OTHER OPERATING INCOME — UNAUDITED

- (a) This represents revenue from corporate IT application services.
- (b) Other operating income:

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Bank interest income	189	375
Other interest income	50,920	50,867
Rental income	6,203	5,932
Government grants	5,621	5,203
Sundry income	683	511
	63,616	62,888

7. FINANCE COSTS — UNAUDITED

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Interest charges on:		
Bank loans wholly repayable within five years	10,109	8,792
Finance leases	25	29
Amount recognised in profit or loss	10,134	8,821

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

For the six months ended 30 June 2015

8. PROFIT/(LOSS) BEFORE INCOME TAX — UNAUDITED

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Profit/(Loss) before income tax is arrived at after charging:		
Amortisation of intangible assets other than goodwill	4,901	12,724
Depreciation of property, plant and equipment — owned assets	23,321	27,012
Depreciation of property, plant and equipment — leased assets	224	128
Operating lease charges on prepaid land lease	276	278
Write-off of property, plant and equipment	51	37

9. INCOME TAX EXPENSE — UNAUDITED

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Current tax charge for the period		
— Hong Kong Profits Tax	5,500	5,759
— The People's Republic of China ("PRC") Enterprise Income Tax ("EIT")	1,932	1,922
	7,432	7,681
Deferred tax	(498)	—
Income tax expense	6,934	7,681

For the six months ended 30 June 2015, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2014: 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 2014: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

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

For the six months ended 30 June 2015

9. INCOME TAX EXPENSE — UNAUDITED *(Continued)*

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 2014: 15%).

For the six months ended 30 June 2014, a subsidiary of the Group was wholly-owned foreign enterprise in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and was 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.

10. EARNINGS/(LOSS) PER SHARE — UNAUDITED

- (a) The calculation of basic earnings per share (six months ended 30 June 2014: loss per share) is based on the profit for the period attributable to the owners of the Company of HK\$7,801,000 (six months ended 30 June 2014: loss of HK\$26,294,000) and on 19,914,504,877 (six months ended 30 June 2014: 19,914,504,877) ordinary shares in issue during the period.
- (b) Diluted earnings/(loss) per share for the six months ended 30 June 2015 and 30 June 2014 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 2015, the Group acquired property, plant and equipment with a total cost of HK\$24,392,000 (six months ended 30 June 2014: HK\$18,463,000).

During the six months ended 30 June 2015, property plant and equipment with net carrying amount of HK\$51,000 (six months ended 30 June 2014: HK\$37,000) were written off by the Group.

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

For the six months ended 30 June 2015

12. TRADE RECEIVABLES

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

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
0–90 days	64,450	17,200
91–180 days	4,018	114
181–270 days	5,299	4,406
271–360 days	96	1,009
Over 360 days	19,621	15,256
Trade receivables, gross	93,484	37,985
Less: Provision for impairment of receivables	(18,498)	(18,523)
Trade receivables, net	74,986	19,462

13. TRADE PAYABLES

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

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
0–90 days	67,796	34,849
91–180 days	3,711	1,668
181–270 days	4,299	1,497
271–360 days	1,537	158
Over 360 days	9,843	8,770
	87,186	46,942

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

For the six months ended 30 June 2015

14. BANK BORROWINGS, SECURED

At 30 June 2015, the bank borrowings, which are denominated in RMB, are repayable as follows:

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Within one year	303,208	313,547

Movements in borrowings is analysed as follows:

	(Unaudited) For the six months ended 30 June 2015 HK\$'000
Opening amount as at 1 January 2015	313,547
Repayments of borrowings	(159,462)
Proceeds from new borrowings	149,495
Exchange realignment	(372)
Closing amount as at 30 June 2015	303,208
	(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 realignment	(5,662)
Closing amount as at 30 June 2014	247,500

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

For the six months ended 30 June 2015

15. SHARE CAPITAL

	(Unaudited) 30 June 2015		(Audited) 31 December 2014	
	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
The concept of authorised share capital was abolished on 3 March 2014 (note)	–	–	(30,000,000,000)	(300,000)
At the end of the period/year	–	–	–	–
Ordinary shares, issued and fully paid:				
At beginning of the period/year	19,914,504,877	240,597	19,914,504,877	199,145
Transfer from share premium and capital redemption reserve on 3 March 2014 (note)	–	–	–	41,452
At end of the period/year	19,914,504,877	240,597	19,914,504,877	240,597

Note:

The Companies Ordinance, Chapter 622 of the Laws of Hong Kong (the “Ordinance”) came into effect on 3 March 2014. Under section 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 section 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 section 38 of Schedule 11 to the Ordinance.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2015

16. LOSS ON DISPOSAL AND DISSOLUTION OF SUBSIDIARIES — UNAUDITED

The Group entered into sale and purchase agreement to dispose of 51.69% equity interests in a subsidiary, namely 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. In addition, one wholly-owned subsidiary was dissolved during the six months ended 30 June 2014.

