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ZZNode Technologies Company Limited **直真科技有限公司***

(Incorporated in Cayman Islands with limited liability)

(Stock code: 2371)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board (the “Board”) of directors (the “Directors”) of ZZNode Technologies Company Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2010, together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	RMB'000
Turnover	3	4,167	6,789
Cost of sales and services		(4,102)	(3,536)
Gross profit		65	3,253
Other income	4	327	515
Selling and marketing expenses		(20)	(420)
Administrative expenses		(15,091)	(6,810)
Finance costs	5	(18,502)	(121)
(Decrease) increase in fair value of financial assets at fair value through profit or loss		(10,852)	23,937
Share of result of an associate		476	—
(Loss) profit before tax		(43,597)	20,354
Income tax	6	—	—
(Loss) profit for the period	7	(43,597)	20,354

* For identification purpose only

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
<i>Notes</i>			
<i>Other comprehensive income (loss)</i>			
Exchange differences arising on translation to presentation currency		<u>2,583</u>	<u>(121)</u>
Total comprehensive (loss) income for the period		<u>(41,014)</u>	<u>20,233</u>
Loss (profit) for the period attributable to:			
Owners of the Company		(43,580)	20,354
Minority interests		<u>(17)</u>	<u>—</u>
		<u>(43,597)</u>	<u>20,354</u>
Total comprehensive (loss) income attributable to:			
Owners of the Company		(40,997)	20,233
Minority interests		<u>(17)</u>	<u>—</u>
		<u>(41,014)</u>	<u>20,233</u>
(Loss) earnings per share			
Basic (RMB cents)	9	<u>(4.71)</u>	<u>5.03</u>
Diluted (RMB cents)		<u>(4.71)</u>	<u>5.03</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

		30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
	Notes		
Non-current assets			
Property, plant and equipment		6,678	3,918
Investment properties		–	7,393
Interest in an associate		2,020	1,557
Deposit paid for acquisition of investment	10	–	21,098
Goodwill	10	669,604	–
Other investment		1,744	–
		<u>680,046</u>	<u>33,966</u>
Current assets			
Trade receivables	13	3,982	6,507
Prepayments, deposits and other receivables		31,286	1,902
Financial assets at fair value through profit or loss		24,804	35,945
Amount due from an associate		19,429	20,259
Bank balances and cash		61,184	84,973
		<u>140,685</u>	<u>149,586</u>
Assets classified as held for sale	12	7,364	–
		<u>148,049</u>	<u>149,586</u>
Current liabilities			
Trade payables	14	3,918	4,745
Accrued charges and other payables		9,983	7,625
Tax payable		1,520	1,533
		<u>15,421</u>	<u>13,903</u>
Liabilities directly associated with assets classified as held for sale	12	1	–
		<u>15,422</u>	<u>13,903</u>
Net current assets		<u>132,627</u>	<u>135,683</u>
Total assets less current liabilities		812,673	169,649
Non-current liabilities			
Convertible notes	11	73,621	–
		<u>739,052</u>	<u>169,649</u>
Capital and reserves			
Share capital	18	136,651	47,749
Reserves		602,401	121,900
		<u>739,052</u>	<u>169,649</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Equity component of convertible notes RMB'000	Translation reserve RMB'000	Capital redemption reserve RMB'000	Share option reserve RMB'000	Contribution from shareholders RMB'000	Other reserve (Note) RMB'000	Retained earnings/ (accumulated loss) RMB'000	Equity attributable to owners of the Company RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2009 (audited)	42,816	5,289	15,536	-	(5,974)	502	2,248	1,927	-	22,435	84,779	-	84,779
Other comprehensive expenses for the period	-	-	-	-	(121)	-	-	-	-	-	(121)	-	(121)
Profit for the period	-	-	-	-	-	-	-	-	-	20,354	20,354	-	20,354
Total comprehensive (expenses) income for the period	-	-	-	-	(121)	-	-	-	-	20,354	20,233	-	20,233
At 30 June 2009 (unaudited)	42,816	5,289	15,536	-	(6,095)	502	2,248	1,927	-	42,789	105,012	-	105,012
At 1 January 2010 (audited)	47,749	76,497	15,536	-	(6,604)	502	20,839	1,927	-	13,203	169,649	-	169,649
Other comprehensive income for the period	-	-	-	-	2,583	-	-	-	-	-	2,583	-	2,583
Loss for the period	-	-	-	-	-	-	-	-	-	(43,580)	(43,580)	(17)	(43,597)
Total comprehensive (expenses) income for the period	-	-	-	-	2,583	-	-	-	-	(43,580)	(40,997)	(17)	(41,014)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	3,436	-	-	-	3,436	-	3,436
Issue of convertible notes	-	-	-	443,235	-	-	-	-	-	-	443,235	-	443,235
Issue of shares upon exercise of share options	305	5,232	-	-	-	-	(1,588)	-	-	-	3,949	-	3,949
Issue of shares upon conversion of convertible notes	88,685	381,674	-	(309,451)	-	-	-	-	-	-	160,908	-	160,908
Share repurchased and cancelled, net of share repurchase expenses	(88)	(952)	-	-	-	-	-	-	-	-	(1,040)	-	(1,040)
Repurchase of shares	-	-	-	-	-	-	-	-	(71)	-	(71)	-	(71)
At 30 June 2010 (unaudited)	136,651	462,451	15,536	133,784	(4,021)	502	22,687	1,927	(71)	(30,377)	739,069	(17)	739,052

Note: Other reserve represents an aggregate consideration of HK\$81,801 for repurchase of 92,000 ordinary shares of the Company on the Stock Exchange of Hong Kong. The 92,000 shares were subsequent cancelled after the end of the reporting period.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash used in operating activities	(12,911)	(7,134)
Net cash used in investing activities	(4,396)	(644)
Net cash (used in) from financing activities	<u>(5,800)</u>	<u>5,494</u>
Net decrease in cash and cash equivalents	(23,107)	(2,284)
Cash and cash equivalents at the beginning of the period	84,973	3,887
Effect of foreign exchange rate changes	<u>(682)</u>	<u>—</u>
Cash and cash equivalents at the end of the period	<u><u>61,184</u></u>	<u><u>1,603</u></u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u><u>61,184</u></u>	<u><u>1,603</u></u>

NOTES

1. GENERAL

The Company was incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and address of its principal place of business in Hong Kong is located at Suites 1205-1207, 12th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. The functional currency of the Company is Hong Kong Dollars (“HK\$”). The functional currencies for its certain subsidiaries are Renminbi (“RMB”). For the purposes of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 included in Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The adoption of the above new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 February 2010.

³ Effective for annual periods beginning on or after 1 July 2010.

⁴ Effective for annual periods beginning on or after 1 January 2011.

⁵ Effective for annual periods beginning on or after 1 January 2013.

The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the development and provision of telecommunications operational support system products and solutions in the PRC. The Group's activities including sales of self-developed software and third party software and hardware and maintenance, training and other services, are delivered as part of a total solution services provided by the Group. The rental income is generated from the operating leases of Group's investment properties. Securities trading is derived from the gross proceed for the trading of financial assets as fair value through profit and loss. The Group commenced the advertising media business during the period.

The following is an analysis of the Group's turnover and results by reportable segment:

	Turnover		Segment results	
	six months ended 30 June			
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Operating divisions				
Sales of self-developed software	128	—	(239)	—
Sales of third party software and hardware	3,476	1,372	49	69
Maintenance, training and other services	563	5,417	255	940
Properties investments	—	—	(33)	(30)
Securities trading	—	—	(21)	—
Advertising media	—	—	(827)	—
	<u>4,167</u>	<u>6,789</u>	<u>(816)</u>	<u>979</u>
Unallocated other income			327	515
Unallocated corporate expenses			(14,230)	(4,956)
Finance costs			(18,502)	(121)
(Decrease) increase in fair value of financial assets				
at fair value through profit or loss			(10,852)	23,937
Share of result of an associate			476	—
(Loss) profit before tax			(43,597)	20,354
Income tax			—	—
(Loss) profit for the period			(43,597)	20,354

The accounting policies of the reportable segments are the same as the Group's accounting policies in the preparation of the Group's annual financial statements. Segment profit or loss represents the profit earned by or loss from each segment without allocation of unallocated corporate expenses, unallocated other income, share of result of an associate, finance costs and loss/gain on disposal of subsidiaries. This is the measure reported to the chief operating decision maker for the purpose of resources allocation and performance assessment.

4. OTHER INCOME

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Gain on disposal of financial assets		
at fair value through profit or loss	—	139
Dividend income	—	4
Interest income	6	2
Value-added tax refund income	18	—
Sundry income	303	370
	<u>327</u>	<u>515</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Imputed interest on convertible notes	18,502	—
Interest on other borrowings	—	121
	<u>18,502</u>	<u>121</u>

6. INCOME TAX EXPENSE

No provision for PRC Enterprise Income Tax was made for the six months ended 30 June 2010 and 2009 since the Company's subsidiaries in the PRC incurred a tax loss for both periods.

Hong Kong profits tax was made in the consolidated statement of comprehensive income at 16.5% on the estimated assessable profits for the six months ended 30 June 2010 and 2009. No provision for Hong Kong profits tax was made in the consolidated statement of comprehensive income for the six months ended 30 June 2010 and 2009 as the Group did not have any assessable profit arising in Hong Kong for both periods.

7. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
After charging:		
Staff costs, including directors' emoluments	3,606	1,621
Retirement benefits scheme contributions	195	35
Share-based payment expense (note 16)	3,436	—
Depreciation of property, plant and equipment	384	162
Operating lease rentals in respect of rented premises	1,359	778
Decrease in fair value of financial assets at fair value through profit or loss	<u>10,852</u>	<u>—</u>
And after crediting:		
Increase in fair value of financial assets at fair value through profit or loss	<u>—</u>	<u>23,937</u>

8. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2010 and 30 June 2009, nor has any dividend been proposed since 30 June 2010.

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(Loss) profit for the period		
(Loss) profit for the period attributable to owners of the company	<u>(43,580)</u>	<u>20,354</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares		
for the purpose of basic (loss) earnings per share	<u>924,793</u>	<u>405,000</u>

Diluted loss per share for the six months ended 30 June 2010 is the same as basic loss per share as the conversion of the Company's outstanding share options would result in a decrease in loss per share.

No diluted earnings per share for the six months ended 30 June 2009 has been presented because there were no potential ordinary shares outstanding for the period.

10. ACQUISITION OF SUBSIDIARIES

On 2 January 2010, the Group acquired 100% equity interest in Precious Luck Enterprises Limited ("Precious Luck") for an aggregate consideration of HK\$780,000,000 (approximately RMB680,191,000), in which a deposit of HK\$24,000,000 (approximately RMB21,098,000 with exchange difference RMB169,000) was paid during the year ended 31 December 2008 and HK\$756,000,000 was paid by issuing the convertible notes at a conversion price of HK\$0.519 per share. There will be a total of 1,456,647,398 ordinary shares of HK\$0.10 each in the share capital of the Company upon full conversion of the convertible notes. For the details, please refer to the circular of the Company dated 26 October 2009. The amount of goodwill arising as a result of the acquisition was approximately RMB669,571,000.

RMB'000

Net assets acquired:

Property, plant and equipment	1,630
Prepayments, deposits and other receivables	16,040
Bank balances and cash	2,568
Accrued charges and other payables	(9,651)

	10,587
Goodwill	669,604
	<u>680,191</u>

Total consideration satisfied by:

Deposit paid for acquisition of investment	20,929
Issue of convertible notes	659,262
	<u>680,191</u>

Net cash inflow arising on acquisition:

Bank balances and cash acquired	<u>2,568</u>
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11. CONVERTIBLE NOTES

On 2 January 2010, Million Gold Holdings Limited ("Million Gold"), a wholly-owned subsidiary of the Company, issued convertible notes of principal amount of HK\$756 million ("CN").

The principal terms of the convertible notes on the date of issue include the following:

Issuer	:	Million Gold
Aggregate principal amount	:	HK\$756,000,000
Conversion price	:	HK\$0.519 per share, subject to adjustments in certain events including consolidation or sub-division of the shares, capitalization of profits or reserves, capital distribution in cash or specie or rights issues in the Company.
Conversion shares	:	1,456,647,398 ordinary shares of HK\$0.10 each in the share capital of the Company
Interest rate	:	Nil

Maturity date	:	5 years after issuance. Upon maturity, on condition that the immediately upon the issue of the shares upon conversion of the CN, the public float of the shares will not fall below the limits prescribed under the Listing Rules. No conversion right may be exercised, to the extent that the following such exercise, a noteholder and parties acting in concert with it will hold or be interested in 30% or more of the Company's total issued share capital, or such conversion will result in a change in control as defined in the Takeover Code. Any outstanding value of the CN will be redeemed at par by Million Gold.
Early redemption	:	The noteholders could demand Million Gold for the repayment of any outstanding amount of the CNs at par if: (i) Million Gold breaches the undertakings underlying the CN and which cannot be rectified or, in the opinion of the noteholders, cannot be rectified within 28 days from the date of breach; (ii) all or part of the businesses, properties, assets or benefits of Million Gold or its subsidiaries have been taken up by the mortgagor or to be taken over by the receiver or manager appointed; (iii) any of Million Gold or its group members face liquidation or are not able to repay liabilities due or Million Gold or its subsidiaries agree or accept to appoint managers, liquidators or receiver to take over the business, properties, assets or benefits of the group; or Million Gold or its subsidiaries take legal action to perform their obligation; or Million Gold or its subsidiaries negotiate with their creditors with a view to agreeing on reorganisation or arrangement. (iv) any liquidation related to Million Gold or its subsidiaries ordered by the court or resolved by Million Gold or its subsidiaries.
Transferability	:	The CN are freely transferable, save as to any connected person as defined in the Listing Rules and subject to a minimum amount of HK\$5 million.
Conversion rights	:	Noteholder(s) shall exercise the conversion rights attaching to the CN only if the Company's total issued share capital held by the public immediately upon the allotment and issue of shares will not fall below the limit of 25% or such lower limit as prescribed under the Listing Rules. No conversion right may be exercised, to the extent that following such exercise, noteholder(s) and parties acting in concert with then will hold or be interested in 30% or more of the Company's total issued share capital, or such conversion will result in a change in control as defined in the Takeovers Code.

Voting : Noteholder(s) will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason of them only being holder(s) of the CN.

On 21 July 2010, CN of aggregate principal amount of HK\$31,140,000 was converted into 60,000,000 ordinary shares of the Company at the conversion prices of HK\$0.519 per share.

The net proceeds received from the issue of the CN contain two components:

- (i) Liability component represents the present value of appropriate discount rate of 25% per annum.
- (ii) Equity component represents the difference between the proceeds of issue of the CN and the fair value assigned to the liability component.

The effective interest rate of the liability component is 8.56% per annum. The movement of the liability component and equity component of the CN is as follows:

	Equivalent to HKD			Equivalent to RMB		
	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>	Liability component <i>RMB'000</i>	Equity component <i>RMB'000</i>	Total <i>RMB'000</i>
Upon issuance of CN on 2 January 2010	247,726	508,274	756,000	216,027	443,235	659,262
Imputed interest expenses	21,217	–	21,217	18,502	–	18,502
Converted to shares during the period	<u>(184,519)</u>	<u>(354,859)</u>	<u>(539,378)</u>	<u>(160,908)</u>	<u>(309,451)</u>	<u>(470,359)</u>
At 30 June 2010	<u>84,424</u>	<u>153,415</u>	<u>237,839</u>	<u>73,621</u>	<u>133,784</u>	<u>207,405</u>

12. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 25 June 2010, the Group entered into a sales and purchase agreement for the disposal of Alpaco Company Limited (“Alpaco”) and Watson China Limited (“Watson”), wholly-owned subsidiaries of the Company as reported under section headed “Material Acquisition and Disposal”. In accordance with HKFRS 5 “Non-Current Assets Held For Sales and Discontinued Operations” issued by HKICPA, the related assets and liabilities were classified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale, respectively. The following amounts represent the Group’s 100% share of the assets and liabilities of Alpaco and Watson as at 30 June 2010, which are presented separately in the consolidated statement of financial position at 30 June 2010.

	Alpaco <i>RMB’000</i>	Watson <i>RMB’000</i>	Total <i>RMB’000</i>
Property, plant and equipment	–	25	25
Investment properties	3,933	3,401	7,334
Prepayments, deposits and other receivables	<u>3</u>	<u>2</u>	<u>5</u>
Total assets classified as held for sale	<u><u>3,936</u></u>	<u><u>3,428</u></u>	<u><u>7,364</u></u>
Accrued charges and other payables	<u>–</u>	<u>1</u>	<u>1</u>
Total liabilities directly associated with assets classified as held for sale	<u><u>–</u></u>	<u><u>1</u></u>	<u><u>1</u></u>

13. TRADE RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables net of accumulated impairment losses presented based on the invoice date:

	30 June 2010 (Unaudited) RMB’000	31 December 2009 (Audited) RMB’000
0 to 90 days	3,982	5,977
91 to 180 days	<u>–</u>	<u>530</u>
	<u><u>3,982</u></u>	<u><u>6,507</u></u>

14. TRADE PAYABLES

The following is an aged analysis of trade payables and presented based on the invoice date:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
0 to 90 days	<u>3,918</u>	<u>4,745</u>

15. OPERATING LEASE COMMITMENTS

At 30 June 2010, the Group had commitments for future minimum lease payments under operating leases in respect of rented office premises that fall due as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within one year	1,888	1,472
In the second to fifth year inclusive	<u>2,778</u>	<u>—</u>
	<u>4,666</u>	<u>1,472</u>

16. SHARE-BASED PAYMENTS

The Group recognized the total expenses of approximately RMB3,436,000 (for the six months ended 30 June 2009: Nil) for the six months ended 30 June 2010 in relation to the share options granted by the Company.

17. RELATED PARTY TRANSACTIONS

The Group's key management personnel are all Directors. Their remuneration during the period are as follow:

	Six months ended 30 June 2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Fees	340	239
Salaries and other benefits	1,261	774
Retirement benefits scheme contributions	30	21
Share-based payments	<u>181</u>	<u>—</u>
	<u>1,812</u>	<u>1,034</u>

The following balance was outstanding at the end of the reporting period:

Amount due from an associate	<u>19,429</u>	<u>20,259</u>
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The amount due from an associate was interest free, unsecured and repayable on demand.

18. SHARE CAPITAL

	30 June 2010		
	Number of shares '000	Share capital HK\$'000	Equivalent nominal value of ordinary shares RMB'000
Authorised:			
Ordinary share of HK\$0.1 each	10,000,000	1,000,000	879,100
Issued and fully paid ordinary shares of HK\$0.1 each			
At 1 January 2010	461,056	46,106	47,749
Issue of shares upon exercise of share options	3,500	350	305
Issue of shares upon conversion of convertible notes	1,016,980	101,698	88,685
Shares repurchased and cancelled	(1,008)	(101)	(88)
Ordinary shares of HK\$0.1 each at 30 June 2010	1,480,528	148,053	136,651
	31 December 2009		
	Number of shares '000	Share capital HK\$'000	Equivalent nominal value of ordinary shares RMB'000
Authorised:			
Ordinary shares of HK\$0.1 each			
At 1 January 2009	1,000,000	100,000	106,000
Increased during the year	9,000,000	900,000	773,100
At 31 December 2009	10,000,000	1,000,000	879,100
Issued and fully paid ordinary shares of HK\$0.1 each			
At 1 January 2009	405,000	40,500	42,816
Issue of new shares through private placement	55,000	5,500	4,840
Issue of shares upon exercise of share options	1,056	106	93
Ordinary shares of HK\$0.1 each at 31 December 2009	461,056	46,106	47,749

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded a turnover of approximately RMB4,167,000 (six months ended 30 June 2009: approximately RMB6,789,000), representing a decrease of approximately 38.6% as compared to the last corresponding period.

Administrative expenses for the six months ended 30 June 2010 was approximately RMB15,091,000 (six months ended 30 June 2009: approximately RMB6,810,000), representing an increase of 121.6% as compared to that of the last corresponding period. The increase in expenses was mainly due to increase in consultancy and legal and professional fees and share-based payment expenses amounted to approximately RMB3,077,000 and RMB3,436,000 respectively.

The loss for the period attributable to owners of the Company aggregated at approximately RMB43,580,000 (six months ended 30 June 2009: profit of approximately RMB20,354,000). The basic loss per share for the six months ended 30 June 2010 was RMB4.71 cents (six months ended 30 June 2009: basic earnings per share RMB5.03 cents).

Business Review

In the first half of the year 2010, the Group has been working closely with prestigious local and overseas communication equipment manufacturers and design institutes in all aspects of the optimization of the TDSDMA\WCDMA\CDMA EVDO networks. In addition, the Group has sought to work with operators in the network optimization business with an aim to lay the foundation for the development of the 3G network optimization business.

On 2 January 2010, the very substantial acquisition of the 100% equity interest in Precious Luck Enterprises Limited was completed. Its indirect non-wholly-owned subsidiary, ChuangZhi LiDe (Beijing) Technology Development Company Limited (“CZLD”), has obtained the right to operate outdoor mega LED displays in major cities in the PRC and procure advertisements to be broadcasted through the displays. The Directors have started negotiation with the LED display owners for the operation of the business.

Business Outlook

On 11 February 2010, the Group entered into a sale and purchase agreement with respect to the acquisition of the entire equity interest in Bold Champion International Limited, which owns 98% shareholding in 北京柯瑞環宇傳媒文化有限公司 (“Kery Media”). Kery Media is principally engaged in the business of the provision of sales, packaging and promotion of audio-visual products services, consultancy services relevant to the media industry, as well as advertising, event organising and artists’ management in the PRC. The acquisition of Kery Media will give the Company a greater involvement in the PRC media business and provide an excellent opportunity to generate better revenue and profits.

With the aim of diversifying the Group's business, on 18 August 2010, the Company entered into the master agreement obtaining the exclusive operating rights of advertising media including but not limited to advertising billboards on towers, bridges and light boxes on tunnel walls and concierges, etc, located on highways in Hebei Province (the "Agreement") with 中廣國際廣告公司 ("CRTVAD"). Pursuant to the Agreement, subject to finalizing the details by entering into other individual transfer agreements, the Company is entitled to obtain the 10-year exclusive operating rights of not less than 2,800 billboards which are located in 15 existing highways and another 5 under construction in Hebei Province by 1 January 2013 and ultimately not less than 3,973 billboards. With the continuing growth of the PRC economy, it is foreseeable that the advertising media industry will also possess strong growth potential. The Group has therefore set the goal to forge ahead into the advertising media industry in the PRC.

Advance to an Entity

On 10 July 2009, Smart Century Investment Limited ("Smart Century"), a wholly-owned subsidiary of the Company, provided financial assistance in the sum of HK\$20,000,000 to Apex One Enterprises Limited ("Apex One"), a 49%-owned and affiliated company of the Company. The principal activity of Apex One is securities trading.

For more details, please refer to the Company's announcements dated 10 July 2009 and 13 July 2009.

At 30 June 2010, the amount due from Apex One was approximately RMB19,429,000.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flows and the bank balances.

As at 30 June 2010, the Group had bank balances and cash of approximately RMB61,184,000 (at 31 December 2009: RMB84,972,644).

The Group's net current assets totaled approximately RMB132,627,000 as at 30 June 2010, against approximately RMB135,683,000 as at 31 December 2009. The Group's current ratio was approximately 9.60 as at 30 June 2010 as compared with 10.76 as at 31 December 2009.

Gearing Ratio

The gearing ratio of the Group (measured as total liabilities to total assets) was 10.8% as at 30 June 2010 (31 December 2009: 7.6%).

Capital Structure

As at 30 June 2010, the Company's issued share capital was approximately HK\$148,053,000 and the number of its issued ordinary shares was approximately 1,480,528,000 shares of HK\$0.10 each ("Shares"). Details of the movements in share capital of the Company are set out in note 18.

Material Acquisition and Disposal

On 27 April 2008, Million Gold entered into a sale and purchase agreement (as amended by supplemental agreements and last supplemental agreement) to acquire 100% of Precious Luck and its subsidiaries at an aggregate consideration of HK\$780 million, of which HK\$24 million in cash and HK\$756 million in convertible notes. At the extraordinary general meeting of the Company held on 16 November 2009, the resolution for approving the acquisition was passed by the shareholders of the Company. The acquisition was completed on 2 January 2010.

On 25 June 2010, Smart Century entered into a sale and purchase agreement with an independent third party ("Purchaser") pursuant to which Smart Century agreed to sell and Purchaser agreed to acquire the entire issued share capital of Alpaco ("Alpaco Sale Shares") and Watson ("Watson Sale Shares"), wholly-owned subsidiaries of Smart Century. A total cash consideration of HK\$9 million, being HK\$4.8 million representing the consideration for Alpaco Sales Shares and HK\$4.2 million representing the consideration for Watson Sale Shares respectively. The disposal of Watson was completed on 18 August 2010.

Foreign Exchange Exposure

Substantially all of the business transactions of the Group are denominated in Renminbi and Hong Kong dollars. The Group adopts a conservative financial policy. During the six months ended 30 June 2010, the Group did not have any bank liabilities, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks.

Charge on Group Assets and Contingent Liabilities

As at 30 June 2010 and 31 December 2009, the Group did not have any charges on its assets and there were no contingent liabilities.

Capital Commitment

As at 30 June 2010, the Group had outstanding capital commitment in respect of the acquisition of 100% of the issued and paid-up capital of Bold Champion International Limited of approximately HK\$10,000,000 (31 December 2009: Nil).

Subsequent Event

On 18 August 2010, the Company entered into the Agreement with CRTVAD. Pursuant to the Agreement, subject to finalizing the details by entering into other individual transfer agreements, the Company is entitled to obtain the 10-year exclusive operating rights of not less than 2,800 billboards which are located in 15 existing highways and another 5 under construction in Hebei Province by 1 January 2013 and ultimately not less than 3,973 billboards.

Employee Information and Remuneration Policy

As at 30 June 2010, the Group had 75 employees (31 December 2009: 58 employees) in Hong Kong and the PRC.

We offer competitive remuneration package, including medical and retirement benefits, to eligible employees. We are confident that our employees will continue to provide a firm foundation for the success of the Group and will maintain high standard of service to our clients.

SHARE OPTION SCHEME

The Company operated an equity-settled share option scheme on 31 October 2004 (the “Share Option Scheme”) under which the Board might, at its discretion, offer any employees (whether full time or part time), executives or officers of the Company or any of its subsidiaries (including any executive director), consultants, agents or legal and financial advisers to the Company or its subsidiaries whom the Board considered, in its sole discretion, as having contributed to the Company or any of its subsidiaries.

During the six months ended 30 June 2010, 17,000,000 share option were granted under the Share Option Scheme. Movements of share options outstanding as at 30 June 2010 under the Share Option Scheme is summarized as follows:

Share Option Scheme

Name of category	Balance as at 1 January 2010	Granted during the period	Exercised during the period	Balance as at 30 June 2010	Exercise Price HK\$	Date of Grant	Exercise Period
Directors							
Mr. LIU Yong Fei	19,520,000	–	3,000,000	16,520,000	1.27	8/10/2009	23/11/2009-22/11/2012
Mr. CHEN Fu Ju	19,520,000	–	–	19,520,000	1.27	8/10/2009	23/11/2009-22/11/2012
Mr. WU Xian	400,000	–	–	400,000	1.27	8/10/2009	23/11/2009-22/11/2012
Mr. WU Xian		60,000	–	60,000	1.464	12/3/2010	12/3/2010-11/3/2013
Mr. LEUNG Siu Kee	–	460,000	–	460,000	1.464	12/3/2010	12/3/2010-11/3/2013
Other Employees	–	1,700,000	–	1,700,000	1.80	4/2/2010	4/2/2010-3/2/2013
		(Note)					
Other Employees	–	7,180,000	500,000	6,680,000	1.464	12/3/2010	12/3/2010-11/3/2013
In aggregate	<u>39,440,000</u>	<u>9,400,000</u>	<u>3,500,000</u>	<u>45,340,000</u>			

Note: A total of 9,300,000 share options were granted but only 1,700,000 share options were accepted.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2010, the following Directors of the Company had held the following interests or short positions in the shares, underlying shares (as defined in the Securities and Futures Ordinance (the "SFO")) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules:

Long position in the ordinary shares and underlying shares of the Company:

Directors	Nature of interests	Number of issued ordinary shares held	Number of underlying shares held pursuant to share options	Aggregate interests	Approximate percentage of the issued share capital
Ms. CHAN Shui Sheung Ivy	Beneficial owner	300,000	–	300,000	0.020%
Ms. SO Wai Lam	Beneficial owner	72,000	–	72,000	0.005%
Mr. LIU Yong Fei	Beneficial owner	3,000,000	16,520,000	19,520,000	1.318%
Mr. CHEN Fu Ju	Beneficial owner	–	19,520,000	19,520,000	1.318%
Mr. WU Xian	Beneficial owner	–	460,000	460,000	0.031%
Mr. LEUNG Siu Kee	Beneficial owner	–	460,000	460,000	0.031%

Save as disclosed above, none of the Directors of the Company held any interests or short positions in the shares, underlying shares (as defined in the SFO) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed in the above sections headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or its Associated Corporations" and "Share Option Scheme" at no time during the six months ended 30 June 2010 was the Company or any of its subsidiaries a party to any arrangements to enable any of the Directors or Company's members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30 June 2010.

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

As at 30 June 2010, the following persons (other than Directors or chief executive of the Company) had interests or short positions directly or indirectly in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of substantial shareholders of the Company	Nature of interests	Total no. of shares/ underlying shares in the Company	Approximate percentage of the issued share in the Company
Ascher Group Limited (<i>Note 1</i>)	Corporate	211,728,323	14.30%
Mr. Lu Xing ("Mr. Lu")	Held by controlled corporation (<i>Note 2</i>)	211,728,323	14.30%
	Individual	50,000,000	3.38%
Rotaland Limited (<i>Note 3</i>)	Corporate	520,939,306	35.19%
Mr. Ho Wai Kong ("Mr. Ho")	Held by controlled corporation and spouse (<i>Notes 3 and 4</i>)	570,939,306	38.56%
Perfect Will Limited	Corporate	161,687,861	10.92%
Zhang Lei	Held by controlled corporation (<i>Note 5</i>)	161,687,861	10.92%
Charmainder Enterprises Limited	Corporate	107,791,907	7.28%
Cheung Man	Held by controlled corporation (<i>Note 6</i>)	107,791,907	7.28%
Sure Choice Holdings Limited ("Sure Choice")	Corporate (<i>Note 7</i>)	80,000,000	5.40%
Cheng Tze Kit Larry	Held by controlled corporation (<i>Note 8</i>)	80,000,000	5.40%

Notes:

1. There are 211,728,323 shares, which consist of convertible notes which can be converted into 166,728,323 shares.
2. Ascher Group Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lu.
3. There are 520,939,306 shares, which consist of convertible notes which can be converted into 272,939,306 shares.
4. Rotaland Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ho. 50,000,000 shares are held by Ms. Guo Binni who is the spouse of Mr. Ho.
5. Perfect Will Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Zhang Lei.
6. Charmainder Enterprises Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Cheung Man.
7. On 11 February 2010, an acquisition agreement has been entered among the Company, Champ Zone Limited, Day Fortune Limited and Sure Choice in relation to the acquisition of the entire issued share capital of Bold Champion International Limited (“Transaction”), a company incorporated in the British Virgin Islands with limited liability which is beneficially owned by Sure Choice as to 80%. 80,000,000 new Shares will be allotted and issued to Sure Choice in partial settlement of the consideration. The Transaction has not yet been completed at the date of this announcement.
8. Sure Choice is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Cheng Tze Kit Larry.

Save as disclosed above, as at 30 June 2010, the Company had not been notified of any interest or short position being held by any substantial shareholder in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2010, the Company has applied and complied with the code provisions in the Code on Corporate Governance Practices (the “CG Code”) set out in Appendix 14 of the Listing Rules except the following deviation:

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

During the six months ended 30 June 2010, the Company did not have a chairman or a chief executive officer. The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill and experience be identified, the Company will make appointments to fill the posts as appropriate.

According to the code provision A.4.1 of the CG Code, all non-executive Directors should be appointed for a specific term of service.

The three independent non-executive Directors of the Company were appointed in January 2008, namely Mr. Chow Shiu Ki, Mr. Lam Raymond Shiu Cheung and Mr. Lam Ka Wai Graham, were not appointed for a specific term, while the other two independent non-executive Directors of the Company namely Mr. Wu Xian and Mr. Leung Siu Kee were appointed on 1 October 2009 and 22 December 2009 respectively for a three-years term of service. All the independent non-executive Directors are appointed and subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company.

COMPLIANCE WITH MODEL CODE

During the six months ended 30 June 2010, the Company has adopted a code of conduct regarding securities transactions by its Directors on terms no less exactly than the required standard in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”). The Company had made specific enquiries of all Directors, and the Company was not aware of any non-compliance with the required standard in the Model Code.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2010, the Company repurchased a total of 1,100,000 fully-paid ordinary shares of the Company at an aggregate consideration of approximately HK\$1,270,000 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Date of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
June 2010	1,100,000	1.21	0.86	1,270,000

900,000 shares, 108,000 shares and 92,000 shares were repurchased on 4 June 2010, 7 June 2010 and 23 June 2010 respectively. 1,008,000 shares has been cancelled on 15 June 2010. 92,000 shares were cancelled on 6 July 2010.

The issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected by the Directors, pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company. Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the six months ended 30 June 2010.

AUDIT COMMITTEE

The Audit Committee currently consists of all five independent non-executive Directors of the Company, namely, Mr. Chow Shiu Ki, Mr. Lam Raymond Shiu Cheung, Mr. Lam Ka Wai Graham, Mr. Wu Xian and Mr. Leung Siu Kee. The audit committee has reviewed the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters. The unaudited financial interim results and the interim report of the Group for the six months ended 30 June 2010 have been reviewed by the Audit Committee.

By Order of the Board
ZZNode Technologies Company Limited
Tin Ka Pak
Executive Director

Hong Kong, 24 August 2010

As at the date of this announcement, the Board comprises Ms. Chan Shui Sheung Ivy, Ms. So Wai Lam, Mr. Liu Yong Fei, Mr. Tin Ka Pak and Mr. Chen Fu Ju as executive Directors; Mr. Chow Shiu Ki, Mr. Lam Raymond Shiu Cheung, Mr. Lam Ka Wai Graham, Mr. Wu Xian and Mr. Leung Siu Kee as independent non-executive Directors.