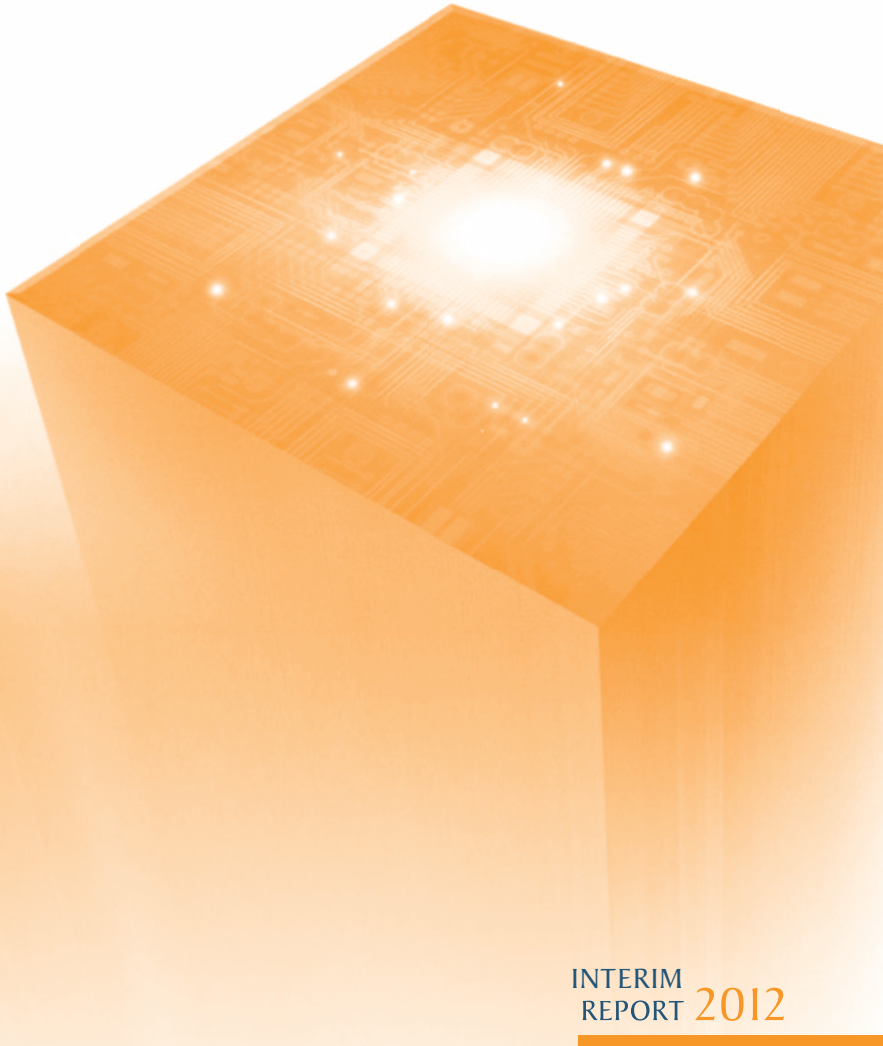




中國信息科技發展有限公司
China Information Technology Development Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8178)



INTERIM
REPORT 2012

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 report 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*)
Mr. Tse Chi Wai

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Sun Guofu
Mr. Ng Kwok Fai
Mr. Chen Zhongfa

