



# SinoCom Software Group Limited 中訊軟件集團股份有限公司

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

SinoCom



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Wang Zhiqiang (*Co-Chairman*)  
(resigned as the Chief Executive Officer  
on 27 May 2015)

Zuo Jian Zhong (*Co-Chairman*)

Tang Yau Sing

Zhang Zhige (appointed on 1 April 2015)

Liu Wei (appointed on 1 April 2015)

#### Non-Executive Director

Kotoi Hirofumi (resigned on 25 May 2015)

#### Independent Non-Executive Directors

Chui Man Lung, Everett

Wu Hong

Han Chu

#### COMPANY SECRETARY

Foo Man Yee, Carina

#### CHIEF FINANCIAL OFFICER

Tang Yau Sing

#### AUDIT COMMITTEE

Chui Man Lung, Everett\*

Wu Hong

Han Chu

#### NOMINATION COMMITTEE

Han Chu\*

(appointed as Chairman on 27 May 2015)

Chui Man Lung, Everett

Wu Hong

Wang Zhiqiang\* (resigned on 27 May 2015)

#### SALARY REVIEW COMMITTEE

Wu Hong\*

Zuo Jian Zhong (appointed on 27 May 2015)

Chui Man Lung, Everett

Han Chu

Wang Zhiqiang (resigned on 27 May 2015)

#### AUTHORISED REPRESENTATIVE

Tang Yau Sing (appointed on 27 May 2015)

Foo Man Yee, Carina

Wang Zhiqiang (resigned on 27 May 2015)

#### AUDITOR

RSM Nelson Wheeler

Certified Public Accountants

#### SOLICITORS

Baker & McKenzie

Jingtian & Gongcheng

#### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2001, 20/F., Lippo Centre

Tower 2, No. 89 Queensway

Admiralty

Hong Kong

\* *Chairman*



## **CORPORATE INFORMATION**

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC**

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

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **REGISTERED OFFICE**

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

### **PRINCIPAL BANKERS**

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

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### **STOCK CODE**

299

### **WEBSITE**

<http://www.sinocom.cn>



# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY AND MARKET OVERVIEW

In the six months ended 30 June 2015 (the “Period”), the web-based and mobile gaming industry in China was thriving. According to the China Gaming Industry Report published by the State Administration of Press, Publication, Radio, Film and Television of the People’s Republic of China (“PRC”), the gaming industry’s revenue generated in the upper half year of 2015 rose to RMB60.51 billion, up 21.9% from that of 2014. In particular, the revenue from the web-based gaming industry and mobile gaming industry in the PRC increased to RMB10.28 billion and RMB20.93 billion respectively, representing an increase of 12% and 67.2% in comparison with the same period last year.

With a record number of around 300 million web-based game users and mobile game users respectively, the web-based and mobile gaming industry in China is poised to benefit further from the greater Internet and mobile user penetration, and the rapid development of smart phones, social media and computer applications in the future.

Meanwhile, the cost-reduction pressure on enterprises engaged in the provision of software outsourcing development services for the Japanese market was increasing. Many enterprises opted for business localization to cut their development costs, thus impeding the business growth and development of provider of software outsourcing development services. The depreciating Japanese yen (“JPY”) currency has also substantially increased the exposure of enterprises to currency risks, as all revenue derived from Japanese clients are payable in JPY while the operating costs of enterprises which principally arise in the PRC are payable in Renminbi (“RMB”).

Against this backdrop, the Group intended to depart from the segment of the software outsourcing development business which is exposed to increasing currency risk of JPY, and to focus the resources on its PRC software outsourcing development business, as well as its new mobile and web-based gaming business.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Mobile and Web-based Gaming Business

With an aim to expand the business scope, the Group has been looking for acquisition opportunities with significant potential for long-term growth. Taking into account the potential of the mobile gaming industry, the Group announced on 10 December 2014 the acquisition of the entire issued share capital of Heroic Coronet Limited (“Heroic Coronet”), a wholly-owned subsidiary of Prime Castle Holdings Limited, at a consideration of HK\$260 million. Upon completion of restructuring of all related companies, 北京開心就好科技有限公司 (Beijing Kaixin Jiu hao Technology Company Limited, “Kaixin Jiu hao”) would become a 65% indirect subsidiary of Heroic Coronet. Kaixin Jiu hao is principally engaged in the design, development and operation of mobile and web-based games. The acquisition was completed on 30 January 2015.

In order to further develop and expand the gaming business, the Company entered into a share purchase agreement on 28 July 2015 to acquire the 100% equity interest in Kingworld Holdings Limited (“Kingworld Holdings”) at a consideration of HK\$450 million. Through a wholly-owned subsidiary of Kingworld Holdings, Star Creation Development Limited, a wholly foreign-owned enterprise (九合無限(北京)體育科技有限公司) will be established to enter various control agreements with 九合天下(北京)科技有限公司 (Kingworld (Beijing) Technology Co., Ltd.) (“Kingworld Beijing”). Kingworld Beijing is principally engaged in publishing, selling, developing and operating the sports-related wireless platform and interactive entertainment products, including online games, web-based games and games on wireless platform. On 4 June 2015, Kingworld Beijing has successfully obtained the license to develop the official wireless platform (including but not limited to Wechat) for Chinese Football Association Super League. The completion of the acquisition is expected to be completed on or before 31 December 2015.

### Software Outsourcing Development Business

The software outsourcing development services in Japan was beset by the continuous depreciation of JPY and increasing developments costs that are mostly denominated in RMB. The gross profit of software outsourcing development services for the Japanese market for the Period recorded approximately HK\$18,249,000, representing 56.66% decrease, as compared with that of 2014 amounting to approximately HK\$42,111,000. The gross profit margin decreased to 7.23% for the Period from 14.04% for 2014.



## MANAGEMENT DISCUSSION AND ANALYSIS

On 17 June 2015, the Company, SinoCom Holdings (BVI) Limited (“SinoCom Holdings”) as vendor and Nomura Research Institute, Ltd. (“NRI”) as purchaser entered into a sale and purchase agreement, pursuant to which SinoCom Holdings agreed to sell and NRI agreed to purchase 474,671 shares in SinoCom Development Holdings Limited (“SinoCom BVI”), representing the entire issued share interests of SinoCom Holdings in SinoCom BVI, at a consideration of HK\$98,000,000. As such, the information technology outsourcing business of SinoCom Holdings was sold to NRI. On the same day, the Company, SinoCom Holdings and NRI also entered into a sale and purchase agreement, pursuant to which SinoCom Holdings agreed to sell and NRI agreed to purchase 800 shares of SinoCom Japan Corporation (“SinoCom Japan”), representing the entire issued share interests of SinoCom Holdings in SinoCom Japan, at a consideration of HK\$92,000,000. An extraordinary general meeting will be held to consider and, if thought fit, approve the above transactions.

Had the above transactions been completed, the Group will focus its resources on mobile and web-based game business, especially sports-related mobile entertainment.

### SHARE CAPITAL AND MAJOR SHAREHOLDER

Following the completion of its disposal of approximately 16.8% of the issued share capital of the Company to Benefit Power Inc., and 4.9% of the issued share capital to Sunny Idea International Limited in March 2015, SJI (Hong Kong) Limited ceased to be the single largest shareholder and a substantial shareholder of the Company.

On 27 May 2015, the Company granted options to subscribe for an aggregate of 62,200,000 ordinary shares of nominal value of HK\$0.025 to reward the contribution of directors and consultants of the Company under the Share Option Scheme adopted by the Company on 26 March 2014.

On 22 June 2015, bonds with a principal amount of HK\$200,000,000 were issued to Zhongrong International Trust Co. Ltd., an independent third party. The net proceeds of the placing of approximately HK\$194,000,000 will be applied towards the general working capital of the Group and development of mobile gaming and sports-related mobile applications businesses.



# MANAGEMENT DISCUSSION AND ANALYSIS

## OUTLOOK

While mobile and web-based games are generally characterised by their short-lived cycles, sports-related games are expected to enjoy more sustainable popularity among the public. It is noteworthy that the soccer-related wireless platform and games to be developed by Kingworld Holdings are protected by exclusive rights granted from the Chinese Football Association Super League. Banking on the strong capabilities of Heroic Coronet and Kingworld Holdings to design, develop and distribute the mobile and web games, the Group is set to go from strength to strength in the blooming online gaming industry in China. Furthermore, the software market in China has been developing well, and the growth rate is expected to be higher, thus benefiting the software outsourcing services industry.

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

## REVIEW OF RESULTS AND OPERATIONS

The Group's consolidated turnover of continuing operations for the period was approximately HK\$119,648,000, representing an increase of approximately 16.46% when compared with approximately HK\$102,741,000 for 2014. The increase was mainly attributable to the inclusion of new mobile gaming business that was acquired by the Group on 30 January 2015. The mobile gaming business contributed the turnover of approximately HK\$28,397,000 for the period. Turnover generated from the continuing software outsourcing development business decreased from approximately HK\$102,741,000 for 2014 to approximately HK\$91,251,000 for the period, representing a decrease of approximately 11.18%.

The Group recorded the gross profit of approximately HK\$6,068,000 for the period, representing a decrease of approximately 72.18%, as compared with approximately HK\$21,809,000 for 2014. The game operation had the gross loss of approximately HK\$3,134,000 for the period whereas the continuing software outsourcing development operation had the gross profit of approximately HK\$9,202,000 for the period. The gross loss of the game operation solely resulted from the inclusion of the non-cash amortisation expense of other intangible assets of approximately HK\$24,494,000 into cost of services. Other intangible assets were realized and recorded in the book as a result of the acquisition of Kaixin Jiu hao on 30 January 2015. Excluding this non-cash expense, the game operation would have a gross profit of approximately HK\$21,360,000.





