



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 *2011*

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This report, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This report will be available on the Company’s website <http://www.chinainfotech.com.hk> and will remain on the “Latest Company Report” page on the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting.*

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## **CORPORATE INFORMATION**

### **EXECUTIVE DIRECTORS**

Mr. Hu Zhuoer (*Chief Executive Officer*)  
Dr. Yu Xiaoyang

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

Ms. Ma Yuhua  
Ms. Liang Yeping  
(*resigned on 13 May 2011*)  
Dr. Zhou Chunsheng  
(*resigned on 9 June 2011*)  
Dr. Sun Guofu  
Mr. Ng Kwok Fai  
(*appointed on 13 May 2011*)

### **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  
(*resigned on 13 May 2011*)  
Dr. Zhou Chunsheng  
(*resigned on 9 June 2011*)  
Dr. Sun Guofu  
Mr. Ng Kwok Fai  
(*appointed on 13 May 2011*)

### **AUDIT COMMITTEE**

Ms. Ma Yuhua (*Chairman*)  
Ms. Liang Yeping  
(*resigned on 13 May 2011*)  
Dr. Zhou Chunsheng  
(*resigned on 9 June 2011*)  
Dr. Sun Guofu  
Mr. Ng Kwok Fai  
(*appointed on 13 May 2011*)

### **AUDITORS**

Ernst & Young

### **LEGAL ADVISORS**

Conyers Dill & Pearman

### **PRINCIPAL BANKER**

The Hongkong and Shanghai Banking  
Corporation Limited

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

Suite no. 5A, 9/F  
Sino Plaza  
255-257 Gloucester Road  
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 from continuing operations for the six months ended 30 June 2011 was HK\$34,249,000, representing a decrease of 15.4% from corresponding period in last year (2010: HK\$40,497,000).
- Loss attributable to shareholders of the Company from continuing operations for the six months ended 30 June 2011 amounted to HK\$5,776,000 (2010: profit of HK\$5,871,000).
- Loss per share attributable to shareholders of the Company from continuing operations for the six months ended 30 June 2011 was HK0.09 cents (2010: profit of HK0.09 cents).
- The Board does not recommend the payment of an interim dividend for the period ended 30 June 2011 (2010: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

In order to speed up the completion of resumption of share trading application, the Group continued to strengthen its internal control and accounting and financial reporting systems and has also streamlined its operations. The Group first submitted a resumption of share trading proposal to the Stock Exchange in August 2010 and is now processing replies to the related queries from the Stock Exchange.

The board of directors is looking forward to a successful resumption of trading of the Company's shares on GEM when the Company has fulfilled the relevant regulatory requirements.

On 30 June 2011, Proud Stars Limited ("Proud Stars"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Ka Yip International Investment Limited ("Ka Yip" and an independent third party), pursuant to which Proud Stars agreed to dispose, and Ka Yip agreed to acquire the entire issued share capital of Full Trump International Limited ("Full Trump") at the aggregate consideration of RMB100,000 (approximately HK\$119,000) plus the consolidated net operating profit of Full Trump for the period from 31 December 2010 to the date of completion, if any.

### Business prospects

Software development, system integration, technical support and maintenance services still remain as the key stable income streams for the Group.

### Employees

The total number of full-time employees hired by the Group maintained at 534 as of 30 June 2011. (2010: 506 employees). Excluding the expenses on share options, the total expenses on employee benefits amounted to HK\$19,541,000 for the six months ended 30 June 2011 (2010: HK\$18,595,000). The management believes the salaries offered by the Group to its employees are competitive.

## Financial review

The Group has taken initiative to streamline its existing business and is in the process to dispose its interests in Full Trump International Limited and its subsidiaries so as to focus its financial resources in the remaining core business of the Group. The expected disposal proceed is HK\$119,000 and the expected gain on disposal is HK\$20 million. The followings are the financial review focus on continuing operations.

