



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 2014

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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

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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

ZHONGHUI ANDA CPA Limited

LEGAL ADVISORS

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PRINCIPAL BANKER

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SUMMARY

- Turnover from continuing operations for the six months ended 30 June 2014 was HK\$12,729,000, representing a decrease of 26.2% from the corresponding period in last year (2013: HK\$17,252,000).
- Loss attributable to owners of the Company from continuing operations for the six months ended 30 June 2014 amounted to HK\$13,303,000 (2013: HK\$1,074,000).
- Loss per share attributable to owners of the Company from continuing operations for the six months ended 30 June 2014 was HK0.62 cents (2013: 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 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In January 2014, pursuant to an ordinary resolution passed at the related extraordinary general meeting, the authorised share capital of the Company was increased from HK\$100 million to HK\$400 million by creation of an additional 3,000 million new shares of HK\$0.10 each.

In March 2014, the Company issued 1,796,981,272 offer shares of HK\$0.11 each by way of an open offer on the basis of two offer shares for every one share held on the record date and raised gross proceeds of approximately HK\$197.7 million. The open offer was completed on 6 March 2014. More details on the open offer had been disclosed in the relevant circular of the Company dated 10 January 2014 and the prospectus of the Company dated 13 February 2014.

In April 2014, the Company completed the acquisition of 21.45% partnership interest in Shanghai Rui Hung Jiu Fang Investment Partnership Enterprise (“Jiu Fang”). More details on the transaction had been disclosed in the relevant announcements of the Company dated 6 September 2013, 30 December 2013, 28 March 2014 and 16 April 2014.

In May 2014, the Company and Favour Time Investments Limited entered into an agreement pursuant to which the Company acquired 60% of the equity interest in China Luck International Limited (“China Luck”) and took over US\$1.2 million (equivalent to approximately HK\$9,336,000) loan to China Luck from the vendor, for the consideration of approximately US\$1.25 million (equivalent to approximately HK\$9,711,000). Immediately after completion of the transaction, the Company owns 100% of the equity interest in China Luck. China Luck holds 7.254% equity interest in Sterile Doctor LLC, which has an exclusive right to manufacture and sell Sterile Doctor™ sterilization products. More details on the transaction had been disclosed in the relevant announcements of the Company dated 28 May 2014 and 29 May 2014.

In June 2014, the Company, Bloom Faith Holdings Limited and Shenzhen Qian Ti Investment Limited entered into an agreement, pursuant to which the Company had conditionally agreed to purchase a further 24% of the partnership interest in Jiu Fang, for the consideration of RMB28 million (equivalent to approximately HK\$34,796,000). More details on the proposed acquisition had been disclosed in the relevant announcement of the Company dated 6 June 2014.

In June 2014, the Company acquired certain bonds with a total nominal value of USD4,000,000 at a total consideration of USD4,116,000 (equivalent to approximately HKD31,040,000 and HK\$31,940,160 respectively). All those bonds will mature in 2019. The coupon rates range from 3.125% to 5.25% per annum and bond interests are paid semi-annually. More details on the bonds acquired had been disclosed in the relevant announcement of the Company dated 16 June 2014.

In July 2014, the Company entered into an agreement with Beijing Group Information Limited pursuant to which the Company had conditionally agreed to dispose its holding of the entire equity interest in Wisdom Elite Holdings Limited at a consideration of RMB71.91 million (equivalent to approximately HK\$89.26 million). More details on the disposal had been disclosed in the relevant announcement of the Company dated 10 July 2014.

Other than the above, during the period under review, revenue from provision of information technology related services in the People's Republic of China ("PRC") remained as staple income of the Group.

Outlook and Prospect

Mainland China's economic growth is expected to slowdown in 2014 as compared to 2013. The Company and its subsidiaries (collectively the "Group") faces more intensified competition in areas of e-government and e-educational administration businesses. The Group will strive to maintain stability of operation in 2014 and to expand its scale of operations with the funds raised prudently.

With the proceeds raised from the recent open offer of new shares, the Group will continue to focus on the development of information technology related services in the PRC and to launch into new businesses with promising prospects.

On 6 March 2014, the Company completed the open offer of 1,796,981,272 offer shares of the Company at the subscription price of HK\$0.11 per offer share and raised net proceeds of approximately HK\$193 million (after deducting the costs and expenses in relation to the Open Offer).

As discussed in the prospectus dated 13 February 2014, the Company intended to apply approximately HK\$5 million for development of the sales network of Shanghai Pantosoft Company Limited (“Pantosoft”); approximately HK\$7 million for general working capital; and approximately HK\$181 million on investments in certain IT projects in 2014, namely:–

- (1) City emergency management (“CEM”) system in the areas of automated air and water pollution level monitoring;
- (2) Automated control and monitoring system for new steel refining technology (“ACM”);
- (3) Medical related information technology system (“MRS”); and
- (4) Other medium to small size projects of electronic business platforms.

The CEM project did not proceed. As at the end of the reporting period, the Company had utilised approximately HK\$6 million for development of the sales network of Pantosoft; approximately HK\$2 million for general working capital and approximately HK\$32 million and HK\$10 million for investment in Jiu Fang and China Luck respectively. For the remaining of approximately HK\$143 million, the Company had entered into a transfer agreement on 6 June 2014 to invest a further HK\$34.8 million in Jiu Fang. The Directors are with a view that the ACM and MRS projects will materialize in the second half of 2014, which together calls for investment of HK\$69 million. The Company will apply the remaining funds in the area of electronic business platform investments and the Group’s general working capital. All the unutilized balances are placed in licensed banks in Hong Kong or acquired interest-bearing bonds to generate interest income.

Subject to obtaining the approval by shareholders at the related extraordinary general meeting, the Company intended to dispose its remaining e-government business for approximately HK\$89.26 million. The Company will apply those funds to acquire projects with potential in e-education administration, other IT areas and other new technology applications, and to provide general working capital to the Group.

The Group looks forward to expand its operation scale with the above listed potential investments and to benefit therefrom.

Employees

The total number of full-time employees hired by the Group maintained at 239 as of 30 June 2014 (2013: 260 employees). Total expenses on employee benefits amounted to HK\$13,227,000 for the six months ended 30 June 2014 (2013: HK\$12,284,000). The management believes the salaries offered by the Group to its employees are competitive.

Financial review

For the six months ended 30 June 2014, the Group recorded a revenue from continuing operations of 12,729,000, a decrease of 26.2% from 17,252,000 in the corresponding period in last year. The decrease in revenue as compared to the same period of the year 2013 was mainly due to a reduction of revenue from the provision of technical support and maintenance services, which was a result of shrinkage of business of the Group's e-government administration business.

The Group had a total cost of sales and services from continuing operations of HK\$10,556,000 for the first half of year 2014, a decrease of 16.3% compared with HK\$12,610,000 in the same period of year 2013. The decrease was not of the same magnitude as the decrease in revenue discussed in the above as a result of general increase in cost in 2014.

The gross profit from continuing operations of the Group for the first half of year 2014 was HK\$2,173,000, representing a decrease of HK\$2,469,000 compared with HK\$4,642,000 for the corresponding period last year. The gross profit margin from continuing operations decreased from 26.9% for the first six months of 2013 to 17.1% for the first six months of year 2014. The decrease was mainly attributed to general increase in cost.

During the six months ended 30 June 2014, the Group generated other income and gains from continuing operations of HK\$2,008,000 (2013: HK\$11,665,000) which comprised: (i) bank interest income amounted to HK\$843,000 (2013: HK\$1,110,000); (ii) gain on disposal of subsidiaries amounted to HK\$nil (2013: 10,214,000); (iii) investment income from held-to-maturity investments and financial assets at fair value through profit or loss amounted to HK\$760,000 (2013: HK\$88,000); and (iv) other income amounted to HK\$405,000 (2013: HK\$253,000).

The Group's selling and distribution expenses from continuing operations for the first half of year 2014 were HK\$3,298,000, an increase of 11.0% compared with HK\$2,970,000 in the corresponding period in 2013. The increase was a result of incremental expenses incurred to explore new markets.

Administrative expenses from continuing operations for the period were HK\$13,825,000, an increase of 12.9% as compared to HK\$12,248,000 for the corresponding period last year. The increase was mainly attributable to general increase in cost.

Finance costs of the Group for the first half of year 2014 were HK\$374,000, a decrease of 48.8% comparing to HK\$730,000 for the corresponding period in 2013. All the finance costs were attributed to loan interest incurred by China Luck in 2014. All the finance costs were attributed to the long term loan interest for 2013.

The Group's loss from continuing operations attributable to owners of the Company was HK\$13,303,000 for the six months ended 30 June 2014 (2013: HK\$1,074,000). During the six months ended 30 June 2013, the Group recognised a non-recurring gain on disposal of subsidiaries amounted to approximately HK\$10.21 million.

Financial position

As at 30 June 2014, the Group had cash and bank balances of HK\$169,472,000 (31 December 2013: HK\$73,961,000). The Group had no outstanding loans as at 30 June 2014 (31 December 2013: 1,269,000).

The gearing ratio (defined as total borrowings over total equity) of the Group as at 30 June 2014 was zero (31 December 2013: 0.01).

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, US dollars 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 a capital expenditure of HK\$147,000 for the six months ended 30 June 2014 (30 June 2013: HK\$139,000).

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2013 and 30 June 2014 respectively.

Capital commitment

Details of the capital commitment of the Group as at 31 December 2013 and 30 June 2014 are set out in note 18 to the condensed consolidated interim financial statements.

The board (the "Board") of directors (the "Directors") of the Company announces the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2014, together with the unaudited comparative figures for the corresponding period of year 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
CONTINUING OPERATIONS					
Revenue	4	7,492	10,443	12,729	17,252
Cost of sales and services		(6,210)	(7,108)	(10,556)	(12,610)
Gross profit		1,282	3,335	2,173	4,642
Other income and gains, net	4	1,391	1,290	2,008	11,665
Selling and distribution expenses		(1,158)	(896)	(3,298)	(2,970)
Administrative expenses		(6,820)	(6,535)	(13,825)	(12,248)
Other expenses		(79)	(37)	(79)	(37)
Fair value (loss)/profit on financial assets at fair value through profit or loss		(129)	(1,424)	66	(1,424)
Finance costs	5	(374)	(250)	(374)	(730)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	(5,887)	(4,517)	(13,329)	(1,102)
Income tax expenses	7	-	-	-	-
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(5,887)	(4,517)	(13,329)	(1,102)
DISCONTINUED OPERATION					
Loss for the period from a discontinued operation	9	-	-	-	(641)
LOSS FOR THE PERIOD		(5,887)	(4,517)	(13,329)	(1,743)

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Attributable to:				
Owners of the Company				
Loss from continuing operations	(5,971)	(4,496)	(13,303)	(1,074)
Loss from a discontinued operation	-	-	-	(436)
	(5,971)	(4,496)	(13,303)	(1,510)
Non-controlling interests				
Profit/(loss) from continuing operations	84	(21)	(26)	(28)
Loss from a discontinued operation	-	-	-	(205)
	84	(21)	(26)	(233)
		(re-stated)		(re-stated)
LOSS PER SHARE				
ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Basic (HK cents)	8			
- For loss for the period	(0.22)	(0.38)	(0.62)	(0.13)
- For loss from continuing operations for the period	(0.22)	(0.38)	(0.62)	(0.09)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(5,887)	(4,517)	(13,329)	(1,743)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF INCOME TAX				
- Exchange differences on translation of foreign operations	(2)	1,064	(583)	1,412
- Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries	-	-	-	(7,494)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(5,889)	(3,453)	(13,912)	(7,825)
Attributable to:				
Owners of the Company	(5,974)	(3,429)	(13,887)	(7,675)
Non-controlling interests	85	(24)	(25)	(150)
	(5,889)	(3,453)	(13,912)	(7,825)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		3,711	4,220
Goodwill		12,000	12,000
Other intangible assets		511	592
Investment in a joint venture	11	31,518	–
Investment in an associate	12	–	3,587
Available-for-sale financial asset		15,632	–
Held-to-maturity investment		–	3,293
Total non-current assets		63,372	23,692
CURRENT ASSETS			
Inventories		459	280
Amount due from contract customers		1,943	5,317
Trade receivables	13	3,151	3,453
Prepayments, deposits and other receivables		7,622	6,408
Due from an associate		–	45
Held-to-maturity investment		25,186	12,692
Financial assets at fair value through profit or loss		49,951	17,818
Cash and cash equivalents		169,472	73,961
Total current assets		257,784	119,974
CURRENT LIABILITIES			
Trade payables	14	3,212	3,780
Amount due to contract customers		2,052	2,754
Other payables and accruals		5,987	6,907
Income tax payables		9,149	9,394
Long term loans – amounts due within one year		–	1,269
Total current liabilities		20,400	24,104
NET CURRENT ASSETS		237,384	95,870

	<i>Notes</i>	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		300,756	119,562
NET ASSETS		300,756	119,562
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	269,547	89,849
Reserves		32,210	30,689
		301,757	120,538
Non-controlling interests		(1,001)	(976)
Total equity		300,756	119,562

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital	Share premium account	Capital reserve	Foreign currency translation reserve	PRC reserve funds	Accumulated losses	Total	Non-controlling interests	Total equity
	(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
At 1 January 2013	89,849	1,204,135	8,329	22,244	12,569	(1,202,651)	134,475	18,326	152,801
Loss for the period	-	-	-	-	-	(1,510)	(1,510)	(233)	(1,743)
Other comprehensive (loss)/income									
- Exchange differences on translation of foreign operations	-	-	-	1,329	-	-	1,329	83	1,412
- Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries (note 9)	-	-	-	(7,494)	-	-	(7,494)	-	(7,494)
Total comprehensive loss for the period	-	-	-	(6,165)	-	(1,510)	(7,675)	(150)	(7,825)
Disposal of subsidiaries	-	-	-	-	(5,782)	5,782	-	(19,068)	(19,068)
At 30 June 2013	89,849	1,204,135	8,329	16,079	6,787	(1,198,379)	126,800	(692)	125,908
At 1 January 2014	89,849	1,204,135	-	17,373	7,826	(1,198,645)	120,538	(976)	119,562
Loss for the period	-	-	-	-	-	(13,303)	(13,303)	(26)	(13,329)
Other comprehensive (loss)/income									
- Exchange differences on translation of foreign operations	-	-	-	(584)	-	-	(584)	1	(583)
Total comprehensive loss for the period	-	-	-	(584)	-	(13,303)	(13,887)	(25)	(13,912)
Issue of new shares (note 15)	179,698	17,970	-	-	-	-	197,668	-	197,668
Transaction costs attributable to issue of new shares (note 15)	-	(2,562)	-	-	-	-	(2,562)	-	(2,562)
Share premium reduction (note i)	-	(1,193,300)	-	-	-	1,193,300	-	-	-
At 30 June 2014	269,547	26,243	-	16,789	7,826	(18,648)	301,757	(1,001)	300,756

Note:

- (i) Pursuant to a special resolution passed by the shareholders at the Company's annual general meeting on 27 June 2014, it was agreed that both the share premium account and the accumulated losses account be reduced by the same amount of HK\$1,193.3 million.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(14,548)	(19,758)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Held-to-maturity investment	–	(3,353)
Purchase of financial assets at fair value through profit or loss	(32,133)	(18,581)
Purchase of investment in a joint venture	(31,518)	–
Other investing items	(6,687)	(5,386)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(70,338)	(27,320)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of new shares	197,668	–
Transaction costs on issue of new shares	(2,562)	–
Repayment of long term loans	(1,269)	(31,968)
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES	193,837	(31,968)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	108,951	(79,046)
Cash and cash equivalents at beginning of the period	29,338	103,431
Effect of foreign exchange rate changes, net	(500)	1,906
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	137,789	26,291

For six months ended
30 June

	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000

ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

Cash and bank balances other than time deposits	137,789	26,090
Time deposits	31,683	54,235

Cash and cash equivalents as stated in the condensed consolidated statement of financial position	169,472	80,325
Less: Time deposits with maturity of more than three months when acquired	(31,683)	(54,034)

Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	137,789	26,291
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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 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.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The accounting policies and methods of computation used in the preparation of these unaudited condensed interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2013 except as stated below.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group’s share of the net fair value of the joint venture’s identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2. Adoption of new and revised Hong Kong financial reporting standards

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior period.

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

3. 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; and
- (b) the in-house developed products segment engages in the lease of in-house developed computer hardware.

Segment assets exclude investment in a joint venture, investment in an associate, available-for-sale financial asset, financial assets at fair value through profit or loss, amounts due from related companies and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude long term loans, income tax payables, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The following table presents revenue and loss for the Group’s operating segments for the six months ended 30 June 2014 and 2013 respectively.

Reporting segment information

Six months ended 30 June

	Continuing operations						Discontinued operation																			
	Software development and system integration			Technical support and maintenance services			In-house developed products			Total			Software development and system integration			Technical support and maintenance services			Total							
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013				
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(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	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
Segment revenue:																										
Sales to external customers	8,209	9,157	4,520	8,095	-	-	12,729	17,252	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,265		
Other income and gains, net	208	-	-	-	-	-	208	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	208		
	8,417	9,157	4,520	8,095	-	-	12,937	17,252	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,265		
Reconciliation:																										
Bank interest income							843	1,110																	1,118	
Investment income from held-to-maturity investment							274	15																	15	
Investment income from financial assets at fair value through profit or loss							486	73																	73	
Gain on disposal of subsidiaries							-	10,214																	10,214	
Unallocated gains							197	253																	253	
Revenue, other income and gains, net	5,823	12,803	3,206	2,566	(54)	(53)	9,008	15,522	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,737	
	28,917						28,917																		29,938	
Segment loss	(5,823)	(2,803)	(3,206)	(2,566)	(54)	(53)	(9,008)	(5,522)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,171)	
Reconciliation:																										
Bank interest income							843	1,110																		1,118
Investment income from held-to-maturity investments							274	15																		15
Investment income from financial assets at fair value through profit or loss							486	73																		73
Unallocated gains							197	253																		253
Gain on disposal of subsidiaries							-	10,214																		10,214
Corporate and other unallocated expenses							(5,738)	(5,091)																		(5,738)
Fair value profit/(loss) on financial assets at fair value through profit or loss							66	(1,424)																		66
Finance costs							(374)	(730)																		(374)
Loss before tax							(13,329)	(11,021)																		(13,329)
							(641)																			(641)
							(11,243)																			(11,243)

	Continuing operations						Discontinued operation										
	Software development and system integration			Technical support and maintenance services			In-house developed products			Software development and system integration			Technical support and maintenance services			Group	
	(Unaudited) HK\$'000	(Audited) HK\$'000	30.6.2014	(Unaudited) HK\$'000	(Audited) HK\$'000	30.6.2014	(Unaudited) HK\$'000	(Audited) HK\$'000	30.6.2014	(Unaudited) HK\$'000	(Audited) HK\$'000	30.6.2014	(Unaudited) HK\$'000	(Audited) HK\$'000	30.6.2014		(Unaudited) HK\$'000
Segment assets	58,321	35,223	32,112	66,342	618	675	91,051	101,240	-	-	-	-	-	-	91,051	101,240	
Reconciliation:																	
Corporate and other unallocated assets							230,105	42,426							230,105	42,426	
Total assets							321,156	143,666							321,156	143,666	
Segment liabilities	(5,913)	(4,449)	(3,255)	(8,252)	(587)	(591)	(9,755)	(13,232)							(9,755)	(13,232)	
Reconciliation:																	
Corporate and other unallocated liabilities							(10,645)	(10,812)							(10,645)	(10,812)	
Total liabilities							(20,400)	(24,104)							(20,400)	(24,104)	

4. Revenue, other income and gains, net

An analysis of revenue, other income and gains, net from continuing operations is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
	Revenue			
Provision of software development and system integration services	4,747	6,651	8,209	9,157
Provision of technical support and maintenance services	2,745	3,792	4,520	8,095
	7,492	10,443	12,729	17,252
Other income and gains, net				
Bank interest income	700	982	843	1,110
Gain on disposal of subsidiaries (refer to Note 9 for more background details)	-	-	-	10,214
Investment income from held-to-maturity investments	229	15	274	15
Investment income from financial assets at fair value through profit or loss	268	73	486	73
Others	194	220	405	253
	1,391	1,290	2,008	11,665

5. Finance costs

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Other loan interest	374	–	374	–
Interest on long term loans	–	250	–	730
	374	250	374	730

6. Loss before tax from continuing operations

Loss before tax from continuing operations was arrived at after charging the following:

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Continuing operations				
Amortisation of other intangible assets	41	41	81	81
Depreciation	254	272	513	554
Director's remuneration	142	125	267	250

7. Income tax expenses

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2014 as the Group did not generate any assessable profits arising in Hong Kong during the period (2013: 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.

No provision of the PRC corporate income tax has been made for the six months ended 30 June 2014 as the Group did not generate any assessable profits in the PRC during the period (2013: Nil).

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current tax – Hong Kong	-	-	-	-
Current tax – PRC	-	-	-	-
Total tax charged for the period	-	-	-	-

8. Loss per share

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the loss attributable to owners of the Company of HK\$13,303,000 for the six months ended 30 June 2014 (2013: HK\$1,510,000) and the weighted average number of 2,149,427,875 (2013: 1,174,949,293) ordinary shares (adjusted for the effects of the issue of shares upon open offer) of the Company in issue during the period.

(a) Loss attributable to the owners of the Company:

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
From continuing operations	5,971	4,496	13,303	1,074
From discontinued operation	-	-	-	436
Loss for the purpose of basic and diluted loss per share	5,971	4,496	13,303	1,510

(b) Weighted average number of ordinary shares:

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Total number of ordinary shares in issue at the end of the period	2,695,471,908	898,490,636	2,695,471,908	898,490,636
Weighted average number of ordinary shares in issue during the period	2,695,471,908	1,174,949,293	2,149,427,875	1,174,949,293

No diluted loss per share is presented for the periods ended 30 June 2014 and 2013 as there were no dilutive potential ordinary shares outstanding for the periods.

9. Discontinued operation

On 15 November 2012, the Company entered into a sale and purchase agreement (the "Disposal") with QIFA Holdings Limited ("QIFA"), pursuant to which the Company conditionally agreed to dispose, and QIFA conditionally agreed to acquire the 68% issued share capital of Astoria Innovations Limited ("Astoria") at a consideration of RMB50 million (equivalent to HK\$62.24 million). QIFA is a connected person of the Company under the GEM Listing Rules. As such, the Disposal was subject to the independent shareholders' approval requirement. On 11 January 2013, the Disposal, as an ordinary resolution, was approved by the independent shareholders in an extraordinary general meeting.

Astoria is an investment holding company which holds 100% registered capital of Beijing Enterprises Sanxing Information Technology Co., Limited ("Sanxing"). Sanxing mainly engages in the provision of system supports to the systems in social security and social insurance administration, human resource and labor force management, and transient population administration to the relevant authorities of the Beijing Municipal Government.

The Disposal was completed on 4 February 2013. Upon completion of the Disposal, Astoria and Sanxing ceased to be subsidiaries of the Company and their results, assets and liabilities and cash flows ceased to be consolidated to that of the Group since then. A gain on disposal of Astoria of HK\$10,214,000 was recognised upon the completion, being calculated as follows:

	Six months ended 30 June 2013 (Unaudited) HK\$'000
<hr/>	
Net assets disposed of:	
Goodwill	19,000
Property, plant and equipment	3,415
Inventories	46
Amounts due from contract customers	5,072
Trade receivables	123
Prepayments, deposits and other receivables	12,300
Cash and bank balances	67,564
Amounts due to contract customers	(12,488)
Trade payables	(515)
Other payables and accruals	(13,142)
Tax payables	(2,787)
Non-controlling interests	(19,068)
	<hr/> 59,520
Exchange fluctuation reserve realised	(7,494)
Gain on disposal of interest in subsidiaries	10,214
	<hr/> 62,240
Satisfied by cash	<hr/> 62,240