## MANAGEMENT DISCUSSION AND ANALYSIS

With respect to software outsourcing development business, the gross profit for the period was approximately HK\$9,202,000, representing a decrease of approximately 57.81%, as compared with approximately HK\$21,809,000 for 2014. The significant decrease in gross profit was mainly attributable to the decrease in turnover of approximately HK\$11,490,000 resulted from continued depreciation of JPY against RMB and inflated direct cost in China.

Administrative expenses for the period increased to approximately HK\$33,356,000 or by 27.63%, when compared to approximately HK\$26,135,000 for 2014. The increase in administrative expenses was attributable to the inclusion of bad debt expense of approximately HK\$3,090,000 and share-based payments to consultants of approximately HK\$6,217,000 and the increase in directors' remuneration of approximately HK\$2,817,000 that mainly resulted from share options issued to directors during the period.

Loss from operations for the period was approximately HK\$183,717,000 an increase from approximately HK\$2,134,000 for 2014. The increase in loss from operations was mainly attributable to the recording of fair value loss on contingent consideration for the acquisition of Kaixin Jiu hao of approximately HK\$157,991,000 and the increase in administrative expenses of approximately HK\$7,221,000.

Discontinued operations for the period was recorded a loss of approximately HK\$15,949,000 as compared to a profit of approximately HK\$13,033,000 for 2014.

Loss attributable to owners of the Company was approximately HK\$199,119,000 for the period whereas profit attributable to owners of the Company was approximately HK\$9,694,000 for 2014.

### LIQUIDITY AND FINANCIAL RESOURCES

Since inception, the Group has no bank borrowing, and has funded its operations through equity funding and operating cash flow. The Company issued bonds with net proceeds of HK\$194,000,000. The Group managed to maintain this strong cash generating capability during the year. As at 30 June 2015, the Company maintained a high level of cash and bank balances of approximately HK\$379,099,000 and there was no bank borrowing as at that date.



## MANAGEMENT DISCUSSION AND ANALYSIS

### SHARE CAPITAL

As at 30 June 2015, the number of shares in respect of which options had been granted but remaining outstanding under the Company's share option scheme adopted by the Company's shareholders on 2 April 2004 (and which had expired on 1 April 2014) (the "Old Share Option Scheme") was 3,216,000 shares. During the six months ended 30 June 2015, in respect of the Old Share Option Scheme, 6,664,000 shares were issued as a result of exercise of options by the grantees, options in respect of 200,000 shares were lapsed and no options were granted by the Company as the Old Share Option Scheme had already expired on 1 April 2014.

However, the share options granted under the Old Share Option Scheme prior to its termination shall continue to be valid and exercisable in accordance with the Old Share Option Scheme.

A new share option scheme has been adopted by the shareholders of the Company on 26 March 2014 ("New Share Option Scheme"). As at 30 June 2015 and during the six months ended 30 June 2015, options in respect of a total of 62,200,000 shares have been granted by the Company and remained outstanding under the New Share Option Scheme. During the six months ended 30 June 2015, no other options were granted by the Company. As at 30 June 2015, the total maximum number of shares that may be issued under the New Share Option Scheme is 111,583,512 shares.

As at 30 June 2015, the issued capital of the Company was 1,322,499,128 shares (30 June 2014: 1,115,835,128 shares). As at 30 June 2015, the number of shares in respect of which options had been granted but remained outstanding under the Company's share option schemes (i.e. both the Old Share Option Scheme and the New Share Option Scheme) was 65,416,000 shares (30 June 2014: 12,620,000 shares), representing 4.9% (30 June 2014: 1.1%) of the total issued shares of the Company as at that date.

### PLEDGE OF ASSETS

As at 30 June 2015, the Group had no pledged asset.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEE AND REMUNERATION POLICIES

The Group had 1,346 full time staff as at 30 June 2015 (30 June 2014: 1,510), representing a decrease of 11%. The decrease in head counts was mainly attributable to cost control in 2015. Most of our staff was engineers stationed in China. There were also 185 (30 June 2014: 161) employees in Japan; most of them were bridged system engineers working at customers' premises in Japan. Their remuneration, promotion and salary review were assessed based on their respective job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group maintained social insurance schemes for retirement, unemployment, personal injury and hospitalisation for all of its employees in China and a housing provident fund system has also been implemented for its employees in China. Staff in Japan was enrolled under the pension fund and health scheme as required by Japanese law.

## FOREIGN EXCHANGE AND CURRENCY RISKS

Since most of the Group's revenue was generated from software development outsourced from Japan, and was denominated in JPY while expenses were settled in RMB, any depreciation of JPY against RMB would reduce the Group's income measured in Hong Kong and have an adverse impact on the profitability of the Group. The management is of the view that there is no effective hedging tool suitable to reduce this exchange rate exposure in consideration of the monthly recurring nature of JPY revenue.

## CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no material contingent liability.

## CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Contracted but not provided for: Acquisition of Kingworld Holdings	315,000	–

# INDEPENDENT REVIEW REPORT



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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 60 which comprises the condensed consolidated statement of financial position of SinoCom Software Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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



# INDEPENDENT REVIEW REPORT

## CONCLUSION

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

**RSM Nelson Wheeler**  
*Certified Public Accountants*  
Hong Kong

20 August 2015

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		HK\$'000	HK\$'000
		(unaudited)	(unaudited) (restated)
	Note		
<b>Continuing operations</b>			
<b>Revenue</b>	4	<b>119,648</b>	102,741
Cost of services		<b>(113,580)</b>	(80,932)
<b>Gross profit</b>		<b>6,068</b>	21,809
Administrative expenses		<b>(33,356)</b>	(26,135)
Fair value loss on contingent consideration		<b>(157,991)</b>	–
Other income, gains/(losses)		<b>1,562</b>	2,192
<b>Loss from operations</b>		<b>(183,717)</b>	(2,134)
Finance costs	5	<b>(769)</b>	–
Share of result of an associate		–	(394)
<b>Loss before tax</b>		<b>(184,486)</b>	(2,528)
Income tax expense	6	–	–
<b>Loss for the period from continuing operations</b>		<b>(184,486)</b>	(2,528)
<b>Discontinued operations</b>			
(Loss)/profit for the period from discontinued operations	7	<b>(15,949)</b>	13,033
<b>(Loss)/profit for the period</b>	8	<b>(200,435)</b>	10,505

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited) (restated)
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(499)	(4,726)
Exchange differences reclassified to profit or loss on deregistration of an associate	269	–
<b>Other comprehensive income for the period, net of tax</b>	<b>(230)</b>	<b>(4,726)</b>
<b>Total comprehensive income for the period</b>	<b>(200,665)</b>	<b>5,779</b>
<b>(Loss)/profit for the period attributable to:</b>		
Owners of the Company	(199,119)	9,694
Non-controlling interests	(1,316)	811
	<b>(200,435)</b>	<b>10,505</b>
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	(199,603)	5,005
Non-controlling interests	(1,062)	774
	<b>(200,665)</b>	<b>5,779</b>

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
			(restated)
	Note		
<b>(Loss)/earnings per share</b>	10		
From continuing and discontinued operations			
Basic		<b>HK(15.13) cents</b>	HK0.87 cents
Diluted		<b>N/A</b>	N/A
From continuing operations			
Basic		<b>HK(13.89) cents</b>	HK(0.23) cents
Diluted		<b>N/A</b>	N/A



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

		30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	984	13,433
Goodwill	22	198,055	7,308
Other intangible assets	12	152,188	–
Investment in an associate		–	2,730
Deposits paid for acquisitions of subsidiaries	13	135,000	385,000
Other deposits		364	1,610
Deferred tax assets	19	–	2,215
		<b>486,591</b>	412,296
<b>Current assets</b>			
Trade and other receivables	14	73,560	74,661
Investment receivables		647	102,459
Amount due from related companies	23	1,645	11,422
Amount due from a director	23	15,888	–
Current tax assets		–	1,742
Term deposits with initial terms of over three months		–	20,184
Bank balances and cash		379,099	176,642
		<b>470,839</b>	387,110
<b>Assets classified as held for sale</b>	15	<b>224,128</b>	–
<b>Total current assets</b>		<b>694,967</b>	387,110
<b>Current liabilities</b>			
Trade and other payables	16	21,715	132,351
Receipts in advance		8,680	–
Contingent consideration	17	275,741	–
Current tax liabilities		16,809	22,811
		<b>322,945</b>	155,162
<b>Liabilities directly associated with assets classified as held for sale</b>	15	<b>126,783</b>	–

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2015

	Note	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
<b>Total current liabilities</b>		<b>449,728</b>	155,162
<b>Net current assets</b>		<b>245,239</b>	231,948
<b>Total assets less current liabilities</b>		<b>731,830</b>	644,244
<b>Non-current liabilities</b>			
Convertible bonds	18	<b>169,119</b>	–
Deferred tax liabilities	19	<b>7,875</b>	780
<b>Total non-current liabilities</b>		<b>176,994</b>	780
<b>NET ASSETS</b>		<b>554,836</b>	643,464
<b>Capital and reserves</b>			
Share capital	20	<b>33,062</b>	32,896
Reserves		<b>451,901</b>	604,468
Equity attributable to owners of the Company		<b>484,963</b>	637,364
Non-controlling interests		<b>69,873</b>	6,100
<b>TOTAL EQUITY</b>		<b>554,836</b>	643,464