The board of directors (the “Board”) of China Information Technology Development Limited (the “Company”) announces that, for the six months ended 30 June 2011, the Company and its subsidiaries (collectively the “Group”) recorded revenue of HK\$34,249,000, a decrease of 15.4% from HK\$40,497,000 in the corresponding period last year from continuing operations. The decrease in revenue as compared to the same period of the year 2010 was mainly due to the fact that there was a relatively huge phase of a multi-year project executed in the first half of year 2010 which was not recurring in the first half of year 2011. The Group had a total cost of sales and services from continuing operations of HK\$18,712,000 for the first half of year 2011, a decrease of 13.8% compared with HK\$21,714,000 in the same period of year 2010. The gross profit of the Group for the first half of year 2011 was HK\$15,537,000, representing a decrease of HK\$3,246,000 compared with HK\$18,783,000 in corresponding period last year. The gross profit margin was decreased to 45.4% in first half of year 2011 from 46.4% in corresponding period last year. The reason for decrease of gross profit margin is mainly attributable to the decrease in sale of software development projects during the first half of year 2011, which bore a higher gross margin.

During the financial period ended 30 June 2011, the Group generated other income of HK\$3,151,000 which comprised: (i) bank interest income amounted to HK\$988,000; (ii) gain on deemed partial disposal of a subsidiary amounted to HK\$1,871,000; and (iii) government grants amounted to HK\$292,000.

The Group’s selling and distribution costs for the first half of year 2011 was HK\$6,288,000, an increase of 2.0% compared with HK\$6,163,000 in the corresponding period in 2010. The increase in selling and distribution costs remained stable.

Administrative expenses for the period were HK\$16,618,000, a decrease of 10.4% as compared to HK\$18,556,000 for the corresponding period last year. The decrease was mainly due to implementation of certain effective enforcement of cost control measures during the period.

Finance costs of the Group for the first half of year 2011 were HK\$1,329,000, an increase of HK\$1,322,000 comparing to HK\$7,000 in same period of year 2010. All the finance costs were attributed to the imputed interest on promissory notes during the period. The increase was mainly due to that no imputed interest on zero interest promissory notes was incurred in the same period of year 2010.

The Group’s loss attributable to shareholders of the Company was HK\$5,776,000 for the period ended 30 June 2011.

## **Financial position**

As at 30 June 2011, the Group had cash and cash equivalents from continuing operations of HK\$109,810,000 (31 December 2010: HK\$134,826,000) and had outstanding promissory notes amounted to HK\$79,755,000 (31 December 2010: HK\$78,425,000).

The gearing ratio (defined as total borrowings over total equity) of the Group (excluding the discontinued operations) as at 30 June 2011 was approximately 0.76 (31 December 2010: 0.69).

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 2011, the Group incurred capital expenditure of HK\$464,000. As at 30 June 2011, 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 2011, together with the unaudited comparative figures for the corresponding period of year 2010, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended		Six months ended	
		30 June		30 June	
		2011	2010	2011	2010
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>CONTINUING OPERATIONS</b>					
Revenue	3	<b>19,344</b>	17,576	<b>34,249</b>	40,497
Cost of sales and services		<b>(8,700)</b>	(7,077)	<b>(18,712)</b>	(21,714)
Gross profit		<b>10,644</b>	10,499	<b>15,537</b>	18,783
Other income and gains, net	3	<b>2,493</b>	8,943	<b>3,151</b>	13,242
Selling and distribution costs		<b>(2,842)</b>	(2,615)	<b>(6,288)</b>	(6,163)
Administrative expenses		<b>(7,660)</b>	(9,053)	<b>(16,618)</b>	(18,556)
Other expenses		<b>(979)</b>	–	<b>(979)</b>	–
Finance costs	4	<b>(671)</b>	925	<b>(1,329)</b>	(7)
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>985</b>	8,699	<b>(6,526)</b>	7,299
Income tax	6	<b>(1,236)</b>	(707)	<b>(1,443)</b>	(1,012)
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>(251)</b>	7,992	<b>(7,969)</b>	6,287
<b>DISCONTINUED OPERATIONS</b>					
Loss for the period from discontinuing operation	8(a)	<b>(3,659)</b>	(4,020)	<b>(6,606)</b>	(9,371)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(3,910)</b>	3,972	<b>(14,575)</b>	(3,084)



