



Smartac Group China Holdings Limited

中國智能集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 395)



2015

Interim Report

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yang Xin Min (*Chairman*)
Ms. Huang Yue Qin
Mr. Kwan Che Hang Jason

NON-EXECUTIVE DIRECTOR

Mr. Wang Jia Wei (resigned on 4 May 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cheng Faat Ting Gary
Mr. Poon Lai Yin Michael
Mr. Yang Wei Qing

AUDIT COMMITTEE

Dr. Cheng Faat Ting Gary (*Chairman*)
Mr. Poon Lai Yin Michael
Mr. Yang Wei Qing

REMUNERATION COMMITTEE

Dr. Cheng Faat Ting Gary (*Chairman*)
Mr. Poon Lai Yin Michael
Mr. Yang Xin Min

NOMINATION COMMITTEE

Dr. Cheng Faat Ting Gary (*Chairman*)
Mr. Poon Lai Yin Michael
Mr. Yang Xin Min

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ms. Yeung Wai Ling, HKICPA
(appointed on 2 July 2015)
Mr. Wong Chi Wai, ACCA, HKICPA
(resigned on 2 July 2015)

AUDITOR

RSM Nelson Wheeler

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
China Minsheng Bank
The Hong Kong and Shanghai Banking Corporation Limited

HEAD OFFICE AND PRINCIPAL PLACES OF BUSINESS

No. 68 Hongxin Road
Xushe Town
Yixing City
Jiangsu Province
PRC

No. 266 Beihai Road
Zhenhai District Xiepu Zhen Hua Gong Qu
Ningbo City
Zhejiang Province
PRC

3/F, 288 Dongping Street
Dushuhu Higher Education Area
Suzhou Industrial Park
Jiangsu Province
PRC

CORPORATE INFORMATION *(Continued)*

REGISTERED OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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262 Gloucester Road
Causeway Bay
Hong Kong
Tel: (852) 2123 9986
Fax: (852) 2530 1699
Website: <http://www.smartacgroup.com>
Email: investors@smartacgroup.com

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust
Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

CANADIAN BRANCH SHARE REGISTRAR

Computershare Investor Services Inc
100 University Ave., 9th Floor
Toronto, Ontario M5J 2Y1
Canada

STOCK NAME

Smartac GP CH

STOCK CODE

Hong Kong Stock Exchange: 395

The Board of Directors (the “Board”) of Smartac Group China Holdings Limited (the “Company”) presented the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 together with the comparative figures. The condensed consolidated interim financial statements (the “Interim Financial Statements”) have not been audited, but have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Note	Unaudited Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Turnover	2	48,922	50,435
Cost of goods sold and service rendered		(35,692)	(36,328)
Gross profit		13,230	14,107
Fair value change of investment property		2,860	–
Other income	3(a)	3,293	2,097
Selling expenses		(4,947)	(2,613)
Administrative expenses		(38,246)	(22,398)
Other operating expenses		(17,843)	(2,561)
Amortisation of long-term prepayments	10	(21,562)	–
Loss from operations		(63,215)	(11,368)
Finance costs	3(b)	(2,407)	(3,522)
Loss before taxation	3	(65,622)	(14,890)
Income tax credit/(expense)	4	399	(335)
Loss for the period		(65,223)	(15,225)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2015

	Note	Unaudited	
		Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
Other comprehensive income for the period, net of tax:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		91	(2,038)
Total comprehensive income for the period		(65,132)	(17,263)
Loss for the period attributable to:			
Owners of the Company		(51,810)	(14,838)
Non-controlling interests		(13,413)	(387)
		(65,223)	(15,225)
Total comprehensive income for the period attributable to:			
Owners of the Company		(51,722)	(16,876)
Non-controlling interests		(13,410)	(387)
		(65,132)	(17,263)
Loss per share			
Basic <i>(RMB cents)</i>	6	(1.50)	(0.53)
Diluted <i>(RMB cents)</i>	6	(1.50)	(0.53)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Note	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment	7	49,464	26,525
Investment property		49,500	46,640
Construction in progress	8	9,854	28,683
Prepaid land lease payments		38,698	39,630
Goodwill		59,782	59,782
Intangible assets	9	71,812	69,396
Long-term prepayments	10	12,723	19,662
		291,833	290,318
Current assets			
Inventories		27,083	27,647
Current portion of long-term prepayments	10	35,325	23,627
Prepaid land lease payments		1,281	1,060
Trade and other receivables	11	99,210	102,514
Due from a related party	19(c)	284	268
Bank and cash balances		184,352	93,119
Total current assets		347,535	248,235

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2015

	Note	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Current liabilities			
Trade and other payables	12	143,390	90,882
Contingent payables	13	54,740	31,742
Derivative financial instruments		–	5,247
Due to directors	19(b)	15,043	5,008
Due to related parties	19(c)	1,308	35,269
Bank loans	15	23,687	14,351
Current tax liabilities		16,172	20,024
		254,340	202,523
Net current assets			
		93,195	45,712
Total assets less current liabilities			
		385,028	336,030
Non-current liabilities			
Convertible bonds	14	–	46,029
Deferred tax liabilities		18,573	18,970
		18,573	64,999
NET ASSETS			
		366,455	271,031

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2015

	Note	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Capital and reserves			
Share capital	17	174,116	154,397
Reserves		144,218	52,817
Equity attributable to Owners of the Company			
		318,334	207,214
Non-controlling interests			
		48,121	63,817
TOTAL EQUITY		366,455	271,031