COMPANY SECRETARY

Mr. Tse Chi Wai

COMPLIANCE OFFICER

Mr. Tse Chi Wai

AUTHORISED REPRESENTATIVES

Mr. Hu Zhuoer
Mr. Tse Chi Wai

NOMINATION COMMITTEE

Mr. Chen Zhongfa (*Chairman*)
Dr. Sun Guofu
Mr. Hu Zhuoer

REMUNERATION COMMITTEE

Mr. Ng Kwok Fai (*Chairman*)
Dr. Sun Guofu
Mr. Chen Zhongfa

AUDIT COMMITTEE

Mr. Ng Kwok Fai (*Chairman*)
Dr. Sun Guofu
Mr. Chen Zhongfa

AUDITORS

ANDA CPA Limited

LEGAL ADVISORS

Conyers Dill & Pearman

PRINCIPAL BANKER

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GEM STOCK CODE

8178

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SUMMARY

- Turnover from continuing operations for the six months ended 30 June 2012 was HK\$28,246,000, representing a decrease of 17.5% from corresponding period in last year (2011: HK\$34,249,000).
- Loss attributable to shareholders of the Company from continuing operations for the six months ended 30 June 2012 amounted to HK\$14,510,000 (2011: HK\$5,776,000).
- Loss per share attributable to shareholders of the Company from continuing operations for the six months ended 30 June 2012 was HK0.22 cents (2011: HK0.09 cents).
- The Board of Director (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In March 2012, the Stock Exchange informed the Company that all the resumption conditions were fulfilled. Trading in the Company’s shares was resumed on 19 March 2012.

In June 2012, the Company placed 1,000,000,000 new shares at HK\$0.027 per share to certain independent places and fetched a net proceeds of approximately HK\$26 million. The proceeds were applied to settle certain long term loans in the amount of approximately HK\$18 million in July 2012 and the remaining balance was applied to strengthen the working capital position of the Company.

For the six months ended 30 June 2012, the Group’s businesses were operating normally. Income from provision of system development and maintenance services to government bodies remained stable. Nonetheless, decrease in demand for software development and system integration services during the period by the relevant government bodies had led to a relatively higher reduction in the respective revenue streams. Revenue from sale of products and provision of services in relation to the occupational education business line slightly decreased as a result of keen competition.

Business prospects

Software development, system integration, technical support and maintenance services still remain as staple income streams for the Company and its subsidiaries (collectively the “Group”).

The Group is one of the major service providers to the Beijing Municipal Government in the areas of public administration information systems, through its subsidiaries such as Beijing Enterprises Sanxing Information Technology Company Limited and Beijing Enterprises VST Software Technology Company Limited. It currently focuses on providing supports to the systems in social security and social insurance

administration, national land resources management, human resource and labor force management, and transient population administration, etc. From its services to the Beijing Municipal Government, the Group generates stable revenue of maintenance services and technical support services. The Beijing Municipal Government is supposed to expand the coverage of social security and social insurance, to improve its human resource management services, and to strengthen societal stability. All these efforts will lead to improving and upgrading the existing information systems in future. These factors will also provide financial opportunities to the Group in its focus areas such as system construction, development, integration and maintenance.

Shanghai Pantosoft Company Limited, one of the Group's subsidiaries, has positioned itself as one of the leaders in the occupational education information technology development in People's Republic of China (the "PRC"). It currently attracts a stable service income from occupational schools, technical colleges and other educational institutes. It is expected to be able to obtain a speedy growth in its revenue in the future with its new business development into the areas of computer aided automobile repair solutions, automobile automation and simulation and simulation based training tools in banking and international business, etc.

Employees

The total number of full-time employees hired by the Group maintained at 478 as of 30 June 2012. (2011: 534 employees). Excluding the expenses on share options, the total expenses on employee benefits amounted to HK\$19,220,000 for the six months ended 30 June 2012 (2011: HK\$19,541,000). The management believes the remuneration packages offered by the Group to its employees are competitive.

Financial review

For the six months ended 30 June 2012, the Group recorded revenue of HK\$28,246,000, a decrease of 17.5% from HK\$34,249,000 in the corresponding period last year from continuing operations. The decrease in revenue as compared to the same period of the year 2011 was mainly due to a decrease in revenue from provision of system integration projects and software development projects as well as a reduction in revenue from provision of maintenance services during this period. The Group had a total cost of sales and services from continuing operations of HK\$18,692,000 for the first half of year 2012, a decrease of 0.1% compared with HK\$18,712,000 in the same period of year 2011. The gross profit of the Group for the first half of year 2012 was HK\$9,554,000, representing a decrease of HK\$5,983,000 compared with HK\$15,537,000 in corresponding period last year. The gross profit margin was decreased to 33.8% in first half of year 2012 from 45.4% in corresponding period last year. The reasons for decrease of gross profit margin are mainly attributable to the decrease in sale of software development projects during the first half of year 2012, which bears a higher gross margin, and a general increase in cost.

