



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 RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

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

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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 announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

SUMMARY

- Turnover from continuing operations for the six months ended 30 June 2011 was HK\$34,249,000, representing a decrease of 15.4% from corresponding period in last year (2010: HK\$40,497,000).
- Loss attributable to shareholders of the Company from continuing operations for the six months ended 30 June 2011 amounted to HK\$5,776,000 (2010: Profit of HK\$5,871,000).
- Loss per share attributable to shareholders of the Company from continuing operations for the six months ended 30 June 2011 was HK0.09 cents (2010: Profit of HK0.09 cents).
- The Board does not recommend the payment of an interim dividend for the period ended 30 June 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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

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

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

Business prospects

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

Employees

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

Financial review

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

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

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

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

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

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

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

Financial position

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

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

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

Capital expenditure

During the six months ended 30 June 2011, the Group incurred capital expenditure of HK\$464,000. As at 30 June 2011, the Group do not have any capital commitments.

CONDENSED CONSOLIDATED INCOME STATEMENT

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

		Three months ended 30 June		Six months ended 30 June	
		2011	2010	2011	2010
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Notes</i>					
ATTRIBUTABLE TO:					
Shareholders of the Company					
– from continuing operations		916	7,879	(5,776)	5,871
– from discontinued operations		(3,401)	(3,995)	(6,126)	(9,321)
		(2,485)	3,884	(11,902)	(3,450)
Non-controlling interests					
– from continuing operations		(1,167)	113	(2,193)	416
– from discontinued operations		(258)	(25)	(480)	(50)
		(1,425)	88	(2,673)	366
PROFIT/(LOSS) FOR THE PERIOD		<u>(3,910)</u>	<u>3,972</u>	<u>(14,575)</u>	<u>(3,084)</u>
PROFIT/(LOSS) PER SHARE					
ATTRIBUTABLE TO					
SHAREHOLDERS					
OF THE COMPANY					
Basic & diluted (HK cents)	7	<u>(0.04)</u>	<u>0.06</u>	<u>(0.18)</u>	<u>(0.05)</u>
– from continuing operations		0.01	0.12	(0.09)	0.09
– from discontinued operations		(0.05)	(0.06)	(0.09)	(0.14)
		<u>(0.04)</u>	<u>0.06</u>	<u>(0.18)</u>	<u>(0.05)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company										Non-controlling interests	Total equity
	Issued capital	Share premium account	Share option reserve	Capital reserve	Convertible bonds equity reserve	Exchange fluctuation reserve	PRC reserve funds	Accumulated losses	Total			
	(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
At 1 January 2010	64,949	1,176,781	48,110	–	10,411	25,135	22,338	(1,242,561)	105,163	14,226	119,389	
(Loss)/profit for the period	–	–	–	–	–	–	–	(3,450)	(3,450)	366	(3,084)	
Other comprehensive loss												
– Exchange differences on translation of foreign operations	–	–	–	–	–	(1,898)	–	–	(1,898)	(154)	(2,052)	
Total comprehensive income/(loss) for the period	–	–	–	–	–	(1,898)	–	(3,450)	(5,348)	212	(5,136)	
Transfer to PRC reserve funds	–	–	–	–	–	–	1,068	(1,068)	–	–	–	
Cancellation of convertible bonds	–	–	–	–	(10,411)	–	–	–	(10,411)	–	(10,411)	
Transfer of share option reserve upon the forfeiture of share options	–	–	(1,738)	–	–	–	–	1,738	–	–	–	
Equity-settled share option arrangements	–	–	5,175	–	–	–	–	–	5,175	–	5,175	
At 30 June 2010	<u>64,949</u>	<u>1,176,781</u>	<u>51,547</u>	<u>–</u>	<u>–</u>	<u>23,237</u>	<u>23,406</u>	<u>(1,245,341)</u>	<u>94,579</u>	<u>14,438</u>	<u>109,017</u>	
At 1 January 2011	64,949	1,176,781	44,697	8,329	–	29,267	25,678	(1,253,386)	96,315	17,503	113,818	
Loss for the period	–	–	–	–	–	–	–	(11,902)	(11,902)	(2,673)	(14,575)	
Other comprehensive profit												
– Exchange differences on translation of foreign operations	–	–	–	–	–	3,558	–	–	3,558	1,574	5,132	
Total comprehensive income/(loss) for the period	–	–	–	–	–	3,558	–	(11,902)	(8,344)	(1,099)	(9,443)	
Transfer to PRC reserve funds	–	–	–	–	–	–	434	(434)	–	–	–	
Transfer of share option reserve upon the forfeiture of share options	–	–	(16,333)	–	–	–	–	16,333	–	–	–	
Equity-settled share option arrangements	–	–	986	–	–	–	–	–	986	–	986	
At 30 June 2011	<u>64,949</u>	<u>1,176,781</u>	<u>29,350</u>	<u>8,329</u>	<u>–</u>	<u>32,825</u>	<u>26,112</u>	<u>(1,249,389)</u>	<u>88,957</u>	<u>16,404</u>	<u>105,361</u>	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION

1. ACCOUNTING POLICIES

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

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

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

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

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

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

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

2. OPERATING SEGMENT INFORMATION

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

Summary details of the Group’s reportable operating segments are as follows:

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

The following tables present revenue and loss for the Group’s operating segments for the six months ended 30 June 2011 and 2010.

