



中國信息科技發展有限公司

China Information Technology Development Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8178)



SECOND QUARTERLY REPORT

2009

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## **CORPORATE INFORMATION**

### **CHAIRMAN OF THE BOARD AND NON-EXECUTIVE DIRECTOR**

Mr. Zhang Honghai

### **EXECUTIVE DIRECTORS**

Mr. Hu Zhuoer (*Chief Executive Officer*)

Dr. Yu Xiaoyang

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

Ms. Ma Yuhua

Ms. Liang Yeping

Dr. Zhou Chunsheng

Dr. Sun Guofu

### **COMPANY SECRETARY**

Mr. Wong Kwok Ho

### **COMPLIANCE OFFICER**

Dr. Yu Xiaoyang

### **AUTHORISED REPRESENTATIVES**

Mr. Hu Zhuoer

Mr. Wong Kwok Ho

### **REMUNERATION COMMITTEE**

Ms. Ma Yuhua (*Chairman*)

Ms. Liang Yeping

Dr. Zhou Chunsheng

Mr. Zhang Honghai

Dr. Sun Guofu

### **AUDIT COMMITTEE**

Ms. Ma Yuhua (*Chairman*)

Ms. Liang Yeping

Dr. Zhou Chunsheng

Dr. Sun Guofu

### **AUDITORS**

Ernst & Young

### **LEGAL ADVISORS**

Conyers Dill & Pearman

### **PRINCIPAL BANKER**

The Hongkong and Shanghai Banking  
Corporation Limited

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

Room 4401, 44/F, COSCO Tower  
Grand Millennium Plaza  
183 Queen's Road Central  
Hong Kong

### **REGISTERED OFFICE**

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

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

Butterfield Fulcrum  
Group (Cayman) Limited  
Butterfield House, 68 Fort Street  
P.O. Box 609  
Grand Cayman KYI-1107  
Cayman Islands

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

Computershare Hong Kong  
Investor Services Limited  
17th Floor, Hopewell Centre  
183 Queen's Road East,  
Hong Kong

### **GEM STOCK CODE**

8178

### **WEB-SITE ADDRESS**

[www.chinainfotech.com.hk](http://www.chinainfotech.com.hk)

## SUMMARY

- Turnover for the six months ended 30 June 2009 was HK\$33,222,000, representing an increase of 30.1% from corresponding period in last year (2008: HK\$25,539,000).
- Loss attributable to owners of the Company for the six months ended 30 June 2009 amounted to HK\$36,569,000 (2008: loss of HK\$1,105,342,000).
- Loss per share attributable to owners of the Company for the six months ended 30 June 2009 was HK0.56 cents.
- The Board does not recommend the payment of an interim dividend for the period 30 June 2009 (2008: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business review

Unusual transaction data was found in the revenue recording system of Mingsuo internet platform in the first half of year 2009. The Group promptly established a special committee and appointed an independent professional adviser to investigate into the matter. In view of the results of the investigation, the directors of the Company have made tremendous effort to improve the Company's account reporting system, and to enable the Group to resume its normal operations.

## Business prospects

The directors of the Company believe that the operations of the Group's other subsidiaries are still normal and healthy, and the Group as a whole can maintain sufficient level of operations pursuant to GEM Rule 17.26.

The Group will continue to make effort and board of directors is looking forward to a successful resumption of trading of the Company's shares on GEM after its satisfactory fulfillment of regulatory requirements.

All in all, software development, system integration, technical support and maintenance services will remain as a stable income stream for the Group.

## Financial review

The board of directors (the "Board") of China Information Technology Development Limited (the "Company") announces that, for the six months ended 30 June 2009, the Company and its subsidiaries (collectively the "Group") recorded revenue of HK\$33,222,000, which increased by 30.1% from HK\$25,539,000 in the corresponding period last year. The Group had a total cost of sales and services of HK\$20,154,000 for the first half of year 2009, which increased by 35.8% compared with HK\$14,840,000 in the same period of year 2008. The gross profit of the Group for the first half of year 2009 was HK\$13,068,000, representing an increase of HK\$2,369,000 compared with HK\$10,699,000 in corresponding period last year. The gross profit margin was reduced to 39.3% in first half of year 2009 from 41.9% in corresponding period last year. It is mainly attributable to the increase in sale of software development projects during the first half of year 2009, which bore a lower gross margin.

During the financial period ended 30 June 2009, the Group generated other income which comprised: (i) income received from the sales agents amounted to HK\$3,304,000; (ii) bank interest income amounted to HK\$276,000; and (iii) PRC tax subsidy amounted to HK\$1,062,000.

The Group's selling and distribution costs for the first half of year 2009 was HK\$9,314,000, which decreased by 37.0% compared with HK\$14,778,000 in the corresponding period in 2008. The decrease was mainly due to the restructuring on the sales team staffing and reducing promotion expenses.

Administrative expenses for the period were HK\$44,406,000, a decrease of 56.6% as compared to HK\$102,297,000 for the corresponding period last year. The decrease was mainly due to downsizing of Mingsuo operation, redundancy of staff and provisions for impairment booked in year 2008.

Finance costs of the Group for the first half of year 2009 were HK\$1,851,000, decreased by 51.6% comparing to HK\$3,825,000 in same period of year 2008. It was mainly due to the partial conversion of convertible bonds in year 2008.

The Group's loss attributable to owners of the Company was HK\$36,569,000 for the period ended 30 June 2009.

## **Financial position**

As at 30 June 2009, the Group had cash and cash equivalents of HK\$137,296,000 (31 December 2008: HK\$156,164,000) and had outstanding bank loan and other borrowings amounted to HK\$78,442,000 (31 December 2008: HK\$76,591,000).

The gearing ratio (defined as total borrowings over total equity) of the Group as at 30 June 2009 was approximately 0.58 (31 December 2008: 0.48).

As the Group carried out its operations in China, and substantially all of its business transactions, assets and liabilities are denominated in Renminbi, the foreign exchange risk of the Group was considered minimal and no hedging activities had been conducted.

## **Capital expenditure**

During the six months ended 30 June 2009, the Group incurred capital expenditure of HK\$891,000. As at 30 June 2009, the Group have capital commitments amounted to HK\$13,367,000.

By the order of the Board

**China Information Technology Development Limited**

**Hu Zhuoer**

*Executive Director and Chief Executive Officer*

Hong Kong, 27 May 2010



The board of Directors (the "Board") of the Company announces the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2009, together with the unaudited comparative figures for the corresponding period of year 2008, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Restated) (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Restated) (Unaudited) HK\$'000
Revenue	3	15,794	15,864	33,222	25,539
Cost of sales and services		(10,813)	(9,055)	(20,154)	(14,840)
Gross profit		4,981	6,809	13,068	10,699
Other income and gains	3	961	1,693	4,642	5,343
Selling and distribution costs		(5,007)	(9,405)	(9,314)	(14,778)
Administrative expenses		(21,796)	(14,872)	(44,406)	(102,297)
Impairment of goodwill		-	-	-	(995,940)
Finance costs	4	(925)	(1,876)	(1,851)	(3,825)
<b>LOSS BEFORE TAX</b>	5	<b>(21,786)</b>	(17,651)	<b>(37,861)</b>	(1,100,798)
Income tax expense	6	-	(2,809)	(429)	(4,552)
<b>LOSS FOR THE PERIOD</b>		<b>(21,786)</b>	(20,460)	<b>(38,290)</b>	(1,105,350)
<b>ATTRIBUTABLE TO:</b>					
Owners of the Company		(21,137)	(21,671)	(36,569)	(1,105,342)
Minority interests		(649)	1,211	(1,721)	(8)
		<b>(21,786)</b>	(20,460)	<b>(38,290)</b>	(1,105,350)
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	7				
Basic & diluted (HK cents)		(0.33)	(0.33)	(0.56)	(17.28)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 June	
	2009	2008
		(Restated)
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b>(38,290)</b>	(1,105,350)
Exchange differences on translation of foreign operations	<b>1,765</b>	15,029
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>1,765</b>	15,029
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(36,525)</b>	(1,090,321)
Attributable to:		
Owners of the Company	<b>(34,822)</b>	(1,091,283)
Minority interests	<b>(1,703)</b>	962
	<b>(36,525)</b>	(1,090,321)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>16,900</b>	18,033
Goodwill		<b>34,000</b>	34,000
Other intangible assets		<b>2,636</b>	2,798
Interest in an associate		<b>20,000</b>	20,000
<hr/>			
Total non-current assets		<b>73,536</b>	74,831
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<b>CURRENT ASSETS</b>			
Inventories		<b>8,520</b>	7,169
Trade receivables	9	<b>20,952</b>	31,081
Prepayments, deposits and other receivables		<b>22,911</b>	32,430
Cash and cash equivalents		<b>137,296</b>	156,164
<hr/>			
Total current assets		<b>189,679</b>	226,844
<hr/>			
<b>CURRENT LIABILITIES</b>			
Trade payables	10	<b>5,235</b>	7,003
Other payables and accruals		<b>23,895</b>	37,366
Due to shareholders		<b>1,205</b>	1,205
Tax payable		<b>19,995</b>	20,578
Convertible bonds		<b>78,442</b>	–
<hr/>			
Total current liabilities		<b>128,772</b>	66,152
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<b>NET CURRENT ASSETS</b>		<b>60,907</b>	160,692

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
	<i>Note</i>		
<b>TOTAL ASSETS LESS</b>			
<b>CURRENT LIABILITIES</b>		<b>134,443</b>	235,523
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds		–	76,591
Net assets		<b>134,443</b>	158,932
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	11	<b>64,949</b>	64,949
Reserves		<b>58,162</b>	80,948
		<b>123,111</b>	145,897
Minority interests		<b>11,332</b>	13,035
Total equity		<b>134,443</b>	158,932

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								Minority interests (Restated) (Unaudited) HK\$'000	Total equity (Restated) (Unaudited) HK\$'000								
	Issued capital (Restated) (Unaudited) HK\$'000	Share premium account (Restated) (Unaudited) HK\$'000	Equity component of convertible bonds (Restated) (Unaudited) HK\$'000	Share option reserve (Restated) (Unaudited) HK\$'000	PRC reserve funds (Restated) (Unaudited) HK\$'000	Exchange fluctuation reserve (Restated) (Unaudited) HK\$'000	Retained profits/ losses (accumulated) (Restated) (Unaudited) HK\$'000	Total (Restated) (Unaudited) HK\$'000										
At 1 January 2008	62,339	1,128,172	25,345	23,770	19,103	11,193	6,497	1,276,419	12,802	1,289,221								
Loss for the period	-	-	-	-	-	-	(1,105,342)	(1,105,342)	(8)	(1,105,350)								
Other comprehensive income	-	-	-	-	-	14,059	-	14,059	970	15,029								
Total comprehensive income/(loss) for the period	-	-	-	-	-	14,059	(1,105,342)	(1,091,283)	962	(1,090,321)								
Transfer to PRC reserve funds	-	-	-	-	494	-	(494)	-	-	-								
Conversion of convertible bonds	2,610	48,609	(6,348)	-	-	-	-	44,871	-	44,871								
Equity-settled share option arrangements	-	-	-	22,426	-	-	-	22,426	-	22,426								
At 30 June 2008	64,949	1,176,781	18,997	46,196	19,597	25,252	(1,099,339)	252,433	13,764	266,197								
At 1 January 2009	64,949	1,176,781	10,411	42,931	22,338	24,600	(1,196,113)	145,897	13,035	158,932								
Loss for the period	-	-	-	-	-	-	(36,569)	(36,569)	(1,721)	(38,290)								
Other comprehensive income	-	-	-	-	-	1,747	-	1,747	18	1,765								
Total comprehensive income/(loss) for the period	-	-	-	-	-	1,747	(36,569)	(34,822)	(1,703)	(36,525)								
Reversal of share option expense	-	-	-	(427)	-	-	427	-	-	-								
Equity-settled share option arrangements	-	-	-	12,036	-	-	-	12,036	-	12,036								
At 30 June 2009	64,949	1,176,781	10,411	54,540	22,338	26,347	(1,232,255)	123,111	11,332	134,443								

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For six months ended 30 June	
	2009	2008
	(Unaudited)	(Restated) (Unaudited)
	HK\$'000	HK\$'000
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>(20,017)</b>	3,285
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(616)</b>	(44,223)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	-	(67,712)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(20,633)</b>	(108,650)
Cash and cash equivalents at beginning of the period	<b>156,164</b>	235,808
Effect of foreign exchange rate changes, net	<b>1,765</b>	762
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>137,296</b>	127,920
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>82,948</b>	108,622
Non-pledged time deposits with original maturity of less than three months when acquired	<b>54,348</b>	19,298
	<b>137,296</b>	127,920

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation

The unaudited condensed consolidated financial information have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The accounting policies and basis of preparation used in preparing the unaudited consolidated results are consistent with those used in the Company’s audited financial statements for the year ended 31 December 2008.

### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the six months ended 30 June 2009. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

### ***Restatement of 2008 comparative figures due to doubtful transactions of Huayuan Run Tong (Beijing) Sci-Tech Co., Ltd. (“Run Tong”)***

In the course of auditing the financial statements for the year ended 31 December 2008, the auditors of the Company identified certain unusual transactions relating to Run Tong, which is wholly owned by Full Trump International Limited (“Full Trump”), acquired by the Group in 2007. In response, the Company appointed an independent professional firm to carry out an investigation into the revenue recording system of Run Tong for the year 2008. The result of the investigation, announced by the Company before, revealed that there were: doubtful or questionable genuineness as to certain transaction records and assets in Run Tong and certain agents, suppliers and customers might be controlled by Run Tong. Taking into account the result of the investigation,

the directors considered that the certain accounts and assets in the Group in respect of Run Tong were overstated and the Company restate the following 2008 comparative figures for the period ended 30 June 2009:

- reversal of revenue for the period of HK\$69,399,000 and outstanding deferred income of HK\$2,024,000; and a corresponding elimination of outstanding trade receivables of HK\$69,815,000 and reclassification of receipts by Run Tong arising from purported sales of prepaid service cards included in revenue to other income for the period of HK\$3,572,000;
- provisions for impairment of intangible assets, prepayments and trade receivables of approximately HK\$30,748,000, HK\$9,297,000 and HK\$7,436,000 respectively; and
- provision for impairment of goodwill arising from the acquisition of Full Trump of approximately HK\$995,940,000.

## **2. Operating segment information**

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the software development and system integration segment engages in (i) the provision of software development services; (ii) the provision of system integration services; and (iii) the provision of technical support and maintenance services;
- (b) the internet, mobile and telecommunication segment engages in the provision of internet, mobile and telecommunication value-added services;
- (c) the in-house developed products segment engages in the sale and leasing of in-house developed computer hardware; and
- (d) the corporate segment comprises corporate income and expense items.



Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's loss before tax from continuing operations except that interest income, finance costs, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

The following tables present revenue and loss for the Group's operating segments for the six months ended 30 June 2009 and 2008.

### Reporting segment information

	Six months ended 30 June							
	Software development and system integration		Internet, mobile and telecommunication		In-house developed products		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	(Unaudited)	(Restated)	(Unaudited)	(Restated)	(Unaudited)	(Restated)	(Unaudited)	(Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>								
Sales to external customers	31,339	21,559	1,486	2,344	397	1,636	33,222	25,539
Other income and gains	1,062	-	3,304	3,572	-	-	4,366	3,572
	<b>32,401</b>	21,559	<b>4,790</b>	5,916	<b>397</b>	1,636	<b>37,588</b>	29,111
<b>Segment results</b>	<b>(9,418)</b>	(27,855)	<b>(8,018)</b>	(45,015)	<b>(841)</b>	(286)	<b>(18,277)</b>	(73,156)
Reconciliation:								
Interest income and unallocated gains							276	1,771
Corporate and other unallocated expenses							(18,009)	(29,648)
Impairment of goodwill							-	(995,940)
Finance costs							(1,851)	(3,825)
Loss before tax							<b>(37,861)</b>	(1,100,798)

### 3. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of services rendered during the period.

An analysis of revenue, other income and gains is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>				
Sale of in-house developed products	179	1,347	397	1,636
Provision of software development and system integration services	5,110	8,546	15,580	15,457
Provision of technical support and maintenance services	9,647	4,123	15,759	6,102
Provision of internet, mobile and telecommunication value-added services	858	1,848	1,486	2,344
	<b>15,794</b>	15,864	<b>33,222</b>	25,539
<b>Other income and gains</b>				
Bank interest income	132	970	276	1,422
PRC tax subsidies	364	–	1,062	–
Income received from sales agents	465	374	3,304	3,572
Others	–	349	–	349
	<b>961</b>	1,693	<b>4,642</b>	5,343

#### 4. Finance costs

	Three months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on				
bank overdrafts	–	52	1	100
Interest on convertible				
bonds	925	1,824	1,850	3,724
Interest expenses on				
amount due to a				
substantial shareholder	–	–	–	1
	<b>925</b>	<b>1,876</b>	<b>1,851</b>	<b>3,825</b>

#### 5. Loss before tax

Loss before tax was arrived at after charging the following:

	Three months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	1,002	717	2,024	1,427
Amortisation of				
other intangible assets	80	129	161	410

## 6. Income tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2008: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

In accordance with the relevant tax rules and regulations of the PRC, certain of the Company's PRC subsidiaries enjoy income tax exemptions and reductions. Certain PRC subsidiaries are subject to income tax rates ranging from 0% to 25%.

	Three months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current – Hong Kong	-	-	-	-
Current – PRC	-	2,809	429	4,552
Total tax charge for the period	-	2,809	429	4,552

## 7. Loss per share attributable to owners of the Company

The calculation of basic loss per share for the three months ended 30 June 2009 is based on the unaudited loss attributable to owners of the Company of approximately HK\$21,137,000 (2008: HK\$21,671,000) and the weighted average number of 6,494,906,368 (2008: 6,483,433,841) ordinary shares in issue during the period.

The calculation of basic loss per share for the six months ended 30 June 2009 is based on the unaudited loss attributable to owners of the Company of approximately HK\$36,569,000 (2008: HK\$1,105,342,000) and the weighted average number of 6,494,906,368 (2008: 6,398,106,917) ordinary shares in issue during the period.

A diluted loss per share amounts for the period ended 30 June 2009 and 2008 are the same as the basic loss per share, as the average share price of the Company for the periods ended 30 June 2009 and 2008 are lower than the exercise price of the share options outstanding during these periods and the convertible bonds outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

## 8. Interim dividend

The Board does not recommend the payment of an interim dividend for the period (2008: Nil).

## 9. Trade receivables

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>30 June 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Within 1 month	<b>6,389</b>	11,313
1 to 2 months	<b>6,074</b>	2,160
2 to 3 months	<b>2,554</b>	1,665
Over 3 months	<b>5,935</b>	15,943
	<b>20,952</b>	31,081

Generally, the Group has granted credit terms to its customers, ranging from 30 to 90 days. In certain cases, the Group would request payment in advance from the customers.

Included in the Group's trade receivables are amounts due from subsidiaries of the Company's substantial shareholder of HK\$12,355,000 (2008: HK\$6,156,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

## 10. Trade payables

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2009</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Within 1 month	<b>1,241</b>	2,425
1 to 2 months	<b>318</b>	106
2 to 3 months	<b>1,102</b>	90
Over 3 months	<b>2,574</b>	4,382
	<b>5,235</b>	7,003

The trade payables are non-interest-bearing and are normally settled within 30 to 90 days.

## 11. Issued capital

	<b>30 June 2009</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Authorised: 10,000,000,000 ordinary shares of HK\$0.01 each	<b>100,000</b>	100,000
Issued and fully paid: 6,494,906,368 (2008: 6,494,906,368) ordinary shares of HK\$0.01 each	<b>64,949</b>	64,949

A summary of the transaction during the six months ended 30 June 2009 with reference to the above movement in the issued ordinary share capital of the Company is as follows:

	<b>Number of shares in issue</b>	<b>Issued share capital HK\$'000</b>	<b>Share premium account HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2008	6,233,906,368	62,339	1,117,305	1,179,644
Issue of share upon conversion of convertible bonds	261,000,000	2,610	48,609	51,219
At 31 December 2008, 1 January 2009 and 30 June 2009	6,494,906,368	64,949	1,165,914	1,230,863

## 12. Related party transactions

### (a) *Transactions with a related party:*

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Sales to a subsidiary of the Company's substantial shareholder	<b>2,002</b>	1,459

**(b) Outstanding balances with related parties:**

	<b>30 June 2009</b>	31 December 2008
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Amount due from a subsidiary of the Company's substantial shareholder	<b>17,670</b>	11,766

The balances are unsecured, interest-free and have no fixed terms of repayment.

### **13. Contingent liabilities**

**(a) Cessation of Mingsuo business**

In June 2009, the Group ceased the corporate information enquiry services of Mingsuo business which is operated by Run Tong. The management is not able to ascertain the number of outstanding Mingsuo prepaid cards in issue, the unutilised stored values and their expiry dates. Accordingly, the management is not able to ascertain the Group's liabilities in respect of the services not yet provided for unutilised cards sold up to 31 December 2008. However, in the opinion of the directors, the possibility of the Group being claimed by the customers holding unutilised cards is low.

**(b) Violation of the PRC law**

On 25 April 2008, the PRC government imposed a new law 《政府信息公開條例》 (the "Regulation") which governs the uses of open government information since 1 May 2008. Run Tong maintained the operation of the Mingsuo Internet Platform for providing the search services on companies which were registered with the Beijing Administration for Industry and Commerce ("BAIC") after May 2008.



The management engaged an external legal counsel to make an assessment and opinion on whether the operation of the Mingsuo Internet Platform after May 2008 would violate the Regulation. According to the legal counsel, the risk for Run Tong and the Group of being sued due to violation of the Regulation is remote.

In the opinion of directors, the potential risk of being claimed against the violation of the Regulation was remote.

#### 14. Capital commitments

At 30 June 2009, the Group had the following capital commitments:

	<b>30 June 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Contracted, but not provided for purchase of information systems	<b>13,367</b>	13,348

#### 15. Approval of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved and authorized for issue by the Board on 27 May 2010.

## GENERAL INFORMATION

### Directors' service contracts

At 30 June 2009, none of the Directors had any existing or proposed service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the six months ended 30 June 2009.

### Directors' interests and short positions in shares and underlying shares

At 30 June 2009, the interests and short positions of the Directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

#### (1) Long positions in ordinary shares of the Company:

<b>Name of director</b>	<b>Number of shares held</b>	<b>Capacity and nature of interest</b>	<b>Percentage of the Company's issued share capital</b>
Mr. Wang Zhenyu	600,000,000 <i>(Note)</i>	Directly beneficially owned	9.24%
Dr. Zhou Chunsheng	600,000	Directly beneficially owned	0.01%

*Note:*

On 24 June 2008, Prime Technology Group Limited (“Prime Technology”), a wholly owned subsidiary of Beijing Development (Hong Kong) Limited (“Beijing Development”) and Mr. Wang Zhenyu had entered into a share disposal agreement. Pursuant to the Agreement (the “Disposal Agreement”), Mr. Wang Zhenyu conditionally agreed to purchase and Prime Technology conditionally agreed to sell 600,000,000 shares of the Company, representing approximately 9.24% of the entire issued share capital of the Company as at 30 September 2008. On 14 August 2008, the parties entered into the supplemental deed, the completion date was agreed to extend to 19 December 2008.

Pursuant to the Extension Deed dated 19 December 2008, the completion date was further extended to a date on or before 30 September 2009, on a condition that Mr. Wang Zhenyu will pay HK\$10,000,000 (the “Security Money”) in cash within 30 days of signing the Extension Deed.

On 25 September 2009, Prime Technology considered the Extension Deed lapsed and terminated as Mr. Wang Zhenyu was unable to pay up the Security Money and considered to take legal action against him for the breach of the Disposal Agreement.

**(2) Interest in underlying shares of the share options of the Company:**

Name of director	Nature of interest	Number of underlying shares (Note 1)	Exercise period of the share options	Exercise price per share	Approximate percentage of shareholding
<b>Executive directors</b>					
Mr. Wang Zhenyu	Beneficial owner	35,000,000 (L)	13 March 2008 to 12 September 2012	HK\$0.79	0.54% (Note 2)
Dr. Yu Xiaoyang	Beneficial owner	32,400,000 (L)	13 March 2008 to 12 September 2012	HK\$0.79	0.50% (Note 2)
Mr. Zhang Zhihong	Beneficial owner	32,400,000 (L)	13 March 2008 to 12 September 2012	HK\$0.79	0.50% (Note 2)
Mr. Zhang Honghai	Beneficial owner	20,000,000 (L)	11 August 2008 to 10 February 2013	HK\$0.53	0.31% (Note 2)
<b>Independent non-executive directors</b>					
Ms. Ma Yuhua	Beneficial owner	4,000,000 (L)	13 March 2008 to 12 September 2012	HK\$0.79	0.06% (Note 2)
Ms. Liang Yeping	Beneficial owner	4,000,000 (L)	13 March 2008 to 12 September 2012	HK\$0.79	0.06% (Note 2)
Dr. Zhou Chunsheng	Beneficial owner	4,000,000 (L)	13 March 2008 to 12 September 2012	HK\$0.79	0.06% (Note 2)

*Notes:*

1. The letter "L" denotes a long position in the underlying shares.
2. This percentage was calculated on the basis of 6,494,906,368 shares in issue immediately following the exercise in full of all the options granted under the share option scheme at the same time and assuming that there would be no change in the total issued share capital of the Company other than as enlarged by the exercise of these options prior to the exercise in full of these options.

Save as disclosed above, as at 30 June 2009, none of the directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## Directors' rights to acquire shares or debentures

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above and in the section "Share option scheme" below, at no time during the six months ended 30 June 2009 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## Substantial shareholders' and other person's interests in shares and underlying shares

At 30 June 2009, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions in ordinary shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of share options held	Number of convertible bonds held
Beijing Development (Hong Kong) Limited	(a)	Through controlled corporations	1,895,513,445	29.18%	-	-
Beijing Enterprises Holdings Limited	(b)	Through controlled corporations	1,895,513,445	29.18%	-	-
Beijing Enterprises Group Company Limited	(c)	Through controlled corporations	1,895,513,445	29.18%	-	-
Carford Holdings Limited		Directly beneficially owned	560,000,000	8.62%	-	87,000,000
Getwin Investment Limited		Directly beneficially owned	560,000,000	8.62%	-	87,000,000
Mr. Xia Xiaoman	(f)	Through controlled corporations	1,120,000,000	17.24%	-	174,000,000
Mr. Wang Zhenyu	(d)	Directly beneficially owned	600,000,000	9.24%	35,000,000	-
Ms. Zhao Hongxia	(e)	Interest of spouse owned	600,000,000	9.24%	-	-
Perfect Unit Limited		Directly beneficially owned	-	-	-	607,133,750

*Notes:*

- (a) Beijing Development (Hong Kong) Limited was deemed to be interested in the 1,895,513,445 shares by virtue of its controlling interests in its wholly owned subsidiaries, Prime Technology Group Limited and E-tron Limited.
- (b) Beijing Enterprises Holdings Limited was deemed to be interested in the 1,895,513,445 shares by virtue of its controlling interests in Beijing Development (Hong Kong) Limited.
- (c) Beijing Enterprises Group Company Limited was deemed to be interested in the 1,895,513,445 shares by virtue of its controlling interests in Beijing Enterprises Investments Limited and Beijing Enterprises Holdings Limited.
- (d) The details of the interest of Mr. Wang Zhenyu is disclosed in the section "Directors' interests and short positions in shares and underlying shares" above.
- (e) Under Part XV of the SFO, Ms. Zhao Hongxia, the spouse of Mr. Wang Zhenyu, was deemed to be interested in the same parcel of 600,000,000 shares held by Mr. Wang.
- (f) Mr. Xia Xiaoman was deemed to be interested in the 1,120,000,000 shares by virtue of his controlling interests in Carford Holdings Limited and Getwin Investment Limited.

Save as disclosed above, as at 30 June 2009, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## Share option scheme

The following share options were outstanding under the Share Option Scheme during the six months ended 30 June 2009:

Name or category of participant	Notes	Number of Share Options		
		At 1 January 2009	Forfeited during the period	At 30 June 2009
<b>Executive directors:</b>				
Mr. Wang Zhenyu	(a)	35,000,000	–	35,000,000
Dr. Yu Xiaoyang	(a)	32,400,000	–	32,400,000
Mr. Zhang Zhihong	(a)	32,400,000	–	32,400,000
Mr. Zhang Honghai	(b)	20,000,000	–	20,000,000
<b>Independent non-executive directors:</b>				
Ms. Ma Yuhua	(a)	4,000,000	–	4,000,000
Ms. Liang Yeping	(a)	4,000,000	–	4,000,000
Dr. Zhou Chunsheng	(a)	4,000,000	–	4,000,000
<b>Other employees</b>	(a)	48,000,000	(1,750,000)	46,250,000
<b>Advisers and consultants</b>	(a)	4,000,000	–	4,000,000
		183,800,000	(1,750,000)	182,050,000

### Notes:

- These options were granted on 13 September 2007 at an exercise price of HK\$0.79\* per share. The options may be exercised at any time commencing on 13 March 2008 and, if not otherwise exercised, will lapse on 12 September 2012. The exercise of the option is subject to an annual cap of 25% of the share options granted. Subject to the approval of the Share Option Committee and the Remuneration Committee, executive directors and independent non-executive directors are entitled to exercise all the share options within three months from the date of termination of their employment.

b. These options were granted on 11 February 2008 at an exercise price of HK\$0.53\* per share. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK\$0.52. The options may be exercised at any time commencing on 11 August 2008 and, if not otherwise exercised, will lapse on 10 February 2013. The exercise of the options is subject to an annual cap of 25% of share options granted.

\* The exercise price of these share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

### **Purchase, sale or redemption of the Company's listed securities**

During the six months ended 30 June 2009, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of Company's listed securities.

### **Competing Interests**

During the period under review, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.



# **CORPORATE GOVERNANCE**

## **Corporate governance practices**

During the six months ended 30 June 2009, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

## **Non-executive directors**

The Board fulfilled the minimum requirement of appointing at least three independent non-executive directors as required by the GEM Listing Rules. It met the requirement of having at least one of the independent non-executive directors with appropriate professional qualifications or accounting or related financial management expertise. They have appropriate and sufficient experience and qualification to carry out their duties so as to fully represent the interests of the shareholders. None of the non-executive directors is appointed for a specific term, which constitutes a deviation from Code Provision A4.1 which stipulates non-executive directors should be appointed for a specific term, subject to re-election.

In accordance with the articles of association of the Company, all non-executive directors are subject to retirement by rotation. The Company considers that there are sufficient measures to ensure the corporate governance standard of the Company is not less exacting than the Code.

## **Code of conduct regarding securities transactions by directors**

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the directors during the six months ended 30 June 2009.

## **Audit committee**

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules.

The primary duties of the audit committee include supervising the financial reporting procedure and reviewing the financial statements of the Group, examining and monitoring the internal control system adopted by the Group and reviewing the relevant work of the Group's external auditor.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2009 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards. The audit committee comprises four members, including Ms. Ma Yuhua, Ms. Liang Yeping, Dr. Zhou Chunsheng and Dr. Sun Guofu. All of them are independent non-executive directors. The chairman of the audit committee is Ms. Ma Yuhua.

## **Remuneration committee**

The remuneration committee of the Group was established in accordance with the Code Provisions. During the period under review, members of the remuneration committee are Ms. Ma Yuhua (committee chairman), Mr. Zhang Honghai, Ms. Liang Yeping and Dr. Zhou Chunsheng. The majority of the remuneration committee members are independent non-executive directors.

The main role and function included the determination of specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board on the remuneration of non-executive directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

The remuneration committee meets regularly to determine the policy for the remuneration of directors and assess the performance of executive directors and certain senior management of the Company.

## **Internal control**

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board will conduct regular review regarding internal control system of the Group.

By Order of the Board

**China Information Technology Development Limited**

**Hu Zhuoer**

*Executive Director and Chief Executive Officer*

Hong Kong  
27 May 2010

As at the date of this report, the Board comprises Mr. Zhang Honghai (Chairman) as non-executive director, Mr. Hu Zhuoer (Chief Executive Officer) and Dr. Yu Xiaoyang as executive directors; and Ms. Ma Yuhua, Ms. Liang Yeping, Dr. Zhou Chunsheng and Dr. Sun Guofu as Independent non-executive directors.