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Unaudited									
	Six months ended 30 June 2015									
	Attributable to owners of the Company									
	Share Capital	Share Premium	Merger Reserve	Statutory Reserves	Share-based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total	Non-controlling Interest ("NCI")	Total Equity
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2015	154,397	840,792	(11,085)	95,452	1,759	(4,057)	(870,044)	207,214	63,817	271,031
Total comprehensive income for the period	-	-	-	-	-	88	(51,810)	(51,722)	(13,410)	(65,132)
Dividend paid to NCI	-	-	-	-	-	-	-	-	(193)	(193)
Issue of new shares upon placement	13,941	125,407	-	-	-	-	-	139,348	-	139,348
Issue of share upon conversion of convertible bonds	5,778	41,936	-	-	-	-	-	47,714	-	47,714
Change in NCI without change in control	-	-	-	-	-	-	(24,220)	(24,220)	(2,093)	(26,313)
Lapse of share options granted in prior years	-	-	-	-	(212)	-	212	-	-	-
At 30 June 2015	174,116	1,008,135	(11,085)	95,452	1,547	(3,969)	(945,862)	318,334	48,121	366,455

	Unaudited									
	Six months ended 30 June 2014									
	Attributable to owners of the Company									
	Share Capital	Share Premium	Merger Reserve	Statutory Reserves	Share-based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total	Non-controlling Interest	Total Equity
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2014	131,938	727,285	(11,085)	95,452	1,849	(1,225)	(706,190)	238,024	30,374	268,398
Total comprehensive income for the period	-	-	-	-	-	(2,038)	(14,838)	(16,876)	(387)	(17,263)
Lapse of share options granted in prior years	-	-	-	-	(90)	-	90	-	-	-
Exchange alignment	-	-	-	-	-	4	-	4	-	4
At 30 June 2014	131,938	727,285	(11,085)	95,452	1,759	(3,259)	(720,938)	221,152	29,987	251,139

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(17,021)	39,472
Net cash used in investing activities	(39,881)	(1,371)
Net cash generated from/(used in) financing activities	147,868	(28,198)
Effects of exchange rate changes	267	(1,259)
Net increase in cash and cash equivalents	91,233	8,644
Cash and cash equivalents at 1 January	93,119	32,157
Cash and cash equivalents at 30 June	184,352	40,801

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The following notes form an integral part of the Interim Financial Statements.

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 18 July 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. This interim condensed consolidated financial statements comprises the Company and its subsidiaries (together referred to as the “Group”) and has been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting promulgated by the International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial statements do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the Group’s annual financial statements as at 31 December 2014. The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements.

The Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. The directors anticipate that the new and revised IFRSs will be adopted by the Group when they become effective. The adoption of these new and revised IFRSs 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 year and prior years.

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

The preparation of the interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date process. Actual results may differ from these estimates.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

1. BASIS OF PREPARATION *(Continued)*

The interim financial statements have been prepared under the historical cost convention. Items included in the financial statements of each entity comprising the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (“functional currency”). For the purposes of presenting the interim financial statements, the Group adopted Renminbi as its presentation currency, rounded to the nearest thousand.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the sales value of goods sold and services rendered less returns, discounts and value added taxes and other sales taxes.

The Group has four reportable segments as follows:

- (i) Zirconium segment – Manufacture and sale of zirconium chemicals, new energy materials and rechargeable batteries
- (ii) O2O solutions segment – Sale of software and provision of online to offline (“O2O”) consultation service
- (iii) Petrochemicals segment – Provision of petrochemicals storage and trading service
- (iv) Integrated digital marketing solutions segment – Provision of digital advertising platform and related solutions

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Each of the above operating segments corresponds to related subsidiaries engaging in the respective segment activities.

Segment profits or losses do not include corporate income and expenses. Segment assets do not include goodwill and corporate assets. Segment liabilities do not include convertible bonds, derivative financial instruments, contingent payables and corporate liabilities.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)

2. TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments for the period is set out below:

	Zirconium segment		O2O solutions segment		Petrochemicals segment		Integrated digital marketing solutions segment		Total	
	Unaudited		Unaudited		Unaudited		Unaudited		Unaudited	
	Six months ended 30 June 2015	Six months ended 30 June 2014	Six months ended 30 June 2015	Six months ended 30 June 2014	Six months ended 30 June 2015	Six months ended 30 June 2014	Six months ended 30 June 2015	Six months ended 30 June 2014	Six months ended 30 June 2015	Six months ended 30 June 2014
Revenue from external customers	20,385	24,295	18,475	20,584	8,943	5,556	1,119	-	48,922	50,435
Reportable segment (loss)/profit before taxation	(2,103)	(3,282)	(4,578)	3,394	799	(4,318)	(34,838)	-	(40,720)	(4,206)
Interest income	12	249	8	-	1	65	2	-	23	314
Interest expenses	52	-	573	165	-	1,501	-	-	625	1,686
Depreciation and amortisation	1,018	2,128	3,555	3,496	2,592	3,760	25,437	-	32,602	9,384
	Zirconium segment		O2O solutions segment		Petrochemicals segment		Integrated digital marketing solutions segment		Total	
	Audited		Audited		Audited		Audited		Audited	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Reportable segment assets	100,113	83,457	115,010	120,101	107,110	113,553	128,099	85,529	450,332	402,640
Reportable segment liabilities	(74,865)	(62,514)	(31,735)	(39,307)	(49,419)	(57,130)	(53,702)	(63,001)	(215,721)	(181,932)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

2. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segments' profit or loss, assets and liabilities