Reporting segment information

	Six months ended 30 June													
	Continuing operations						Discontinued operations							
	Software development and system integration		In-house developed products		Total		Software development and system integration		Internet, mobile and telecommunication		Total		Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(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
Segment revenue:														
Sales to external customers	34,099	40,427	150	70	34,249	40,497	3,819	2,666	2,039	1,821	5,858	4,487	40,107	44,984
Intersegment sales	-	-	-	-	-	-	-	10,431	-	-	-	10,431	-	10,431
Other income and gains	292	845	-	-	292	845	-	-	-	-	-	-	292	845
	<u>34,391</u>	<u>41,272</u>	<u>150</u>	<u>70</u>	<u>34,541</u>	<u>41,342</u>	<u>3,819</u>	<u>13,097</u>	<u>2,039</u>	<u>1,821</u>	<u>5,858</u>	<u>14,918</u>	<u>40,399</u>	<u>56,260</u>
Reconciliation:														
Elimination of intersegment sales	-	-	-	-	-	-	-	(10,431)	-	-	-	(10,431)	-	(10,431)
Revenue	<u>34,391</u>	<u>41,292</u>	<u>150</u>	<u>70</u>	<u>34,541</u>	<u>41,342</u>	<u>3,819</u>	<u>2,666</u>	<u>2,039</u>	<u>1,821</u>	<u>5,858</u>	<u>4,487</u>	<u>40,399</u>	<u>45,829</u>
Segment results	(197)	6,048	(189)	(755)	(386)	5,293	(4,415)	(11,658)	(2,250)	(8,236)	(6,665)	(19,894)	(7,051)	(14,601)
Reconciliation:														
Elimination of intersegment results					-	-					-	10,431	-	10,431
Interest income and unallocated gains					988	12,397					116	169	1,104	12,566
Gain on deemed partial disposal of a subsidiary					1,871	-					-	-	1,871	-
Corporate and other unallocated expenses					(7,670)	(10,384)					(57)	(77)	(7,727)	(10,461)
Finance costs					(1,329)	(7)					-	-	(1,329)	(7)
Profit/(loss) before tax	<u></u>	<u></u>	<u></u>	<u></u>	<u>(6,526)</u>	<u>7,299</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>(6,606)</u>	<u>(9,371)</u>	<u>(13,132)</u>	<u>(2,072)</u>

3. REVENUE, OTHER INCOME AND GAINS, NET

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

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

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

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

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

4. FINANCE COSTS

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

5. PROFIT/(LOSS) BEFORE TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Depreciation	430	535	888	1,083
Amortisation of other intangible assets	41	80	81	161
Discontinued operations				
Depreciation	<u>447</u>	<u>457</u>	<u>498</u>	<u>891</u>

6. INCOME TAX

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

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

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

7. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

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

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

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

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

8. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

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

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

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

(a) Discontinued operations

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

(b) Assets of disposal group held for sale

**As at
30 June 2011
(Unaudited)
HK\$'000**

NON-CURRENT ASSETS

Equipment	3,584
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CURRENT ASSETS

Inventories	644
Amount due from contract customers	3,592
Trade receivables	936
Prepayments, deposits and other receivables	3,066
Cash and cash equivalents	8,022

Total current assets	16,260
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Total assets	19,844
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(c) Liabilities directly associated with assets held for sale

CURRENT LIABILITIES

Trade payables	1,048
Other payables and accruals	21,566
Income tax payables	20,471

Total liabilities	43,085
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9. INTERIM DIVIDEND

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

10. TRADE RECEIVABLES

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

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

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

Included in the Group's trade receivables are amounts due from subsidiaries of the Company's substantial shareholder of HK\$4,297,000 (2010: HK\$6,893,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

11. TRADE PAYABLES

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

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

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

12. ISSUED CAPITAL

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
6,494,906,368 (2010: 6,494,906,368) ordinary shares of HK\$0.01 each	<u>64,949</u>	<u>64,949</u>

13. RELATED PARTY DISCLOSURES

(a) Transactions with a related party:

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

(b) Outstanding balances with related parties:

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

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

14. CONTINGENT LIABILITIES

(a) Termination of Mingsuo business

In June 2009, the Group ceased the corporate information enquiry services of Mingsuo business which is operated by Run Tong. The management is not able to ascertain the number of outstanding Mingsuo prepaid cards in issue, the unutilised stored values and their expiry dates. Accordingly, the management is not able to ascertain the Group's liabilities in respect of the services not yet provided for unutilised cards sold up to 30 June 2011. However, in the opinion of the directors, the possibility of the Group being claimed by the customers holding unutilised cards is low.