The carrying amount of the net liabilities of these subsidiaries at the date of disposal and dissolution were as follows:

	For the six months ended 30 June 2014 HK\$'000
Net liabilities disposed of:	
Cash and cash equivalents	1
Other payables and accruals (including deferred government grants)	(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)
	62
Total consideration	62
Satisfied by:	
Cash	62

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

For the six months ended 30 June 2015

17. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	(Unaudited)	(Audited)
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
An associate (note (a))	17,516	17,126
Third parties (note (b))	31,978	43,185
	49,494	60,311

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 2014. 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 2014 for ascertaining the fair value of the guarantee for ICBC Indebtedness has yet been available.

18. CAPITAL COMMITMENTS

At 30 June 2015, the Group had outstanding capital commitments as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
Contracted but not provided for in respect of:		
— construction in progress	84,890	99,634

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

For the six months ended 30 June 2015

19. CREDIT FACILITIES

As at 30 June 2015 (unaudited) and 31 December 2014 (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\$26,010,000 (31 December 2014: HK\$26,314,000);
- (b) charge over certain buildings and construction in progress (31 December 2014: certain buildings) with a net carrying value of approximately HK\$610,554,000 (31 December 2014: HK\$610,971,000);
- (c) charge over certain intangible assets with net carrying value of approximately HK\$3,882,000 (31 December 2014: HK\$4,479,000); and
- (d) personal guarantee given by directors.

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	
	2015 HK\$'000	2014 HK\$'000
Directors' fees	310	302
Basic salaries, housing, other allowances and benefits in kind	283	284
Pension scheme contributions	3	3
	596	589

Included in other interest income of HK\$50,920,000 (six months ended 30 June 2014: HK\$50,867,000) and in rental income of HK\$6,203,000 (six months ended 30 June 2014: HK\$5,932,000), amounts of HK\$49,005,000 (six months ended 30 June 2014: HK\$48,987,000) and HK\$535,000 (six months ended 30 June 2014: HK\$542,000) 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 2015

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 2014.

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 condensed consolidated 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 2015

22. FAIR VALUE MEASUREMENTS *(Continued)*

The financial assets and liabilities of the Group measured at fair value in the condensed consolidated 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 2015 (Unaudited)				
and as at 31 December 2014 (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 Board does not recommend the declaration of the payment of an interim dividend for the six months ended 30 June 2015 (30 June 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period, the Group's key subsidiaries, namely 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli") and 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet") continued as the core operation arm of its corporate IT application services business. During the period, turnover of the Group was approximately HK\$395.4 million (for the six months ended 30 June 2014: HK\$376.6 million), representing an increase of approximately 5.0% as compared with the corresponding period last year, and such increase was mainly attributable to the increase in revenue from CE Dongli. The net profit attributable to the owners of the Company was approximately HK\$7.8 million (for the six months ended 30 June 2014: net loss of HK\$26.3 million). The net assets attributable to the owners of the Company were approximately HK\$1,711.3 million (31 December 2014: HK\$1,708.9 million), representing a value of approximately HK\$0.086 (31 December 2014: HK\$0.086) per share.

During the period, CE Dongli continued to focus on providing the IT application services for SMEs, and put much more efforts into such traditional businesses as website constructions and corporate communications. Given that CE Dongli intensified its efforts at the research and development as well as the market development of its internet value-added service products for the segment of corporate self-developed e-commerce platform and related application services, there was a slight increase in operating income for the period as compared with the corresponding period last year. For continuing to cultivate the SMEs market, CE Dongli will strengthen the research and development and promotion of its new products. CE Dongli will one after another launch certain e-commerce solutions during the second half of 2015. Such solutions are currently under the stage of market testing and functionality modification, and are targeted to be officially launched to the market within the year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Given a number of structured agreements, Xinnet shall be deemed as a subsidiary of the Company pursuant to the Ordinance despite the beneficial ownership of Xinnet's equity interest has yet passed to the Company. In addition, the structured agreements do not violate any prevailing laws, rules and regulations in the PRC. The Ministry of Commerce of the PRC has issued 草案徵求意見稿 (Consultation Paper) based on a bill, namely 《中華人民共和國外國投資法》 (Foreign Investment Law of the PRC) (the "Bill") in January 2015. As per a section of the Bill, any foreign investment in any business under the catalogue of restricted investment shall apply for an access permit from foreign investment authority under the State Council of the PRC. So far, the Bill is still in the process of consultation and no specified legislative timetable has been framed. If such section remains when the Bill is enacted, the application for such permit will be viewed as a kind of administrative procedure rather than a prohibitive threshold. Failure in obtaining the permit is not high. Beside the application for the aforesaid permit, there is no indication in the Bill that contracts (including the aforesaid structured agreements) under any contractual arrangement would be void.