	Three months ended		Six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ATTRIBUTABLE TO:</b>				
Shareholders of the Company				
– from continuing operations	<b>916</b>	7,879	<b>(5,776)</b>	5,871
– from discontinued operations	<b>(3,401)</b>	(3,995)	<b>(6,126)</b>	(9,321)
	<b>(2,485)</b>	3,884	<b>(11,902)</b>	(3,450)
Non-controlling interests				
– from continuing operations	<b>(1,167)</b>	113	<b>(2,193)</b>	416
– from discontinued operations	<b>(258)</b>	(25)	<b>(480)</b>	(50)
	<b>(1,425)</b>	88	<b>(2,673)</b>	366
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>(3,910)</b>	3,972	<b>(14,575)</b>	(3,084)

#### PROFIT/(LOSS) PER SHARE

ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY					
Basic & diluted (HK cents)	7	<b>(0.04)</b>	0.06	<b>(0.18)</b>	(0.05)
– from continuing operations		<b>0.01</b>	0.12	<b>(0.09)</b>	0.09
– from discontinued operations		<b>(0.05)</b>	(0.06)	<b>(0.09)</b>	(0.14)
		<b>(0.04)</b>	0.06	<b>(0.18)</b>	(0.05)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended		Six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>(3,910)</b>	3,972	<b>(14,575)</b>	(3,084)
<b>OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF TAX OF NIL</b>				
- Exchange differences on translation of foreign operations	<b>3,616</b>	822	<b>5,132</b>	(2,052)
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>(294)</b>	4,794	<b>(9,443)</b>	(5,136)
Attributable to:				
Shareholders of the Company	<b>(261)</b>	4,594	<b>(8,344)</b>	(5,348)
Non-controlling interests	<b>(33)</b>	200	<b>(1,099)</b>	212
	<b>(294)</b>	4,794	<b>(9,443)</b>	(5,136)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Equipment		<b>7,757</b>	13,624
Goodwill		<b>34,000</b>	34,000
Other intangible assets		<b>995</b>	1,076
<b>Total non-current assets</b>		<b>42,752</b>	48,700
<b>CURRENT ASSETS</b>			
Inventories		<b>2,390</b>	1,295
Amount due from contract customers		<b>33,994</b>	33,700
Trade receivables	<i>10</i>	<b>8,067</b>	10,538
Prepayments, deposits and other receivables		<b>26,881</b>	21,444
Cash and bank balances		<b>109,810</b>	134,826
<b>Total current assets</b>		<b>181,142</b>	201,803
Investments in an associate held for sale		–	20,000
Assets of disposal group held for sale	<i>8(b)</i>	<b>19,844</b>	–
<b>Total current assets</b>		<b>200,986</b>	221,803
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>11</i>	<b>4,432</b>	5,937
Amount due to contract customers		<b>518</b>	19,276
Other payables and accruals		<b>4,870</b>	28,023
Tax payable		<b>3,889</b>	23,196
<b>Total current liabilities</b>		<b>13,709</b>	76,432
Liabilities directly associated with assets held for sale	<i>8(c)</i>	<b>43,085</b>	–
<b>Total current liabilities</b>		<b>56,794</b>	76,432
<b>NET CURRENT ASSETS</b>		<b>144,192</b>	145,371

	<i>Notes</i>	<b>30 June 2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2010 (Audited) HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>186,944</b>	194,071
<b>NON-CURRENT LIABILITIES</b>			
Promissory notes		<b>79,755</b>	78,425
Deferred tax liability		<b>1,828</b>	1,828
Total non-current liabilities		<b>81,583</b>	80,253
Net assets		<b>105,361</b>	113,818
<b>EQUITY</b>			
Equity attributable to shareholders of the Company			
Issued capital	12	<b>64,949</b>	64,949
Reserves		<b>24,008</b>	31,366
		<b>88,957</b>	96,315
Non-controlling interests		<b>16,404</b>	17,503
Total equity		<b>105,361</b>	113,818

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to shareholders of the Company