During the financial period ended 30 June 2012, the Group generated other income and gains from continuing operations of HK\$2,840,000 which comprised: (i) bank interest income amounted to HK\$1,687,000; (ii) reversal of impairment of trade receivables amounted to HK\$1,095,000; and (iii) other income amounted to HK\$58,000.

The Group's selling and distribution costs from continuing operations for the first half of year 2012 were HK\$5,964,000, a decrease of 5.2% compared with HK\$6,288,000 in the corresponding period in 2011. The decrease was mainly due to reduction in sales conference and travelling expenses.

Administrative expenses from continuing operations for the period were HK\$17,205,000, an increase of 3.5% as compared to HK\$16,618,000 for the corresponding period last year. The increase was mainly due to increased professional service fee charges in relation to resumption of shares of the Company during the period.

Finance costs of the Group for the first half of year 2012 were HK\$1,450,000, an increase of 9.1% comparing to HK\$1,329,000 in same period of year 2011. Finance costs of HK\$1,130,000 and HK\$320,000 were attributed to the imputed interest on promissory notes and interest on long term loans respectively for the period.

The Group's loss attributable to shareholders of the Company was HK\$14,510,000 for the period ended 30 June 2012 (2011: HK\$11,902,000).

Financial position

As at 30 June 2012, the Group had cash and bank balances of HK\$150,646,000 of which cash and cash equivalents was HK\$143,269,000 and restricted cash was HK\$7,377,000 (31 December 2011: HK\$141,160,000). The Group had nil outstanding promissory notes (31 December 2011: HK\$81,129,000) and had outstanding long term loans amounted to HK\$82,260,000 (31 December 2011: HK\$nil) as at 30 June 2012.

The gearing ratio (defined as total borrowings over total equity) of the Group as at 30 June 2012 was approximately 0.69 (31 December 2011: 0.75). On 13 July 2012, the Group repaid certain long term loans in the amount of HK\$18,324,000 and further reduced the gearing ratio to approximately 0.54.

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 either Renminbi or Hong Kong dollars, the foreign exchange risk of the Group was considered minimal thus no hedging activities were conducted.

Capital expenditure

The Group incurred capital expenditure of HK\$1,008,000 for the six months ended 30 June 2012.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2011 and 30 June 2012 respectively.

Capital commitment

The Group did not have any significant capital commitment as at 31 December 2011 and 30 June 2012 respectively.

The Board announces the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2012, together with the unaudited comparative figures for the corresponding period of year 2011, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