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Profit/(Loss)		
Total loss of reportable segments	(40,720)	(4,206)
Change in fair value of derivative component of convertible bonds	5,260	(273)
Change in fair value of contingent payables	(23,103)	(2,288)
Unallocated head office and corporate expenses	(7,059)	(8,123)
Consolidated loss before taxation	(65,622)	(14,890)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

2. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segments' profit or loss, assets and liabilities *(Continued)*

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Assets		
Total assets of reportable segments	450,332	402,640
Elimination of intersegment assets	–	(5,668)
Unallocated amounts:		
Goodwill	59,782	59,782
Unallocated head office and corporate assets	129,254	81,799
Consolidated total assets	639,368	538,553
Liabilities		
Total liabilities of reportable segments	215,721	181,952
Unallocated amounts:		
Convertible bonds	–	46,029
Derivative financial instruments	–	5,247
Contingent payables	54,740	31,742
Unallocated head office and corporate liabilities	2,452	2,552
Consolidated total liabilities	272,913	267,522

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

2. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(c) Geographical information

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Revenue		
The People's Republic of China ("PRC") except Hong Kong	27,354	24,842
Hong Kong	5,637	9,181
North America	5,028	4,771
Europe	4,438	5,102
Japan	814	1,502
Others	5,651	5,037
Consolidated total revenue	48,922	50,435

In presenting the geographical information, revenue is based on the locations of the customers.

The Group's non-current assets are substantially located in the PRC.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

3. LOSS BEFORE TAXATION

Loss before taxation is arrived at after (crediting)/charging:

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
(a) Other income:		
Bank interest income	23	314
Government grants	319	289
Net foreign exchange gain	570	56
Gross rental income from investment properties	1,023	760
Value-added tax ("VAT") refund	1,039	399
Others	319	279
	3,293	2,097
(b) Finance costs:		
Interest expenses on bank loans wholly repayable within five years	625	1,666
Imputed interest expenses on convertible bonds	1,782	1,853
Others	–	3
	2,407	3,522

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

3. LOSS BEFORE TAXATION *(Continued)*

	Unaudited Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
(c) Staff costs:		
Salaries, wages and other benefits	17,926	12,688
Contributions to defined contribution retirement scheme	2,278	1,318
	20,204	14,006
(d) Other items:		
Amortisation		
– prepaid land lease payments	711	529
– intangible assets	4,509	4,557
Depreciation	5,820	4,298
Cost of inventories sold	27,726	27,779
Reversal of allowance for trade receivables	(315)	–
Operating lease charges in respect of the office premises in Hong Kong and leasehold land in the PRC	3,281	952

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

4. INCOME TAX CREDIT/(EXPENSE)

	Unaudited Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Current tax – Hong Kong profits tax		
Provision for the period	–	135
Current tax – PRC enterprise income tax (“PRC EIT”)		
Provision for the period	–	200
Over provision in prior year	(2)	–
	(2)	335
Deferred tax	(397)	–
Income tax (credit)/expense	(399)	335

- (i) Hong Kong profits tax has been provided at a rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2015 and 2014.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

4. INCOME TAX CREDIT/(EXPENSE) *(Continued)*

- (ii) Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are liable to PRC EIT at the rate of 25% (2014: 25%).

Smartac Solutions (Suzhou) Ltd. (“SZYL”) was recognised as an advance technology enterprise (高新技術企業) in 2011 and was entitled to enjoy an income tax concession at preferential rate of 15% effective from 1 January 2011. The applicable EIT rate SZYL applied for provision of income tax for each of the three periods ended 30 June 2014, 2015 and 2016 was 15% upon the renewal of status being an advance technology enterprise in 2014 and will be 25% from the year ending 2017 onwards.

- (iii) Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for the six months ended 30 June 2015 and 2014. No provision for Macau Complementary Tax if the assessable profit of subsidiary was less than the exemption threshold of MOP300,000.

5. DIVIDENDS

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

6. LOSS PER SHARE

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

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Loss		
Loss for the purpose of calculating basic loss per share	(51,810)	(14,838)
Number of Shares		
Weighted average number of ordinary shares for calculating basic loss per share	3,460,897,709	2,806,947,850

The Company did not have any dilutive potential ordinary shares for the six months ended 30 June 2015 as the effects (being considered individually) of the outstanding share options and unissued consideration shares were anti-dilutive.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with a cost of approximately RMB1,490,000 (2014: RMB1,169,000). The Group also transferred cost of approximately RMB28,111,000 from construction in progress to property, plant and equipment (2014: RMB249,000) (note 8). During the six months ended 30 June 2015, the Group disposed property, plant and equipment of approximately RMB62,000 (2014: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

8. CONSTRUCTION IN PROGRESS

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
At beginning of period/year	28,683	321
Additions	9,315	28,683
Transfer to property, plant and equipment (note 7)	(28,111)	(249)
Overstatement of construction expenditure	(33)	–
Impairment loss	–	(72)
At end of period/year	9,854	28,683

The Group's construction in progress comprises costs incurred on computer hardware under construction and machinery and equipment pending installation.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)

9. INTANGIBLE ASSETS

	Technical know-how RMB'000	Operating license RMB'000	Software development costs RMB'000	Backlog RMB'000	Total RMB'000
Cost					
At 1 January 2014	4,345	174,924	25,283	1,141	205,693
Additions	-	-	8,700	-	8,700
At 31 December 2014 and 1 January 2015	4,345	174,924	33,983	1,141	214,393
Additions	-	-	6,925	-	6,925
At 30 June 2015	4,345	174,924	40,908	1,141	221,318
Accumulated amortisation and impairment losses					
At 1 January 2014	4,345	99,676	421	1,141	105,583
Amortisation for the year	-	3,960	5,057	-	9,017
Impairment loss	-	30,397	-	-	30,397
At 31 December 2014 and 1 January 2015	4,345	134,033	5,478	1,141	144,997
Amortisation for the period	-	1,981	2,528	-	4,509
At 30 June 2015	4,345	136,014	8,006	1,141	149,506
Carrying amount					
At 30 June 2015	-	38,910	32,902	-	71,812
At 31 December 2014	-	40,891	28,505	-	69,396

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

10. LONG-TERM PREPAYMENTS

As at 30 June 2015, the Group made prepayments of approximately RMB26,321,000 (31 December 2014: RMB65,033,000) for operations of wireless networks at railway stations. The movement of prepayments is as follows:

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
At beginning of period/year	43,289	–
Additions	26,321	65,033
Amortisation for the period/year	(21,562)	(21,744)
At end of period/year	48,048	43,289
Current portion	(35,325)	(23,627)
Non-current portion	12,723	19,662

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Trade and bills receivables	26,652	78,387
Less: Allowance for doubtful debts	(1,395)	(1,710)
	25,257	76,677
Advance payments to suppliers	2,135	1,989
Deposits	8,917	6,247
Prepayments	46,251	2,779
Other receivables	16,650	14,822
	99,210	102,514

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

11. TRADE AND OTHER RECEIVABLES *(Continued)*

Ageing analysis

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors and senior management.

The ageing analysis of trade receivables, based on invoice date, and net of allowance, is as follows:

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Up to 3 months	20,664	73,858
3 to 6 months	1,148	1,156
6 months to 1 year	2,130	755
Over 1 year	1,285	908
	25,227	76,677

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

12. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Trade payables	16,192	23,803
Receipts in advance from customers	2,422	1,968
Payables for construction costs and purchase of property, plant and equipment	3,151	11,998
Other payables	108,786	36,368
Accrued expenses	12,839	16,745
	143,390	90,882

Ageing analysis

The ageing analysis of the trade payables, based on the date of receipt of goods, is as follows:

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Up to 3 months	6,581	17,819
3 to 6 months	4,928	3,119
6 months to 1 year	2,766	785
Over 1 year	1,917	2,080
	16,192	23,803

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

13. CONTINGENT PAYABLES

Contingent payables represented Tranche B consideration shares offered to the vendor in the acquisition of Virtual City Limited (“VCL”). The fair value of Tranche B consideration shares was approximately RMB54,740,000 (equivalent to HK\$68,348,000) (31 December 2014: RMB31,742,000 (equivalent to HK\$39,599,000)) as at 30 June 2015.

14. CONVERTIBLE BONDS

The Company issued 2 tranches, Tranche 1 and Tranche 2, of convertible bonds at 100% of the principal amount of HK\$65,000,000 for each tranche (totalling HK\$130,000,000), as part of the consideration for the acquisition of Muntari Holdings Limited and its subsidiaries on 6 January 2011. The convertible bonds are interest-free and unsecured. Tranche 1 of convertible bonds was converted on 16 June 2011.

On 7 May 2015, Tranche 2 of convertible bonds with principal amount of HK\$65,000,000 was converted into 144,444,444 ordinary shares of the Company (note 17).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

15. BANK LOANS

The analysis of the carrying amount of bank loans is as follows:

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Secured bank loans repayable within one year	22,900	11,956
Bank invoice loans	787	2,395
	23,687	14,351

All bank loans are repayable within one year. All the loans are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

As at 30 June 2015, the bank loans are secured by:

- Charge over the building, the prepaid land lease payments and investment property of the Group;
- Personal guarantee provided by directors and spouse of one of the directors of the Company (note 19(d));
- Charge over a property owned by a related company (note 19(d)); and
- Corporate guarantee provided by a subsidiary of the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

16. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Pursuant to the written resolution passed by the shareholders of the Company on 24 September 2002, the share option scheme (the “Old Scheme”) was approved and adopted and, the board of directors may, at its discretion, grant options to any director (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to the Company or the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid).

Pursuant to the resolution passed by the shareholders of the Company in the annual general meeting held on 27 May 2011, the Old Scheme was terminated such that no further options could thereafter be offered under the Old Scheme but in all other respects and provisions of the Old Scheme shall remain in full force and effect, while a new share option scheme (the “New Scheme”) was approved and adopted and, the board of directors may, at its discretion, grant options to the eligible persons as defined in the New Scheme.

The Company operates the New 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 full-time and part-time employees, directors and full-time and part-time business consultants of the Company and the shareholders of the Group. The New Scheme became effective on 27 May 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares in respect of which options may be granted under the New Scheme shall be 226,536,210 shares, representing approximately 6.7% of the issued share capital of the Company as at the date of 2014 annual report.

