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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)

2019 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “**Board**”) of China Information Technology Development Limited (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2019. This announcement, containing the full text of the 2019 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcements of interim results. Printed version of the Company’s 2019 interim report will be delivered to the shareholders of the Company in due course.

By order of the Board

China Information Technology Development Limited

Wong King Shiu, Daniel

Executive Director

Hong Kong, 14 August 2019

As at the date of this announcement, the Board comprises Mr. Wong Kui Shing, Danny (Chairman and Chief Executive Officer), Mr. Wong King Shiu, Daniel and Mr. Chan Kai Leung as executive Directors; Mr. Hung Hing Man, Mr. Wong Hoi Kuen and Dr. Chen Shengrong as independent non-executive Directors.

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

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

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 (the “Directors” and each a “Director”) of the China Information Technology Development Limited (the “Company”), together with its subsidiaries, (the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) 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.citd.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. Wong King Shiu, Daniel
Mr. Chan Kai Leung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Hing Man
Mr. Wong Hoi Kuen
Dr. Chen Shengrong

COMPANY SECRETARY

Mr. Chang Ki Sum Clark

COMPLIANCE OFFICER

Mr. Chang Ki Sum Clark

AUTHORISED REPRESENTATIVES

Mr. Wong Kui Shing, Danny
Mr. Chang Ki Sum Clark

NOMINATION COMMITTEE

Mr. Hung Hing Man
(Committee Chairman)
Mr. Wong Hoi Kuen
Dr. Chen Shengrong

REMUNERATION COMMITTEE

Mr. Wong Hoi Kuen
(Committee Chairman)
Mr. Hung Hing Man
Dr. Chen Shengrong

AUDIT COMMITTEE

Mr. Hung Hing Man
(Committee Chairman)
Mr. Wong Hoi Kuen
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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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GEM STOCK CODE

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SUMMARY

- Revenue for the six months ended 30 June 2019 (the “Period”) was approximately HK\$30,365,000, representing a decrease of 1% from the corresponding period in last year (2018: approximately HK\$30,661,000).
- Loss attributable to owners of the Company for the six months ended 30 June 2019 amounted to approximately HK\$52,026,000 (2018: loss attributable to owners of the Company of approximately HK\$9,557,000). The loss was mainly attributed to (i) fair value loss on the investment properties of approximately HK\$35,286,000 and (ii) recognition of an equity-settled share-based payment amounted to approximately HK\$9,628,000 during the six months ended 30 June 2019.
- Loss per share attributable to owners of the Company from continuing operations for the six months ended 30 June 2019 was approximately HK0.91 cents (2018: loss per share of approximately HK0.17 cents).
- The Board of Directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: 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\$230 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 2019, the use of net proceeds from the Placement was as follows:– (1) approximately HK\$73 million for refurbishment and other expenses relating to the PRC Properties; (2) approximately HK\$51.9 million for investment in Macro China Holding Limited (“Macro”), business development under DataCube Research Centre Limited (“DataCube Research Centre” or “DataCube”), IT business in Japan and a data center in the PRC; (3) 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\$36.1 million had been applied to settle the consideration for the PRC Properties; and (4) approximately HK\$69 million for administrative expenses and other expenses incurred by the Group.

During the six months ended 30 June 2019, the Company has continued to refine our business structure. On 15 January 2019, the Company entered into a non-legally binding memorandum of understanding (the “MOU”) with an independent third party in relation to the possible acquisition of certain land and buildings with a data centre located in Nansha District, Guangzhou, the People’s Republic of China. The Company has to pay a refundable deposit of RMB20 million in cash to the independent third party upon signing of the MOU. As no formal agreement had been entered into between the Group and the Vendor on or before the date falling 180 days from the date (“PRC”) of execution of the MOU (i.e. 15 July 2019) nor there be an agreement reached in extending the date of entering into the formal agreement in relations thereto, the MOU had automatically lapsed and ceased to have any effect. The Group did not pay any deposit in relation to the MOU. Details of the MOU and the lapse of MOU are set out in the announcements dated 15 January 2019 and 22 July 2019 respectively.

Meanwhile, the Group had made various changes with the vision to equip and strengthen ourselves for the up-coming business developments.

On 21 June 2019, the Company has granted an aggregate of 217,056,000 share options (the “Options”) to the grantees (the “Grantees”) of the Company, to subscribe, in aggregate, for up to 217,056,000 ordinary shares (each a “Share”) of HK\$0.1 each in the share capital of the Company subject to acceptance of the Grantees, with an exercise price of HK\$0.1 per Share, under the share option scheme (the “Share Option Scheme”) adopted by the Company on 2 August 2012. Among the total of 217,056,000 Options, 60,048,000 Options were granted to the employees of the Company and the remaining 157,008,000 Options were granted to the consultants of the Company. The Company believes that human resources are of utmost importance to the success of a business and we believe that the grant of Options can provide incentives for the employees and consultants of the Group to work towards the goal of the Company.

The existing business of Macro and its subsidiaries (“Macro Group”), DataCube Research Centre and Value Creation Finance Limited (“Value Creation Finance”), continue to bring synergies and refinement to the whole business of the Company.

Macro Group

During the period ended 30 June 2019, Macro Group had continued to provide strong IT infrastructure and management service to its clients. It has organized various IT seminars to clients, covering the most updated knowledge and topics that are on the vibe, giving the clients a platform to share and get updated with different new technologies and knowledges in the market. Macro had teamed up with DataCube to participate in the Imagine What's Next event organized by Nutanix on 9 January 2019. With over 700 audience joining the event, IT infrastructure and operations leaders, architects, and DevOps practitioners gathered together to exchange the insights and innovative thinking that is driving the future of the enterprise clouds.

Macro and DataCube got the opportunity to connect with clients who were searching for in-depth information on big data analytics solutions and how our solutions assisted on their business strategies. We also touched on building the dataset system for corporate from technical aspect. In addition, we shared some case studies with the audience.

Meanwhile, in March 2019, following the technological trend in retail market, Macro had organised an event, introducing Artificial Intelligence ("AI") new retail technology to our clients to create innovative customer experience and reach retail front.

Apart from that, Macro has persistently gained reputation in the IT industry. Macro has been honored with the "Huawei Enterprise Channel Partner Program" as 5 Star IT Certified Service Partner in January 2018 and the "Excellent Partner – 2018" and "The Distinguished Service Partner – 2018" in April 2019. The technical team leader of Macro was honored with the "The Best Service – 2018" Award as well. The appreciation affirms our technical service quality and value to make IT smart. In August 2018, Macro was awarded the International Standard for Information Security Management Systems, ISO/IEC 27001:2013, by Bureau Veritas Certification to affirm Macro for information security efforts in the management field to ensure that customers are provided with high quality, stable and reliable data monitoring and protection in accordance with international standards. Together with the IT Service management system certification, ISO/IEC 20000-1:2011, that Macro has already obtained, Macro Systems leverages its expertise and years of practical experience to fully analyze the business needs of its customers to create the most appropriate IT solution. Macro's goal is to help customers reduce overall costs and improve operational efficiency, allowing them to focus on developing their business and creating sustainable business advantages in an era of intense competition. Macro will accompany the clients towards digital transformation with their professionalism continuously and always.

Alongside with the existing business, Macro sees a huge potential with the resurgence trend of AI. With the concurrence of other technical advancement and the importance of big data as well as the popularization of Internet of things (“IoT”), AI has become an almost inseparable part to a successful business and even our daily lives. Macro therefore, has started to transform itself from system integrator to a Marketing AI integrated solution provider. During the period ended 30 June 2019, Macro, in corporation with DataCube, started the research and development to originate our very own software for AI statistical analysis platform to provide the most tailor-made and suitable software and solutions for our clients in Hong Kong and PRC.

DataCube

DataCube Research Centre, is dedicated to promote data modelling, big data analysis as well as developing related technologies to expedite the adoption and drive the evolution of AI and business intelligence (“BI”) and across the region, so as to provide the technological platform and all related resources to drive the development of Smart Cities in Asia.

During the period ended 30 June 2019, working hand in hand with Macro Group, DataCube has been actively developing in these areas, namely Marketing Intelligence, Operation Intelligence, Smart Store and Smart Cities.

In the business world, BI has become a complementary if not essential tool used by enterprises to support a wide range of business decisions ranging from operational to strategic ones. The big data in business operations are systematically gathered and analyzed into useful information which can assist corporations to formulate their business strategies accordingly.

With the efforts we invested in data analysis, AI and BI reporting tools, we provided complete chain and system for our clients. Thanks to the hard work of the data science, engineering and consulting team, DataCube has developed AI book which is an exclusive end-to-end automatic platform with deep learning and machine learning technique equipped. It helps clients in processing data collection, filtering and analytics through four stages. It expedites iterative approach improves prediction accuracy and model robustness, making it an automatic procedure. Meanwhile, the result of data analytics will be showed on tailored-made BI Canvas platform. The massive data are transformed into various charts and line graphs in real time mode. It is clear and easy to understand and helps decision makers to spot out business value and hidden trends, quickly response to the market and adjust business deployment. DataCube shall aim to extend our services to cover across government, medical and education etc. For instance, AI system can be applied to provide automatic vehicle identification in car parks whereby the car license plates are detected and identified to enhance the efficient security management of car parks. Through the spectrum of client portfolio we built, we will gain knowledge of different industries so that we can strengthen our skillset to provide quality services, hence, enhance our competitiveness to drive social awareness upon data application and accelerate the adoption of AI for the development of Smart Cities in Asia in the future. We expect that DataCube shall become one of the income drivers and contribute to the business of the Group in the years to come.

During the period ended 30 June 2019, Macro Group has contributed a revenue of approximately HK\$25,292,000 to the Group. This encouraging result motivates the Directors and the Company to continue developing the business of Macro Group.

Other Businesses

During the six months ended 30 June 2019, the Company has been developing its existing businesses while keeping alert of the market trends so that it would be able to create a competitive edge for itself to provide more integrated and comprehensive services.

Meanwhile, in late March 2019, the Company has entered into a formal sales and purchase agreement (the "Agreement") with an independent third party in relation to the acquisition of 51% of the equity interest of FULLPAY K.K. (FULLPAY株式会社) ("Fullpay") at a consideration of HK\$15,300,000 (the "Acquisition"). The Company has subscribed 16.67% equity interest of Fullpay in January 2017, therefore upon the Acquisition, the Company owns 67.67% of the equity interest of Fullpay. 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 and the rocketing numbers of Chinese tourist in Japan, the Company shall continue to seize the opportunities of stepping into the mobile payment business so as to gain relevant knowledge and bring synergy effects to the other businesses of the Company through its investment in Fullpay.

Outlook and Prospect

During the six months ended 30 June 2019, the Group has made steady progress in refining its business model, putting more emphasis on our main business in Macro and the future development of DataCube. Leveraging our established brand names including Macro and DataCube, we deliver quality services to our clients. With more centralized resources, the Group will continue to endeavour to intensify its innovation facilitation and enhance new market expansions.

During and subsequent to the period ended 30 June 2019, Hong Kong has been facing an unprecedentedly challenging situation, both politically and socio-economically. Worse still, the international atmosphere has also been volatile with the on-going Sino-US trade conflicts and the long-lingering unresolved Brexit issue. Facing such adversity, the Company shall pay close attention to the market condition and act accordingly while continue to team up Macro and DataCube so as to synergize our IT capabilities and to jump on the bandwagon of Smart Cities among the businesses. Having the vision of giving the most suitable data analysis and intelligence systems to our clients, together with the experiences and knowledge we gained through the years, we walk together with our clients and persistently develop and improve our own self-developed software for AI statistical analysis platform so that we can provide unique and customized services to our clients. With the self-developed software which is still uncommon among our competitors, we strengthen our competitive edge to stand out in the market.

Employees

The total number of full-time employees hired by the Group maintained at 72 as of 30 June 2019 (2018: 74 employees). Total expenses on employee benefits amounted to approximately HK\$13,782,000 for the six months ended 30 June 2019, of which HK\$2,664,000 related to equity-settled share-based payment (2018: approximately HK\$14,351,000). The management believes the salaries offered by the Group to its employees are competitive.

Financial review

Continuing operations

For the six months ended 30 June 2019, the Group recorded a revenue of approximately HK\$30,365,000, a decrease of 1% from approximately HK\$30,661,000 in the corresponding period in last year. The revenue was mainly contributed by Macro during the Period.