| | Notes | Three months ended 30 June | | Six months ended 30 June | |
|--|-------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | 2012 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 |
| CONTINUING OPERATIONS | | | | | |
| Revenue | 3 | 20,153 | 19,344 | 28,246 | 34,249 |
| Cost of sales and services | | (13,252) | (8,700) | (18,692) | (18,712) |
| Gross profit | | 6,901 | 10,644 | 9,554 | 15,537 |
| Other income and gains, net | 3 | 2,501 | 2,493 | 2,840 | 3,151 |
| Selling and distribution costs | | (3,104) | (2,842) | (5,964) | (6,288) |
| Administrative expenses | | (9,999) | (7,660) | (17,205) | (16,618) |
| Other expenses | | (417) | (979) | (417) | (979) |
| Finance costs | 4 | (761) | (671) | (1,450) | (1,329) |
| Share of result of an associate | | - | - | - | - |
| (LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS | | | | | |
| | 5 | (4,879) | 985 | (12,642) | (6,526) |
| Income tax | 6 | (811) | (1,236) | (884) | (1,443) |
| LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS | | | | | |
| | | (5,690) | (251) | (13,526) | (7,969) |
| DISCONTINUED OPERATION | | | | | |
| Loss for the period from discontinued operation | 8 | - | (3,659) | - | (6,606) |
| LOSS FOR THE PERIOD | | | | | |
| | | (5,690) | (3,910) | (13,526) | (14,575) |
| ATTRIBUTABLE TO: | | | | | |
| Shareholders of the Company | | (6,481) | (2,485) | (14,510) | (11,902) |
| Non-controlling interests | | 791 | (1,425) | 984 | (2,673) |
| | | (5,690) | (3,910) | (13,526) | (14,575) |
| (LOSS)/PROFIT PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY | | | | | |
| Basic & diluted (HK cents) | 7 | | | | |
| - For loss for the period | | (0.10) | (0.04) | (0.22) | (0.18) |
| - For (loss)/profit from continuing operations | | (0.10) | 0.01 | (0.22) | (0.09) |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Three months ended | | Six months ended | |
|---|--------------------|-------------|------------------|-------------|
| | 30 June | | 30 June | |
| | 2012 | 2011 | 2012 | 2011 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| LOSS FOR THE PERIOD | (5,690) | (3,910) | (13,526) | (14,575) |
| OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD, NET OF TAX OF NIL | | | | |
| – Exchange differences on translation of foreign operations | (2,744) | 3,616 | (1,986) | 5,132 |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX | (8,434) | (294) | (15,512) | (9,443) |
| Attributable to: | | | | |
| Shareholders of the Company | (9,213) | (261) | (16,591) | (8,344) |
| Non-controlling interests | 779 | (33) | 1,079 | (1,099) |
| | (8,434) | (294) | (15,512) | (9,443) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 30 June 2012 (Unaudited) Notes | 31 December 2011 (Audited) |
|---|---|----------------------------------|
| | HK\$'000 | HK\$'000 |
| NON-CURRENT ASSETS | | |
| Equipment | 8,493 | 8,903 |
| Goodwill | 34,000 | 34,000 |
| Other intangible assets | 834 | 915 |
| Total non-current assets | 43,327 | 43,818 |
| CURRENT ASSETS | | |
| Inventories | 2,522 | 3,040 |
| Amount due from contract customers | 10,699 | 6,220 |
| Trade receivables | 10 4,728 | 17,785 |
| Prepayments, deposits and other receivables | 21,926 | 28,108 |
| Restricted cash | 7,377 | 7,339 |
| Cash and cash equivalents | 143,269 | 133,821 |
| Total current assets | 190,521 | 196,313 |
| CURRENT LIABILITIES | | |
| Trade payables | 11 4,705 | 4,931 |
| Amount due to contract customers | 7,906 | 21,349 |
| Other payables and accruals | 7,289 | 12,284 |
| Income tax payables | 13,296 | 12,689 |
| Long term loans – amounts due within one year | 3,427 | – |
| Promissory notes | – | 81,129 |
| Total current liabilities | 36,623 | 132,382 |
| NET CURRENT ASSETS | 153,898 | 63,931 |

| | <i>Notes</i> | 30 June 2012 (Unaudited) HK\$'000 | 31 December 2011 (Audited) HK\$'000 |
|--|--------------|--|--|
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 197,225 | 107,749 |
| NON-CURRENT LIABILITIES | | | |
| Long term loans | | 78,833 | – |
| Total non-current liabilities | | 78,833 | – |
| Net assets | | 118,392 | 107,749 |
| EQUITY | | | |
| Equity attributable to shareholders of the Company | | | |
| Issued capital | 12 | 74,949 | 64,949 |
| Reserves | | 24,136 | 24,572 |
| | | 99,085 | 89,521 |
| Non-controlling interests | | 19,307 | 18,228 |
| Total equity | | 118,392 | 107,749 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to shareholders of the Company | | | | | | | | | |
|---|---|-----------------------|----------------------|-----------------|------------------------------|-------------------|--------------------|-------------|---------------------------|--------------|
| | Issued capital | Share premium account | Share option reserve | Capital reserve | Exchange fluctuation reserve | PRC reserve funds | Accumulated losses | Total | Non-controlling interests | Total equity |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| 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 income | | | | | | | | | | |
| - 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) | (8,443) |
| 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 |
| At 1 January 2012 | 64,949 | 1,176,781 | 22,440 | 8,329 | 21,558 | 12,059 | (1,216,595) | 89,521 | 18,228 | 107,749 |
| (Loss)/income for the period | - | - | - | - | - | - | (14,510) | (14,510) | 984 | (13,526) |
| Other comprehensive (loss)/income | | | | | | | | | | |
| - Exchange differences on translation of foreign operations | - | - | - | - | (2,081) | - | - | (2,081) | 95 | (1,986) |
| Total comprehensive (loss)/income for the period | - | - | - | - | (2,081) | - | (14,510) | (16,591) | 1,079 | (15,512) |
| Transfer to PRC reserve funds | - | - | - | - | - | 510 | (510) | - | - | - |
| Transfer of share option reserve upon the forfeiture of share options | - | - | (4,589) | - | - | - | 4,589 | - | - | - |
| Issue of new shares | 10,000 | 17,000 | - | - | - | - | - | 27,000 | - | 27,000 |
| Transaction costs attributable to issue of new shares | - | (845) | - | - | - | - | - | (845) | - | (845) |
| At 30 June 2012 | 74,949 | 1,192,936 | 17,851 | 8,329 | 19,477 | 12,569 | (1,227,026) | 99,085 | 19,307 | 118,392 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | For six months ended | |
|---|----------------------|-------------|
| | 30 June | |
| | 2012 | 2011 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| NET CASH FLOWS USED IN OPERATING ACTIVITIES | (19,005) | (37,361) |
| NET CASH FLOWS GENERATED FROM INVESTING ACTIVITIES | 6,680 | 17,772 |
| NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES | 26,155 | – |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 13,830 | (19,589) |
| Cash and cash equivalents at beginning of the period | 82,451 | 134,826 |
| Effect of foreign exchange rate changes, net | 1,494 | 2,595 |
| Cash and bank balances of disposal group classified as assets held for sale | – | (8,022) |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 97,775 | 109,810 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances other than time deposits | 104,951 | 67,310 |
| Time deposits | 45,695 | 42,500 |
| Less: Restricted cash | (7,377) | – |
| Cash and cash equivalents as stated in the condensed consolidated statement of financial position | 143,269 | 109,810 |
| Less: Time deposits with maturity of more than three months when acquired | (45,494) | – |
| Cash and cash equivalents as stated in the condensed consolidated statement of cash flows | 97,775 | 109,810 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting policies

This unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 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 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

The following amendments to HKFRSs are relevant and mandatory to the Group for the financial year beginning on 1 January 2012:

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

The effect of the adoption of the above amendments to HKFRSs beginning on 1 January 2012 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.

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

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 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 lease of in-house developed computer hardware and
- (d) the corporate segment comprises corporate income and expense items.

The following table presents revenue and loss for the Group's operating segments for the six months ended 30 June 2012 and 2011 respectively.

Reporting segment information

Six months ended 30 June

| | Continuing operations | | | | | | Discontinued operations | | | | | | | | | | |
|---|---|---------------|-----------------|-----------------------------|----------------|----------------|--|----------------|----------------|---|----------------|----------------|--|-----------------|-----------------|-------------|--|
| | Software development and system integration | | | In-house developed products | | | Technical support and maintenance services | | | Software development and system integration | | | Internet, mobile and telecommunication | | | | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | |
| (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Segment revenue: | | | | | | | | | | | | | | | | | |
| Sales to external customers | 6,729 | 10,434 | 21,156 | 23,865 | 361 | 150 | 34,249 | - | 3,819 | - | 2,038 | - | 5,588 | 28,246 | 40,107 | | |
| Other income and gains | - | 292 | - | - | - | - | 292 | - | - | - | - | - | - | - | 292 | | |
| | 6,729 | 10,726 | 21,156 | 23,865 | 361 | 150 | 28,246 | 34,541 | 3,819 | - | 2,038 | - | 5,588 | 28,246 | 40,389 | | |
| Reconciliation: | | | | | | | | | | | | | | | | | |
| Bank interest income | - | - | 1,687 | 988 | - | - | 1,687 | 988 | - | - | - | - | - | 1,687 | 988 | | |
| Unallocated gains | - | - | 1,153 | - | - | - | 1,153 | - | - | - | - | - | - | 1,153 | - | | |
| | | | 31,066 | 35,529 | - | 5,588 | 31,066 | 35,529 | - | 5,588 | - | 5,588 | - | 31,066 | 41,387 | | |
| Revenue, other income and gains, net | | | | | | | | | | | | | | | | | |
| Segment results | (1,660) | (60) | (5,845) | (137) | (2,376) | (189) | (10,081) | (386) | (4,415) | - | (2,250) | - | (6,685) | (10,081) | (7,051) | | |
| Reconciliation: | | | | | | | | | | | | | | | | | |
| Bank interest income | - | - | 1,687 | 988 | - | - | 1,687 | 988 | - | - | - | - | - | 1,687 | 1,104 | | |
| Unallocated gains | - | - | 1,153 | - | - | - | 1,153 | - | - | - | - | - | - | 1,153 | - | | |
| Gain on deemed partial disposal of a subsidiary | - | - | - | 1,871 | - | - | - | 1,871 | - | - | - | - | - | - | 1,871 | | |
| Corporate and other unallocated expenses | - | - | (3,951) | (767) | - | - | (3,951) | (767) | - | - | - | - | (57) | (3,951) | (772) | | |
| Finance costs | - | - | (1,450) | (1,329) | - | - | (1,450) | (1,329) | - | - | - | - | - | (1,450) | (1,329) | | |
| Loss before tax | | | (12,642) | (6,526) | - | (6,686) | (12,642) | (6,526) | - | (6,686) | - | (6,686) | - | (12,642) | (13,132) | | |

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 | |
| | 2012 | 2011 | 2012 | 2011 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue | | | | |
| Provision of software development and system integration services | 3,777 | 4,303 | 6,729 | 10,434 |
| Provision of technical support and maintenance services | 16,319 | 14,891 | 21,156 | 23,665 |
| Lease of in-house developed products | 57 | 150 | 361 | 150 |
| | 20,153 | 19,344 | 28,246 | 34,249 |
| Other income and gains, net | | | | |
| Bank interest income | 1,370 | 620 | 1,687 | 988 |
| Gain on deemed partial disposal of a subsidiary* | - | 1,871 | - | 1,871 |
| Government grants** | - | 2 | - | 292 |
| Reversal of impairment of trade receivables | 1,095 | - | 1,095 | - |
| Others | 36 | - | 58 | - |
| | 2,501 | 2,493 | 2,840 | 3,151 |

* 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, for which no restriction on usage was imposed.

4. Finance costs

| | Three months ended | | Six months ended | |
|--------------------------------------|--------------------|-------------|------------------|-------------|
| | 30 June | | 30 June | |
| | 2012 | 2011 | 2012 | 2011 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Imputed interest on promissory notes | 441 | 671 | 1,130 | 1,329 |
| Interest on long term loans | 320 | - | 320 | - |
| | 761 | 671 | 1,450 | 1,329 |

5. (Loss)/profit before tax

(Loss)/profit before tax was arrived at after charging the following:

| | Three months ended | | Six months ended | |
|---|--------------------|-------------|------------------|-------------|
| | 30 June | | 30 June | |
| | 2012 | 2011 | 2012 | 2011 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Continuing operations | | | | |
| Depreciation | 281 | 430 | 830 | 888 |
| Amortisation of other intangible assets | 41 | 41 | 81 | 81 |
| Discontinued operations | | | | |
| Depreciation | - | 447 | - | 498 |

6. Income tax

No provision for Hong Kong profits tax has been made for the period ended 30 June 2012 as the Group did not generate any assessable profits arising in Hong Kong during the period (2011: 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 | |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2012 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 |
| Current – Hong Kong | – | – | – | – |
| Current – PRC | 811 | 1,236 | 884 | 1,443 |
| Total tax charge for the period | 811 | 1,236 | 884 | 1,443 |

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

The calculation of basic loss per share for the three months ended 30 June 2012 is based on the unaudited loss attributable to shareholders of the Company from the continuing operations of approximately HK\$6,481,000 and loss from discontinued operations of HK\$nil and the weighted average number of 6,555,015,658 ordinary shares in issue during the period.

The calculation of basic loss per share for the six months ended 30 June 2012 is based on the unaudited loss attributable to shareholders of the Company from the continuing operations of approximately HK\$14,510,000 and loss from discontinued operations of HK\$nil and the weighted average number of 6,555,015,658 ordinary shares in issue during the period.

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 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 ordinary shares in issue during the period.

In respect of the diluted loss per share amounts, no adjustment has been made to the basic loss per share amounts presented for the periods ended 30 June 2012 and 2011 as the impact of the share options outstanding during these periods had no diluting effect on the basic loss per share amounts presented.

8. Discontinued operation

On 30 June 2011, Proud Stars Limited (“Proud Stars”, a wholly-owned subsidiary of the Company) entered into a sale and purchase agreement and a supplementary agreement in relation thereto with a third party, pursuant to which, the third party purchased the entire equity interest in Full Trump International Limited (“Full Trump”) for cash consideration of RMB100,000 (equivalent to approximately HK\$121,000), and adjusted by certain contingent considerations and the consolidated net operating result of Full Trump and its subsidiaries for the period from 1 January 2011 to the completion date of transaction. The transaction was completed on 25 October 2011 and the consideration for the transaction was determined to be RMB5,831,000 (equivalent to approximately HK\$7,131,000).

The Group’s Internet, mobile and telecommunication related operation, being a major separate reportable operating segment of the Group, was solely undertaken by Full Trump and its subsidiaries. Accordingly, the Internet, mobile and telecommunication related operation of the Group was discontinued upon the completion of the disposal transaction.

The results of the discontinued operation dealt with in the consolidated financial statements for the periods ended 30 June 2012 and 2011 are summarised as follows:

| | Six months ended | |
|---|------------------|-------------|
| | 30 June | |
| | 2012 | 2011 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Revenue | – | 5,974 |
| Expenses | – | (12,580) |
| Loss before tax of the discontinued operation | – | (6,606) |
| Income tax related to loss before tax of the discontinued operation | – | – |
| Loss for the period from discontinued operation | – | (6,606) |

9. Interim dividend

The Board does not recommend the payment of an interim dividend for the six months period ended 30 June 2012 (2011: 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:

| | 30 June 2012 (Unaudited) HK\$'000 | 31 December 2011 (Audited) HK\$'000 |
|----------------|--|--|
| Within 1 month | 1,312 | 4,907 |
| 1 to 2 months | 299 | 151 |
| 2 to 3 months | 93 | 59 |
| Over 3 months | 3,024 | 12,668 |
| | 4,728 | 17,785 |

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

Included in the Group's trade receivables are amounts due from subsidiaries of the Company's substantial shareholder of HK\$3,310,000 (31 December 2011: HK\$3,292,000), 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:

| | 30 June 2012 (Unaudited) HK\$'000 | 31 December 2011 (Audited) HK\$'000 |
|----------------|--|--|
| Within 1 month | 826 | 2,488 |
| 1 to 2 months | 7 | 30 |
| 2 to 3 months | 128 | 10 |
| Over 3 months | 3,744 | 2,403 |
| | 4,705 | 4,931 |

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

12. Issued capital

| | Number of shares | Amount HK\$'000 |
|--|-----------------------|--------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.01 each at 31 December 2011 and 30 June 2012 | 10,000,000,000 | 100,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.01 each at 31 December 2011 and 1 January 2012 | 6,494,906,368 | 64,949 |
| Issue of new shares (note a) | 1,000,000,000 | 10,000 |
| At 30 June 2012 | 7,494,906,368 | 74,949 |

- (a) On 20 June 2012, a total of 1,000,000,000 new ordinary shares were placed to certain independent places pursuant to the terms and conditions of the Placing Agreement dated 8 June 2012. Those new ordinary shares rank pari passu with the ordinary shares already in issue immediately before the placement.

13. Contingent liabilities

As at 30 June 2012, the Group did not have any significant contingent liability (31 December 2011: nil).

14. Capital commitment

As at 30 June 2012, the Group did not have any significant capital commitment (31 December 2011: nil).