During the period, the overall development of Xinnet progressed as scheduled. With the continuous expansion of range of product series and variety of services of Xinnet, its domain name business has widened to provide domain name trading services in addition to its current domain name registration services. Moreover, Xinnet launched a series of products of 馳雲服務器 (Cloud Server) under the storage business division, which are suitable for construction of corporate websites, and provided various application programs for website construction, and such programs were available for download and installation in addition to increment of application services at a later stage. Given the capital market and major domestic internet providers beginning to focus on the information services to SMEs, a large number of basic application service providers have emerged, therefore, the competition in such businesses as websites, domain names and servers is intensifying. In addition to maintaining the steady growth of its principal businesses, Xinnet will actively develop internet application and service market aiming at segmented products and services of the SMEs. Subsequent to continuing efforts put into the cloud computing business, breakthrough in certain technical bottlenecks was achieved, and the cloud computing related products are expected to be launched in the second half of the year.

During the period, the decrease in operating loss from corporate IT application services segment as compared with the corresponding period last year was due to the adjustments to the sales strategies of products, which led to an increase in the sales of those products having higher profit margin, as a result, there was an increase in gross profit.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continued to adopt prudent funding and treasury policies. As at 30 June 2015, the net assets attributable to the owners of the Company amounted to approximately HK\$1,711.3 million (31 December 2014: HK\$1,708.9 million), including cash and bank balances of approximately HK\$50.5 million (31 December 2014: HK\$58.7 million), which were mainly denominated in Renminbi and Hong Kong dollars. As at 30 June 2015, the Group's aggregate borrowings were approximately HK\$304.2 million (31 December 2014: HK\$314.7 million), of which approximately HK\$169.4 million (31 December 2014: HK\$294.7 million) were bearing interest at fixed rates while approximately HK\$134.8 million (31 December 2014: HK\$20.0 million) were at floating rates. The gearing ratio of the Group which is calculated as the net debt (aggregate borrowings less cash and bank balances) divided by the total equity plus net debt, was approximately 12.75% as at 30 June 2015 (31 December 2014: 12.86%).

The capital commitment of the Group as at 30 June 2015 was approximately HK\$84.9 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 2015 were approximately HK\$49.5 million in connection with the guarantees given to secure credit facilities.

As at 30 June 2015, certain interests in leasehold land, construction in progress, buildings and intangible assets with a total net carrying value of approximately HK\$640.4 million were pledged to secure the credit facilities granted to the Group.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's borrowings and transactions were primarily denominated in Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The exchange rate of Renminbi is expected to fluctuate. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

EMPLOYEES AND REMUNERATION POLICY

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. In general, salary review is conducted annually. As at 30 June 2015, the Group had approximately 6,254 employees (30 June 2014: 6,590 employees). The total salaries of and allowances for employees for the six months ended 30 June 2015 were approximately HK\$307.6 million (for the six months ended 30 June 2014: HK\$293.0 million).

PROSPECT

The Group remains positive towards the segment of domestic corporate self-developed e-commerce platform and related application services, and expects this segment will have a promising future and substantial market potentiality. Therefore, the Group will continue to cultivate and develop this market. Subsequent to the change of technology and market in the IT service segment, the Group will use endeavours to make timely adjustments to its products and sales strategies, and expedite the research and development and the promotion process of its new products and services, such as e-commerce solutions and domain name trading platforms, for capturing the market demand in a more accurate manner. The continuing improvement in technology and products of cloud computing not only satisfies the demanding market but also enhances the Group's core competitiveness which in turn solidifies the position and influence of the Group in the corporate IT application service industry. In addition, the Group will have bigger market share by means of strengthening up the development of its marketing system. Further improvement in operation procedures and construction of information platform will be beneficial to enhancing quality of service and improving efficiency in operations.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") were as follows:

The Company

Long position in shares in issue

Name of Director	Number of shares				Approximate percentage holding
	Personal interest	Corporate interest	Family Interest	Total interest	
Yu Pun Hoi ("Mr. Yu")	–	12,515,795,316 (Note 1)	–	12,515,795,316	62.85%
Fung Wing Lap	10,000	–	–	10,000	0.00005%

Notes:

- Mr. Yu by means of his corporate interest controls 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Associated Corporations

As disclosed above, Mr. Yu is 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 of the associated corporations of the Company within the meaning of Part XV of the SFO. Nan Hai is a company whose shares are listed on the Hong Kong Stock Exchange, and is an associated corporation of the Company within the meaning of Part XV of the SFO. As at 30 June 2015, 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>	–	36,096,430,679	52.58%
Chen Dan	32,000,000	–	–	32,000,000	0.05%
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.

Save as disclosed above, as at 30 June 2015, 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.

Since the adoption of the Scheme and during the six months ended 30 June 2015, no share option has been granted under the Scheme by the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2015, those persons (other than directors and chief executive of the Company) who had interests and short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Notes:

1. CITIC Capital Credit Limited is a wholly-owned subsidiary of CITIC Capital Holdings Limited. CITIC Capital Holdings Limited was taken to be interested in those shares in which CITIC Capital Credit Limited held a security interest.

Save as disclosed above, as at 30 June 2015, 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 2015.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015, except for the deviations mentioned below:

CG 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 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.

CG 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 considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

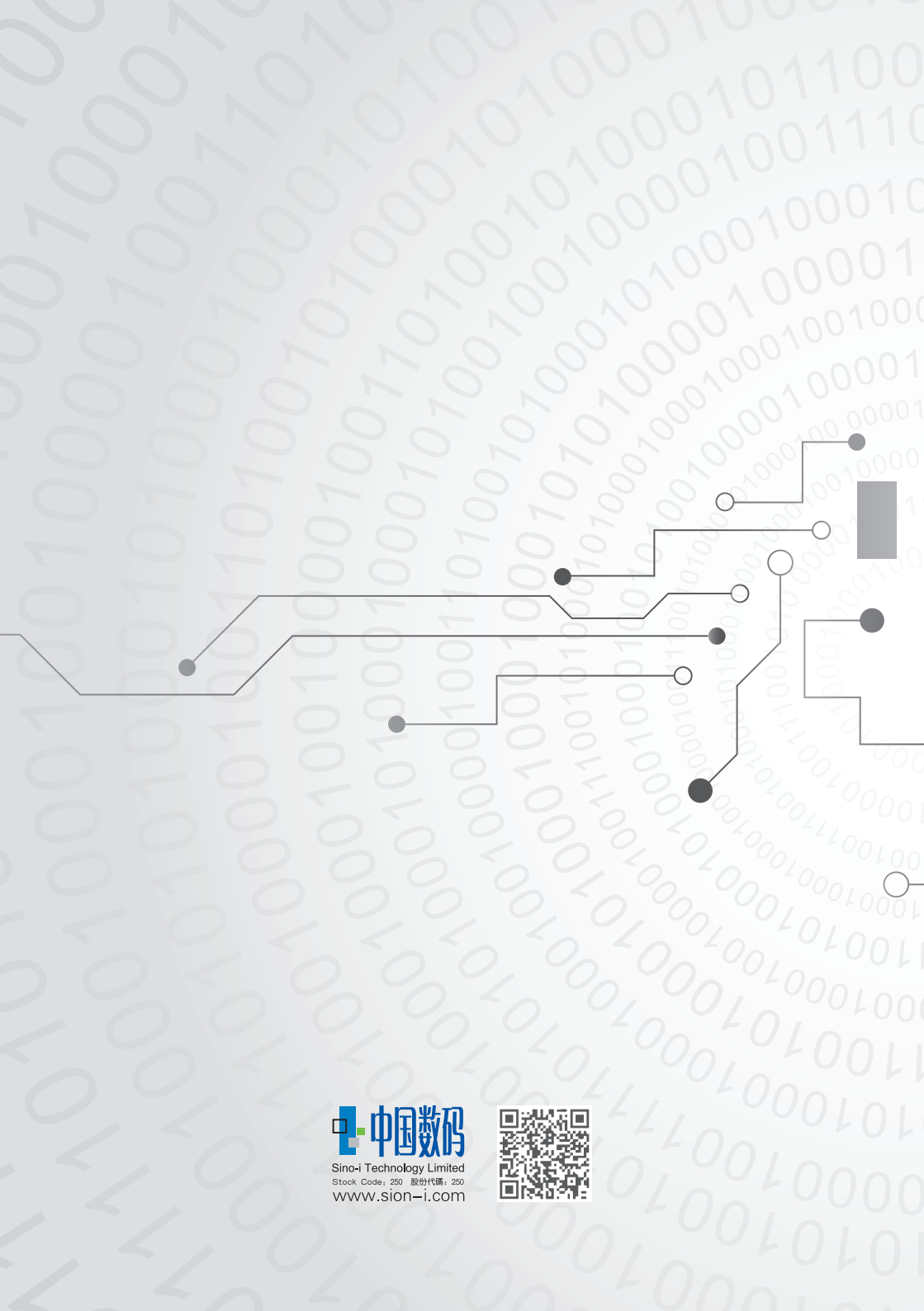
The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code as set out in Appendix 10 to the Listing Rules throughout the six months ended 30 June 2015.

AUDIT COMMITTEE

The audit committee of the Company (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 2015, 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, 28 August 2015



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