	Share			Convertible		Exchange	PRC		Non-		Total equity
	Issued capital	premium account	Share option reserve	Capital reserve	bonds equity reserve	fluctuation reserve	reserve funds	Accumulated losses	Total	controlling interests	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	
At 1 January 2010	64,949	1,176,781	48,110	-	10,411	25,135	22,338	(1,242,561)	105,163	14,226	119,389
(Loss)/profit for the period	-	-	-	-	-	-	-	(3,450)	(3,450)	366	(3,084)
Other comprehensive loss											
- Exchange differences on translation of foreign operations	-	-	-	-	-	(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)	-	-	-
Cancellation of convertible bonds	-	-	-	-	(10,411)	-	-	-	(10,411)	-	(10,411)
Transfer of share option reserve upon the forfeiture of share options	-	-	(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	-	-	23,237	23,406	(1,245,341)	94,579	14,438	109,017
At 1 January 2011	64,949	1,176,781	44,697	8,329	-	29,267	25,678	(1,253,386)	96,315	17,503	113,818
Loss for the period	-	-	-	-	-	-	-	(11,902)	(11,902)	(2,673)	(14,575)
Other comprehensive profit											
- Exchange differences on translation of foreign operations	-	-	-	-	-	3,558	-	-	3,558	1,574	5,132
Total comprehensive income/(loss) for the period	-	-	-	-	-	3,558	-	(11,902)	(8,344)	(1,099)	(9,443)
Transfer to PRC reserve funds	-	-	-	-	-	-	434	(434)	-	-	-
Transfer of share option reserve upon the forfeiture of share options	-	-	(16,333)	-	-	-	-	16,333	-	-	-
Equity-settled share option arrangements	-	-	986	-	-	-	-	-	986	-	986
At 30 June 2011	64,949	1,176,781	29,350	8,329	-	32,825	26,112	(1,249,389)	88,957	16,404	105,361

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For six months ended	
	30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(37,361)</b>	(10,792)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>17,772</b>	238
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(19,589)</b>	(10,554)
Cash and cash equivalents at beginning of the period	<b>134,826</b>	131,197
Effect of foreign exchange rate changes, net	<b>2,595</b>	(2,151)
Cash and bank balances of disposal group classified as assets held for sale	<b>(8,022)</b>	–
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>109,810</b>	118,492
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances other than time deposits	<b>67,310</b>	91,927
Non-pledged time deposits with original maturity of less than three months when acquired	<b>42,500</b>	26,565
	<b>109,810</b>	118,492

# NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION

## 1. Accounting policies

This unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

The following amendments to standards are relevant and mandatory to the Group for the financial year beginning 1 January 2011:

HKFRSs (Amendments) Improvements to HKFRSs 2010  
HKAS 34 (Amendment) Interim Financial Reporting

The effect of the adoption of the above amendments to standards beginning 1 January 2011 is not material to the Group's results of operations or financial position and only results in additional disclosures.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

## 2. Operating segment information

The Group has adopted HKFRS 8, Operating Segments with effect from 1 January 2009.

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 in-house developed products segment engages in the sale and leasing of in-house developed computer hardware;
- (c) the internet, mobile and telecommunication segment engages in the provision of internet, mobile and telecommunication value-added services; 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 2011 and 2010.