15. Events after the reporting period

On 13 July 2012, the Company repaid certain long term loans amounted to HK\$18,324,000. The aggregate principle of the long term loans outstanding immediately after the repayment was reduced to HK\$63,936,000 accordingly.

Pursuant to an ordinary resolution passed on 2 August 2012 at the Company's EGM, ten ordinary shares of the Company were consolidated into one new ordinary share. The total nominal value of the authorised and issued share capital of the Company remained unchanged. The number of authorised to issue and the number of issued ordinary shares of the Company were changed accordingly.

16. Approval of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved and authorized for issue by the Board on 10 August 2012.

GENERAL INFORMATION

Directors' service contracts

At 30 June 2012, 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 2012.

Directors' interests and short positions in shares and underlying shares

At 30 June 2012, 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:

Nil

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

Nil

Save as disclosed above, as at 30 June 2012, 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 2012 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 2012, 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 |
|---|------------|---------------------------------|--------------------------------|--|
| Beijing Development (Hong Kong) Limited | <i>(a)</i> | Through controlled corporations | 1,895,513,445 | 25.29% |
| Beijing Enterprises Holdings Limited | <i>(b)</i> | Through controlled corporations | 1,895,513,445 | 25.29% |
| Beijing Enterprises Group Company Limited | <i>(c)</i> | Through controlled corporations | 1,895,513,445 | 25.29% |
| Prime Technology Group Limited | | Directly beneficially owned | 1,895,513,445 | 25.29% |
| Carford Holdings Limited | | Directly beneficially owned | 647,000,000 | 8.63% |
| Getwin Investment Limited | | Directly beneficially owned | 101,560,000 | 1.36% |
| Mr. Xia Xiaoman | <i>(d)</i> | Through controlled corporations | 748,560,000 | 9.99% |

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 748,560,000 shares by virtue of his controlling interests in Carford Holdings Limited and Getwin Investment Limited.

Save as disclosed above, as at 30 June 2012, 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 2012:

| Name or category of participant | Notes | Number of Share Options | | |
|---------------------------------|-------|-------------------------|-----------------------------|-------------------|
| | | At 1 January 2012 | Forfeited during the period | At 30 June 2012 |
| Directors | | – | – | – |
| Other employees | (a) | 42,400,000 | (450,000) | 41,950,000 |
| Advisers and consultants | (a) | 4,000,000 | – | 4,000,000 |
| Total | | 46,400,000 | (450,000) | 45,950,000 |

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.

Share consolidation

On 6 July 2012, the Board proposed that the Company implement the share consolidation which involved the consolidation of every ten shares of HK\$0.01 each into one consolidated share of HK\$0.1 each.

On 2 August 2012 and at the Company's extraordinary general meeting, an ordinary resolution in connection with the share consolidation was duly passed by the shareholders by way of poll.

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

During the six months ended 30 June 2012, 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 2012, 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 5.46 to 5.68 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 2012.

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 audit committee comprises three members, including Mr. Ng Kwok Fai (audit committee chairman), Dr. Sun Guofu and Mr. Chen Zhongfa. All of them are independent non-executive directors.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2012 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

Nomination Committee

On 23 March 2012, the Company has set up a nomination committee which is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitable qualified to become Board members and selecting or making recommendations to the board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment, re-appointment and succession of director. The nomination committee currently has three members, with Mr. Chen Zhongfa being the chairman and Dr. Sun Guofu and Mr. Hu Zhuoer being the members. A majority of the nomination committee are independent non-executive directors of the Company.

Remuneration committee

The Company established a remuneration committee with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules.

During the period under review, members of the remuneration committee are Mr. Ng Kwok Fai (remuneration committee chairman), Dr. Sun Guofu and Mr. Chen Zhongfa. 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 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
10 August 2012

As at the date of this report, the Board comprises Mr. Hu Zhuoer (Chief Executive Officer) and Mr. Tse Chi Wai as Executive Directors; and Mr. Ng Kwok Fai, Dr. Sun Guofu and Mr. Chen Zhongfa as Independent Non-executive Directors.