



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

**2017**



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

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

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

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

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

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## **CORPORATE INFORMATION**

### **EXECUTIVE DIRECTORS**

Mr. 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  
Citibank, N. A.

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

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Hong Kong

### **REGISTERED OFFICE**

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### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

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### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong Investor Services Limited  
17th Floor, Hopewell Centre  
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### **GEM STOCK CODE**

8178

### **WEB-SITE ADDRESS**

[www.chinainfotech.com.hk](http://www.chinainfotech.com.hk)

## SUMMARY

- Revenue for the six months ended 30 June 2017 was approximately HK\$24,161,000, representing an increase of 243.2% from the corresponding period in last year (2016: approximately HK\$7,040,000).
- Loss attributable to owners of the Company for the six months ended 30 June 2017 amounted to approximately HK\$50,885,000 (2016: approximately HK\$20,382,000). The loss was mainly attributed to recognition of an equity-settled share-based payment amounted to approximately HK\$43,247,000 (2016: approximately HK\$19,625,000) during the period.
- Loss per share attributable to owners of the Company for the six months ended 30 June 2017 was approximately HK0.89 cent (2016: approximately HK0.46 cent).
- The Board of Director (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

In 2016, the Company placed 1,830,792,000 new shares of the Company to not less than six independent placees at a price of HK\$0.13 each and raised a net proceeds of approximately HK\$232 million (the “Placement”). It was expected that the net proceeds 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 acquisition of Joyunited Investments Limited on 7 April 2016 (“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. 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 2017, the use of net proceeds from the Placement was as follows:– (1) approximately HK\$68.6 million for refurbishment and other expenses relating to the PRC Properties; (2) approximately HK\$11.9 million for investment in China Holding Limited (“Macro”); (3) approximately HK\$13.2 million for loans to an independent third parties to enhance yield of idle cash of the Group; (4) as a result of the loss in book value of the listed securities held by the Group, the Group has not realised those listed securities to settle part of the consideration for the PRC Properties as was planned. Instead, approximately HK\$76.1 million had been applied to settle the consideration for the PRC Properties; (5) approximately HK\$9.9 million for expenses relating to the Group’s Japan business and related travelling expenses; and (6) approximately HK\$31.9 million for administrative expenses and other expenses incurred by the Group. The unutilized proceeds were held as cash at bank.

For the six months ended 30 June 2017, the Company has continued the businesses as acquired and developed in 2016, including the acquisition of 84% of the total issued share capital of Macro and its subsidiaries (“Macro Group”) and the acquisition of the entire share capital of Value Creation Finance Limited (“Value Creation Finance”), with the expectation to improve the business performance as well as to bring synergies and refinement to the whole business of the Company.

Macro Group provides comprehensive end-to-end solutions and services, ranging from (i) procurement and deployment of IT equipment and facilities; (ii) systems integration; (iii) consulting services on IT infrastructure and business solutions; and (iv) technical support and managed services. As one of the major players in the IT service management industry in Hong Kong and the PRC, Macro has strong relationships with well-renowned suppliers and large scale customers, being the subsidiary of the Group, it enjoys strong brand awareness and major presence in the Greater China region.

During the six months ended 30 June 2017, the business performance of Macro has proven that the acquisition of Macro in 2016 was an appropriate step to diversify business risk as well as to refine the whole business of the Company. In April 2017, Macro has co-operated with the Company and Huawei International Co. Ltd., a prominent and multinational telecommunications equipment manufacturer and telecommunication service provider with products and services deployed in more than 140 countries, for a seminar on the topic of big data solutions. The speakers had shared ideas, new technologies and analytical approaches appealing to both technical and business people in the seminar. Through these co-operations, not only do both the Company and Macro enjoy the synergies effects from the sharing of experiences and knowledge, it also help the Company and Macro build a brand name and network in the IT industry.

During the reporting period, Macro Group has contributed a revenue of approximately HK\$21,231,000 to the Group. This encouraging results motivates the Directors and the Company to continue developing the business of Macro.

The other business acquired in 2016, Value Creation Finance, which owns a money lending license in Hong Kong under Money Lenders Ordinance, has also started business in 2017 and it also gradually brings steady income for the Group.

In January 2017, the Company subscribed 16.67% equity interest of FULLPAY K.K. (FULLPAY 株式會社) ("Fullpay"), which is a company incorporated in Japan under the form of a joint stock company (kabushiki kaisha), at a consideration of JPY20,000,000 (equivalent to approximately HK\$1,341,000). Fullpay is principally engaged in the sourcing and provision of electronic fund transfer at point of sale (EFT-POS) terminals and peripheral devices which support WeChat Pay, as well as the provision of relevant EFT-POS installation and system support services, to vendors in Japan.

Grabbing hold of the rising popularity of mobile payment in the world, especially in China, the Directors believe that the subscription is a golden opportunity for the Company to step into the mobile payment business so as to gain relevant knowledge and bring synergy effects to the other businesses of the Company.

Other than the above, during the period under review, revenue from provision of information technology related services remained as staple income of the Group.

## **Outlook and Prospect**

During the six months ended 30 June 2017, the Group has continued to broaden the business scope and open up new income source. The business structure of the Group has been more complete and refined upon the corporate actions.

Through the subscription of Macro, the Group can further diversify its IT business and derive addition revenue in the coming years. The Group believes that the subscription of Macro can create synergies with Macro Group to enlarge its business in Hong Kong and the PRC.

The subscription of 16.67% equity interest of Fullpay in January 2017 has demonstrated that the Group has been attentive to the market trends and is more than determined to make appropriate response to sustain, if not, to improve the business performance as well as the revenue of the Group.

Together with the experience and knowledge of the Group in the IT field, the Group believes that the acquisition and the subscriptions of Macro and Fullpay can help further to equip the Group to further expand its existing and future businesses.

## **Employees**

The total number of full-time employees hired by the Group maintained at 96 as of 30 June 2017 (2016: 135 employees). Total expenses on employee benefits amounted to HK\$57,154,000, of which HK\$43,247,000 related to equity-settled share-based payment for the six months ended 30 June 2017 (2016: HK\$32,449,000, of which HK\$19,625,000 related to equity-settled share-based payment). The management believes the salaries offered by the Group to its employees are competitive.

## Financial review

For the six months ended 30 June 2017, the Group recorded a revenue of approximately HK\$24,161,000, an increase of 243.2% from approximately HK\$7,040,000 in the corresponding period in last year. The significant increase in revenue was mainly attributable to the consolidation of the revenue of Macro into the Group during the period.

The Group had a total cost of sales and services of approximately HK\$15,743,000 for the first half of year 2017, an increase of 108% compared with approximately HK\$7,568,000 in the same period of year 2016. The increase was mainly due to the consolidation of the cost of services of Macro during the period.

The gross profit of the Group for the first half of year 2017 was approximately HK\$8,418,000, compared with a gross loss of approximately HK\$528,000 for the corresponding period of last year as a result of consolidation of Macro which can generate gross profit during the period.

During the six months ended 30 June 2017, the Group generated other income and gains of approximately HK\$3,991,000 (2016: approximately HK\$1,885,000) which comprised: (i) bank interest income amounted to approximately HK\$2,000 (2016: approximately HK\$3,000); (ii) loans interest income amounted to approximately HK\$3,424,000 (2016: approximately HK\$974,000); (iii) investment income from financial assets at fair value through profit or loss amounted to HK\$nil (2016: approximately HK\$320,000); and (iv) other income amounted to approximately HK\$565,000 (2016: approximately HK\$588,000).

The Group's selling and distribution expenses for the first half of year 2017 were approximately HK\$735,000, a decrease of 75.1% compared with approximately HK\$2,949,000 in the corresponding period in 2016. The decrease was mainly due to the fact that Pantosoft reduced its promotion activity efforts significantly this year.

Administrative expenses for the period were approximately HK\$68,517,000, an increase of 104.1% as compared to approximately HK\$33,570,000 for the corresponding period last year. The increase was mainly due to the recognition of share options granted to employees and consultants for the amount of approximately HK\$43,247,000 during the period (2016: approximately HK\$19,625,000), the consolidation of the administrative expenses of Macro, increase in staff cost and travelling expenses to explore new market.

During the first half of 2017, the Group profited from trading of marketable securities and recorded a mark-to-market gain of approximately HK\$4,195,000 (2016: approximately HK\$8,211,000).

The Group's loss attributable to owners of the Company was approximately HK\$50,885,000 for the six months ended 30 June 2017 (2016: approximately HK\$20,382,000).



## **Financial position**

As at 30 June 2017, the Group had cash and bank balances of approximately HK\$50,319,000 (31 December 2016: approximately HK\$80,329,000).

As at 30 June 2017, the Group's total borrowings amounted approximately HK\$76,728,000 (31 December 2016: approximately HK\$81,435,000). The gearing ratio (calculated as total borrowings over total equity) of the Group was 0.14 (31 December 2016: 0.15).

As the Group carried out a major portion of its operations in the PRC and Hong Kong 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 approximately HK\$229,000 (31 December 2016: approximately HK\$2,081,000) for addition of property, plant and equipment and approximately HK\$1,696,000 for refurbishment construction works of investment properties for the six months ended 30 June 2017 (31 December 2016: approximately HK\$264,337,000 for addition of investment properties by acquisition of a subsidiary and refurbishment construction works).

## **Contingent liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2017 and 31 December 2016 respectively.

## **Capital commitment**

The Group did not have any material capital commitments as at 30 June 2017 and 31 December 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 2017, together with the unaudited comparative figures for the corresponding period of year 2016, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	4	12,761	5,172	24,161	7,040
Cost of sales and services		(8,876)	(4,563)	(15,743)	(7,568)
Gross profit/(loss)		3,885	609	8,418	(528)
Other income and gains	4	2,531	569	3,991	1,885
Selling and distribution expenses		(380)	(1,276)	(735)	(2,949)
Administrative expenses	6	(58,335)	(28,034)	(68,517)	(33,570)
Other expenses		-	-	-	(107)
Fair value (loss)/gain on financial assets at fair value through profit or loss		(8,400)	11,957	4,195	8,211
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	(530)	(1,108)	(1,001)	(1,128)
Share of results of associates		(723)	250	1,557	680
Gain on disposal of an associate		-	22,827	-	22,827
<b>LOSS BEFORE TAX</b>	6	<b>(61,952)</b>	(13,670)	<b>(52,092)</b>	(24,143)
Income tax credit	7	-	2,933	-	2,933
<b>LOSS FOR THE PERIOD</b>		<b>(61,952)</b>	(10,737)	<b>(52,092)</b>	(21,210)
<b>Attributable to:</b>					
Owners of the Company		(60,641)	(10,527)	(50,885)	(20,382)
Non-controlling interests		(1,311)	(210)	(1,207)	(828)
		<b>(61,952)</b>	(10,737)	<b>(52,092)</b>	(21,210)
<b>Loss per share</b>	8				
- Basic and diluted		<b>HK(1.06) cent</b>	HK(0.21) cent	<b>HK(0.89) cent</b>	HK(0.46) cent

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b>(61,952)</b>	(10,737)	<b>(52,092)</b>	(21,210)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX</b>				
– Exchange differences on translation of foreign operations	5,654	(4,729)	8,221	(4,779)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(56,298)</b>	(15,466)	<b>(43,871)</b>	(25,989)
Attributable to:				
Owners of the Company	(54,953)	(15,369)	(42,622)	(25,172)
Non-controlling interests	(1,345)	(97)	(1,249)	(817)
	<b>(56,298)</b>	(15,466)	<b>(43,871)</b>	(25,989)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Investment properties	10	324,728	313,328
Property, plant and equipment	11	12,427	13,045
Goodwill		3,865	3,865
Other intangible assets		7,877	8,268
Investment in an associate		61,604	60,048
Available-for-sale financial assets		2,341	1,000
Prepayments, deposits and other receivables	12	36,156	36,252
Deferred tax assets		1,882	1,882
<b>Total non-current assets</b>		<b>450,880</b>	437,688
<b>CURRENT ASSETS</b>			
Inventories		1,159	464
Trade receivables	13	6,947	5,092
Prepayments, deposits and other receivables	12	31,572	83,293
Loan receivables	14	81,129	22,910
Financial assets at fair value through profit or loss		72,464	56,164
Cash and cash equivalents		50,319	80,329
<b>Total current assets</b>		<b>243,590</b>	248,252
<b>CURRENT LIABILITIES</b>			
Trade payables	15	10,181	7,734
Gross amount due to customers for contract work		1,178	1,394
Other payables and accruals	16	51,476	40,086
Current tax liabilities		8,533	8,293
Bank and other borrowings	17	76,728	81,435
<b>Total current liabilities</b>		<b>148,096</b>	138,942
<b>NET CURRENT ASSETS</b>		<b>95,494</b>	109,310

	<b>As at 30 June 2017 (Unaudited) HK\$'000</b>	As at 31 December 2016 (Audited) HK\$'000
<i>Notes</i>		
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>546,374</b>	546,998
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<b>661</b>	661
	<b>661</b>	661
<b>NET ASSETS</b>	<b>545,713</b>	546,337
<b>EQUITY</b>		
Equity attributable to owners of the Company		
Share capital	<i>18</i> <b>571,215</b>	571,215
Reserves	<b>(23,374)</b>	(23,999)
	<b>547,841</b>	547,216
Non-controlling interests	<b>(2,128)</b>	(879)
Total equity	<b>545,713</b>	546,337

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000	Foreign	PRC reserve funds (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
				currency					
				translation reserve (Unaudited) HK\$'000					
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	183,079	54,924	-	-	-	-	238,003	-	238,003
Transaction costs attributable to issue of new shares	-	(6,161)	-	-	-	-	(6,161)	-	(6,161)
<b>At 30 June 2016</b>	<b>571,215</b>	<b>117,975</b>	<b>19,625</b>	<b>(1,775)</b>	<b>844</b>	<b>(121,568)</b>	<b>586,316</b>	<b>(2,123)</b>	<b>584,193</b>
At 1 January 2017	571,215	117,975	19,625	(13,114)	844	(149,329)	547,216	(879)	546,337
Loss for the period	-	-	-	-	-	(50,885)	(50,885)	(1,207)	(52,092)
Other comprehensive income									
- Exchange differences on translation of foreign operations	-	-	-	8,263	-	-	8,263	(42)	8,221
Total comprehensive (loss)/income for the period	-	-	-	8,263	-	(50,885)	(42,622)	(1,249)	(43,871)
Lapsed of share options	-	-	(19,625)	-	-	19,625	-	-	-
Equity-settled share-based payment expenses	-	-	43,247	-	-	-	43,247	-	43,247
<b>At 30 June 2017</b>	<b>571,215</b>	<b>117,975</b>	<b>43,247</b>	<b>(4,851)</b>	<b>844</b>	<b>(180,589)</b>	<b>547,841</b>	<b>(2,128)</b>	<b>545,713</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>45,080</b>	57,507
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(229)	(109)
Payment for construction works of investment properties	(1,696)	(85,054)
Purchase of financial assets at fair value through profit or loss	(12,649)	(50,999)
Acquisition of a subsidiary	–	(175,146)
Purchase of available-for-sale financial asset	(1,341)	–
Proceeds from disposal of financial assets at fair value through profit or loss	544	80,886
Grant of loans	(65,300)	(56,000)
Repayment of loans received	10,000	31,000
Other investing items	507	(997)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(70,164)</b>	(256,419)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of new shares	–	238,003
Transaction costs on issue of new shares	–	(6,161)
Margin loan raised	270	889
Repayment of loans	(6,794)	(2,541)
Repayment for finance leases	–	(116)
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>	<b>(6,524)</b>	230,074
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(31,608)</b>	31,162
Cash and cash equivalents at beginning of the period	80,078	119,028
Effect of foreign exchange rate changes, net	1,598	323
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>50,068</b>	150,513

**For six months ended**  
**30 June**  
**2017**                      2016  
**(Unaudited)**                (Unaudited)  
**HK\$'000**                      HK\$'000

**ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS**

Cash and bank balances other than time deposits	<b>50,068</b>	150,513
Time deposits	<b>251</b>	201
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<b>50,319</b>	150,714
Less: Time deposits with maturity of more than three months when acquired	<b>(251)</b>	(201)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>50,068</b>	150,513



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. Accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 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 2016, 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 2016.

## 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 2017. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior period.

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

### 3. Operating segment information

The Group has five reportable segments as follows:

- the software development and system integration segment engages in (i) the sale of computer hardware; (ii) the provision of software development services; (iii) the provision of system integration services; and (iv) the provision of technical support and maintenance services;
- the in-house developed products segment engages in the lease of in-house developed computer hardware;
- provision of IT infrastructure solutions and maintenance services (“IT solutions and maintenance”);
- money lending; and
- 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 2017 and 2016 respectively.

## Reporting segment information

Six months ended 30 June

	Software development and system integration		In-house developed products IT solutions and maintenance		Money lending		Securities investments		Total
	2017	2016	2017	2016	2017	2016	2017	2016	2017
	(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
<b>Segment revenue:</b>									
Sales to external customers	2,930	7040	-	-	21,231	-	-	-	24,161
									7040
<b>Segment profit/(loss)</b>	(1,227)	(6,090)	-	(108)	1,819	-	2,671	-	4,191
									8,531
									7,554
									2,333
<b>Reconciliation:</b>									
Bank interest income									2
Loans interest income									646
Fair value change of investment property									924
Fair value change of borrowings									(11,730)
Fair value change of derivative financial asset									2,576
Share of results of associates									(10,610)
Gain on disposal of an associate									1,557
Unrealized gains									349
Corporate and other unallocated expenses									(61,088)
Finance costs									(1,001)
Loss before tax									(52,092)
									(24,143)

	Software development and system integration		In-house developed products		IT solutions and maintenance		Money lending		Securities investments		Total	
	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000
<b>Segment assets</b>	6,572	4,961	-	-	22,354	21,648	66,643	450	103,128	94,534	200,697	121,393
<b>Reconciliation:</b>												
Corporate and other unallocated assets											493,773	564,347
<b>Total assets</b>											<b>694,470</b>	<b>685,740</b>
<b>Segment liabilities</b>	(8,918)	(6,012)	-	-	(7,243)	(13,588)	-	-	(21,156)	(15,823)	(37,327)	(38,023)
<b>Reconciliation:</b>												
Corporate and other unallocated liabilities											(111,400)	(101,580)
<b>Total liabilities</b>											<b>148,727</b>	<b>(139,603)</b>

## Geographical information

	Revenue	
	30.6.2017 (Unaudited) HK\$'000	30.6.2016 (Unaudited) HK\$'000
Hong Kong	19,992	-
PRC except Hong Kong	4,169	7,040
<b>Consolidated total</b>	<b>24,161</b>	<b>7,040</b>

In preparing the geographical information, revenue is based on the locations of the customers.

#### 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Revenue</b>				
Provision of software development and system integration services	1,870	5,170	2,841	7,013
Provision of technical support and maintenance services	33	2	89	27
Provision of IT infrastructure solutions and maintenance services	10,858	–	21,231	–
	<b>12,761</b>	5,172	<b>24,161</b>	7,040
<b>Other income and gains</b>				
Bank interest income	1	1	2	3
Loans interest income	2,198	378	3,424	974
Investment income from financial assets at fair value through profit or loss	–	–	–	320
Government grants	68	86	149	307
Others	264	104	416	281
	<b>2,531</b>	569	<b>3,991</b>	1,885

#### 5. Finance costs

	Three months ended		Six months ended	
	30 June		30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Bank borrowings	9	941	68	941
Other loan interest	2	12	3	24
Margin loans	519	148	930	148
Interest on finance lease	–	7	–	15
	<b>530</b>	1,108	<b>1,001</b>	1,128

## 6. Loss before tax

Loss before tax was arrived at after charging the following:

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of other intangible assets	196	–	392	–
Depreciation	446	329	851	644
Directors' remuneration	1,066	900	2,111	1,800
Equity-settled share based payment**	43,247	19,625	43,247	19,625

\*\* 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 2017 as the Group has accumulated tax losses brought forward from previous year (2016: 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 2017 as the Group did not generate any assessable profits in the PRC during the period (2016: Nil).

No provision for Japan corporate income tax has been made for the six months ended 30 June 2017 since the Group did not generate any assessable profits arising in Japan during the period (2016: Nil). Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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	
	2017	2016	2017	2016
	(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	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	<b>(60,641)</b>	(10,527)	<b>(50,885)</b>	(20,382)

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for basic and diluted loss per share	<b>5,712,151,908</b>	4,927,526,765	<b>5,712,151,908</b>	4,404,443,337

For the six months ended 30 June 2017, 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 2017 and 2016.

## 9. Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (2016: Nil).

## 10. Investment properties

	<b>As at 30 June 2017 (Unaudited) HK\$'000</b>
<hr/>	
Valuation	
At 1 January 2017	313,328
Additions	1,696
Exchange differences	9,704
<hr/>	
At 30 June 2017	324,728
<hr/>	

At 30 June 2017, the carrying amount of investment properties pledged as security for the Group's bank loans amounted to approximately HK\$53,822,000 (31 December 2016: approximately HK\$56,951,000).

## 11. Additions in property, plant and equipment

During the period for the six months ended 30 June 2017, the Company spent approximately HK\$229,000 (30 June 2016: approximately HK\$109,000) for additions of property, plant and equipment.



## 12. Prepayments, deposits and other receivables

	As at <b>30 June 2017 (Unaudited) HK\$'000</b>	As at 31 December 2016 (Audited) HK\$'000
Prepayments	<b>37,046</b>	36,253
Deposits and other receivables	<b>30,682</b>	85,916
	<b>67,728</b>	122,169
Impairment	-	(2,624)
	<b>67,728</b>	119,545
Non-current portion:		
Prepayments	<b>35,896</b>	34,818
Deposits and other receivables	<b>260</b>	1,434
	<b>36,156</b>	36,252
Current portion:		
Prepayments	<b>1,150</b>	1,435
Deposits and other receivables	<b>30,422</b>	81,858
	<b>31,572</b>	83,293
	<b>67,728</b>	119,545

### 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:

	<b>As at 30 June 2017 (Unaudited) HK\$'000</b>	As at 31 December 2016 (Audited) HK\$'000
Within 1 month	<b>2,728</b>	1,287
1 to 2 months	<b>917</b>	1,232
2 to 3 months	<b>–</b>	220
Over 3 months	<b>3,302</b>	2,353
	<b>6,947</b>	5,092

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

	<b>As at 30 June 2017 (Unaudited) HK\$'000</b>	As at 31 December 2016 (Audited) HK\$'000
Loan receivables	<b>81,129</b>	22,910

Note:

Included in the amount of approximately HK\$81,129,000, loan receivables of HK\$3,200,000 are guaranteed by an independent third party.

All loan receivables are denominated in HK\$ and carry fixed interest rate from the range of 9% to 12% per annum and with the terms ranging from 3 months to 18 months.

## 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:

	<b>As at 30 June 2017 (Unaudited) HK\$'000</b>	As at 31 December 2016 (Audited) HK\$'000
Within 1 month	<b>1,876</b>	1,050
1 to 2 months	<b>2,945</b>	1,281
2 to 3 months	<b>1,760</b>	393
Over 3 months	<b>3,600</b>	5,010
	<b>10,181</b>	7,734

## 16. Other payables and accruals

	<b>As at 30 June 2017 (Unaudited) HK\$'000</b>	As at 31 December 2016 (Audited) HK\$'000
Accruals	<b>1,343</b>	5,073
Receipts in advance	<b>854</b>	2,146
Other payables	<b>49,279</b>	32,867
	<b>51,476</b>	40,086

## 17. Bank and other loans

		As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
	Notes		
<b>Bank loans:</b>			
Mortgage loan	(i)	53,822	56,951
Revolving loan	(ii)	–	5,000
Installment loan	(iii)	–	708
Bank overdrafts	(iv)	–	1,228
		<b>53,822</b>	<b>63,887</b>
<b>Other loans:</b>			
Loan from a company controlled by former management of a subsidiary	(v)	714	692
Loan from a management personnel of a subsidiary	(v)	1,036	1,033
Margin loans	(vi)	21,156	15,823
		<b>22,906</b>	<b>17,548</b>
		<b>76,728</b>	<b>81,435</b>

### Notes:

- (i) The mortgage loan has terms of 10 years until 2022 with a repayable on demand clause exercisable by a bank. The average interest rate was 5.39%.
- The mortgage loan is secured by a charge over the Group's investment properties and personal guarantee by former shareholders of a subsidiary.
- (ii) The revolving loan is charged at Hong Kong prime rate per annum, which is guaranteed by a director and a former director of a subsidiary, secured by a property owned by a director and a former director of a subsidiary and repayable on demand.
- (iii) The installment loan is charged at 4.8% per annum, guaranteed by a director of a subsidiary and a former director of the a subsidiary and repayable on demand.
- (iv) The bank overdrafts is charged at a rate of 0.75% per annum over Hong Kong prime rate during the year which is guaranteed by a director and a former director of a subsidiary, secured by a property owned by a director and a former director of a subsidiary and repayable on demand.
- (v) The loans from a company controlled by former management of a subsidiary and a management personnel of a subsidiary are unsecured, interest bearing at 10% per annum on the unpaid principal and repayable on demand.

- (vi) The margin loans are secured by the Group's equity securities listed in Hong Kong with fair value of HK\$49,387,768 and repayable on demand. The loans of approximately HK\$16,802,000 and approximately HK\$4,354,000 are charged at a fixed interest rate of 8% per annum and at 3% per annum over the Hong Kong prime rate respectively.

## 18. Share capital

	Notes	Number of shares	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.1 each at 31 December 2016 and 1 January 2017		8,000,000,000	800,000
Increase during the period	(a)	4,000,000,000	400,000
<b>At 30 June 2017</b>		<b>12,000,000,000</b>	<b>1,200,000</b>
Issued and fully paid:			
Ordinary shares of HK\$0.1 each at 31 December 2016 and 30 June 2017		5,712,151,908	571,215

Notes:

- (a) Pursuant to an ordinary resolution passed by the shareholders of the Company on 30 June 2017, the authorised share capital of the Company was increased from HK\$800,000,000 to HK\$1,200,000,000 by the creation of 4,000,000,000 ordinary shares of HK\$0.10 each, those new ordinary shares rank *pari passu* in all respects with the existing shares of the Company.

## 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 2017 using:			Total
	Level 1	Level 2	Level 3	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements:</b>				
Financial assets at fair value through profit or loss				
Listed equity securities in Hong Kong	72,464	-	-	72,464
Investment properties	-	-	324,728	324,728

Description	Fair value measurements as at 31 December 2016 using:			Total
	Level 1	Level 2	Level 3	2016
	(Audited)	(Audited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements:</b>				
Financial assets at fair value through profit or loss				
Listed equity securities in Hong Kong	56,164	-	-	56,164
Investment properties	-	-	313,328	313,328

## 20. **Contingent liabilities**

As at 30 June 2017, the Group did not have any significant contingent liabilities (31 December 2016: 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 11 August 2017.

## GENERAL INFORMATION

### Directors' service contracts

At 30 June 2017, 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

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 2017.

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

At 30 June 2017, 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:

#### *Long positions in ordinary shares of the Company:*

Name	Capacity	Nature of Interest		Percentage of
		Registered Shareholder	Underlying Interest	the Company's issued share capital (approximately %) (Note)
Mr. Wong Kui Shing, Danny	Through controlled corporation	403,971,449		7.07%
	Beneficially owned		5,688,000	0.10%

#### *Note:*

The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the date of this report, which was 5,712,151,908 Shares.

Save as disclosed above and in the section headed "Share Options", as at 30 June 2017 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 2017 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 2017, 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 (Note b)
Discover Wide Investments Limited		Directly beneficially owned	403,971,449 (Registered Shareholder)	7.07%
Mr. Wong Kui Shing, Danny	(a)	Through controlled corporation	403,971,449 (Beneficial Owner)	7.07%
		Beneficially owned	5,688,000 (Underlying Interest)	0.1%
Mr. Zhang Rong		Directly beneficially owned	364,672,000 (Registered Shareholder)	6.38%

#### Notes:

- (a) Mr. Wong Kui Shing, Danny was deemed to be interested in the 403,971,449 shares by virtue of his controlling interests in Discover Wide Investments Limited.
- (b) The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the date of this report, which was 5,712,151,908 Shares.

Save as disclosed above, as at 30 June 2017, 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 2017, 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. Those share options were lapsed on 10 April 2017. On 11 April 2017, the Company granted a total of 571,200,000 share options with rights to subscribe for 571,200,000 ordinary shares of HK\$0.1 each in the share capital of the Company under the Share Option Scheme. A total of 160,752,000 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		
		Outstanding as at 1 January 2017	Lapsed on 10 April 2017	Granted on 11 April 2017 and outstanding as at 30 June 2017
Mr. Wong Kui Shing, Danny	Executive Director and substantial shareholder of the Company	936,000	(936,000)	5,688,000
Mr. Tse Chi Wai	Executive Director	32,328,000	(32,328,000)	57,000,000
Mr. Takashi Togo	Executive Director	32,328,000	(32,328,000)	57,000,000
Ms. Wu Jingjing	Executive Director	2,016,000	(2,016,000)	2,016,000
Mr. Wong Chi Yung	Non-executive Director	32,328,000	(32,328,000)	33,000,000
Mr. Hung Hing Man	Independent non-executive Director	2,016,000	(2,016,000)	2,016,000
Mr. May Tai Keung, Nicholas	Independent non-executive Director	2,016,000	(2,016,000)	2,016,000
Dr. Chen Shengrong	Independent non-executive Director	2,016,000	(2,016,000)	2,016,000
	Sub-total	105,984,000	(105,984,000)	160,752,000
	Other staff and consultants	214,464,000	(214,464,000)	410,448,000
	Total	320,448,000	(320,448,000)	571,200,000

All the outstanding share options granted are exercisable during the period from date of grant to 10 April 2027 at an exercise price of HK\$0.153 per share.

The closing price per share immediately before the date of grant was HK\$0.145. 320,448,000 share options were lapsed on 10 April 2017. None of the outstanding share options were exercised or cancelled during the period ended 30 June 2017.

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

During the six months ended 30 June 2017, 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 2017, the Company has complied with the codes on Corporate Governance Code (the "Code") as set out in Appendix 15 of the GEM Listing Rules, except for the followings.

#### **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 A.4.1 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 2017.

## **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 2017 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.

## **Change in information of directors**

Pursuant to the Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors during the six months ended 30 June 2017 and as at the date of this report are set out below:-

Mr. Wong Kui Shing, Danny has been appointed as an executive director of Share Economy Group Limited (Stock Code: 1178) on 8 May 2017. He has also been appointed as the independent non-executive director of Far East Holdings International Limited (Stock Code: 36) on 18 July 2017.

Mr. Wong has ceased to be a non-executive director of InvesTech Holdings Limited (Stock Code: 1087) on 1 June 2017.

## **Internal control and Risk management**

The Board has the ultimate responsibility to maintain a sound and effective internal control and risk management systems for the Group to safeguard the shareholders' investment and the Group's assets and to ensure strict compliance with relevant laws rules and regulations. The Group has established a risk management framework which consists of the Board, the Audit Committee and the senior management of the Group. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives. The Audit Committee is responsible for reviewing the effectiveness of the internal control and risk management systems and reporting to the Board, The Board, through the Audit Committee, conducts reviews of the effectiveness of such systems at least annually, covering all material controls including financial, operational and compliance controls.

By Order of the Board  
**China Information Technology Development Limited**  
**Wong Kui Shing, Danny**  
*Chairman and Chief Executive Officer*

Hong Kong, 11 August 2017

*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.*