



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

2016



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

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

CONTENTS

Corporate Information	2
Summary	3
Management Discussion and Analysis	3
Condensed Consolidated Statement of Profit or Loss	8
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Condensed Consolidated Statement of Financial Position	10
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	13
Notes to Condensed Consolidated Interim Financial Statements	15
General Information	28
Corporate Governance	31

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong Kui Shing, Danny
(Chairman and Chief Executive Officer)
Mr. Tse Chi Wai
Ms. Wu Jingjing
Mr. Takashi Togo

NON-EXECUTIVE DIRECTOR

Mr. Wong Chi Yung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Hing Man
Mr. May Tai Keung, Nicholas
Dr. Chen Shengrong

COMPANY SECRETARY

Mr. Tse Chi Wai

COMPLIANCE OFFICER

Mr. Tse Chi Wai

AUTHORISED REPRESENTATIVES

Mr. Wong Kui Shing, Danny
Mr. Tse Chi Wai

NOMINATION COMMITTEE

Mr. Hung Hing Man *(Chairman)*
Mr. May Tai Keung, Nicholas
Dr. Chen Shengrong

REMUNERATION COMMITTEE

Mr. May Tai Keung, Nicholas *(Chairman)*
Mr. Hung Hing Man
Dr. Chen Shengrong

AUDIT COMMITTEE

Mr. Hung Hing Man *(Chairman)*
Mr. May Tai Keung, Nicholas
Dr. Chen Shengrong

AUDITOR

ZHONGHUI ANDA CPA Limited

LEGAL ADVISOR

Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Public Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite No. 5A, 9/F., Sino Plaza
255-257 Gloucester Road
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KYI-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KYI-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong

GEM STOCK CODE

8178

WEB-SITE ADDRESS

www.chinainfotech.com.hk

SUMMARY

- Revenue for the six months ended 30 June 2016 was HK\$7,040,000, representing a decrease of 40.9% from the corresponding period in last year (2015: HK\$11,907,000).
- Loss attributable to owners of the Company for the six months ended 30 June 2016 amounted to HK\$20,382,000 (2015: HK\$24,535,000).
- Loss per share attributable to owners of the Company for the six months ended 30 June 2016 was HK0.46 cents (2015: HK0.88 cents).
- The Board of Director (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

There were two matters initiated in late 2015 that are now completed.

In November 2015, Giant Prestige Investments Limited (the “Purchaser”), a wholly owned subsidiary of the Company, entered into an agreement with three independent third parties (the “Vendors”) pursuant to which the Purchaser conditionally agreed to purchase and the Vendors conditionally agreed to sell 100% of the issued share capital of the Joyunited Investments Limited (“Joyunited”) and all obligations, liabilities and debts owing or incurred by the Joyunited to the Vendors on or at any time prior to the completion at the aggregate consideration of RMB178 million (equivalent to approximate HK\$215 million) (the “Acquisition”). The transactions were duly passed as ordinary resolutions of the Company at the extraordinary general meeting held on 10 March 2016. More details on the Acquisition had been disclosed in the relevant announcement dated 25 November 2015 and the circular dated 23 February 2016. The Acquisition had been completed on 7 April 2016. The Group started to consolidate the operations of Joyunited commencing from April 2016.

In December 2015, the Company and Kingston Securities Limited, as the placing agent, entered into the placing agreement, pursuant to which, subject to the approval of the shareholders of the Company at the extraordinary general meeting on 7 April 2016, the Company will place up to 1,830,792,000 new shares of the Company to not less than six independent placees at a price of HK\$0.13 each on a best effort basis and raised a maximum net proceeds of approximately HK\$230 million (the “Placement”). It was expected that the net proceed of approximately HK\$232 million raised would be utilized as follows: HK\$73 million for the refurbishment of and operation of the business in the PRC properties as acquired in the above Acquisition (“PRC Properties”), the Company would have approximately HK\$69 million for the general working capital and approximately HK\$88 million for the projects that are currently in progress. The transactions were duly passed as ordinary resolutions of the Company at the extraordinary general meeting held on 7 April 2016. More details on the Placement had been disclosed in the relevant announcement of the Company dated 8 December 2015 and the circular dated 18 March 2016. The Placement had been completed on 9 May 2016. As at 30 June 2016, the use of net proceeds from

the Placement is as follows:– (1) approximately HK\$17 million for refurbishment and other expenses relating to the PRC Properties; (2) approximately HK\$10 million for loan to an independent third party to enhance yield of idle cash of the Group; (3) as a result of the loss in book value of the listed securities held by the Group, the Group has not realised such listed securities to settle part of the consideration for the PRC Properties. Instead, approximately HK\$54 million had been applied to settle the consideration for the PRC Properties; (4) approximately HK\$6 million for administrative expenses and other expenses incurred by the Group. The unutilized proceeds has been held in cash in bank.

In June 2016, the Company entered into an agreement with Mr. Yang Jie, pursuant to which the Company had conditionally agreed to dispose its 25% shares in Wise Visual Holdings Limited (“Wise Visual”) at a consideration of HK\$80 million (the “Disposal”). More details on the Disposal had been disclosed in the relevant announcement of the Company dated 28 June 2016. The disposal was completed in the same month and the sale proceeds has yet to be received.

Apart from that, in June 2016, the Company’s subsidiary in Japan had entered into an agreement with Jiji Press, Ltd.(時事通信社)(“Jiji Press”) which is a prominent news agency in Japan, having 82 branch offices, general bureau in Japan and 28 general bureau globally (the “Agreement”). Pursuant to the Agreement, the Group shall procure advertising channels, through print and digital media in Hong Kong for Japanese products and Jiji Press will be the exclusive distributor for advertising channels so procured for the Japanese market in Japan. With the vast networks of Jiji Press in Japan, Jiji Press has valuable source of different famous and unique products around Japan. By cooperating with Jiji Press, the Group can further extend and build up its business networks in Japan and also in Hong Kong especially in the media industry where the Group can apply its technology to explore for new business opportunities. As announced in November 2015, the Company had formed a joint venture in Japan to launch into the business of promotion and distribution of Japanese products in Great China Region and ASEAN Regions, this Agreement has further strengthened the Group’s ability to promote the Japanese products in China and ASEAN Regions and indicated the determination of Company to continue on this business strategy to broaden its income source and enhance its financial performance. It further equips and gives synergy to the Group as to further its step to develop a comprehensive one-stop IT services platform that can be applied in the existing businesses of the Company. Details of the Agreement has been disclosed in the relevant announcement of the Company dated 20 June 2016.

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

Currently, the Pantosoft operation is the main revenue and income drivers of the Group. During the period under review, the Group has also the equity interest in two associates in the field of big data analysis and surveillance monitoring, of which one of them, Wise Visual, engaging in surveillance monitoring business, has been disposed in June 2016.

During the period under review, the Company has further demonstrated its determination to broaden the business scope, diversify business of the Group and open up new income source. The business structure of the Company has been more complete and refined upon the corporate actions. The Company shall continue with the refurbishment of the PRC office properties and occupy the same as the Group's future headquarters in the PRC to tie up the existing and new businesses together and completes the whole strategic business development plan of the Group. In this nurturing ground where different businesses of the Group will be located, the resources and different knowledge gained from various businesses of the Group can be more efficiently utilised and shared. Together with the experience and knowledge of the Group in the IT field, the Group believes that the Acquisition can help further to equip the Group to further expand its existing and future businesses in the PRC and the ASEAN Countries.

With the aforesaid, the Company is fueled up and equipped so as to expand the Group's footprint in the PRC and ASEAN Regions with the new headquarter in Guangzhou and the joint venture arrangement and cooperation with Jiji Press described in the above, together with the existing business and other new IT related projects to come in future.

Employees

The total number of full-time employees hired by the Group maintained at 135 as of 30 June 2016. (2015: 150 employees). Total expenses on employee benefits amounted to HK\$32,449,000, HK\$19,625,000 related to equity-settled share based payment for the six months ended 30 June 2016 (2015: HK\$13,817,000). The management believes the salaries offered by the Group to its employees are competitive.

Financial review

For the six months ended 30 June 2016, the Group recorded a revenue of HK\$7,040,000, a decrease of 40.9% from HK\$11,907,000 in the corresponding period in last year. The revenue of Pantosoft shrank for the first half year of 2016 as compared to 2015. Pantosoft had a soft first quarter for 2016. Though the revenue for the second quarter of 2016 was comparable to 2015, the total revenue for first half of 2016 still significantly fell short of that for 2015.

The Group had a total cost of sales and services of HK\$7,568,000 for the first half of year 2016, a decrease of 3.3% compared with HK\$7,828,000 in the same period of year 2015. There was a fixed cost element of approximately HK\$2.5 million for R&D costs charged as cost of sales and services for a quarter. Other than that, the decrease in cost of sales and services was a direct result of the decrease in revenue.

The gross loss of the Group for the first half of year 2016 was HK\$528,000, representing a decrease of HK\$4,607,000 compared with a gross profit of HK\$4,079,000 for the corresponding period of last year. Overall, Pantosoft had insufficient gross profit from revenue to cover the fixed cost element mentioned above so it generated a gross loss as compared to a profit.

During the six months ended 30 June 2016, the Group generated other income and gains of HK\$1,885,000 (2015: HK\$17,062,000) which comprised: (i) bank interest income amounted to HK\$3,000 (2015: HK\$15,000); (ii) loans interest income amounted to HK\$974,000 (2015: Nil); (iii) bonus issue of shares from financial assets at fair value through profit or loss amounted to HK\$Nil (2015: 16,055,000); (iv) investment income from financial assets at fair value through profit or loss amounted to HK\$320,000 (2015: HK\$246,000); and (v) other income amounted to HK\$588,000 (2015: HK\$746,000).

The Group's selling and distribution expenses for the first half of year 2016 were HK\$2,949,000, a decrease of 48.6% compared with HK\$5,734,000 in the corresponding period in 2015. The decrease was mainly due to the fact that Pantosoft reduced its promotion activity efforts significantly this year.

Administrative expenses for the period were HK\$33,570,000, an increase of 229.6% as compared to HK\$10,184,000 for the corresponding period last year. The increase was mainly due to the accounting for share options granted to employees and consultants for the amount of HK\$19,625,000 during the period.

During the first half of 2016, the Group profited from trading of marketable securities and recorded a net gain of HK\$8,211,000 as compared to a loss of HK\$32,000 for 2015.

The Group made an impairment provision of HK\$22,597,000 against investment in Wise Visual in 2015. The provision was reversed upon disposal of interest in the associate thus a gain of the same amount was recognized.

The Group's loss attributable to owners of the Company was HK\$20,382,000 for the six months ended 30 June 2016 (2015: HK\$24,535,000).

Financial position

As at 30 June 2016, the Group had cash and bank balances of HK\$150,714,000 (31 December 2015: HK\$119,229,000).

As at 30 June 2016, the Group's total borrowings and finance lease amounted approximately HK\$66,228,000 (31 December 2015: HK\$937,000). The gearing ratio (calculated as total borrowings and finance lease over total equity) of the Group was 0.11 (31 December 2015: 0.003).

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\$84,720,000 (31 December 2015: HK\$11,308,000) for addition of property, plant and equipment and HK\$176,090,000 (31 December 2015: HK\$36,225,000) for acquisition of a subsidiary for the six months ended 30 June 2016.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2015 and 30 June 2016 respectively.

Capital commitment

The Group did not have any material capital commitments as at 31 December 2015 and 30 June 2016.

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 2016, together with the unaudited comparative figures for the corresponding period of year 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4	5,172	5,428	7,040	11,907
Cost of sales and services		(4,563)	(2,979)	(7,568)	(7,828)
Gross (loss)/profit		609	2,449	(528)	4,079
Other income and gains, net	4	569	16,132	1,885	17,062
Selling and distribution expenses		(1,276)	(3,132)	(2,949)	(5,734)
Administrative expenses	6	(28,034)	(5,684)	(33,570)	(10,184)
Other expenses	6	-	(30,078)	(107)	(30,347)
Fair value gain/(loss) on financial assets at fair value through profit or loss		11,957	(390)	8,211	(32)
Change in fair value of investment properties		(11,730)	-	(11,730)	-
Change in fair value of borrowings		2,876	-	2,876	-
Change in fair value of derivative financial asset		(10,610)	-	(10,610)	-
Finance costs	5	(1,108)	(12)	(1,128)	(25)
Share of results of associates		250	151	680	151
Gain on disposal of an associate		22,827	-	22,827	-
LOSS BEFORE TAX	6	(13,670)	(20,564)	(24,143)	(25,030)
Income tax credit	7	2,933	-	2,933	-
LOSS FOR THE PERIOD		(10,737)	(20,564)	(21,210)	(25,030)
Attributable to:					
Owners of the Company		(10,527)	(20,293)	(20,382)	(24,535)
Non-controlling interests		(210)	(271)	(828)	(495)
		(10,737)	(20,564)	(21,210)	(25,030)
Loss per share	8				
- Basic (HK cents)		(0.21)	(0.71)	(0.46)	(0.88)
- Diluted (HK cents)		(0.21)	(0.71)	(0.46)	(0.88)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(10,737)	(20,564)	(21,210)	(25,030)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF INCOME TAX				
– Exchange differences on translation of foreign operations	(4,729)	25	(4,779)	47
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(15,466)	(20,539)	(25,989)	(24,983)
Attributable to:				
Owners of the Company	(15,369)	(20,270)	(25,172)	(24,490)
Non-controlling interests	(97)	(269)	(817)	(493)
	(15,466)	(20,539)	(25,989)	(24,983)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Investment properties		273,237	–
Property, plant and equipment	10	97,397	12,916
Investments in associates	11	71,773	128,265
Prepayments	12	–	36,225
Available-for-sale financial asset		1,000	–
Total non-current assets		443,407	177,406
CURRENT ASSETS			
Inventories		782	487
Trade receivables	13	6,054	5,555
Prepayments, deposits and other receivables	12	85,910	5,536
Financial assets at fair value through profit or loss		38,625	60,301
Loan receivables	14	25,000	–
Derivative financial asset		–	10,610
Cash and cash equivalents		150,714	119,229
Total current assets		307,085	201,718
CURRENT LIABILITIES			
Trade payables	15	6,076	5,374
Other payables and accruals	16	77,796	5,266
Income tax payables		8,546	8,832
Bank and other borrowings		6,360	495
Finance lease payables		232	237
Total current liabilities		99,010	20,204
NET CURRENT ASSETS		208,075	181,514

	As at 30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES	651,482	358,920
NON-CURRENT LIABILITIES		
Bank borrowings	59,552	–
Deferred tax liabilities	7,653	–
Finance lease payables	84	205
	67,289	205
NET ASSETS	584,193	358,715
EQUITY		
Equity attributable to owners of the Company		
Share capital	17 571,215	388,136
Reserves	15,101	(28,115)
	586,316	360,021
Non-controlling interests	(2,123)	(1,306)
Total equity	584,193	358,715

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital	Share premium account	Share options reserve	Foreign currency translation reserve	PRC reserve funds	Retained Earnings/(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 2015	269,547	26,243	-	3,128	844	4,276	304,038	(1,070)	302,968
Loss for the period	-	-	-	-	-	(24,535)	(24,535)	(495)	(25,030)
Other comprehensive income									
- Exchange differences on translation of foreign operations	-	-	-	45	-	-	45	2	47
Total comprehensive income/(loss) for the period	-	-	-	45	-	(24,535)	(24,490)	(493)	(24,983)
Issue of new shares	53,909	47,441	-	-	-	-	101,350	-	101,350
Transaction costs attributable to issue of new shares	-	(2,725)	-	-	-	-	(2,725)	-	(2,725)
At 30 June 2015	323,456	70,959	-	3,173	844	(20,259)	378,173	(1,563)	376,610
At 1 January 2016	388,136	69,212	-	3,015	844	(101,186)	360,021	(1,306)	358,715
Loss for the period	-	-	-	-	-	(20,382)	(20,382)	(828)	(21,210)
Other comprehensive loss									
- Exchange differences on translation of foreign operations	-	-	-	(4,790)	-	-	(4,790)	11	(4,779)
Total comprehensive loss for the period	-	-	-	(4,790)	-	(20,382)	(25,172)	(817)	(25,989)
Equity-settled share based payment expenses	-	-	19,625	-	-	-	19,625	-	19,625
Issue of new shares (note 17)	183,079	54,924	-	-	-	-	238,003	-	238,003
Transaction costs attributable to issue of new shares	-	(6,161)	-	-	-	-	(6,161)	-	(6,161)
At 30 June 2016	571,215	117,975	19,625	(1,775)	844	(121,568)	586,316	(2,123)	584,193

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For six months ended	
	30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
NET CASH GENERATED FROM/(USED IN)		
OPERATING ACTIVITIES	57,507	(6,541)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(85,163)	–
Purchase of investment in associates	–	(164,639)
Purchase of financial assets at fair value through profit or loss	(50,999)	(62,641)
Acquisition of a subsidiary	(175,146)	–
Proceeds from disposal of financial assets at fair value through profit or loss	80,886	81,335
Grant of loans	(56,000)	–
Repayment of loans received	31,000	–
Other investing items	(997)	(1,687)
NET CASH USED IN INVESTING ACTIVITIES	(256,419)	(147,632)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of new shares	238,003	101,350
Transaction costs on issue of new shares	(6,161)	(2,725)
Margin loan raised	889	–
Repayment of long term loans	(2,541)	–
Repayment for finance leases	(116)	(94)
NET CASH GENERATED FROM FINANCING ACTIVITIES	230,074	98,531
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	31,162	(55,642)
Cash and cash equivalents at beginning of the period	119,028	207,421
Effect of foreign exchange rate changes, net	323	73
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	150,513	151,852

For six months ended
30 June
2016 2015
(Unaudited) (Unaudited)
HK\$'000 HK\$'000

ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

Cash and bank balances other than time deposits	150,513	151,852
Time deposits	201	201

Cash and cash equivalents as stated in the condensed consolidated statement of financial position	150,714	152,053
Less: Time deposits with maturity of more than three months when acquired	(201)	(201)

Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	150,513	151,852
---	----------------	---------

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 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 2015, 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 2015.

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 2016. 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 adopted HKFRS 8 “Operating Segments” with effect from 1 January 2009.

The Group has two reportable segments 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 (“Software development and system integration”); and
- (b) Securities trading (“Securities investments”)

Segment assets exclude investments in associates, available-for-sale financial asset and other unallocated head office and corporate assets.

Segment liabilities exclude income tax payables, deferred tax liabilities and other unallocated head office and corporate liabilities.

The following table presents revenue and loss for the Group’s operating segments for the six months ended 30 June 2016 and 2015 respectively.

4. Revenue, other income and gains

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

	Three months ended		Six months ended	
	30 June		30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue				
Provision of software development and system integration services	5,170	5,361	7,013	11,840
Provision of technical support and maintenance services	2	67	27	67
	5,172	5,428	7,040	11,907
Other income and gains				
Bank interest income	1	7	3	15
Loans interest income	378	–	974	–
Bonus issue of shares from financial assets at fair value through profit or loss	–	16,055	–	16,055
Investment income from financial assets at fair value through profit or loss	–	–	320	246
Government grants	86	30	307	429
Others	104	40	281	317
	569	16,132	1,885	17,062

5. Finance costs

	Three months ended		Six months ended	
	30 June		30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Bank borrowings	941	–	941	–
Other loan interest	12	–	24	–
Margin loans	148	–	148	–
Interest on finance lease	7	12	15	25
	1,108	12	1,128	25

6. Loss before tax

Loss before tax was arrived at after charging the following:

	Three months ended		Six months ended	
	30 June		30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Amortisation of other intangible assets	-	58	-	114
Depreciation	329	208	644	412
Directors' remuneration	900	1,115	1,800	1,772
Equity-settled share based payment**	19,625	-	19,625	-
Impairment of trade receivables*	-	-	-	271
Impairment of other intangible assets*	-	2,191	-	2,191
Loss on disposal of investment securities*	-	11,885	-	11,885
Impairment of investment in a joint venture*	-	16,000	-	16,000

* These items are included in "other expenses" of the condensed consolidated statement of profit or loss.

** This item is included in "administrative expenses" of the condensed consolidated statement of profit or loss.

7. Income tax credit

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2016 as the Group did not generate any assessable profits arising in Hong Kong during the period (2015: 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 2016 as the Group did not generate any assessable profits in the PRC during the period (2015: Nil).

For the period ended on 30 June 2016, the Group recognised a deferred tax credit of HK\$2,933,000 pursuant to consolidation of the new acquired Joyunited.

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax – Hong Kong	-	-	-	-
Current tax – PRC	-	-	-	-
Deferred tax credit	2,933	-	2,933	-
Total tax credit for the period	2,933	-	2,933	-

8. Loss per share

The calculation of the loss per share attributable to the owners of the Company is based on the following data:

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	(10,527)	(20,293)	(20,382)	(24,535)

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Weighted average number of ordinary shares for basic and diluted loss per share	4,927,526,765	2,867,269,183	4,404,443,337	2,781,845,123

For the six months ended 30 June 2016, diluted loss per share is the same as the basic loss per share as the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in an anti-dilutive effect on loss per share during the six months ended 30 June 2016 while the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2015.

9. Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (2015: Nil).

10. Additions in property, plant and equipment

During the period for the six months ended 30 June 2016, the Company spent approximately HK\$84,720,000 (30 June 2015: HK\$74,000) for additions of property, plant and machinery.

11. Investments in associates

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Unlisted investment in British Virgin Islands		
Share of net assets	17,124	43,887
Goodwill	54,649	106,975
	71,773	150,862
Impairment losses	–	(22,597)
	71,773	128,265

Particulars of the Group's associates are as follows:

Company name	Place of registration and operations	Percentage of ownership interest/ voting power/ profit sharing	Principal activity
Faithful Asia Group Limited ("Faithful Asia")	British Virgin Islands	40%	Business intelligence, big data, facilities management, financial technology solutions consulting and implementation

Wise Visual was disposed at a consideration of HK\$80,000,000 in June 2016.

12. Prepayments, deposits and other receivables

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Prepayments	1,647	37,469
Deposits and other receivables (note)	84,263	4,292
	85,910	41,761
Non-current portion:		
Prepayments	–	36,225
	–	36,225
Current portion:		
Prepayments	1,647	1,244
Deposits and other receivables	84,263	4,292
	85,910	5,536
	85,910	41,761

Note:

Included in deposits and other receivables was a consideration receivable of HK\$80,000,000 from disposing 25% interests in Wise Visual.

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 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Within 1 month	1,957	878
1 to 2 months	590	294
2 to 3 months	805	–
Over 3 months	2,702	4,383
	6,054	5,555

The Group has granted credit terms to its customers ranging from 30 to 90 days. In certain cases, the Group would request payment in advance from the customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

14. Loan receivables

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Loan receivables	25,000	–

Notes:

- (a) The loan of HK\$8,000,000 was advanced to an independent third party with a fixed interest rate of 9% per annum and repayable on 19 August 2016.
- (b) The loan of HK\$5,000,000 was advanced to an independent third party with a fixed interest rate of 9% per annum and repayable on 29 August 2016.
- (c) The loan of HK\$2,000,000 was advanced to an independent third party with a fixed interest rate of 9% per annum and repayable on 11 October 2016.
- (d) The loan of HK\$10,000,000 was advanced to an independent third party with a fixed interest rate of 9% per annum and repayable on 31 August 2016.

15. Trade payables

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

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Within 1 month	1,366	1,776
1 to 2 months	350	–
2 to 3 months	41	–
Over 3 months	4,319	3,598
	6,076	5,374

16. Other payables and accruals

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Accruals	1,990	2,464
Receipts in advance	1,308	1,276
Other payables	74,498	1,526
	77,796	5,266

17. Share capital

	Notes	Number of shares	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.1 each at 31 December 2015 and 30 June 2016		8,000,000,000	800,000
Issued and fully paid:			
Ordinary shares of HK\$0.1 each at 31 December 2015 and 1 January 2016		3,881,359,908	388,136
Issue of new shares	(a)	1,830,792,000	183,079
At 30 June 2016		5,712,151,908	571,215

Notes:

- (a) On 9 May 2016, a total of 1,830,792,000 new ordinary shares were placed to certain independent places pursuant to the terms and conditions of the Placing Agreement dated 8 December 2015. Those new ordinary shares rank pari passu with the ordinary shares already in issue immediately before the placement.

18. Acquisition of a subsidiary

On 7 April 2016, the Group acquired entire issued share capital in Joyunited Investments Limited and its subsidiary which is a wholly foreign owned enterprise established in the PRC (together "Joyunited Group") at a consideration of RMB178 million (equivalent to approximately HK\$215 million). Joyunited Investments Limited is an investment holding company and its subsidiary owns properties in the PRC.

The fair value of the identifiable assets and liabilities of Joyunited Group at the date of acquisition is as follows:

Net assets acquired:	HK\$'000
Investment properties	273,933
Property, plant and equipment	18,289
Prepayment	1,535
Bank and cash balances	944
Bank loan	(71,537)
Deferred tax liabilities	(10,849)
Consideration	212,315
Consideration, satisfied by:	
Cash	212,315

19. 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 2016 using:			Total
	Level 1	Level 2	Level 3	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Recurring fair value measurements:

Financial assets at fair value through profit or loss				
Listed equity securities in Hong Kong	38,625	-	-	38,625

Description	Fair value measurements as at 31 December 2015 using:			Total
	Level 1	Level 2	Level 3	2015
	(Audited)	(Audited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Recurring fair value measurements:

Financial assets at fair value through profit or loss				
Listed equity securities in Hong Kong	60,301	-	-	60,301
Derivative financial asset	-	-	10,610	10,610

20. **Contingent liabilities**

As at 30 June 2016, the Group did not have any significant contingent liabilities (31 December 2015: Nil).

21. **Approval of the condensed consolidated interim financial statements**

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 12 August 2016.

GENERAL INFORMATION

Directors' service contracts

At 30 June 2016, 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

Except for matters relating to and disclosed for the joint venture agreement dated 13 November 2015 entered into among the Company, Mr. Wong Kui Shing, Danny, an executive Director, Chairman and Chief Executive Officer, and Nihon Unisys, Ltd. in relation to the formation of China Information Technology Development Japan Limited (details of which are set out in the announcement dated 13 November 2015); none of the directors 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 2016.

Directors' interests and short positions in shares and underlying shares

At 30 June 2016, 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	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital at 31 March 2016
Mr. Wong Kui Shing, Danny	Through controlled corporation	388,131,449	6.79%

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

Nil

Save as disclosed above and in the section headed "Share Options", as at 30 June 2016 and as at the date of this report, 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" and "Share Options", at no time during the six months ended 30 June 2016 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 2016, 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 at 31 March 2016
Discover Wide Investments Limited		Directly beneficially owned	388,131,449	6.79%
Mr. Wong Kui Shing, Danny	(a)	Through controlled corporation	388,131,449	6.79%

Notes:

- (a) Mr. Wong Kui Shing, Danny was deemed to be interested in the 388,131,449 shares by virtue of his controlling interests in Discover Wide Investments Limited.

Save as disclosed above, as at 30 June 2016, 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 Options

On 11 April 2016, the Company granted a total of 323,448,000 share options with rights to subscribe for 323,448,000 ordinary shares of HK\$0.1 each in the share capital of the Company under the share option scheme adopted by the Company on 2 August 2012 ("Share Option Scheme"). A total of 105,984,000 share options were granted to directors of the Company. Details of the share options granted are as follows:–

Name of Grantees	Position held with the Company	Number of share options		
		Granted on 11 April 2016	Cancelled during the period	Outstanding as at 30 June 2016
Mr. Wong Kui Shing, Danny	Executive Director and substantial shareholder of the Company	936,000	–	936,000
Mr. Tse Chi Wai	Executive Director	32,328,000	–	32,328,000
Mr. Takashi Togo	Executive Director	32,328,000	–	32,328,000
Ms. Wu Jingjing	Executive Director	2,016,000	–	2,016,000
Mr. Wong Chi Yung	Non-Executive Director	32,328,000	–	32,328,000
Mr. Hung Hing Man	Independent non-executive Director	2,016,000	–	2,016,000
Mr. May Tai Keung, Nicholas	Independent non-executive Director	2,016,000	–	2,016,000
Dr. Chen Shengrong	Independent non-executive Director	2,016,000	–	2,016,000
	Sub-total	105,984,000	–	105,984,000
	Other staff and consultants	217,464,000	(3,000,000)	214,464,000
	Total	323,448,000	(3,000,000)	320,448,000

All the above share options granted are exercisable during the period from date of grant to 10 April 2017 at an exercise price of HK\$0.185 per share.

The closing price per share immediately before the date of grant was HK\$0.177. No share options were exercised and 3,000,000 share options were cancelled during the period ended 30 June 2016.

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

During the six months ended 30 June 2016, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of Company's listed securities.

Competing Interests

During the period under review 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 2016, the Company has complied with the codes on Corporate Governance Code (the "Code") as set out in Appendix 15 of the GEM Listing Rules.

Code Provision A.2.1

Code Provision A.2.1 stipulates the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wong Kui Shing, Danny ("Mr. Wong") now serves as both the chairman (the "Chairman") and the chief executive officer of the Company (the "Chief Executive Officer"), such practice deviates from code provision A.2.1 of the Code. The Board is of the opinion that it is appropriate and in the best interests of the Company for Mr. Wong to hold both positions as it helps maintain the continuity of the policies and the stability of the operations of the Company. The Company has been proactively recruiting candidates for the post of Chief Executive Officer through different means so as to fulfill the requirements of A.2.1 of the Code as soon as possible.

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term.

None of the non-executive Directors is appointed for a specific term, which constitutes a deviation from Code Provision A.4.1. Nonetheless, 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.

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 2016.

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 and risk management system adopted by the Group and reviewing the relevant work of the Group's external auditor.

The audit committee comprises three members, including Mr. Hung Hing Man (audit committee chairman), Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong. All of them are independent non-executive Directors.

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 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.5.6 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. Hung Hing Man being the chairman and Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong 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.

As at the date of this report, members of the remuneration committee are Mr. May Tai Keung, Nicholas (remuneration committee chairman), Mr. Hung Hing Man and Dr. Chen Shengrong. 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 risk management and for reviewing its effectiveness. The Board will conduct regular review regarding internal control and risk management system of the Group.

By Order of the Board
China Information Technology Development Limited
Wong Kui Shing, Danny
Chairman

Hong Kong, 12 August 2016

As at the date of this report, the Board comprises Mr. Wong Kui Shing, Danny (Chairman and Chief Executive Officer), Mr. Tse Chi Wai, Ms. Wu Jingjing and Mr. Takashi Togo as executive Directors; Mr. Wong Chi Yung as non-executive Director; Mr. Hung Hing Man, Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong as independent non-executive Directors.