(b) Violation of the PRC law

On 25 April 2008, the PRC government imposed a new law 《政府信息公開條例》 (the “Regulation”) which governs the uses of open government information since 1 May 2008. Run Tong maintained the operation of the Mingsuo Internet Platform for providing the search services on companies which were registered with the Beijing Administration for Industry and Commerce (“BAIC”) after May 2008. As such, Run Tong and the Group would potentially be exposed to the risk of being sued for the violation of the Regulations.

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

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

15. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

These condensed consolidated interim financial information were approved and authorized for issue by the Board on 12 August 2011.

GENERAL INFORMATION

Directors’ service contracts

At 30 June 2011, none of the Directors had any existing or proposed service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors’ interests in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the six months ended 30 June 2011.

Directors' interests and short positions in shares and underlying shares

At 30 June 2011, the interests and short positions of the Directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

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

Name of director	Number of shares held	Capacity and nature of interest	Percentage of the Company's issued share capital
Nil			

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

Name of director	Nature of interest	Number of underlying shares	Exercise period of the share options	Exercise price per share	Approximate percentage of shareholding
Executive director					
Dr. Yu Xiaoyang	Beneficial owner	32,400,000	13 March 2008 to 12 September 2012	HK\$0.79	0.50% (Note 1)
Independent non-executive directors					
Ms. Ma Yuhua	Beneficial owner	4,000,000	13 March 2008 to 12 September 2012	HK\$0.79	0.06% (Note 1)
Ms. Liang Yeping*	Beneficial owner	2,000,000	13 March 2008 to 12 September 2012	HK\$0.79	0.06% (Note 1)
Dr. Zhou Chunsheng**	Beneficial owner	2,000,000	13 March 2008 to 12 September 2012	HK\$0.79	0.06% (Note 1)

* Resigned on 13 May 2011

** Resigned on 9 June 2011

Note:

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

Save as disclosed above, as at 30 June 2011, none of the directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debentures

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above and in the section "Share option scheme" below, at no time during the six months ended 30 June 2011 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial shareholders' and other persons' interests in shares and underlying shares

At 30 June 2011, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

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	(a)	Through controlled corporations	1,895,513,445	29.18%
Beijing Enterprises Holdings Limited	(b)	Through controlled corporations	1,895,513,445	29.18%
Beijing Enterprises Group Company Limited	(c)	Through controlled corporations	1,895,513,445	29.18%
Carford Holdings Limited		Directly beneficially owned	560,000,000	8.62%
Getwin Investment Limited		Directly beneficially owned	560,000,000	8.62%
Mr. Xia Xiaoman	(d)	Through controlled corporations	1,120,000,000	17.24%

Notes:

- (a) Beijing Development (Hong Kong) Limited was deemed to be interested in the 1,895,513,445 shares by virtue of its controlling interests in its wholly owned subsidiaries, Prime Technology Group Limited and E-Tron Limited.
- (b) Beijing Enterprises Holdings Limited was deemed to be interested in the 1,895,513,445 shares by virtue of its controlling interests in Beijing Development (Hong Kong) Limited.
- (c) Beijing Enterprises Group Company Limited was deemed to be interested in the 1,895,513,445 shares by virtue of its controlling interests in Beijing Enterprises Investments Limited and Beijing Enterprises Holdings Limited.
- (d) Mr. Xia Xiaoman was deemed to be interested in the 1,120,000,000 shares by virtue of his controlling interests in Carford Holdings Limited and Getwin Investment Limited.

Save as disclosed above, as at 30 June 2011, no person, other than the directors of the Company, whose interests are set out in the section “Directors’ interests and short positions in shares and underlying shares” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Share option scheme

The following share options were outstanding under the Share Option Scheme during the six months ended 30 June 2011:

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

Notes:

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

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

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

During the six months ended 30 June 2011, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of Company's listed securities.

Competing Interests

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

CORPORATE GOVERNANCE

Corporate governance practices

During the six months ended 30 June 2011, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

Non-executive directors

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

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

Code of conduct regarding securities transactions by directors

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the directors during the six months ended 30 June 2011.

Audit committee

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

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

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2011 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards. The audit committee comprises the following members, namely, Ms. Ma Yuhua (audit committee chairman), Ms. Liang Yeping (resigned on 13 May 2011), Dr. Zhou Chunsheng (resigned on 9 June 2011), Dr. Sun Guofu and Mr. Ng Kwok Fai (appointed on 13 May 2011). All of them are independent non-executive directors.

Remuneration committee

The remuneration committee of the Group was established in accordance with the Code Provisions. During the period under review, members of the remuneration committee are Ms. Ma Yuhua (remuneration committee chairman), Ms. Liang Yeping (resigned on 13 May 2011) and Dr. Zhou Chunsheng (resigned on 9 June 2011), Dr. Sun Guofu and Mr. Ng Kwok Fai (appointed on 13 May 2011). All the remuneration committee members are independent non-executive directors.

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

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

Internal control

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

By Order of the Board
China Information Technology Development Limited
Hu Zhuoer
Executive Director and Chief Executive Officer

Hong Kong

12 August 2011

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

This announcement will be available on the Company's website <http://www.chinainfotech.com.hk> and will remain on the "Latest Company Announcement" page on the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting.