



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)

INTERIM REPORT

2010



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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. Tse Chi Wai

### **COMPLIANCE OFFICER**

Dr. Yu Xiaoyang

### **AUTHORISED REPRESENTATIVES**

Mr. Hu Zhuoer  
Mr. Tse Chi Wai

### **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

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### **REGISTERED OFFICE**

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

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### **GEM STOCK CODE**

8178

### **WEB-SITE ADDRESS**

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## SUMMARY

- Turnover for the six months ended 30 June 2010 was HK\$44,984,000, representing an increase of 35.4% from corresponding period in last year (2009: HK\$33,222,000).
- Loss attributable to owners of the Company for the six months ended 30 June 2010 amounted to HK\$3,450,000 (2009: loss of HK\$36,569,000).
- Loss per share attributable to owners of the Company for the six months ended 30 June 2010 was HK0.05 cents.
- The Board does not recommend the payment of an interim dividend for the period 30 June 2010 (2009: 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.

## Employees

The total number of full-time employees hired by the Group maintained at 506 employees (30 June 2009: 583 employees). Excluding the expenses on share options, the total expenses on employee benefits amounted to HK\$15,850,000 (six months ended 2009: HK\$20,057,000). The management believes the salaries offered by the Group to its employees are competitive.

## 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 2010, the Company and its subsidiaries (collectively the "Group") recorded revenue of HK\$44,984,000, an increase of 35.4% from HK\$33,222,000 in the corresponding period last year. The Group had a total cost of sales and services of HK\$25,353,000 for the first half of year 2010, an increase of 25.8% compared with HK\$20,154,000 in the same period of year 2009. The gross profit of the Group for the first half of year 2010 was HK\$19,631,000, representing an increase of HK\$6,563,000 compared with HK\$13,068,000 in corresponding period last year. The gross profit margin was increased to 43.6% in first half of year 2010 from 39.3% in corresponding period last year. It is mainly attributable to the increase in sale of software development projects during the first half of year 2010 which bore a higher gross margin.

During the financial period ended 30 June 2010, the Group generated other income which comprised: (i) bank interest income amounted to HK\$489,000; (ii) PRC tax subsidies amounted to HK\$844,000; (iii) reversal of imputed interest on convertible bonds amounted to HK\$8,443,000 and (iv) others amounted to HK\$3,634,000.

The Group's selling and distribution costs for the first half of year 2010 was HK\$8,202,000, a decrease of 11.9% compared with HK\$9,314,000 in the corresponding period in 2009. The decrease was mainly due to the restructuring of sales team staffing.

Administrative expenses for the period were HK\$26,904,000, a decrease of 39.4% as compared to HK\$44,406,000 for the corresponding period last year. The decrease was mainly due to redundancy of staff and provisions for impairment booked in year 2009.

Finance costs of the Group for the first half of year 2010 were HK\$7,000, which had been decreased by 99.6% comparing to HK\$1,851,000 in same period of year 2009. It was mainly due to that imputed interest on convertible bonds was no longer needed in 2010.

The Group's loss attributable to owners of the Company was HK\$3,450,000 for the period ended 30 June 2010.

## **Financial position**

As at 30 June 2010, the Group had cash and cash equivalents of HK\$118,492,000 (31 December 2009: HK\$131,197,000) and had outstanding promissory notes amounted to HK\$82,260,000 (31 December 2009: convertible bonds HK\$80,292,000).

The gearing ratio (defined as total borrowings over total equity) of the Group as at 30 June 2010 was approximately 0.75 (31 December 2009: 0.67).

As the Group carried out a major portion of 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 2010, the Group incurred capital expenditure of HK\$1,148,000. As at 30 June 2010, the Group do not have any capital commitments.

The board of Directors of the Company announces the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2010, together with the unaudited comparative figures for the corresponding period of year 2009, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue	3	20,508	15,794	44,984	33,222
Cost of sales and services		(9,248)	(10,813)	(25,353)	(20,154)
Gross profit		11,260	4,981	19,631	13,068
Other income and gains	3	10,003	961	13,410	4,642
Selling and distribution costs		(3,701)	(5,007)	(8,202)	(9,314)
Administrative expenses		(12,883)	(21,796)	(26,904)	(44,406)
Finance costs	4	–	(925)	(7)	(1,851)
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>4,679</b>	(21,786)	<b>(2,072)</b>	(37,861)
Income tax expense	6	(707)	–	(1,012)	(429)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>3,972</b>	(21,786)	<b>(3,084)</b>	(38,290)
<b>ATTRIBUTABLE TO:</b>					
Owners of the Company		3,884	(21,137)	(3,450)	(36,569)
Non-controlling interests		88	(649)	366	(1,721)
		<b>3,972</b>	(21,786)	<b>(3,084)</b>	(38,290)
<b>PROFIT/(LOSS) PER SHARE</b>					
<b>ATTRIBUTABLE TO OWNERS</b>					
<b>OF THE COMPANY</b>					
Basic & diluted (HK cents)	7	0.06	(0.33)	(0.05)	(0.56)



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>3,972</b>	(21,786)	<b>(3,084)</b>	(38,290)
Exchange differences on translation of foreign operations	<b>822</b>	50	<b>(2,052)</b>	1,765
<b>OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>822</b>	50	<b>(2,052)</b>	1,765
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>4,794</b>	(21,736)	<b>(5,136)</b>	(36,525)
Attributable to:				
Owners of the Company	<b>4,594</b>	(21,571)	<b>(5,348)</b>	(34,822)
Non-controlling interests	<b>200</b>	(165)	<b>212</b>	(1,703)
	<b>4,794</b>	(21,736)	<b>(5,136)</b>	(36,525)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		13,406	15,055
Goodwill		34,000	34,000
Other intangible assets		2,313	2,475
Interest in an associate		20,000	20,000
<b>Total non-current assets</b>		<b>69,719</b>	71,530
<b>CURRENT ASSETS</b>			
Inventories		10,671	18,142
Trade receivables	9	22,527	33,510
Prepayments, deposits and other receivables		15,936	15,666
Cash and cash equivalents		118,492	131,197
<b>Total current assets</b>		<b>167,626</b>	198,515
<b>CURRENT LIABILITIES</b>			
Trade payables	10	3,437	5,568
Other payables and accruals		19,288	41,622
Due to shareholders		1,196	1,196
Tax payable		22,147	21,978
Promissory Notes	11	82,260	–
Convertible bonds		–	80,292
<b>Total current liabilities</b>		<b>128,328</b>	150,656
<b>NET CURRENT ASSETS</b>		<b>39,298</b>	47,859
<b>Net assets</b>		<b>109,017</b>	119,389
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	12	64,949	64,949
Reserves		29,630	40,214
		<b>94,579</b>	105,163
Non-controlling interests		14,438	14,226
<b>Total equity</b>		<b>109,017</b>	119,389

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Equity		Share option reserve	PRC reserve funds	Exchange fluctuation reserve	Retained profits/ losses	Total	Non-controlling interests	Total equity	
	Issued capital	Share premium								component of convertible bonds
	(Unaudited)	(Unaudited)								(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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
At 1 January 2010	64,949	1,176,781	10,411	48,110	22,338	25,135	(1,242,561)	105,163	14,226	119,389
Loss for the period	-	-	-	-	-	-	(3,450)	(3,450)	366	(3,084)
Other comprehensive loss	-	-	-	-	-	(1,898)	-	(1,898)	(154)	(2,052)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(1,898)	(3,450)	(5,348)	212	(5,136)
Transfer to PRC reserve funds	-	-	-	-	1,068	-	(1,068)	-	-	-
Extinguishment of convertible bonds	-	-	(10,411)	-	-	-	-	(10,411)	-	(10,411)
Reversal of share option expense	-	-	-	(1,738)	-	-	1,738	-	-	-
Equity-settled share option arrangements	-	-	-	5,175	-	-	-	5,175	-	5,175
At 30 June 2010	64,949	1,176,781	-	51,547	23,406	23,237	(1,245,341)	94,579	14,438	109,017

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For six months ended	
	30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(10,792)</b>	(20,017)
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>238</b>	(616)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(10,554)</b>	(20,633)
Cash and cash equivalents at beginning of the period	<b>131,197</b>	156,164
Effect of foreign exchange rate changes, net	<b>(2,151)</b>	1,765
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>118,492</b>	137,296
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>91,927</b>	82,948
Non-pledged time deposits with original maturity of less than three months when acquired	<b>26,565</b>	54,348
	<b>118,492</b>	137,296

# NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION

## 1. Accounting policies

The unaudited condensed consolidated financial information is prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

The unaudited consolidated results for the six months ended 30 June 2010 have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

The accounting policies and basis of preparation adopted in preparing the interim financial information are consistent with those used in the Company’s annual financial statements for the year ended 31 December 2009, except in relation to the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) that affect China Information Technology Development Limited and its subsidiaries and are adopted for the first time for the current period’s financial information.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments) HKAS 27 (Revised)	Improvements to HKFRSs 2009 Consolidated and Separate Financial Statements
HKAS 39 (Amendment) HKFRS 1 (Amendments)	Eligible Hedged Items Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised) HK(IFRIC)-Int 17	Business Combinations Distributions of Non-cash Assets to Owners
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial information of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial information of the Group for the current or prior accounting periods.

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might not affect the classification and measurement of the Group's financial assets.

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

## **2. Operating segment information**

The Group has adopted HKFRS 8, Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, i.e. the Company's Executive Directors, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard, HKAS 14, "Segment Reporting", required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The adoption of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared to the primary reportable segments determined under HKAS 14, nor has the adoption of HKFRS 8 resulted in a change of the basis of measurement of segment revenue and results.

Summary details of the Group's reportable operating segments are 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.

The following tables present revenue and loss for the Group's operating segments for the six months ended 30 June 2010 and 2009.

### Reporting segment information

	Six months ended 30 June							
	Software development and system integration		Internet, mobile and telecommunication		In-house developed products		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000		HK\$'000		HK\$'000		HK\$'000		
<b>Segment revenue:</b>								
Sales to external customers	43,093	31,339	1,821	1,486	70	397	44,984	33,222
Intersegment sales	10,431	-	-	-	-	-	10,431	-
Other income and gains	844	1,062	-	3,304	-	-	844	4,366
	<b>54,368</b>	<b>32,401</b>	<b>1,821</b>	<b>4,790</b>	<b>70</b>	<b>397</b>	<b>56,259</b>	<b>37,588</b>
<b>Reconciliation:</b>								
Elimination of intersegment sales							(10,431)	-
Revenue							<b>45,828</b>	<b>37,588</b>
<b>Segment results</b>	<b>(5,609)</b>	<b>(9,418)</b>	<b>(8,236)</b>	<b>(8,018)</b>	<b>(754)</b>	<b>(841)</b>	<b>(14,599)</b>	<b>(18,277)</b>
<b>Reconciliation:</b>								
Elimination of intersegment results							10,431	-
Interest income and unallocated gains							12,566	276
Corporate and other unallocated expenses							(10,463)	(18,009)
Finance costs							(7)	(1,851)
Loss before tax							<b>(2,072)</b>	<b>(37,861)</b>



### 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	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>				
Sale of in-house developed products	30	179	70	397
Provision of software development and system integration services	5,772	5,110	19,992	15,580
Provision of technical support and maintenance services	13,780	9,647	23,101	15,759
Provision of internet, mobile and telecommunication value-added services	926	858	1,821	1,486
	<b>20,508</b>	15,794	<b>44,984</b>	33,222
<b>Other income and gains</b>				
Bank interest income	443	132	489	276
PRC tax subsidies	22	364	844	1,062
Reversal of imputed interest on convertible bonds	9,368	–	8,443	–
Others	170	465	3,634	3,304
	<b>10,003</b>	961	<b>13,410</b>	4,642

#### 4. Finance costs

	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank overdrafts	-	-	-	1
Imputed interest on convertible bonds	-	925	-	1,850
Other interest expenses	-	-	7	-
	-	925	7	1,851

#### 5. Profit/(Loss) before tax

Profit/(loss) before tax was arrived at after charging the following:

	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	991	1,002	1,974	2,024
Amortisation of other intangible assets	80	80	161	161

## 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 (six months ended 30 June 2009: 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	2009	30 June	2009
	2010	(Unaudited)	2010	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current – Hong Kong	-	-	-	-
Current – PRC	707	-	1,012	429
Total tax charge for the period	707	-	1,012	429

## 7. Profit/(Loss) per share attributable to owners of the Company

The calculation of basic profit per share for the three months ended 30 June 2010 is based on the unaudited loss attributable to owners of the Company of approximately HK\$3,884,000 (2009: loss of HK\$21,137,000) and the weighted average number of 6,494,906,368 (2009: 6,494,906,368) ordinary shares in issue during the period.

The calculation of basic loss per share for the six months ended 30 June 2010 is based on the unaudited loss attributable to owners of the Company of approximately HK\$3,450,000 (2009: HK\$36,569,000) and the weighted average number of 6,494,906,368 (2009: 6,494,906,368) ordinary shares in issue during the period.

A diluted loss per share amounts for the period ended 30 June 2010 and 2009 are the same as the basic loss per share, as the average share price of the Company for the periods ended 30 June 2010 and 2009 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 (six months ended 30 June 2009: 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 2010</b>	31 December 2009
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Within 1 month	<b>14,897</b>	22,223
1 to 2 months	<b>1,206</b>	955
2 to 3 months	<b>584</b>	2,311
Over 3 months	<b>5,840</b>	8,021
	<b>22,527</b>	33,510

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\$6,521,000 (2009: HK\$11,465,000), 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 2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Within 1 month	<b>18</b>	2,182
1 to 2 months	<b>23</b>	167
2 to 3 months	–	39
Over 3 months	<b>3,396</b>	3,180
	<b>3,437</b>	5,568

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

## 11. Promissory notes

Upon the expiry of the convertible bonds on 28 May 2010, all the outstanding convertible bonds with a total outstanding value of approximately HKD82,260,000 were replaced by promissory notes for the same amounts. Those promissory notes will expire on 28 May 2011 and bear zero interest.

## 12. Issued capital

	<b>30 June 2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Authorized:		
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 (2009: 6,494,906,368) ordinary shares of HK\$0.01 each	<b>64,949</b>	64,949

### 13. Related party transactions

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

	Six months ended	
	30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales to a subsidiary of the Company's substantial shareholder	1,772	2,002

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

	30 June	31 December
	2010	2009
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Amount due from a subsidiary of the Company's substantial shareholder	11,180	16,271

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

### 14. 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.

**15. Capital commitments**

At 30 June 2010, the Group had the following capital commitments:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Contracted, but not provided for purchase of information systems	–	540

**16. Approval of the condensed consolidated interim financial information**

These condensed consolidated interim financial information were approved and authorized for issue by the Board on 12 August 2010.

## GENERAL INFORMATION

### Directors' service contracts

At 30 June 2010, 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 2010.

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

At 30 June 2010, 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:

Name of director	Number of shares held	Capacity and nature of interest	Percentage of the Company's issued share capital
Dr. Zhou Chunsheng	600,000	Directly beneficially owned	0.01%



**(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 director</b>					
Dr. Yu Xiaoyang	Beneficial owner	32,400,000 (L)	13 March 2008 to 12 September 2012	HK\$0.79	0.50% (Note 2)
<b>Non-executive director</b>					
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:*

- The letter "L" denotes a long position in the underlying shares.
- 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 2010, 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 2010 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 persons' interests in shares and underlying shares

At 30 June 2010, 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:*

<b>Name</b>	<b>Notes</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
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%
Getwin Investment Limited		Directly beneficially owned	560,000,000	8.62%
Mr. Xia Xiaoman	(d)	Through controlled corporations	1,120,000,000	17.24%

*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) 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 2010, 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 2010:

Name or category of participant	Notes	Number of Share Options		
		At 1 January 2010	Forfeited during the period	At 30 June 2010
<b>Executive director:</b>				
Dr. Yu Xiaoyang	(a)	32,400,000	–	32,400,000
<b>Non-Executive director:</b>				
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)	70,475,000	(16,050,000)	54,425,000
<b>Advisers and consultants</b>	(a)	4,000,000	–	4,000,000
		138,875,000	(16,050,000)	122,825,000

*Notes:*

- a. 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 2010, 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 2010, 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 2010.

## **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 information 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 information for the six months ended 30 June 2010 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

12 August 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 director; and Ms. Ma Yuhua, Ms. Liang Yeping, Dr. Zhou Chunsheng and Dr. Sun Guofu as independent non-executive directors.*