## Reporting segment information

	Six months ended 30 June													
	Continuing operations						Discontinued operations							
	Software development and system integration		In-house developed products		Total		Software development and system integration		Internet, mobile and telecommunication		Total		Group	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Segment revenue:</b>														
Sales to external customers	34,089	40,427	150	70	34,249	40,497	3,819	2,666	2,038	1,821	5,858	4,487	40,107	44,984
Intersegment sales	-	-	-	-	-	-	-	10,431	-	-	-	10,431	-	10,431
Other income and gains	292	845	-	-	292	845	-	-	-	-	-	-	292	845
	<b>34,381</b>	<b>41,272</b>	<b>150</b>	<b>70</b>	<b>34,541</b>	<b>41,342</b>	<b>3,819</b>	<b>13,097</b>	<b>2,038</b>	<b>1,821</b>	<b>5,858</b>	<b>14,918</b>	<b>40,399</b>	<b>56,260</b>
<b>Reconciliation:</b>														
Elimination of intersegment sales	-	-	-	-	-	-	-	(10,431)	-	-	-	(10,431)	-	(10,431)
Revenue	<b>34,381</b>	<b>41,292</b>	<b>150</b>	<b>70</b>	<b>34,541</b>	<b>41,342</b>	<b>3,819</b>	<b>2,666</b>	<b>2,038</b>	<b>1,821</b>	<b>5,858</b>	<b>4,487</b>	<b>40,399</b>	<b>45,829</b>
<b>Segment results</b>	<b>(197)</b>	<b>6,048</b>	<b>(188)</b>	<b>(758)</b>	<b>(366)</b>	<b>5,293</b>	<b>(4,415)</b>	<b>(11,658)</b>	<b>(2,250)</b>	<b>(8,238)</b>	<b>(6,665)</b>	<b>(19,884)</b>	<b>(7051)</b>	<b>(14,601)</b>
<b>Reconciliation:</b>														
Elimination of intersegment results					-	-					-	10,431	-	10,431
Interest income and unallocated gains					888	12,397					116	189	1,104	12,566
Gain on deemed partial disposal of a subsidiary					1,871	-					-	-	1,871	-
Corporate and other unallocated expenses					(7,670)	(10,384)					(57)	(77)	(727)	(10,461)
Finance costs					(1,329)	(7)					-	-	(1,329)	(7)
Profit/(loss) before tax					<b>(6,526)</b>	<b>7,289</b>					<b>(6,666)</b>	<b>(9,371)</b>	<b>(13,132)</b>	<b>(2,072)</b>



### 3. Revenue, other income and gains, net

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, net is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Revenue</b>				
Provision of software development and system integration services	4,303	3,766	10,434	17,326
Provision of technical support and maintenance services	14,891	13,780	23,665	23,101
Sale and lease of in-house developed products	150	30	150	70
	<b>19,344</b>	17,576	<b>34,249</b>	40,497
<b>Other income and gains, net</b>				
Bank interest income	620	308	988	339
Gain on deemed partial disposal of a subsidiary*	1,871	–	1,871	–
Government grants**	2	22	292	844
Reversal of imputed interest on convertible bonds	–	8,443	–	8,443
Others	–	170	–	3,616
	<b>2,493</b>	8,943	<b>3,151</b>	13,242

\* During the period ended 30 June 2011, 北控易碼通(北京)科技有限公司 (“易碼通”) issued an aggregate of 500,000 shares to an independent third party, accordingly, the shareholding held by the Group was diluted and resulted in a gain on deemed partial disposal amounting to HK\$1,871,000. 易碼通 became an associated company instead of a subsidiary of the Group subsequent to the issuance of additional shares. The gain on deemed partial disposal was calculated as the difference between the Group's share of net assets in 易碼通 prior to and after additional issue of shares by 易碼通.

\*\* The government grants represented a government subsidy and value-added tax refunds, which impose no restriction on usage.

## 4. Finance costs

	Three months ended		Six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Imputed interest on promissory notes	671	-	1,329	-
Reversal of imputed interest on convertible bonds	-	(925)	-	-
Other interest expenses	-	-	-	7
	671	(925)	1,329	7

## 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	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Continuing operations</b>				
Depreciation	430	535	888	1,083
Amortisation of other intangible assets	41	80	81	161
<b>Discontinued operations</b>				
Depreciation	447	457	498	891

## 6. Income tax

No provision for Hong Kong profits tax has been made for the period ended 30 June 2011 as the Group did not generate any assessable profits arising in Hong Kong during the period (2010: Nil).

The PRC corporate income tax provision in respect of operations in Mainland China is calculated at applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of the PRC, certain of the Company's subsidiaries enjoy income tax reduction, by reason that these subsidiaries are certified as New and/or High Technology Enterprises in Mainland China.

	Three months ended 30 June		Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current – PRC:				
Hong Kong	-	-	-	-
Mainland China	1,236	707	1,443	1,012
Total tax charge for the period	1,236	707	1,443	1,012

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

The calculation of basic loss per share for the three months ended 30 June 2011 is based on the unaudited profit attributable to shareholders of the Company from the continuing operations of approximately HK\$916,000 and loss from discontinued operations of approximately HK\$3,401,000 and the weighted average number of 6,494,906,368 (2010: 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 2011 is based on the unaudited loss attributable to shareholders of the Company from the continuing operations of approximately HK\$5,776,000 and loss from discontinued operations of approximately HK\$6,126,000 and the weighted average number of 6,494,906,368 (2010: 6,494,906,368) ordinary shares in issue during the period.