Approved by the Board of Directors on 20 August 2015

**Zuo Jian Zhong**  
Director

**Tang Yau Sing**  
Director

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company													
	Share capital	Share premium	Share redemption reserve	Capital reserve	Other reserve	Convertible bonds	General reserve	Shareholder's fund contribution	Translation reserve	Share option reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2014														
At 1 January 2014 (audited)	27,896	111,189	2,269	10,657	5,078	-	28,639	4,118	113,667	8,426	248,970	560,909	3,963	564,872
Total comprehensive income for the period (unaudited)	-	-	-	-	-	-	-	-	(4,689)	-	9,694	5,005	774	5,779
Transfer of share option reserve upon forfeiture of share options (unaudited)	-	-	-	-	-	-	-	-	-	(550)	550	-	-	-
Changes in equity for the period (unaudited)	-	-	-	-	-	-	-	-	(4,689)	(550)	10,244	5,005	774	5,779
At 30 June 2014 (unaudited)	27,896	111,189	2,269	10,657	5,078	-	28,639	4,118	108,978	7,876	259,214	565,914	4,737	570,651
For the six months ended 30 June 2015														
At 1 January 2015 (audited)	32,896	242,689	2,269	10,657	5,078	-	28,639	4,118	110,421	6,419	194,178	637,364	6,100	643,464
Total comprehensive income for the period (unaudited)	-	-	-	-	-	-	-	-	(484)	-	(199,119)	(199,603)	(1,062)	(200,665)
Acquisition of subsidiaries (Note 22) (unaudited)	-	-	-	-	-	-	-	-	-	-	-	-	64,835	64,835
Equity component of convertible bonds (Note 18) (unaudited)	-	-	-	-	-	26,450	-	-	-	-	-	26,450	-	26,450
Share based payments (Note 21) (unaudited)	-	-	-	-	-	-	-	-	-	11,642	-	11,642	-	11,642
Transfer of share option reserve upon forfeiture of share options (Note 21) (unaudited)	-	-	-	-	-	-	-	-	-	(121)	121	-	-	-
Exercise of share options (Note 20) (unaudited)	166	12,856	-	-	-	-	-	-	-	(3,912)	-	9,110	-	9,110
Changes in equity for the period (unaudited)	166	12,856	-	-	-	26,450	-	-	(484)	7,609	(198,998)	(152,401)	63,773	(88,628)
At 30 June 2015 (unaudited)	33,062	255,545	2,269	10,657	5,078	26,450	28,639	4,118	109,937	14,028	(4,820)	484,963	69,873	554,836

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited) (restated)
		<i>Note</i>	
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>			
Continuing operations		<b>(34,196)</b>	(8,191)
Discontinued operations		<b>6,401</b>	16,336
		<b>(27,795)</b>	8,145
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of short term investments		<b>(64,001)</b>	(921,739)
Loan repayment from the Seller (as defined in Note 13(a))		<b>18,980</b>	–
Loan granted to the Seller		–	(19,021)
Purchases of property, plant and equipment		<b>(1,517)</b>	(8,193)
Refund of deposit for acquisition of a subsidiary	13(c)	<b>50,000</b>	–
Proceeds from deregistration of an associate		<b>2,582</b>	–
Proceeds from disposal of short term investments		<b>165,634</b>	921,739
Decrease in term deposit		<b>1,495</b>	1,105
Interest received from short term investments		<b>280</b>	4,156
Proceeds from disposal of property, plant and equipment		<b>2</b>	32
Acquisition of subsidiaries	22	<b>21</b>	–
<b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>173,476</b>	(21,921)

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
			(restated)
		Note	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares under share option scheme	20(b)	9,110	–
Proceeds from issue of convertible bonds		194,800	–
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>		<b>203,910</b>	<b>–</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>349,591</b>	<b>(13,776)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>176,642</b>	<b>535,174</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>(145)</b>	<b>6,475</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY</b>		<b>526,088</b>	<b>527,873</b>
Bank balances and cash under continuing operations		379,099	527,873
Bank balances and cash included in assets classified as held for sale		146,989	–
Bank balances and cash		526,088	527,873

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

These condensed financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below.

These condensed financial statements should be read in conjunction with the 2014 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2014 except as stated below:

### (a) Other intangible assets

#### (i) Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group’s game operation is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes);
- It is probable that the asset created will generate future economic benefits;
- The development cost of the asset can be measured reliably;
- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it; and
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 1. BASIS OF PREPARATION (CONTINUED)

### (a) Other intangible assets (continued)

#### (ii) Intangible assets acquired separately — copyrights

Copyrights are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 3 years.

### (b) Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the asset's or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with Hong Kong Financial Reporting Standards 5, if earlier. It also occurs when the component is abandoned or to be abandoned.



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 1. BASIS OF PREPARATION (CONTINUED)

### (b) Non-current assets held for sale and discontinued operations (continued)

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

- The post-tax profit or loss of the discontinued operation; and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

### (c) Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.





# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 1. BASIS OF PREPARATION (CONTINUED)

### (d) Contingent consideration arising from business combination

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS (CONTINUED)

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

### 3. FAIR VALUE MEASUREMENTS

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

The fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The only financial liability subsequently measured at fair value on Level 3 fair value measurement represents contingent consideration relating to the acquisition of subsidiaries (Note 22). Fair value loss of approximately HK\$157,991,000 for the current period relating to this contingent consideration had been recognised in profit or loss.

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 3. FAIR VALUE MEASUREMENTS (CONTINUED)

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Disclosure of valuation process used by the Group and valuation technique and inputs used in fair value measurements at 30 June 2015:

### Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2015 HK\$'000 Liabilities
Contingent consideration	Income approach	Probability adjusted profits	60%–100%	Increase	275,741

## 4. SEGMENT INFORMATION

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

The Group has two operating segments as follows:

Software development – outsourcing software development services

Game operation – design, development and operation of the mobile and web games

The Group has carried on the software development business in two geographical locations, and the related assets are principally located in the PRC and Japan. The game operation business was carried on and the related assets are located in the PRC. Accordingly, there are three reportable segments of the Group which are regularly reviewed by the chief operating decision maker.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 4. SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results

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

#### Six months ended 30 June 2015

	Discontinued		Continuing			Total HK\$'000 (unaudited)
	Software development in the PRC HK\$'000 (unaudited)	Software development in Japan HK\$'000 (unaudited)	Software development in the PRC HK\$'000 (unaudited)	Software development in Japan HK\$'000 (unaudited)	Game operation in the PRC HK\$'000 (unaudited)	
Revenue	865	163,800	2,758	88,493	28,397	284,313
Cost of services (Note a)	(1,082)	(155,447)	(3,452)	(78,597)	(31,531)	(270,109)
Gross (loss)/profit	(217)	8,353	(694)	9,896	(3,134)	14,204
Administrative expenses	-	(13,648)	-	(7,677)	(1,915)	(23,240)
Segment results	(217)	(5,295)	(694)	2,219	(5,049)	(9,036)
Fair value loss on contingent consideration						(157,991)
Other income, gains/(losses)						(4,347)
Finance costs						(769)
Unallocated corporate expenses						(24,688)
Loss before tax						(196,831)

- (a) Cost of services of continuing operation under the game operation in the PRC included amortisation of other intangible assets of approximately HK\$24,494,000. Excluding this amortisation expenses, game operation had an operating profit of approximately HK\$19,445,000.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 4. SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results (continued)

Six months ended 30 June 2014 (restated)

	Discontinued		Continuing			Total HK\$'000 (unaudited)
	Software development in the PRC HK\$'000 (unaudited)	Software development in Japan HK\$'000 (unaudited)	Software development in the PRC HK\$'000 (unaudited)	Software development in Japan HK\$'000 (unaudited)	Game operation in the PRC HK\$'000 (unaudited)	
Revenue	13,587	197,688	524	102,217	–	314,016
Cost of services	(13,782)	(177,705)	(843)	(80,089)	–	(272,419)
Gross (loss)/profit	(195)	19,983	(319)	22,128	–	41,597
Administrative expenses	(918)	(22,025)	–	(12,936)	–	(35,879)
Segment results	(1,113)	(2,042)	(319)	9,192	–	5,718
Share of result of an associate						(394)
Other income, gains/(losses)						28,141
Unallocated corporate expenses						(13,813)
Profit before tax						19,652

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

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

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 4. SEGMENT INFORMATION (CONTINUED)

### Segment assets and liabilities

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

At 30 June 2015

	Discontinued		Continuing			Total HK\$'000 (unaudited)
	Software development in the PRC HK\$'000 (unaudited)	Software development in Japan HK\$'000 (unaudited)	Software development in the PRC HK\$'000 (unaudited)	Software development in Japan HK\$'000 (unaudited)	Game operation in the PRC HK\$'000 (unaudited)	
Segment assets	112,648	102,131	193	16,030	217,441	448,443
Unallocated assets						733,115
Consolidated total						1,181,558
Segment liabilities	18,706	124,497	-	-	25,872	169,075
Unallocated liabilities						457,647
Consolidated total						626,722

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 4. SEGMENT INFORMATION (CONTINUED)

### Segment assets and liabilities (continued)

At 31 December 2014 (restated)

	Discontinued		Continuing			Total HK\$'000 (audited)
	Software development in the PRC HK\$'000 (audited)	Software development in Japan HK\$'000 (audited)	Software development in the PRC HK\$'000 (audited)	Software development in Japan HK\$'000 (audited)	Game operation in the PRC HK\$'000 (audited)	
Segment assets	158,886	104,283	1,790	19,293	–	284,252
Unallocated assets						515,154
Consolidated total						799,406
Segment liabilities	21,350	128,720	–	–	–	150,070
Unallocated liabilities						5,872
Consolidated total						155,942

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 4. SEGMENT INFORMATION (CONTINUED)

### Segment assets and liabilities (continued)

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

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

## 5. FINANCE COSTS

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Interest on convertible bonds	769	–



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited) (restated)
Current tax		
PRC Enterprise Income Tax	5	3,320
Japan income tax	4,759	5,241
	<b>4,764</b>	8,561
(Over)/under provision in prior years		
PRC Enterprise Income Tax	(1,378)	626
	<b>3,386</b>	9,187
Deferred tax (Note 19)		
Current period	218	(40)
	<b>3,604</b>	9,147
Representing:		
Continuing operations	–	–
Discontinued operations (Note 7)	3,604	9,147
	<b>3,604</b>	9,147



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 6. INCOME TAX EXPENSE (CONTINUED)

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

Pursuant to the EIT Law, a subsidiary, SinoCom Computer System (Beijing) Co., Ltd. (“SinoCom Beijing”) is recognised as a high and new technology enterprise by the relevant PRC government authorities and SinoCom Beijing was entitled to enjoy a concessionary Enterprise Income Tax rate of 15% (2014: 10%) as compared to the unified tax rate of 25% in 2015.

A subsidiary, Dalian SinoCom High Technology Software Co., Ltd., was recognised as a Service Enterprise with Advanced Technology and was entitled to enjoy a concessionary Enterprise Income Tax rate of 15% (2014: 15%).

A subsidiary, Wuxi SinoCom High Technology Software Co., Ltd. was recognised as a software enterprise and was subject to exemption of Enterprise Income Tax for 2014 and 2015, and was entitled to enjoy a concessionary Enterprise Income Tax rate of 12.5% from 2016 to 2018.

A subsidiary, Beijing Kaixin Jiu hao Technology Co., Ltd. (“Kaixin Jiu hao”) was recognised as a software enterprise and was subject to exemption of Enterprise Income Tax for 2015 and 2016, and was entitled to enjoy a concessionary Enterprise Income Tax rate of 12.5% from 2017 to 2019.

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



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 6. INCOME TAX EXPENSE (CONTINUED)

Taxation arising in Japan comprises corporate tax, special corporate tax for reconstruction, local corporate tax, corporate enterprise tax, special local corporate tax and corporate inhabitant tax. Corporate tax is calculated at a progressive statutory rate of 15% (six months ended 30 June 2014: 15%) on the portion of taxable income not exceeding Japanese Yen ("JPY") 8,000,000 (equivalent to approximately HK\$507,000, six months ended 30 June 2014: HK\$612,000) and 25.5% (six months ended 30 June 2014: 25.5%) on the portion of taxable income in excess of JPY8,000,000. Special corporate tax for reconstruction is calculated at a fixed tax rate of 10% of corporate tax from 1 January 2014 to 31 March 2014. Local corporate tax is calculated at a fixed rate of 4.4% of corporate tax. Corporate enterprise tax is calculated at a progressive statutory rate of 3.65% (six months ended 30 June 2014: 2.95%) on the portion of taxable income not exceeding JPY4,000,000 (equivalent to approximately HK\$254,000, six months ended 30 June 2014: HK\$306,000), 5.465% (six months ended 30 June 2014: 4.365%) on the portion of taxable income in excess of JPY4,000,000 but not exceeding JPY8,000,000 and 7.18% (six months ended 30 June 2014: 5.78%) on the portion of taxable income in excess of JPY8,000,000.

Special local corporate tax is calculated at a fixed tax rate of 43.2% (six months ended 30 June 2014: 81%) or 67.4% (six months ended 30 June 2014: 148%) of corporate enterprise tax, depending on the amount of paid-in capital. Corporate inhabitant tax is calculated at a fixed tax rate of 12.9% (six months ended 30 June 2014: 17.3%) or 16.3% (six months ended 30 June 2014: 20.7%) of the corporate tax, depending on the amount of the corporate tax per annum, also with a fixed yearly amount from JPY70,000 (equivalent to approximately HK\$4,000, six months ended 30 June 2014: HK\$5,000) to JPY200,000 (equivalent to approximately HK\$13,000, six months ended 30 June 2014: HK\$15,000), depending on the headcount and capital of the entities.

### 7. DISCONTINUED OPERATIONS

Pursuant to the memorandum of understanding (the "MOU") dated 23 April 2015 and the amendment to the MOU dated 12 June 2015, SinoCom Holdings (BVI) Ltd ("SinoCom Holdings"), a wholly-owned subsidiary of the Company, will sell to Nomura Research Institute, Ltd. ("NRI") its information technology outsourcing business concerning NRI group customers by way of share disposal of the relevant holding companies within the Group.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 7. DISCONTINUED OPERATIONS (CONTINUED)

On 17 June 2015, the Company, SinoCom Holdings and NRI entered into a sale and purchase agreement (the "BVI SPA"). Pursuant to the terms and conditions of the BVI SPA, subject to the fulfillment or waiver (as the case may be) of the condition(s) precedent to completion as set out in the BVI SPA, SinoCom Holdings has agreed to sell and NRI has agreed to purchase the entire issued share interests of SinoCom Development Holdings Limited ("SinoCom BVI"), for a consideration in the amount of HK\$98,000,000, subject to adjustment, which shall be satisfied by cash.

On 17 June 2015, the Company, SinoCom Holdings and NRI entered into a sale and purchase agreement (the "Japan SPA"). Pursuant to the terms and conditions of the Japan SPA, subject to the fulfillment or waiver (as the case may be) of the condition(s) precedent to completion as set out in the Japan SPA, SinoCom Holdings has agreed to sell and NRI has agreed to purchase the entire issued share interests of SinoCom Japan Corporation ("SinoCom Japan") for a consideration in the amount of HK\$92,000,000, subject to adjustment, which shall be satisfied by cash.

Pursuant to the Japan SPA, restructuring shall be conducted by way of revision of certain existing employment contracts and the repayment of the loan made by SinoCom Japan to SinoCom Holdings under the credit line agreement made between SinoCom Japan and SinoCom Holdings dated 24 February 2014.

SinoCom BVI, SinoCom Japan and the operating subsidiaries are principally engaged in the provision of software outsourcing development and technical support services, which has been classified and accounted for at 30 June 2015 as a disposal group held for sale (Note 15).

A circular containing, amongst other things, details of the disposal and a notice convening the extraordinary general meeting of the Company is expected to be despatched to the shareholders of the Company on or before 30 September 2015.

Details of the disposals are set out in announcements of the Company dated 18 June 2015 and 31 July 2015.

The (loss)/profit for the period from the discontinued operation is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to represent the software development operation as a discontinued operation.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 7. DISCONTINUED OPERATIONS (CONTINUED)

	2015 HK\$'000	2014 HK\$'000
(Loss)/profit for the period from discontinued operations:		
Revenue	<b>164,665</b>	211,275
Cost of sales	<b>(156,529)</b>	(191,487)
Gross profit	<b>8,136</b>	19,788
Administrative expenses	<b>(14,572)</b>	(23,557)
Other income, gains/(losses)	<b>(5,909)</b>	25,949
(Loss)/profit before tax	<b>(12,345)</b>	22,180
Income tax expense	<b>(3,604)</b>	(9,147)
(Loss)/profit for the period from discontinued operations	<b>(15,949)</b>	13,033
(Loss)/profit for the period from discontinued operations include the following:		
Depreciation	<b>2,016</b>	4,683
Cash flows from discontinued operations:		
Net cash inflows from operating activities	<b>6,401</b>	16,336
Net cash inflows/(outflows) from investing activities	<b>19,329</b>	(21,457)
Net cash inflows/(outflows)	<b>25,730</b>	(5,121)

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 8. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited) (restated)
Allowance for doubtful debts	–	834
Amortisation of other intangible assets (included in cost of services)	<b>24,494</b>	–
Bad debts written off	<b>3,090</b>	–
Depreciation of property, plant and equipment	<b>4,156</b>	8,278
Loss on disposal of property, plant and equipment	<b>41</b>	228
Loss on deregistration of an associate	<b>418</b>	–
Operating lease rentals in respect of office premises	<b>13,733</b>	14,975
Research and development expenses (included in cost of services)	<b>6,386</b>	–
Net foreign exchange loss/(gain)	<b>2,921</b>	(13,481)
Share-based payments to consultants	<b>6,217</b>	–
Directors' remuneration	<b>8,974</b>	6,157
Interest income from bank balances	<b>(446)</b>	(662)
Interest income from short term investments	<b>(280)</b>	(4,156)
Fair value loss on contingent consideration	<b>157,991</b>	–
Government subsidies	<b>(280)</b>	(852)

## 9. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the current period (2014: Nil).

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 10. (LOSS)/EARNINGS PER SHARE

	Six months ended 30 June	
	2015 '000 (unaudited)	2014 '000 (unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<b>1,316,142</b>	1,115,835

### From continuing and discontinued operations

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

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited) (restated)
<b>(Loss)/earnings</b>		
(Loss)/profit for the purpose of calculating basic (loss)/earnings per share	<b>(199,119)</b>	9,694

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 10. (LOSS)/EARNINGS PER SHARE (CONTINUED)

### From continuing operation

The calculation of the basic loss per share from continuing operation is based on the following:

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited) (restated)
<b>Loss</b>		
(Loss)/profit for the purpose of calculating basic (loss)/earnings per share	<b>(199,119)</b>	9,694
Add: Loss/(profit) for the period from discontinued operations (attributable to the Company)	<b>16,336</b>	(12,222)
Loss for the purpose of calculating basic loss per share from continuing operation	<b>(182,783)</b>	(2,528)

### From discontinued operations

Basic (loss)/earnings per share from the discontinued operations is HK(1.24) cents per share (2014: HK1.10 cents per share), based on the (loss)/profit for the period from discontinued operations attributable to the owners of the Company of approximately HK\$(16,336,000) (2014: approximately HK\$12,222,000) and the denominator used is the same as that detailed above for basic (loss)/earnings per share.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the six months ended 30 June 2015.





# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK\$43,000 (unaudited) (six months ended 30 June 2014: HK\$260,000 (unaudited)) for proceeds of approximately HK\$2,000 (unaudited) (six months ended 30 June 2014: HK\$32,000 (unaudited)), resulting in a loss on disposal of approximately HK\$41,000 (unaudited) (six months ended 30 June 2014: HK\$228,000 (unaudited)). In addition, during the six months ended 30 June 2015, the Group acquired property, plant and equipment of approximately HK\$2,062,000 (unaudited) (six months ended 30 June 2014: HK\$8,193,000 (unaudited)), of which HK\$545,000 was acquired through acquisition of subsidiaries (Note 22).

## 12. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2015, the Group acquired copyrights with a cost of HK\$176,042,000 (six months ended 30 June 2014: Nil) through acquisition of subsidiaries (Note 22).

No intangible assets were disposed of by the Group during the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## 13. DEPOSITS PAID FOR ACQUISITIONS OF SUBSIDIARIES

(a) On 10 December 2014, a subsidiary of the Company and Mr. Liu Wei, an independent third party (the "Seller") who became an executive director of the Company on 1 April 2015, entered into a share purchase agreement in relation to the acquisition of the entire issued share capital of Heroic Coronet Limited ("Heroic") (the "Acquisition 1") for a consideration of HK\$260,000,000, of which HK\$200,000,000 will be settled in cash and HK\$60,000,000 will be settled by the Company's shares. Heroic, through one of its subsidiaries, is principally engaged in the design, development and operation of the mobile and web games. As at 31 December 2014, the cash consideration of HK\$200,000,000 has been paid to the Seller. The Acquisition 1 was completed on 30 January 2015.

Details of the Acquisition 1 are set out in announcements of the Company dated 10 December 2014, 19 December 2014, 8 January 2015 and 30 January 2015.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 13. DEPOSITS PAID FOR ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

- (b) On 18 December 2014, a subsidiary of the Company (the “Buyer”) entered into a framework agreement (the “Framework Agreement 1”) in relation to a possible acquisition of entire equity interest in Kingworld (Beijing) Technology Co., Ltd. (“Kingworld”) (the “Acquisition 2”) for a consideration of HK\$450,000,000. Kingworld is principally engaged in distributing, selling, developing and investing in internet and mobile interaction entertainment products, including online games, browser-based games and games on mobile platforms. Pursuant to the Framework Agreement, HK\$135,000,000 was paid on 29 December 2014.

On 28 July 2015, the Buyer entered into a share purchase agreement (the “SPA”) in respect of the acquisition of the entire issued share capital of Kingworld. Pursuant to the SPA, HK\$165,500,000 was paid on 28 July 2015 as part of the consideration, and consideration shares will be issued by the Company, under a specific mandate to be obtained at an extraordinary general meeting (the “Specific Mandate”), to satisfy its obligation as payment of part of the consideration in the amount of HK\$149,500,000 payable on the completion date under the SPA. In the case where the Specific Mandate shall not have been approved or The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) shall not have granted the listing of, and permission to deal in, the consideration shares on the Stock Exchange by 30 November 2015, the Buyer shall pay cash in the amount of HK\$149,500,000 as part of the settlement of the consideration on completion date. The consideration shares shall, upon issuance, rank *pari passu* in all respects with the Shares in issue.

Details of the Acquisition 2 are set out in announcement of the Company dated 18 December 2014, 19 December 2014, 2 April 2015, 1 June 2015, 9 June 2015 and 30 July 2015.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 13. DEPOSITS PAID FOR ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

- (c) On 30 December 2014, a subsidiary of the Company entered into a framework agreement (the "Framework Agreement 2") in relation to a possible acquisition of 51% equity interest in Hangzhou Zhiwan Network Co., Ltd. (the "Acquisition 3") for a total consideration of HK\$153,000,000. Hangzhou Zhiwan Network Co., Ltd. is principally engaged in the design, development and operation of the mobile and web games. Pursuant to the Framework Agreement 2, HK\$50,000,000 was paid on 30 December 2014. During current period, the Acquisition 3 was cancelled and the deposit of HK\$50,000,000 has been refunded as at 30 June 2015.

## 14. TRADE AND OTHER RECEIVABLES

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Trade receivables	58,192	37,045
Other receivables	14,513	27,380
Other deposits	75	3,939
Prepayments	780	6,297
	<b>73,560</b>	74,661

As at 31 December 2014, other receivables included an amount of approximately HK\$20,790,000 representing a loan to the Seller and the interests accrued in respect of the loan. The loan is guaranteed by a related company of the Seller, interest-bearing at 10% per annum and repayable within one year. The loan was repaid during current period.

The Group allows an average credit period of 30 to 210 days (31 December 2014: 30 to 210 days) for its trade customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 14. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	<b>30 June 2015 HK\$'000 (unaudited)</b>	31 December 2014 HK\$'000 (audited)
0–30 days	<b>24,405</b>	29,479
31–60 days	<b>1,855</b>	4,993
61–90 days	<b>10,006</b>	1,040
91–180 days	<b>6,359</b>	1,275
181–360 days	<b>9,861</b>	15
Over 360 days	<b>5,706</b>	243
	<b>58,192</b>	37,045

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

	<b>30 June 2015 HK\$'000 (unaudited)</b>	31 December 2014 HK\$'000 (audited)
Over 360 days	<b>5,706</b>	243

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 15. ASSETS CLASSIFIED AS HELD FOR SALE

As described in note 7, the directors of the Company expect that the sales proceeds less costs to sell of the outsourcing software development business will be higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognised neither on reclassification of the assets and liabilities as held for sale, nor as at 30 June 2015.

The major classes of assets and liabilities of the outsourcing software development business at the end of the reporting period are as follows:

	30 June 2015 HK\$'000 (unaudited)
Property, plant and equipment	10,303
Goodwill	7,310
Other deposits	856
Deferred tax assets ( <i>Note 19</i> )	1,607
Trade and other receivables ( <i>Note a</i> )	38,122
Current tax assets	248
Term deposits with initial terms of over three months	18,693
Bank balance and cash	146,989
<b>Assets classified as held for sale</b>	<b>224,128</b>
Trade and other payables ( <i>Note b</i> )	120,522
Current tax liabilities	5,871
Deferred tax liabilities ( <i>Note 19</i> )	390
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>126,783</b>
<b>Net assets classified as held for sale</b>	<b>97,345</b>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 15. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

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

	30 June 2015 HK\$'000 (unaudited)
0–30 days	26,603
31–60 days	814
61–90 days	175
	<b>27,592</b>

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

	30 June 2015 HK\$'000 (unaudited)
0–30 days	9,216
31–60 days	6,679
61–90 days	313
91–180 days	411
	<b>16,619</b>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 16. TRADE AND OTHER PAYABLES

	<b>30 June 2015 HK\$'000 (unaudited)</b>	31 December 2014 HK\$'000 (audited)
Trade payables	–	17,993
Wages and salaries payable	<b>2,589</b>	88,326
Accruals	<b>2,784</b>	7,089
Other tax payables	<b>902</b>	16,026
Other payables	<b>15,440</b>	2,917
	<b>21,715</b>	132,351

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

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

	<b>30 June 2015 HK\$'000 (unaudited)</b>	31 December 2014 HK\$'000 (audited)
0–30 days	–	11,349
31–60 days	–	6,599
61–90 days	–	23
91–180 days	–	22
	–	17,993



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 17. CONTINGENT CONSIDERATION

As set out in note 22, as part of the consideration for the acquisition of Heroic and its subsidiaries (collectively referred to as “Heroic Group”), the Company was required to issue 75,000,000 new shares (the “Contingent Consideration”) if the Profit Amount (as defined in Note 22) of Kaixin Jiu hao equals to or exceeds the Guaranteed Amount (as defined in Note 22). Contingent Consideration were classified as liabilities and recognised at its fair value on the acquisition date (Note 22).

### 18. CONVERTIBLE BONDS

The convertible bonds of HK\$200,000,000 were issued on 22 June 2015 (the “Issue Date”). The bonds are convertible into ordinary shares of the Company (the “Conversion Shares”) at any time during the period commencing from 2 October 2015 or from the date when certain conditions are fulfilled, whichever is later, and up to and including the 7th day immediately preceding 21 June 2017 (the “Maturity Date”). Assuming that the conditions are fulfilled, based on the initial conversion price of HK\$2.50 per Conversion Shares, a maximum number of 80,000,000 Conversion Shares will be allotted and issued upon the exercise of the conversion rights.

The bonds bear interest at the following interest rate on the principal amount of the bonds:

- (i) in respect of the one-year period commencing from and including the Issue Date to and including the last day of such period (the “Interest Payment Date”), 30% per annum;
- (ii) in respect of the one-year period commencing from and including the next calendar day of the Interest Payment Date to and including the Maturity Date, 30% per annum.

In the event of the fulfilment of the conditions, the interest rate will be revised (the “New Interest Rate”) as follows:

- (i) in respect of the one-year period commencing from and including the Issue Date to and including the Interest Payment Date, 5% per annum;
- (ii) in respect of the one-year period commencing from and including the next calendar day of the Interest Payment Date to and including the Maturity Date, 15% per annum.



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 18. CONVERTIBLE BONDS (CONTINUED)

The net proceeds received from the issue of the convertible bonds have been split between the liability element and an equity component, as follows:

	<b>2015</b> <b>HK\$'000</b>
Nominal value of convertible bonds issued	<b>200,000</b>
Transaction costs related to liability component	<b>(4,494)</b>
Equity component	<b>(27,156)</b>
Liability component at the date of issue	<b>168,350</b>
Interest charged	<b>769</b>
Liability component at 30 June 2015	<b>169,119</b>

	<b>2015</b> <b>HK\$'000</b>
Equity component at the date of issue	<b>27,156</b>
Transaction costs related to equity component	<b>(706)</b>
Equity component at 30 June 2015	<b>26,450</b>

The interest charged for the year is calculated by applying an effective interest rate of 18.28% to the liability component for the period since the bonds were issued.

The directors estimate the fair value of the liability component of the convertible bonds at 30 June 2015 to be approximately HK\$174,160,000. This fair value has been calculated by discounting the future cash flows at effective interest rate of 18% (level 2 fair value measurements).

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 19. DEFERRED TAXATION

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

	Deferred tax liabilities				Deferred tax assets
	Prepaid expenses <i>HK\$'000</i>	Distributable profit of the PRC subsidiaries <i>HK\$'000</i>	Other intangible assets <i>HK\$'000</i>	Total <i>HK\$'000</i>	Accrued expenses <i>HK\$'000</i>
At 1 January 2014 (audited)	1,012	1,169	–	2,181	(989)
Credit to profit or loss for the year (audited)	(227)	(1,169)	–	(1,396)	(1,222)
Exchange differences (audited)	(5)	–	–	(5)	(4)
At 31 December 2014 (audited)	<b>780</b>	–	–	<b>780</b>	<b>(2,215)</b>
Acquisition of subsidiaries (Note 22)	–	–	<b>7,844</b>	<b>7,844</b>	–
Charge/(credit) to profit or loss for the period (unaudited)	<b>(389)</b>	–	–	<b>(389)</b>	<b>607</b>
Exchange differences (unaudited)	<b>(1)</b>	–	<b>31</b>	<b>30</b>	<b>1</b>
At 30 June 2015 (unaudited)	<b>390</b>	–	<b>7,875</b>	<b>8,265</b>	<b>(1,607)</b>
Represented by:					
Under continuing operations	–	–	<b>7,875</b>	<b>7,875</b>	–
Included in assets classified as held for sale (Note 15)	<b>390</b>	–	–	<b>390</b>	<b>(1,607)</b>
	<b>390</b>	–	<b>7,875</b>	<b>8,265</b>	<b>(1,607)</b>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 20. SHARE CAPITAL

	Note	Number of shares '000	HK\$'000
Authorised:			
Ordinary shares of HK\$0.025 each, at 1 January 2014, 31 December 2014 and 30 June 2015		4,000,000	100,000
Issued and fully paid:			
At 1 January 2014		1,115,835	27,896
Issue of shares on placement	(a)	200,000	5,000
At 31 December 2014		1,315,835	32,896
Shares issued under share option scheme	(b)	6,664	166
At 30 June 2015		1,322,499	33,062

- (a) On 28 November 2014, the Company entered into a placing agreement in respect of the placement of 200,000,000 ordinary shares of HK\$0.025 each to independent investors at a price of HK\$0.70 per share. The placement was completed on 8 December 2014 and the premium on the issue of shares, amounting to approximately HK\$131,500,000, net of share issue expenses of HK\$3,500,000, was credited to the Company's share premium account. The Company issued and allotted 200,000,000 new shares on 8 December 2014.
- (b) During the period, 6,664,000 ordinary shares of HK\$0.025 each were issued in relation to share options exercised under the 2004 share option scheme of the Company at the exercise price of HK\$1.3875 and HK\$1.36 respectively for a total cash consideration of HK\$9,110,000. The exercise of the subscription consideration received over the nominal values issued, which amounted to HK\$8,944,000, was credited to the share premium account.



## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2015*

### **20. SHARE CAPITAL (CONTINUED)**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure of the Group on a timely basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts. The Group expects to maintain low gearing because of its cash-rich position.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

### **21. SHARE-BASED PAYMENTS**

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the employees, executives, officers and directors of the Company and the Company's subsidiaries. The Scheme became effective on 2 April 2004 and was expired on 1 April 2014.

The Company terminated the Scheme and adopted a new share option scheme (the "New Scheme") pursuant to a resolution passed in the annual general meeting dated 26 March 2014 which became effective on the same date. The New Scheme will remain in force for ten years commencing from the effective date. Any options granted under the Scheme prior to its termination continue to be valid and exercisable in accordance with the rules of the Scheme.



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 21. SHARE-BASED PAYMENTS (CONTINUED)

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 20 days from the date of the offer, upon payment of a nominal consideration of HK\$10 in total or other amount as determined by the board of the Company by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer, when applicable.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 21. SHARE-BASED PAYMENTS (CONTINUED)

Details of specific category of options are as follows:

Date of grant	Exercisable period	Exercise price
24/01/2006 (Note a)	24/01/2007–23/01/2016	HK\$1.3875
28/01/2008 (Note a)	28/01/2008–27/01/2018	HK\$1.36
28/01/2008 (Note a)	28/01/2009–27/01/2018	HK\$1.36
27/05/2015	30/10/2015–26/05/2025	HK\$3.14
27/05/2015	30/04/2016–26/05/2025	HK\$3.14

Note a: All the outstanding options are exercisable as at 30 June 2015.

Options are forfeited if the employee leaves the Group and the relationship with consultants is ceased or terminated by the Group.

The following table discloses movements of the number of the Company's shares under options held by employees and consultants, during the six months ended 30 June 2015 are as follows:

Date of grant	Outstanding at 1/1/2015 (audited)	Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at 30/6/2015 (unaudited)
24/01/2006	3,160,000	–	(1,724,000)	–	1,436,000
28/01/2008	6,920,000	–	(4,940,000)	(200,000)	1,780,000
27/05/2015	–	62,200,000	–	–	62,200,000
	<b>10,080,000</b>	<b>62,200,000</b>	<b>(6,664,000)</b>	<b>(200,000)</b>	<b>65,416,000</b>

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$3.66 per share.

At 30 June 2015, 3,216,000 (31 December 2014: 10,080,000) share options are exercisable. The closing price of the Company's shares immediately before 24 January 2006, 28 January 2008 and 27 May 2015, the dates of grant of options, was HK\$5.55, HK\$1.34 and HK\$3.25, respectively.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 21. SHARE-BASED PAYMENTS (CONTINUED)

The estimated fair value of the options granted on 27 May 2015 is HK\$72,348,000. The fair value was calculated using the Binomial Tree model. The inputs into the model are as follows:

	27 May 2015
Weighted average share price	<b>HK\$3.14</b>
Weighted average exercise price	<b>HK\$3.14</b>
Expected volatility	<b>49.86%</b>
Expected life	<b>10 years</b>
Risk free rate	<b>2.0794%</b>
Expected dividend yield	<b>Nil</b>

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

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

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



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30 June 2015*

### **22. ACQUISITION OF SUBSIDIARIES**

On 30 January 2015, the Group acquired 100% of the issued share capital of Heroic for a consideration of HK\$260,000,000, of which HK\$200,000,000 was settled in cash and HK\$60,000,000 will be settled by the Company's shares. Heroic, through one of its subsidiaries, is principally engaged in the design, development and operation of the mobile and web games.

Pursuant to the share purchase agreement, the Seller undertakes to that the aggregate of the audited consolidated net profit of Kaixin Jiu hao for the year ending 31 December 2015 (the "Profit Amount") shall not be less than RMB60,000,000 (equivalent to approximately HK\$76,086,000, the "Guaranteed Amount").



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 22. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The fair value of the identifiable assets and liabilities of Heroic Group acquired as at its date of acquisition is as follows:

	Acquiree's carrying amount before acquisition <i>HK\$'000</i>	Fair value adjustments <i>HK\$'000</i>	Fair value <i>HK\$'000</i>
Property, plant and equipment	545	–	545
Other intangible assets	2,274	173,768	176,042
Trade and other receivables	23,480	–	23,480
Amount due from a director	10,264	–	10,264
Bank balances and cash	21	–	21
Trade and other payables	(9,692)	–	(9,692)
Receipts in advance	(6,938)	–	(6,938)
Amount due to a related company	(572)	–	(572)
Deferred tax liabilities	–	(7,844)	(7,844)
<b>Net identifiable assets and liabilities</b>	<b>19,382</b>	<b>165,924</b>	<b>185,306</b>
Non-controlling interests			(64,835)
Goodwill			197,279
			<b>317,750</b>
Satisfied by:			
Cash			200,000
Contingent Consideration			117,750
			<b>317,750</b>
Net cash inflow arising on acquisition:			
Cash consideration paid			(200,000)
Cash and cash equivalents acquired			21
Utilisation of deposit paid as at 31 December 2014			200,000
			<b>21</b>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 22. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The fair value of the Contingent Consideration of HK\$117,750,000 was estimated by applying the income approach.

Heroic Group contributed approximately HK\$28,397,000 and HK\$4,867,000 to the Group's revenue and the Group's loss respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2015, total Group's revenue from the continuing operations for the period would have been HK\$28,527,000, and loss for the period would have been HK\$185,950,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is intended to be a projection of future results.

## 23. RELATED PARTY TRANSACTIONS

### Transactions with related parties

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

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue — subcontracting income from a related company ( <i>Note a</i> )	2,149	—
Other income — compensation from a fellow subsidiary ( <i>Note b</i> )	—	10,086

*Note a:* The amount represents the subcontracting income receivable from a related company over which a director, Mr. Liu Wei, has significant influence.

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

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 23. RELATED PARTY TRANSACTIONS (CONTINUED)

### Outstanding balances at the end of the reporting period

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Amount due from related companies (Note c)	1,645	11,422
Amount due from a director (Note d)	15,888	–

*Note c:* The balance at 30 June 2015 represents the subcontracting fee income receivable from a related company over which a director, Mr. Liu Wei, has significant influence. The balance at 31 December 2014 represents an advance of approximately HK\$1,268,000 to Fujian Liandi for the intention to lease office premises located in Beijing, the PRC during the year ended 31 December 2012 and compensation receivable from Fujian Liandi amounting approximately HK\$10,154,000. These amounts were settled during the current period.

*Note d:* The amount represents the aggregate amount of the liabilities of Kaixin Jiu hao acquired during current period that were undertaken by a director upon the date of acquisition (Note 22).

### Compensation of key management personnel

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

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Salaries and other benefits	11,303	10,879
Share based payments	5,425	–
Retirement benefits scheme contributions	467	408
	<b>17,195</b>	11,287

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 24. OPERATING LEASE COMMITMENTS

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

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Within one year	19,454	16,041
In the second to fifth year inclusive	9,824	14,081
	<b>29,278</b>	30,122

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

## 25. CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities (31 December 2014: Nil).

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 26. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Contracted but not provided for		
Acquisition 1 (Note 13(a))	–	60,000
Acquisition 2 (Note 13(b))	315,000	315,000
Acquisition 3 (Note 13(c))	–	103,000
	<b>315,000</b>	478,000

## 27. EVENT AFTER THE REPORTING PERIOD

On 18 August 2015, the Company announced that the board of directors of the Company (the "Board") proposes to implement a share subdivision on the basis that each issued and unissued share of par value of HK\$0.025 each will be subdivided into ten (10) subdivided shares of par value of HK\$0.0025 each. Upon the share subdivision becoming effective, the authorized share capital of the Company will be HK\$100,000,000 divided into 40,000,000,000 subdivided shares, of which 13,235,591,280 subdivided shares will be in issue and fully paid or credited as fully paid, assuming that no further shares are issued or repurchased prior to the share subdivision becoming effective.

The shares are currently traded in the board lots of 2,000 shares. Subject to and upon the share subdivision becoming effective, the Board proposes to change the board lot size for trading on the Hong Kong Stock Exchange from 2,000 shares to 10,000 subdivided shares.

## 28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 20 August 2015.

## OTHER INFORMATION

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

As at 30 June 2015, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

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

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Approximate percentage of issued share capital of the Company <sup>2</sup>	Note
		Interests in shares	Equity derivatives (Share Options)	Total interests		
Wang Zhiqiang	Corporate Interests	50,000,000	-	50,000,000(L)	3.78%	1
Zuo Jian Zhong	Beneficial Owner	-	5,000,000	5,000,000(L)	0.37%	
Tang Yau Sing	Beneficial Owner	-	5,000,000	5,000,000(L)	0.37%	
Zhang Zhige	Beneficial Owner	-	5,000,000	5,000,000(L)	0.37%	
Liu Wei	Beneficial Owner	-	5,000,000	5,000,000(L)	0.37%	
Chui Man Lung, Everett	Beneficial Owner	-	1,100,000	1,100,000(L)	0.08%	
Han Chu	Beneficial Owner	-	1,100,000	1,100,000(L)	0.08%	
Wu Hong	Beneficial Owner	476,000	1,100,000	1,576,000(L)	0.11%	

## OTHER INFORMATION

Notes:

1. These shares are beneficially owned by China Way International Limited ("China Way"). By virtue of his 49% shareholding interests in China Way, Mr. Wang Zhiqiang is deemed or taken to be interested in the 50,000,000 shares of the Company owned by China Way for the purpose of SFO.
2. As at 30 June 2015, the number of issued share capital of the Company is 1,322,499,128 shares.

Abbreviation:

"L" stands for long position

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

Name of associated corporation	Name of Director	Capacity/ Nature of interest	No. of ordinary shares	Percentage of shareholding/ registered capital as at 30.6.2015	Note
China Way	Wang Zhiqiang	Corporate interest	49 ordinary Shares of US\$1.00 each	49%	
Beijing Kaixin Jiu hao Technology Company Limited (Kaixin Jiu hao)	Liu Wei	Beneficial owner	RMB770,000, being 35% of the registered capital	35%	1

Note 1: Kaixin Jiu hao is a sino-foreign co-operative joint venture company established in Beijing. The registered capital of Kaixin Jiu hao is RMB2,200,000, which is held as to 35% by Mr. Liu Wei and as to 65% by All Rise Technology.

Save as disclosed above, as at 30 June 2015, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION

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

As at 30 June 2015, so far as is known to the Directors of the Company, the following, not being a Director or the chief executive of the Company, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

#### Long positions in the Shares and Underlying Shares

Name	Capacity	Number of Ordinary Shares	Approximate percentage of issued share capital of the Company <sup>4</sup>	Notes
Benefit Power Inc.	Beneficial Owner	175,990,000(L)	13.30%	1
Honda Junsuke	Corporate Interest	175,990,000(L)	13.30%	1
Dymagin Global Limited	Corporate Interest	221,000,000(L)	16.71%	1
Dynamic Trading Capital Limited	Corporate Interest	221,000,000(L)	16.71%	1
Power View Group Limited	Beneficial Owner	250,000,000(L)	18.90%	2
Feng Yuming	Corporate Interest	250,000,000(L)	18.90%	2
Nomura Holdings Inc.	Corporate Interest	88,356,100(L)	6.68%	3
Nomura Research Institute Ltd.	Beneficial owner	88,356,100(L)	6.68%	3

*Notes:*

- Benefit Power Inc. ("Benefit Power") and Dynamic Trading Capital Limited ("DTCL") is wholly owned by Honda Junsuke. Dymagin Global Limited is wholly owned by DTCL. Accordingly, Honda Junsuke, Benefit Power, DTC Limited and Benefit are deemed to be interested in the shares of the Company by virtue of SFO.
- Power View Group Limited is a company wholly owned by Mr. Feng Yuming. Accordingly, Mr. Feng Yuming is deemed to be interested in the shares of the Company by virtue of SFO.





## OTHER INFORMATION

3. Nomura Holdings Inc is the ultimate holding company of Nomura Research Institute Ltd. By virtue of the SFO, Nomura Holdings Inc. and Nomura Research Institute Ltd. are deemed to be interested in the same parcel of Shares.
4. As at 30 June, 2015, the number of issued share capital of the Company is 1,322,499,128 shares.

Abbreviation:

“L” stands for long position

Save as disclosed above, as at 30 June 2015, the Directors and the chief executive of the Company were not aware of any person who has an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was recorded in the register kept by the Company under section 336 of the SFO.

## SHARE OPTION

### 2004 Share Option Scheme

On 2 April 2004, a share option scheme (the “2004 Option Scheme”) was adopted by the Company. The purpose of the 2004 Option Scheme was to enable the Group to grant options to selected participants including any director, business or joint venture partners, and the consultant of the advisory or consultancy entity etc. as incentives or reward for their contributions to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the 2004 Option Scheme and any other scheme of the Company amount to 111,741,112 Shares, representing (1) 10% of the issued share capital of the Company as at the date on which the new scheme mandate limit approved by the shareholders in annual general meeting of the Company held on 18 May 2010; (2) 8.49% of the issued share capital of the Company as at 31 December 2014; and (3) 8.45% of the issued share capital of the Company as at 30 June 2015, without prior approval from the Company’s shareholders. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to and including the date of grant of options shall not exceed 1% of the shares in issue.

## OTHER INFORMATION

The exercise price will be determined by the Directors, which shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of options; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five days immediately preceding the date of grant of the options; and (iii) the nominal value of a share. Options may generally be exercised in whole or part at any time during the period as determined by the the Directors and notified to the grantee (in any event such period must not be more than 10 years from the date of grant of the options).

As at the date of this report, the 2004 Option Scheme was terminated with effect from the conclusive of the annual general meeting held on 26 March 2014. However, the outstanding options granted under the 2004 Option Scheme remain to be exercisable in accordance with its terms.

The following table sets out the movements in the Company's share options under the 2004 Share Option Scheme during the financial year ended 31 December 2014:

Date of grant of share options	Exercise period of share options	Exercise price of share options	Number of outstanding share options as at 1.1. 2014	Granted during the financial year ended 31 December 2014 (Note 1)	Exercise during the financial year ended 31 December 2014	Cancelled during the financial year ended 31 December 2014	Lapsed during the financial year ended 31 December 2014 (Note 2)	Number of outstanding share options as at 31.12.2014
<b>Employees — In aggregate</b>								
24 Jan 2006	24/01/2007-23/01/2016	HK\$1.3875	5,760,000	-	-	-	2,600,000	3,160,000
28 Jan 2008	28/01/2008-27/01/2017 28/01/2009-27/01/2018	HK\$1.36	7,820,000	-	-	-	900,000	6,920,000
<b>Total</b>			<b>13,580,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,500,000</b>	<b>10,080,000</b>

### Notes:

1. The share options scheme expired on 1 April 2014. No share option has been granted to the grantees by the Company.
2. The share options were held by a grantee who ceased to be the employee of the Group during the financial year ended 31 December 2014.

Save as disclosed above, no options under the 2004 Share Option Scheme were exercised, cancelled or lapsed during the financial year ended 31 December 2014.

## OTHER INFORMATION

The following table sets out the movements in the Company's share options under the 2004 Share Option Scheme during the period under review:

Date of grant of share options	Exercise period of share options	Exercise price of share options	Number of outstanding share options as at 1.1. 2015	Granted during the period under review (Note 1)	Exercise during the period under review	Cancelled during the period under review	Lapsed during the period under review (Note 2)	Number of outstanding share options as at 30.6.2015	Weighted average of market value per share immediately preceding the exercise dates of share options
<b>Employees – In aggregate</b>									
24 Jan 2006	24/01/2007-23/01/2016	HK\$1.3875	3,160,000	-	1,724,000	-	-	1,436,000	HK\$3.76
28 Jan 2008	28/01/2008-27/01/2017 28/01/2009-27/01/2018	HK\$1.36	6,920,000	-	4,940,000	-	200,000	1,780,000	HK\$3.63
<b>Total</b>			10,080,000	-	6,664,000	-	200,000	3,216,000	(Note 3)

### Notes:

1. The share options scheme expired on 1 April 2014. No share option has been granted to the grantees by the Company.
2. The share options were held by a grantee who ceased to be the employee of the Group during the period under review.
3. The weighted average closing price of the Company's shares immediately preceding the dates on which the options were exercised was HK\$3.66 per share.

Save as disclosed above during the period under review, no options under the 2004 Share Option Scheme were exercised, cancelled or lapsed.



## OTHER INFORMATION

### 2014 Share Option Scheme

On 26 March 2014, a new share option scheme (the “2014 Option Scheme”) was adopted by the Company. The purpose of the 2014 Option Scheme was (i) to attract and retain the best quality personnel for the development of the Company’s businesses; (ii) to provide additional incentives to employees, consultants, agents, representatives, advisers, suppliers of goods or services, customers, contractors, business allies and joint venture partners; and (iii) to promote the long term financial success of the Company by aligning the interests of optionholders to shareholders of the Company. The 2014 Option Scheme is valid and effective for a period of ten years from the date of adoption.

The total number of Shares which may be issued upon exercise of all options to be granted under the 2014 Option Scheme and any other schemes of the Company amount to 111,583,512 Shares, representing (1) 10% of the issued share capital of the Company as at the date on which the 2014 Option Scheme was adopted; (2) 8.48% the issued share capital of the Company as at 31 December 2014; and (3) 8.44% of the issued share capital of the Company as at 30 June 2015, without prior approval from the Company’s Shareholders. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to and including the date of grant of options shall not exceed 1% of the shares in issue. The exercise price will be determined by the Directors, which shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheets on the date of grant of options; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of option; or (iii) the nominal value of a share.

Options may generally be exercised in whole or part at any time during the period as determined by the Directors and notified to the grantee (in any event such period must not be more than 10 years from the date of grant of the options) subject to any restrictions as may be imposed on the exercise of an option during the period in which an option may be exercised.

## OTHER INFORMATION

Subject to all applicable laws, rules and regulations or any internal guidelines or code of corporate governance from time to time in force, the Board has the power, as its discretion and based on such factors and circumstances as it considers relevant and appropriate, to:

- (i) determine the minimum holding period, if any, for which an option must be held before it vests; and
- (ii) the consideration payable upon acceptance of an option and the period within which payments or calls must or may be made or loans for such purposes must or may be repaid.

No share options were granted under the 2014 Share Option Scheme during the financial year ended 31 December 2014.

The following table sets out the movements in the Company's share options under the 2014 Share Option Scheme during the Period under review:

Directors	Exercise period of share options	Exercise price of share options	Number of outstanding share options		Granted during the period under review	Exercise during the period under review	Cancelled during the period under review	Lapsed during the period under review	Number of outstanding share options as at 30.6.2015	Market Value per Share Immediately preceding the grant date of share options
			as at 1.1.2015	under review						
<b>Share Options granted on 27 May 2015</b>										
Zuo Jian Zhong	30/10/2015–26/05/2025	HK\$3.14	-	5,000,000	-	-	-	-	5,000,000	HK\$3.25
Tang Yau Sing	30/10/2015–26/05/2025	HK\$3.14	-	5,000,000	-	-	-	-	5,000,000	HK\$3.25
Zhang Zhige	30/10/2015–26/05/2025	HK\$3.14	-	5,000,000	-	-	-	-	5,000,000	HK\$3.25
Liu Wei	30/10/2015–26/05/2025	HK\$3.14	-	5,000,000	-	-	-	-	5,000,000	HK\$3.25
Chui Man Lung	30/10/2015–26/05/2025	HK\$3.14	-	1,100,000	-	-	-	-	1,100,000	HK\$3.25
Everett										
Han Chu	30/10/2015–26/05/2025	HK\$3.14	-	1,100,000	-	-	-	-	1,100,000	HK\$3.25
Wu Hong	30/10/2015–26/05/2025	HK\$3.14	-	1,100,000	-	-	-	-	1,100,000	HK\$3.25
<b>Sub-Total</b>			-	23,300,000	-	-	-	-	23,300,000	-
<b>Contributors</b>	30/10/2015–26/05/2025	HK\$3.14	-	38,900,000	-	-	-	-	38,900,000	HK\$3.25
<b>Total</b>			-	62,200,000	-	-	-	-	62,200,000	-

## OTHER INFORMATION

Note:

1. The vesting period of the New Share Option Scheme is that first 50% of the share options shall be exercisable by the Grantee during the period from 30 October 2015 to 26 May 2025 (both days inclusive) and the remaining 50% of the share options shall be exercisable by the Grantee during the period from 30 April 2016 to 26 May 2025 (both days inclusive).

Save as disclosed above, during the period under review, no options under the 2014 Share Option Scheme were exercised, cancelled or lapsed.

### VALUATION OF SHARE OPTIONS GRANTED DURING THE PERIOD

The estimated fair value of the options granted on 27 May 2015 is HK\$72,348,000. The fair value was calculated using the Binomial Tree model. The inputs into the model are as follows:

	27 May 2015
Weighted average share price	<b>HK\$3.14</b>
Weighted average exercise price	<b>HK\$3.14</b>
Expected volatility	<b>49.86%</b>
Expected life	<b>10 years</b>
Risk free rate	<b>2.0794%</b>
Expected dividend yield	<b>Nil</b>

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.



## **OTHER INFORMATION**

### **INTERIM DIVIDEND**

The directors of the Company do not recommend payment of any interim dividend for the six months period ended 30 June 2015 (30 June 2014: Nil).

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct for securities transactions and dealing (the "Code of Conduct") by Directors on terms no less exacting than the required standard set out in Appendix 10 to Listing Rule (the "Model Code"). The Company has made specific enquiry of all Directors as to whether they have complied with the required standard set out in the Model Code and the Code of Conduct during the six months period ended 30 June 2015.

All the Directors have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the six months period ended 30 June 2015.



## OTHER INFORMATION

### CORPORATE GOVERNANCE

The Company emphasizes on corporate governance and committed to maintaining high standard of corporate governance which is reviewed and strengthened from time to time.

During the six months period ended 30 June 2015, the Company has applied and complied with the applicable provisions as set out in the Corporate Governance Code contained in Appendix 14 (the “CG Code”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except the deviation disclosed herein.

Code Provision	Deviation	Considered Reason for deviation
A.2.1 The role of chairman and chief executive should be separate.	Mr. Zuo Jian Zhong was the co-chairman and undertook the duty of the chief executive officer since 27 May 2015.	Mr. Wang Zhiqiang remained as the co-chairman of the Company. The Board considered that vesting the roles of chairman and CEO in the same person facilitates the execution of the Group’s business strategies and maximizes effectiveness of its operation. The Board considered that there is a sufficient balance and division of responsibilities and authority.

### CHANGES IN THE INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Upon specific enquiry by the Company and following confirmations from Directors, save as otherwise set out in this Report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company’s last published annual report. The Directors’ updated information is set out below:

#### Mr. Chui Man Lung, Everett (“Mr. Chui”), Independent Non-Executive Director

- Mr. Chui was appointed as an independent non-executive director, chairman of audit committee and member of remuneration committee of Sky Forever Supply Chain Management Group Limited a company listed on GEM Board of Hong Kong Stock Exchange (Stock Code: 8047) on 20 May 2015.





## OTHER INFORMATION

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

During the period under review, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### **AUDIT COMMITTEE**

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

The Audit Committee has reviewed and approved the Group's unaudited consolidated interim results for the six months period ended 30 June 2015 ("Interim Results"). The Interim Results have been reviewed by RSM Nelson Wheeler, the auditor of the Company.

By order of the Board

**Wang Zhiqiang**

*Co-chairman*

**Zuo Jian Zhong**

*Co-chairman*

Hong Kong, 20 August 2015