During the six months ended 30 June 2015 and the year ended 31 December 2014, no options were granted under the New Scheme.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)

16. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

The terms and conditions of the unexpired and unexercised options at 30 June 2015 are as follows:

	Date of grant	Exercise period	Number of Options				Exercise price per share
			At 1 January 2015	Granted during the period	Reclassified/ Lapsed during the period	At 30 June 2015	
Directors							
Yang Xin Min	14/6/2011	14/6/2011-13/6/2016	1,600,000	-	-	1,600,000	0.818
Huang Yue Qin	14/6/2011	14/6/2011-13/6/2016	600,000	-	-	600,000	0.818
Zhou Quan (resigned on 1 September 2014)	14/6/2011	14/6/2011-13/6/2016	600,000	-	(600,000)	-	0.818
Subtotal			2,800,000	-	(600,000)	2,200,000	
Non-Executive Director							
Wang Jia Wei (resigned on 4 May 2015)	14/6/2011	14/6/2011-13/6/2016	600,000	-	-	600,000	0.818

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

16. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

	Date of grant	Exercise period	Number of Options				Exercise price per share
			At 1 January 2015	Granted during the period	Reclassified/ Lapsed during the period	At 30 June 2015	
Independent Non-Executive Directors							
Cheng Faat							
Ting Gary	14/6/2011	14/6/2011-13/6/2016	200,000	-	-	200,000	0.818
Poon Lai							
Yin Michael	14/6/2011	14/6/2011-13/6/2016	200,000	-	-	200,000	0.818
Subtotal			400,000	-	-	400,000	
Employees	14/6/2011	14/6/2011-13/6/2016	1,200,000	-	-	1,200,000	0.818
Total			5,000,000	-	(600,000)	4,400,000	

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

17. SHARE CAPITAL

	The Company		
	Number of shares	Nominal value of shares	
		HK\$'000	
Authorised:			
Ordinary shares of HK\$0.05 each			
At 1 January 2014, 31 December 2014, 1 January 2015 and 30 June 2015	8,000,000,000	400,000	
	Number of shares	Nominal value of shares	
		Nominal value of shares	
		RMB'000	
	HK\$'000		
Issued and fully paid:			
At 1 January 2014	2,806,947,850	140,347	131,938
Issue of shares upon placement	260,000,000	13,000	10,425
Issue of shares upon placement	300,000,000	15,000	12,034
At 31 December 2014 and 1 January 2015	3,366,947,850	168,347	154,397
Issue of shares upon exercise of convertible bonds (note 14)	144,444,444	7,222	5,778
Issue of shares upon placement (note)	348,480,000	17,424	13,941
At 30 June 2015	3,859,872,294	192,993	174,116

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

17. SHARE CAPITAL *(Continued)*

Note:

On 28 May 2015, the Company and Orient Securities (Hong Kong) Limited entered into a placing agreement in respect of the placement of 348,480,000 ordinary shares of HK\$0.05 each at a price of HK\$0.51 per share. The placement was completed on 5 June 2015.

18. COMMITMENTS

(a) Capital Commitments

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Property, plant and equipment Contracted but not provided for	18,871	36,409

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)

18. COMMITMENTS (Continued)

(b) Other Commitments

At 30 June 2015, the Group had certain commitments in respect of the outstanding capital contribution of the following companies:

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
P.T. Asia Prima Resources	3,483	3,444
鴿子數碼科技(宜興)有限公司	27,230	–
Solomedia Digital (Shanghai) Limited	16,188	–
Great Sino Technology Development Limited	9,611	–
Solomedia Networks China Limited	24,027	–
上海澤維信息技術有限公司	21,650	–

19. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Name of related parties	Relationship	Nature of transaction	Unaudited	
			30 June 2015 RMB'000	30 June 2014 RMB'000
Shanghai Bokun Investment Co., Ltd.	Controlled by a director of the Company	Motor vehicles service fee charged	315	300

(b) Due to directors

The amounts due to directors are unsecured, interest-free and repayable on demand.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

19. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Due from/(to) related parties

Name of related parties	Relationship	Terms	Unaudited	Audited
			30 June 2015 RMB'000	31 December 2014 RMB'000
Shanghai Bokun Investments Co., Ltd.	Controlled by a director of the company	Unsecured, interest-free and repayable on demand	-	(34,000)
Jiangsu Xinxing Chemicals Co., Ltd.	Controlled by a director of the Company	Unsecured, interest-free and repayable on demand	(1,138)	(1,138)
Proactive Cyberspace Company Limited	Controlled by a director of the Company	Unsecured, interest-free and repayable on demand	284	268
PCS Telecom Limited	Controlled by a director of the Company	Unsecured, interest-free and repayable on demand	(170)	(131)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

19. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Guarantees and pledge of assets provided by related parties for banking facilities

Details of guarantees and pledge of assets provided by related parties for banking facilities granted to the Group are set out in note 15.

(e) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors is as follows:

	Unaudited Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Short-term employee benefits	1,670	1,608

20. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of 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 Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)

20. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosure of level in fair value hierarchy at 30 June 2015:

Description	Fair value measurements as at 30 June 2015 using:			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement:				
Investment property				
– Commercial PRC	-	-	49,500	49,500
Recurring fair value measurement:				
Financial liabilities at fair value through profit or loss				
– Contingent payables	-	(54,740)	-	(54,740)

Description	Fair value measurements as at 31 December 2014 using:			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement:				
Investment property				
– Commercial PRC	-	-	46,640	46,640
Recurring fair value measurement:				
Financial liabilities at fair value through profit or loss				
– Contingent payables	-	(31,742)	-	(31,742)
– Derivative financial instruments	-	-	(5,247)	(5,247)
	-	(31,742)	(5,247)	(36,989)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

20. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2015:

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 for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board at least twice a year.

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

The fair value of the Group's investment property at 30 June 2015 was revalued on income approach by taking into account the current rent passing of the property interest and reversionary potential of the tenancies. The valuation was performed by Grant Sherman Appraisal Limited.

21. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 3 July 2015, the Company entered into a subscription agreement ("Agreement") with VCL, a non-wholly owned subsidiary of the Company, in relation to the possible subscription of 1,000 shares in the capital of VCL in the consideration of RMB20,000,000 payable in cash upon completion. After completion, the Company will hold 55.45% of the total issued shares of VCL which will remain as a non-wholly owned subsidiary of the Company. The subscription was completed on 15 July 2015.

Save as disclosed above, there were no other material non-adjusting events after the reporting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS *(Continued)*

22. CONTINUING CONNECTED TRANSACTION

In respect of the continuing connected transactions disclosed (the “Disclosed Continuing Connected Transactions”) in 2014 annual report, the Company’s auditors concluded that:

- (i) nothing has come to the auditors’ attention that causes them to believe that the Disclosed Continuing Connected Transactions have not been approved by the Board.
- (ii) nothing has come to the auditors’ attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company’s if the transactions involve the provision of services by the Company.
- (iii) nothing has come to the auditors’ attention that causes them to believe that the transactions were not entered into, in all materials respects, in accordance with the relevant agreements governing such transactions.
- (iv) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to our attention that causes the auditors to believe that the Disclosure Continuing Connected Transactions have exceeded the maximum aggregate annual values disclosed in the Company’s announcement dated 5 September 2014 in respect of the Disclosed Continuing Connected Transactions.

23. CONTINGENT LIABILITIES

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

24. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements was approved and authorised for issue by the Board on 28 August 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Management Discussion and Analysis contains forward-looking statements which reflect the Company's current beliefs with respect to future events and are based on information currently available to the Company. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. When reviewing the Company's forward-looking statements, investors and others should not place undue reliance on these forward-looking statements and should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update the forward-looking statements. The Company has an ongoing obligation to disclose material information as it becomes available.

REVIEW OF RESULTS AND OPERATIONS

Business Review

During the period under review, the Group continued to utilize its technical strength and experience in software development and provision of online to offline ("O2O") solutions through design, construction, maintenance and operation of Wi-Fi network to a variety of business customers.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF RESULTS AND OPERATIONS *(Continued)*

Business Review *(Continued)*

In June 2015, Solomedia Digital (Shanghai) Limited (“Solomedia Shanghai”), a non-wholly owned subsidiary which is principally engaging in the provisions of installation of wireless network systems and the post-installation service operations in the train stations of many provinces in PRC, became a wholly owned subsidiary of the Group. Solomedia Shanghai was responsible for the installation, post-installation maintenance and provision of operation service of Wi-Fi systems in a total of more than 350 railway stations operated by Guangzhou Railway (Group) Corporation, Beijing Railway Administration and Lanzhou Railway Administration. In view of the rapid development of wireless network and digital services market in the PRC, the Group can take full control of Solomedia Shanghai to reinforce and expand the Group’s share in the said market. On the other hand, the Group is also promoting and providing such Wi-Fi system installation and/or operation service to big brands, chain-stores, large supermarkets, department stores and shopping malls, etc. Function of the Wi-Fi network, is not only for establishment of the Wi-Fi system and just limited to providing of O2O solutions for clients but will also assist them in collecting, analysing and making use of the big data collected through the Wi-Fi system for marketing initiatives.

For zirconium and petrochemicals segments, due to the unfavorable market condition and continuously stringent policies and regulation requirements imposed by the PRC government over chemical-related industries, the operation environment remained sluggish during the period. The Group continued to scale down the size of operations of zirconium and petrochemical segments and would not rule out the possibility of ceasing or disposing the operations of the zirconium and petrochemical segments in the future. However, as of the date of this report, the Group did not have any decision or any concrete plan in such respect.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF RESULTS AND OPERATIONS *(Continued)*

Financial Review

For the six months ended 30 June 2015, the Group's turnover was approximately RMB48,922,000, represented a decrease of approximately RMB1,513,000 or 3% as compared to 2014. The decrease was mainly attributable to the net effect of (i) decrease in O2O solutions segment by approximately RMB2,109,000 due to one of the contracts was substantially completed in 2014 and less revenue was recognised for that contract in the current period compared to the same period of 2014; (ii) decrease of total revenue of zirconium segment and petrochemicals segments by approximately RMB523,000 due to continue of tightening the controls and regulatory requirements over chemicals-related industries by the PRC government; and (iii) increase in advertising revenue of approximately RMB1,119,000 contributed by the intergrated digital marketing solutions segment. For the period under review, the Group maintained a relatively stable gross profit of 27% (2014: 28%).

The fair value change of investment property of approximately RMB2,860,000 represented the change in the market value of investment property located in the PRC as at 30 June 2015. The fair value was assessed by an independent valuer.

Selling expenses increased by 89% from approximately RMB2,613,000 in the same period of 2014 to approximately RMB4,947,000 in the current period, which was mainly because of the increase in staff costs and business related expenses incurred for the sales department of the O2O solutions segment.

Administrative expenses increased by 71% from approximately RMB22,398,000 in the same period of 2014 to approximately RMB38,246,000 in the current period, which was mainly resulted from the full period effect of the integrated digital marketing solutions segment and expansion of the O2O solutions segment in the current period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF RESULTS AND OPERATIONS *(Continued)*

Financial Review *(Continued)*

Other operating expenses for the current period were mainly represented the net effect of fair value loss of Tranche B consideration shares offered to the vendor in the acquisition of VCL of approximately RMB23,103,000 (2014: RMB2,288,000) and fair value gain of convertible bond of approximately RMB5,260,000 (2014: fair value loss of RMB273,000) upon conversion to ordinary shares of the Company.

As at 30 June 2015, the balance of trade and other receivables was approximately RMB99,210,000 which decreased by 3% from the balance of approximately RMB102,514,000 as at 31 December 2014. The decrease was mainly attributable to net effect of settlement of the last year outstanding balance of a petrochemicals segment's customer of approximately RMB54,325,000 and increase of advance payment to a petrochemical supplier of approximately RMB45,917,000 in the current period.

Trade and other payables increased by 58% from approximately RMB90,882,000 as at 31 December 2014 to approximately RMB143,390,000 as at 30 June 2015. The increase was mainly due to the net effect of (i) increase in payable of the usage fee of the right to use the Wi-Fi networks at railway stations in the PRC of approximately RMB29,090,000; (ii) settlement of payables for construction costs and purchase of property, plant and equipment of approximately RMB8,847,000 as at the period end; and (iii) reclassification of amount due to Shanghai Bokun Investment Co., Ltd. of RMB35,100,000 from due to related parties to other payables because of the change of status upon the resignation of a director of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW OF RESULTS AND OPERATIONS (Continued)

Prospects

Looking ahead, the Group will be focusing on developing and expanding the O2O solutions segment and the integrated digital marketing solutions segment and transforming itself into a large scale Wi-Fi system and big data operator.

Since O2O solutions business as well as integrated digital marketing solutions segment are growing and in the capital investment period, in the early business development funds and the cost will be relatively large, but with the gradual implementation of the projects, the Group's management anticipated that the economic benefit and value of the O2O business and post-installation of Wi-Fi system in railway stations in China will be gradually materialised to generate considerable income. On the other hand, leveraging on its strength and expertise in software development, the Group will continue to provide tailor-made solutions to customers' Wi-Fi systems and create synergies with its "Smart Travel Cloud" to be established in the popular overseas tourist spots for mainland travellers, including Hong Kong, Macau, Japan and Korea.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group's bank and cash balances were approximately RMB184,352,000 (31 December 2014: approximately RMB93,119,000). The Company had completed the placing of 348,480,000 ordinary shares on 5 June 2015 which generated a net proceed of approximately RMB139,482,000 (equivalent to approximately HK\$174,157,000), which was mainly used as general working capital, including acquisition cost of Solomedia Shanghai and capital injection of two wholly owned subsidiaries in the PRC, Solomedia Shanghai and 宜興鴿子廣告傳媒有限公司 during the period.

As at 30 June 2015, the Group's O2O solutions business had interest-bearing bank borrowings of approximately RMB18,687,000 (31 December 2014: RMB14,351,000), which was denominated in RMB and repayable within one year and was secured by charge over the land, buildings and investment property of the O2O solutions segment.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

As at 30 June 2015, the Group's zirconium business had an interest-bearing bank borrowing of RMB5,000,000 (31 December 2014: Nil), which was denominated in RMB and repayable within one year and was secured by corporate guarantee provided by a subsidiary of the Group and personal guarantee provided by a director and his spouse of the Company.

As at 30 June 2015, the convertible bond with carrying value of RMB51,276,000 as at 31 December 2014 was converted into 144,444,444 ordinary shares of the Company at a conversion price of HK\$0.45 per share on 7 May 2015 upon the exercise of the conversion right by the bondholder.

The gearing ratio as at 30 June 2015 was 65.0% (31 December 2014: 84.3%). The gearing ratio was derived by dividing the total liabilities excluding current tax liabilities and deferred tax liabilities of approximately RMB238,168,000 (31 December 2014: approximately RMB228,528,000) by the amount of shareholders' equity of approximately RMB366,455,000 (31 December 2014: approximately RMB271,031,000). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 136.6% (31 December 2014: 122.6%).

HUMAN RESOURCES

As at 30 June 2015, the Group had a total of approximately 385 employees (2014: approximately 354 employees). Total staff costs (including directors' emoluments) for the period was approximately RMB20,204,000 (2014: approximately RMB14,006,000). The increase in staff costs was mainly attributable to the increase in staff head counts of the O2O solutions business and the integrated digital marketing solutions business during the period.

Employees were remunerated based on their performance, experience and prevailing industry practice. Bonuses and rewards might also be awarded based on individual staff performance and in accordance with the Group's overall remuneration policies. The Group's management reviewed the remuneration policies and packages on a regular basis. The Remuneration Committee of the Company's Board of Directors is responsible for overseeing and reviewing the remuneration packages of the Directors and senior management.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FOREIGN EXCHANGE EXPOSURE

The income and expenditure of the Group are mainly denominated in HK dollar, US dollar and Renminbi, the impact of foreign exchange exposure to the Group is considered minimal in this respect and no hedging or other arrangements to reduce the currency risk has been implemented.

CHARGES ON GROUP'S ASSETS

As at 30 June 2015, the Group pledged the following assets to secure the loans and bank loan facilities of the Group:

- Charge over the building with carrying amount of approximately RMB6,640,000 (31 December 2014: RMB6,839,000);
- Charge over the prepaid land lease payments with carrying amount of approximately RMB2,257,000 (31 December 2014: RMB2,285,000); and
- Charge over the investment property with fair value of RMB49,500,000 (31 December 2014: RMB46,640,000).

CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no material contingent liabilities (31 December 2014: Nil).

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2015, the register of shareholders maintained pursuant to the Securities and Futures Ordinance (the “SFO”) shows that the following shareholders with interests representing 5% or more of the Company’s issued share capital:

Long positions in shares

Name of Shareholder	Capacity	Number of Shares			Total Interests	Percentage of Total Share Capital
		Personal Interest	Other Interests (Note 1)	Interest in Underlying Shares		
Yang Xin Min	Beneficial	592,573,880	1,600,000	-	594,173,880	15.39%
Kwan Che Hang						
Jason (note 2 & 3)	Beneficial	231,413,304	-	108,489,130	339,902,434	8.81%
HK DYF Intl Holding Group Limited	Beneficial	260,536,000	-	-	260,536,000	6.75%

OTHER INFORMATION *(Continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(Continued)*

Notes:

1. Other interests represented the number of underlying shares comprised in the share options granted to the Directors but remained outstanding as at 30 June 2015.
2. The 231,413,304 shares comprised (i) 792,000 shares held by Mr. Kwan Che Hang Jason directly; and (ii) 230,621,304 shares held by China Software Services (Holdings) Limited ("CSS"). Mr. Kwan Che Hang Jason was the controlling shareholder of CSS and therefore was deemed to have an interest in the 230,621,304 shares.
3. The 108,489,130 shares (subject to adjustment) will be issuable by the Company to CSS when the profit guarantee provided on the consolidated net profit of VCL and its subsidiaries for the year ending 31 December 2014 is fulfilled. Mr. Kwan Che Hang Jason was the controlling shareholder of CSS and therefore was deemed to have an interest in the 108,489,130 shares.

Save as disclosed above, the Board is not aware of any persons directly or indirectly interested in 5% or more in the shares of the Company as recorded in the register required to be kept under the SFO.

OTHER INFORMATION *(Continued)*

DIRECTORS' INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2015, the interests of the Directors and chief executive of the Company in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required 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 the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares

Name of Director	Capacity	Number of Shares				Percentage of Total Share Capital
		Personal Interest	Other Interests (Note 1)	Interest in Underlying Shares	Total Interests	
Yang Xin Min	Beneficial	592,573,880	1,600,000	-	594,173,880	15.39%
Huang Yue Qin	Beneficial	-	600,000	-	600,000	0.02%
Kwan Che Hang						
Jason (note 2 & 3)	Beneficial	231,413,304	-	108,489,130	339,902,434	8.81%
Cheng Faat Ting Gary	Beneficial	200,000	200,000	-	400,000	0.010%
Poon Lai Yin Michael	Beneficial	-	200,000	-	200,000	0.005%

OTHER INFORMATION *(Continued)*

DIRECTORS' INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION *(Continued)*

Notes:

1. Other interests represented the number of underlying shares comprised in the share options granted to the Directors but remained outstanding as at 30 June 2015.
2. The 231,413,304 shares comprised (i) 792,000 shares held by Mr. Kwan Che Hang Jason directly; and (ii) 230,621,304 shares held by CSS. Mr. Kwan Che Hang Jason was the controlling shareholder of CSS and therefore was deemed to have an interest in the 230,621,304 shares.
3. The 108,489,130 shares (subject to adjustment) will be issuable by the Company to CSS when the profit guarantee provided on the consolidated net profit of VCL and its subsidiaries for the year ending 31 December 2014 is fulfilled. Mr. Kwan Che Hang Jason was the controlling shareholder of CSS and therefore was deemed to have an interest in the 108,489,130 shares.

SHARE OPTIONS GRANTED PURSUANT TO THE SHARE OPTION SCHEME

Pursuant to the written resolution by the shareholders of the Company on 24 September 2002, the share option scheme (the "Old Scheme") was approved and adopted and, the Board may, at its discretion, grant share options to the eligible persons as defined in the old scheme. The Old Scheme was terminated on 27 May 2011, such that no further options could thereafter be offered under the Old Scheme but in all other respects and provisions of the Old Scheme shall remain in full force and effect.

Pursuant to the resolution passed by the shareholders of the Company in the Annual General Meeting held on 27 May 2011, a new share option scheme (the "New Scheme") was approved and adopted and, the Board may, at its discretion, grant options to the eligible persons as defined in the New Scheme. The New Scheme will expire on 27 May 2021.

OTHER INFORMATION *(Continued)*

SHARE OPTIONS GRANTED PURSUANT TO THE SHARE OPTION SCHEME *(Continued)*

During the period ended 30 June 2015, no options have been granted under the New Scheme. Details of the options outstanding as at 30 June 2015 were set out in note 16 to the Interim Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2015.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MATERIAL LITIGATION

During the six months ended 30 June 2015, the Company was not involved in any litigation or arbitration of any material importance.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

During the six months period ended 30 June 2015, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except in respect of a code provision providing for the roles of Chairman and Chief Executive Officer to be performed by different individuals. The deviation is deemed appropriate as the Company believes that the combination of the roles of Chairman and Chief Executive Officer promotes the efficient formulation and the implementation of the Company's strategies enabling the Group to grasp business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.

OTHER INFORMATION *(Continued)*

CORPORATE GOVERNANCE *(Continued)*

Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”)

The Company has adopted a code of conduct regarding directors’ securities transactions in terms as stringent as those set out in the Model Code. All Directors, following specific enquiries made by the Company, confirmed that they have complied with the required standard of dealings as set out therein throughout the six months period ended 30 June 2015.

AUDIT COMMITTEE

The Company set up an Audit Committee on 24 September 2002 with its written terms of reference being in compliance with the Rules set out in “A Guide for the Formation of An Audit Committee” issued by Hong Kong Institute of Certified Public Accountants. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The Audit Committee along with the management have reviewed the accounting principles, standards and methods adopted by the Group, and has reviewed the unaudited Interim Financial Statements for the six months ended 30 June 2015.

By order of the Board

Yang Xin Min

Chairman

Hong Kong, 28 August 2015