The calculation of basic profit per share for the three months ended 30 June 2010 is based on the unaudited profit attributable to shareholders of the Company from the continuing operations of approximately HK\$7,879,000 and loss from discontinued operations of approximately HK\$3,995,000 and the weighted average number of 6,494,906,368 (2010: 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 profit attributable to shareholders of the Company from the continuing operations of approximately HK\$5,871,000 and loss from discontinued operations of approximately HK\$9,321,000 and the weighted average number of 6,494,906,368 (2010: 6,494,906,368) ordinary shares in issue during the period.

In respect of the diluted earnings and loss per share amounts, no adjustment has been made to the basic earnings and loss per share amounts presented for the periods ended 30 June 2011 and 2010 as the impact of the share options and convertible bonds outstanding during these periods, had either no diluting effect or an anti-dilutive effect on the basic earnings and loss per share amounts presented.

## **8. Discontinued operations and assets held for sale**

On 30 June 2011, Proud Stars Limited (“Proud Stars”), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Ka Yip International Investment Limited (“Ka Yip” and an independent third party), pursuant to which Proud Stars agreed to dispose, and Ka Yip agreed to acquire the entire issued share capital of Full Trump International Limited (“Full Trump”) at the aggregate consideration of RMB100,000 (approximately HK\$119,000) plus the consolidated net operating profit of full Trump for the period from 31 December 2010 to the date of completion, if any.

As at the reporting date, the directors considered the carrying amount of Full Trump and its subsidiaries (collectively the “disposal group”) is to be recovered through a sale transaction and the sale is considered highly probable. As a result, the operations of the disposal group has been categorized under “discontinued operations” in the condensed consolidated income statement and the assets and liabilities to be disposed are classified as “assets of disposal group held for sale” and “liabilities directly associated with assets held for sale” respectively in the condensed consolidated statement of financial position.

The results and assets and liabilities of the disposal group are presented below:

(a) Discontinued operations

	<b>2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2010 (Unaudited) HK\$'000
Turnover	<b>5,858</b>	4,487
Cost of sales and services	<b>(5,655)</b>	(3,639)
Gross profit	<b>203</b>	848
Other income and gains	<b>116</b>	169
Selling and distribution costs	<b>(2,320)</b>	(2,038)
Administrative expenses	<b>(4,605)</b>	(8,350)
Loss before taxation	<b>(6,606)</b>	(9,371)
Income tax	-	-
Loss for the period from discontinued operations	<b>(6,606)</b>	(9,371)

(b) Assets of disposal group held for sale

	<b>As at</b> <b>30 June 2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>	
Equipment	<b>3,584</b>
<b>CURRENT ASSETS</b>	
Inventories	<b>644</b>
Amount due from contract customers	<b>3,592</b>
Trade receivables	<b>936</b>
Prepayments, deposits and other receivables	<b>3,066</b>
Cash and cash equivalents	<b>8,022</b>
Total current assets	<b>16,260</b>
<b>Total assets</b>	<b>19,844</b>

(c) Liabilities directly associated with assets held for sale

<b>CURRENT LIABILITIES</b>	
Trade payables	<b>1,048</b>
Other payables and accruals	<b>21,566</b>
Income tax payables	<b>20,471</b>
<b>Total liabilities</b>	<b>43,085</b>

## 9. Interim dividend

The Board does not recommend the payment of an interim dividend for the six months period ended 30 June 2011 (2010: Nil).

## 10. Trade receivables

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

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Within 1 month	<b>2,025</b>	6,245
1 to 2 months	<b>35</b>	1,067
2 to 3 months	<b>501</b>	316
Over 3 months	<b>5,506</b>	2,910
	<b>8,067</b>	10,538

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\$4,297,000 (2010: HK\$6,893,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

## 11. Trade payables

An aging 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 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Within 1 month	<b>343</b>	2,151
1 to 2 months	<b>20</b>	439
2 to 3 months	<b>719</b>	242
Over 3 months	<b>3,350</b>	3,105
	<b>4,432</b>	5,937

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

## 12. Issued capital

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (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 (2010: 6,494,906,368) ordinary shares of HK\$0.01 each	<b>64,949</b>	64,949

## 13. Related party disclosures

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

	Six months ended	
	30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales to a subsidiary of the Company's substantial shareholder	-	1,772

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

	30 June	31 December
	2011	2010
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Amount due from a subsidiary of the Company's substantial shareholder	4,297	6,893

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

## 14. Contingent liabilities

### (a) Termination 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 30 June 2011. 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. As such, Run Tong and the Group would potentially be exposed to the risk of being sued for the violation of the Regulations.

The management engaged an external legal counsel to make an assessment and to form an 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 involved in a lawsuit due to violation of the Regulation is remote.

Accordingly, in the opinion of directors, the potential risk exposure of being claimed against the violation of the Regulation was remote.

**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 12 August 2011.

**GENERAL INFORMATION**

**Directors’ service contracts**

At 30 June 2011, 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 2011.

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

At 30 June 2011, 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
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Nil

### (2) Long positions in the share options of the Company:

Name of director	Nature of interest	Number of underlying shares	Exercise period of the share options	Exercise price per share	Approximate percentage of shareholding
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#### Executive director

Dr. Yu Xiaoyang	Beneficial owner	32,400,000	13 March 2008 to 12 September 2012	HK\$0.79	0.50% (Note 1)
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#### Independent non-executive directors

Ms. Ma Yuhua	Beneficial owner	4,000,000	13 March 2008 to 12 September 2012	HK\$0.79	0.06% (Note 1)
Ms. Liang Yeping*	Beneficial owner	2,000,000	13 March 2008 to 12 September 2012	HK\$0.79	0.06% (Note 1)
Dr. Zhou Chunsheng**	Beneficial owner	2,000,000	13 March 2008 to 12 September 2012	HK\$0.79	0.06% (Note 1)

\* Resigned on 13 May 2011

\*\* Resigned on 9 June 2011

*Note:*

1. 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 2011, 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 2011 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 2011, 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>	<i>Notes</i>	<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 2011, 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 2011:

Name or category of participant	Notes	Number of Share Options		
		At 1 January 2011	Forfeited during the period	At 30 June 2011
<b>Executive director:</b>				
Dr. Yu Xiaoyang	(a)	32,400,000	–	32,400,000
<b>Independent non-executive directors:</b>				
Ms. Ma Yuhua	(a)	4,000,000	–	4,000,000
Ms. Liang Yeping (Resigned on 13 May 2011)	(a)	4,000,000	(2,000,000)	2,000,000
Dr. Zhou Chunsheng (Resigned on 9 June 2011)	(a)	4,000,000	(2,000,000)	2,000,000
<b>Other employees</b>	(a)	53,900,000	(33,400,000)	20,500,000
<b>Advisers and consultants</b>	(a)	4,000,000	–	4,000,000
Total		102,300,000	(37,400,000)	64,900,000

*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.

\* *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 2011, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of Company's listed securities.

## **Competing Interests**

During the period and up to the date of this report, 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 2011, 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 2011.

## **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 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 2011 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 the following members, namely, Ms. Ma Yuhua (audit committee chairman), Ms. Liang Yeping (resigned on 13 May 2011), Dr. Zhou Chunsheng (resigned on 9 June 2011), Dr. Sun Guofu and Mr. Ng Kwok Fai (appointed on 13 May 2011). All of them are independent non-executive directors.

## **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 (remuneration committee chairman), Ms. Liang Yeping (resigned on 13 May 2011) and Dr. Zhou Chunsheng (resigned on 9 June 2011), Dr. Sun Guofu and Mr. Ng Kwok Fai (appointed on 13 May 2011). All 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 2011

*As at the date of this report, the Board comprises Mr. Hu Zhuoer (Chief Executive Officer) and Dr. Yu Xiaoyang as executive directors; and Ms. Ma Yuhua, Dr. Sun Guofu and Mr. Ng Kwok Fai as independent non-executive directors.*