An analysis of the cash flows in respect of the disposal of subsidiaries is as follows:

	Six months ended	
	30 June 2014	30 June 2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cash and bank balances disposed of	–	(67,564)
Cash consideration	–	62,240
		<hr/>
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	(5,324)

The results of the discontinued operation dealt with in the condensed consolidated financial statements for the six months ended 30 June 2014 and 2013 are summarised as follows:

	Six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue	–	1,013
Cost of goods sold	–	(728)
Gross profit	–	285
Other income	–	8
Selling and distribution expenses	–	(432)
Administrative expenses	–	(502)
Loss before tax	–	(641)
Income tax expenses	–	–
Loss for the period from a discontinued operation	–	(641)

10. Interim dividend

The Board does not recommend the payment of an interim dividend for the six months period ended 30 June 2014 (2013: Nil).

11. Investment in a joint venture

On 6 September 2013, the Company, Bloom Faith Holdings Limited and Shenzhen Qian Ti Investment Limited have entered into an agreement pursuant to which the Company has conditionally agreed to purchase 21.45% partnership interest in Shanghai Rui Hung Jiu Fang Investment Partnership Enterprise (“Jiu Fang”) for the consideration of RMB25 million (equivalent to approximately HK\$31,518,000). The acquisition was completed on 16 April 2014.

12. Investment in an associate

The Group's equity interest in China Luck, a former wholly-owned subsidiary of the Company, was diluted from 100% to 40% upon the allotment of new shares to Favour Time Investments Limited (“Favour Time”) by China Luck for the year ended 31 December 2013. China Luck ceased to be a subsidiary of the Group and became an associate of the Group as at 31 December 2013.

On 28 May 2014, the Company and Favour Time entered into an agreement pursuant to which the Company acquired 60% of the equity interest in China Luck and took over the loan to China Luck of US\$1.2 million (equivalent to approximately HK\$9,336,000) from Favour Time for the consideration of approximately US\$1.25 million (equivalent to approximately HK\$9,711,000). Immediately after completion of the transaction, the Company owns 100% of the equity interest in China Luck. China Luck was accounted for as a subsidiary of the Group as at 30 June 2014.

Share of net assets of the investment in an associate were HK\$Nil and HK\$3,587,000 for the period/year ended 30 June 2014 and 31 December 2013 respectively.

13. 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:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Within 1 month	554	1,401
1 to 2 months	349	339
2 to 3 months	–	–
Over 3 months	2,248	1,713
	3,151	3,453

Generally, the Group grants 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\$3,000 (31 December 2013: HK\$3,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

14. 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:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Within 1 month	385	2,044
1 to 2 months	33	–
2 to 3 months	903	–
Over 3 months	1,891	1,736
	3,212	3,780

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

15. Share capital

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each at 31 December 2013 and 1 January 2014	1,000,000,000	100,000
Increase during the period	(a) 3,000,000,000	300,000
At 30 June 2014	4,000,000,000	400,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each at 31 December 2013 and 1 January 2014	898,490,636	89,849
Issue of new shares	(b) 1,796,981,272	179,698
At 30 June 2014	2,695,471,908	269,547

Note:

- (a) Pursuant to an ordinary resolution passed by the shareholders of the Company on 27 January 2014, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$400,000,000 by the creation of 3,000,000,000 ordinary shares of HK\$0.10 each, those new ordinary shares rank pari passu in all respects with the existing shares of the Company.
- (b) On 6 March 2014, the Company issued 1,796,981,272 offer shares of HK\$0.11 each by way of open offer on the basis of two offer shares for every one share held on the record date. The transaction costs attributable to issue of new shares was approximately HK\$2,562,000.

16. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy:

Description	Fair value measurements as at 30 June 2014 using:			Total 2014 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	49,951	-	-	49,951
Total recurring fair value measurements	49,951	-	-	49,951

Description	Fair value measurements as at 31 December 2013 using:			Total 2013 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	17,818	-	-	17,818
Total recurring fair value measurements	17,818	-	-	17,818

17. Contingent liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: nil).

18. Capital commitments

The Group's capital commitments at 30 June 2014 and 31 December 2013 are as follows:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Partnership interest		
Contracted but not provided for	34,796	31,018

Bloom Faith Holdings Limited and Shenzhen Qian Ti Investment Limited (collectively "the Vendors"), both are independent third parties, together with the Company, entered into the Transfer Agreement on 6 June 2014, pursuant to which the Company conditionally agreed to purchase and the Vendors conditionally agreed to sell 24% partnership interest in Jiu Fang, for the consideration of RMB28 million (equivalent to approximately HK\$34,796,000). The transaction is subject to the conditions precedent set out in the Transfer Agreement being satisfied or waived, as applicable, and the transaction may or may not proceed to completion.

19. Event after the reporting period

On 10 July 2014, the Company entered into the Sale and Purchase Agreement with Beijing Enterprises Group Information Limited, a connected person of the Company under the GEM Listing Rules, pursuant to which the Company conditionally agreed to dispose the entire issued share capital of Wisdom Elite Holdings Limited, at a consideration of RMB71.91 million (equivalent to approximately HK\$89.26 million). The Disposal is subject to the approval by the independent shareholders at the extraordinary general meeting to be held tentatively in September 2014. More details on the Disposal had been disclosed in the relevant announcement of the Company dated 10 July 2014.

20. Approval of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved and authorized for issue by the Board on 11 August 2014.

GENERAL INFORMATION

Directors' service contracts

At 30 June 2014, 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 2014.

Directors' interests and short positions in shares and underlying shares

At 30 June 2014, 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 2014, 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, at no time during the six months ended 30 June 2014 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 2014, 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	<i>Notes</i>	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Novel Rainbow Limited		Directly beneficially owned	1,037,067,449	38.47%
Mr. Wei Gao	<i>(a)</i>	Through controlled corporations	1,037,067,449	38.47%
Beijing Development (Hong Kong) Limited	<i>(b)</i>	Through controlled corporations	189,551,344	7.03%
Beijing Enterprises Holdings Limited	<i>(c)</i>	Through controlled corporations	189,551,344	7.03%
Beijing Enterprises Investments Limited	<i>(d)</i>	Through controlled corporations	189,551,344	7.03%
Beijing Enterprises Group Company Limited	<i>(e)</i>	Through controlled corporations	189,551,344	7.03%
Prime Technology Group Limited		Directly beneficially owned	167,754,607	6.22%

Notes:

- (a) Mr. Wei Gao was deemed to be interested in the 1,037,067,449 shares by virtue of his controlling interests in Novel Rainbow Limited.
- (b) Beijing Development (Hong Kong) Limited was deemed to be interested in the 189,551,344 shares by virtue of its controlling interests in its wholly owned subsidiaries, Prime Technology Group Limited and E-Tron Limited.
- (c) Beijing Enterprises Holdings Limited was deemed to be interested in the 189,551,344 shares by virtue of its controlling interests in Beijing Development (Hong Kong) Limited.

- (d) Beijing Enterprises Investments Limited was deemed to be interested in the 189,551,344 shares by virtue of its controlling interests, together with Beijing Enterprises Group Company Limited, in Beijing Enterprises Holdings Limited.
- (e) Beijing Enterprises Group Company Limited was deemed to be interested in the 189,551,344 shares by virtue of its controlling interests in Beijing Enterprises Investments Limited and Beijing Enterprises Holdings Limited.

Save as disclosed above, as at 30 June 2014, 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.

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

During the six months ended 30 June 2014, 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 were 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 2014, the Company has complied with the codes on Corporate Governance Code (the “Code”) 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 2014.

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 interim financial statements for the six months ended 30 June 2014 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

The Company established a nomination committee with written terms of reference in compliance with Code Provisions A.5.1 to A.5.5 of Appendix 15 of the GEM Listing Rules.

The nomination committee 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, 11 August 2014

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.