The Group had a total cost of sales and services of approximately HK\$19,328,000 for the first half of year 2019, an increase of 21.1% compared with approximately HK\$15,947,000 in the same period of year 2018. The increase was mainly due to increase in projects in Macro during the Period.

The gross profit of the Group for the first half of year 2019 was approximately HK\$11,037,000, a decrease of 25.0% from approximately HK\$14,714,000. The decrease mainly due to the decrease in loan interest income during the Period.

During the six months ended 30 June 2019, the Group generated other income and gains of approximately HK\$116,000 (2018: approximately HK\$610,000) which comprised: (i) bank interest income amounted to approximately HK\$1,000 (2018: approximately HK\$1,000); and (ii) other income amounted to approximately HK\$115,000 (2018: approximately HK\$609,000).

The Group's selling and distribution expenses for the first half of year 2019 were approximately HK\$1,620,000, a decrease of 23.6% compared with approximately HK\$2,120,000 in the corresponding period in 2018. The significant decrease was mainly due to the fact that Macro reduced its promotion activity efforts in this reporting period.

Administrative expenses for the Period were approximately HK\$29,446,000, an increase of 28.4% as compared to approximately HK\$22,938,000 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\$9,628,000 during the Period.

During the six month ended 30 June 2019, the Group recognised a decrease in fair value of investment properties of approximately HK\$35,286,000 due to the recession of property market in the PRC.

During the first half of 2019, the Group profited from trading of marketable securities and recorded a mark-to-market gain of approximately HK\$3,831,000 (2018: approximately HK\$219,000).

The Group's loss attributable to owners of the Company was approximately HK\$52,026,000 for the six months ended 30 June 2019 (2018: loss attributable to owners of the Company of approximately HK\$9,557,000).

Financial position

As at 30 June 2019, the Group had cash and bank balances of approximately HK\$4,934,000 (31 December 2018: approximately HK\$4,658,000).

As at 30 June 2019, the Group's total borrowings amounted approximately HK\$49,637,000 (31 December 2018: approximately HK\$52,921,000). The gearing ratio (calculated as total borrowings over total equity) of the Group was 0.12 (31 December 2018: 0.12).

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\$477,000 (31 December 2018: approximately HK\$2,630,000) for addition of property, plant and equipment and approximately HK\$598,000 for refurbishment construction works of investment properties for the six months ended 30 June 2019 (31 December 2018: approximately HK\$2,550,000).

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2019 and 31 December 2018 respectively.

Capital commitment

The Group did not have any material capital commitments as at 30 June 2019 and 31 December 2018.

EVENTS AFTER REPORTING PERIOD

On 2 August 2019, Giant Prestige Investments Limited, a direct wholly-owned subsidiary of the Company, as the vendor (the “Vendor”) has entered into an agreement (the “Agreement”) with Winner Sino Corporate Development Limited (the “Purchaser”) and 廣州麓湖錦城置業管理有限公司 (Guangzhou Luhu Jincheng Properties Management Limited*) as the Purchaser’s Guarantor (the “Purchaser’s Guarantor”), pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 10 ordinary shares of US\$1.00 each in the share capital of the Joyunited Investments Limited (the “Target Company”), representing 100% of the issued share capital of the Target Company and any obligation or liabilities incurred or may be incurred or due or which would fall due by Target Company to the Vendor on or at any time prior to completion of the Agreement at the consideration of RMB260,000,000 (equivalent to approximately HK\$295,874,000) in cash (the “Disposal”).

As one or more of the relevant percentage ratios under the GEM Listing Rules in respect of the transactions contemplated under the Agreement exceed 25% but are below 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules.

Details of the Disposal are set out in the announcement dated 2 August 2019. The Company shall publish a circular providing more details in relation to the Disposal and the general meeting in relation thereto in due course.

* *For identification purposes only.*

The Board of Directors announces the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2019, together with the unaudited comparative figures for the corresponding period of year 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Notes	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)
CONTINUING OPERATIONS				
	2,055	3,517	5,073	7,032
Interest revenue				
Other revenue	11,269	10,472	25,292	23,629
<hr/>				
Revenue	4	13,324	13,989	30,661
Cost of sales and services		(7,869)	(5,681)	(19,328)
<hr/>				
Gross profit		5,455	8,308	14,714
Other income and gains	4	36	366	610
Selling and distribution expenses		(834)	(960)	(2,120)
Administrative expenses		(22,366)	(10,921)	(22,938)
Gain on disposal of subsidiaries	9(a)	—	—	675
Fair value (loss)/gain on investments at fair value through profit or loss		(3,434)	(5,499)	219
Change in fair value of investment properties		(35,286)	—	—
Finance costs	5	(932)	(1,326)	(2,489)
<hr/>				
LOSS BEFORE TAX FROM CONTINUING OPERATIONS				
Income tax expenses	6	(57,361)	(10,032)	(11,329)
	7	—	—	—
<hr/>				
Loss for the period from continuing operations		(57,361)	(10,032)	(11,329)
<hr/>				
DISCONTINUED OPERATION				
Profit for the period from a discontinued operation	9(b)	—	9,423	8,170
<hr/>				
LOSS FOR THE PERIOD				
		(57,361)	(609)	(3,159)
<hr/>				
Attributable to:				
Owners of the Company				
Loss from continuing operations		(56,464)	(9,441)	(9,557)
Profit from a discontinued operation		—	9,472	8,307
		(56,464)	31	(1,250)
<hr/>				
Non-controlling interests				
Loss from continuing operations		(897)	(591)	(1,772)
Loss from a discontinued operation		—	(49)	(137)
		(897)	(640)	(1,909)
<hr/>				
Basic and diluted (loss)/profit per share	8			
— From continuing and discontinued operations		HK(0.99) cents	HK0.00 cent	HK(0.02) cents
— From continuing operations		HK(0.99) cents	HK(0.17) cents	HK(0.17) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Notes</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
LOSS FOR THE PERIOD	(57,361)	(609)	(53,214)	(3,159)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF INCOME TAX				
— Exchange differences on translation of foreign operations	(3,510)	(15,091)	560	(3,976)
— Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries	<i>9(b)</i>	—	—	(300)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(60,871)	(16,000)	(52,654)	(7,435)
Attributable to:				
Owners of the Company	(59,973)	(18,689)	(51,447)	(8,672)
Non-controlling interests	(898)	2,689	(1,207)	1,237
	(60,871)	(16,000)	(52,654)	(7,435)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000 (Restated)	As at 1 January 2018 (Audited) HK\$'000 (Restated)
	<i>Notes</i>			
NON-CURRENT ASSETS				
Investment properties	11	302,702	336,971	395,094
Property, plant and equipment	12	4,007	4,184	12,384
Goodwill		3,865	3,865	3,865
Right-of-use assets		7,630	3,259	4,337
Other intangible assets		6,311	6,702	7,485
Equity investments at fair value through other comprehensive income		17,197	17,197	15,036
Prepayments, deposits and other receivables	13	1,154	1,568	2,201
Deferred tax assets		3,125	3,125	2,386
Loan receivable	15	—	10,000	—
Total non-current assets		345,991	386,871	442,788
CURRENT ASSETS				
Inventories		631	274	704
Trade receivables	14	4,246	3,216	3,178
Contract assets and contract costs		—	14	195
Prepayments, deposits and other receivables	13	47,693	45,811	41,613
Loan receivables	15	68,978	117,366	111,750
Equity investments at fair value through profit or loss		39,662	38,012	61,974
Bank and cash balances		4,934	4,658	34,118
Total current assets		166,144	209,351	253,532

		As at 30 June 2019 (Unaudited) Notes	As at 31 December 2018 (Audited)	As at 1 January 2018 (Audited)
		HK\$'000	HK\$'000 (Restated)	HK\$'000 (Restated)
CURRENT LIABILITIES				
Trade payables	16	3,695	2,346	7,563
Contract liabilities		3,013	5,016	3,186
Other payables and accruals	17	44,733	86,156	75,830
Lease liabilities		3,498	3,074	2,871
Current tax liabilities		45	45	531
Bank and other borrowings	18	49,637	52,921	68,921
Total current liabilities		104,621	149,558	158,902
NET CURRENT ASSETS		61,523	59,793	94,630
TOTAL ASSETS LESS CURRENT LIABILITIES		407,514	446,664	537,418
NON-CURRENT LIABILITIES				
Deferred tax liabilities		—	—	661
Lease liabilities		4,171	295	1,607
		4,171	295	2,268
NET ASSETS		403,343	446,369	535,150
EQUITY				
Equity attributable to owners of the Company				
Share capital	19	571,215	571,215	571,215
Reserves		(165,957)	(124,138)	(32,285)
		405,258	447,077	538,930
Non-controlling interests		(1,915)	(708)	(3,780)
TOTAL EQUITY		403,343	446,369	535,150

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 currency translation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Equity investment revaluation reserve (Unaudited) HK\$'000	Non-controlling		
								Total	interests	Total equity
								(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2018, as restated	571,215	107,108	81,842	6,195	831	(231,421)	3,160	538,930	(3,780)	535,150
Loss for the period	—	—	—	—	—	(1,250)	—	(1,250)	(1,909)	(3,159)
Other comprehensive (loss)/income										
— Exchange differences on translation of foreign operations	—	—	—	(3,890)	—	—	—	(3,890)	(86)	(3,976)
— Disposal of subsidiaries	—	—	—	(3,532)	(831)	831	—	(3,532)	3,232	(300)
Total comprehensive loss for the period	—	—	—	(7,422)	(831)	(419)	—	(8,672)	1,237	(7,435)
Lapsed of share options	—	—	(152)	—	—	152	—	—	—	—
At 30 June 2018	571,215	107,108	81,690	(1,227)	—	(231,688)	3,160	530,258	(2,543)	527,715
At 1 January 2019, as restated	571,215	107,108	81,250	(9,469)	—	(305,498)	2,471	447,077	(708)	446,369
Loss for the period	—	—	—	—	—	(52,026)	—	(52,026)	(1,188)	(53,214)
Other comprehensive (loss)/income										
— Exchange differences on translation of foreign operations	—	—	—	579	—	—	—	579	(19)	560
Total comprehensive loss for the period	—	—	—	579	—	(52,026)	—	(51,447)	(1,207)	(52,654)
Equity-settled share-based payment expenses	—	—	9,628	—	—	—	—	9,628	—	9,628
At 30 June 2019	571,215	107,108	90,878	(8,890)	—	(357,524)	2,471	405,258	(1,915)	403,343

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For six months ended	
	30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
NET CASH GENERATED FROM/(USED IN)		
OPERATING ACTIVITIES	4,621	(14,864)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(477)	(2,380)
Payment for construction works of investment properties	(598)	(6,231)
Purchase of equity investments at fair value through profit or loss	—	(12,311)
Purchase of equity investments at fair value through other comprehensive income	—	(25,695)
Proceeds from disposal of subsidiaries	—	14,713
Proceeds from disposal of equity investments at fair value through profit or loss	2,181	15,962
Bank interest received	1	1
NET CASH GENERATED FROM/(USED IN)		
INVESTING ACTIVITIES	1,107	(15,941)
CASH FLOWS FROM FINANCING ACTIVITIES		
Margin loan raised	—	10,729
Repayment of lease liabilities	(2,278)	(1,635)
Repayment of bank and other borrowings	(3,284)	(6,098)
NET CASH (USED IN)/GENERATED FROM		
FINANCING ACTIVITIES	(5,562)	2,996
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	166	(27,809)
Cash and cash equivalents at beginning of the period	4,407	33,867
Effect of foreign exchange rate changes, net	110	499

	For six months ended	
	30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
<hr/>		
CASH AND CASH EQUIVALENTS		
AT END OF THE PERIOD	4,683	6,557
<hr/>		
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	4,683	6,557
Time deposits	251	251
<hr/>		
Cash and bank balances as stated in the condensed consolidated statement of financial position	4,934	6,808
Less: Time deposits with maturity of more than three months when acquired	(251)	(251)
<hr/>		
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	4,683	6,557
<hr/>		

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 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 2018, 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 2018 except as stated below.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset’s useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	Over the lease terms
--------------------	----------------------

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group’s incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below HK\$5,000.

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 2019. 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 except as stated below.

HKFRS 16 “Leases”

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under HKAS 17 “Leases”.

HKFRS 16 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	HK\$'000
At 31 December 2018:	
Increase in right-of-use assets	3,259
Increase in lease liabilities	3,369
Increase in accumulated losses	110
For the six months ended 30 June 2018:	
Decrease in administrative expenses	115
Increase in lease interests	110
Decrease in loss for the period	5
Decrease in loss per share (cents)	—

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

3. Operating segment information

The Group has four 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;
- provision of IT infrastructure solutions and maintenance services (“IT solutions and maintenance”);
- money lending; and
- Securities trading (“Securities investments”).

Segment assets exclude equity investments at fair value through other comprehensive income 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 2019 and 2018 respectively.

Reporting segment information

Six months ended 30 June

	Continuing operations						Discontinued operation									
	IT solutions and maintenance			Securities investments			Money lending			Software development and system integration			Group			
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	
Segment revenue:																
Sales to external customers	25,292	23,629	5,073	7,032	—	—	30,661	—	685	—	685	30,365	31,346			
Segment (loss)/profit	(2,172)	(717)	4,978	6,866	3,820	204	6,363	—	(1,746)	—	(1,746)	6,626	4,607			
Reconciliation:																
Bank interest income			1	1								1	1			
Change in fair value of investment properties			(35,286)	—								(35,286)	—			
Gain on disposal of subsidiaries			—	675								9,916	10,691			
Unallocated gains			—	—	323							—	323			
Corporate and other unallocated expenses			(22,709)	(16,192)								(22,709)	(16,192)			
Finance costs			(1,846)	(2,489)								(1,846)	(2,489)			
(Loss)/profit before tax	(53,214)	(11,329)	8,170	8,170								(53,214)	(3,159)			

	Continuing operations				Discontinued operation			
	IT solutions and maintenance		Securities investments		Software development and system integration		Group	
	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Segment assets	23,333	20,939	69,536	40,036	132,905	187,384	—	132,905
Reconciliation:								
Corporate and other unallocated assets					379,230	408,838		379,230
Total assets					512,135	596,222	—	512,135
Segment liabilities	(11,607)	(8,815)	(283)	(12,782)	(24,672)	(23,441)	—	(24,672)
Reconciliation:								
Corporate and other unallocated liabilities					(84,120)	(126,412)		(84,120)
Total liabilities					(108,792)	(149,853)	—	(108,792)
Geographical information								
								Revenue
								30.6.2019
								(Unaudited)
								HK\$'000
Hong Kong							30,163	28,378
PRC except Hong Kong							202	2,968
Consolidated total							30,365	31,346

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 from continuing operations is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue				
Sale of computer hardware and software	9,120	5,266	19,943	15,679
Provision of technical support and maintenance services	2,149	5,206	5,349	7,950
Revenue from contracts with customers	11,269	10,472	25,292	23,629
Loans interest income	2,055	3,517	5,073	7,032
	13,324	13,989	30,365	30,661
Disaggregation of revenue from contracts with customers:				
Geographical markets				
Hong Kong	11,091	9,147	25,090	21,345
PRC except Hong Kong	178	1,325	202	2,284
	11,269	10,472	25,292	23,629
Major products/services				
Sale of computer hardware and software	9,120	5,266	19,943	15,679
Provision of technical support and maintenance services	2,149	5,206	5,349	7,950
Total	11,269	10,472	25,292	23,629
Timing of revenue recognition				
At a point in time	9,120	5,266	19,943	15,679
Over time	2,149	5,206	5,349	7,950
Total	11,269	10,472	25,292	23,629
Other income and gains				
Bank interest income	1	—	1	1
Others	35	366	115	609
	36	366	116	610

5. Finance costs

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)
Interest on bank loan	502	675	1,034	1,388
Interest on other loans	365	541	747	991
Lease interests	65	110	65	110
	932	1,326	1,846	2,489

6. Loss before tax from continuing operations

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

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)
Amortisation of other intangible assets	195	196	391	392
Change in fair value of investment properties	35,286	—	35,286	—
Depreciation on property, plant and equipment	349	197	687	446
Depreciation on right-of-use assets	2,140	1,520	2,140	1,520
Directors' remuneration	1,127	1,065	2,217	2,133
Equity-settled share based payment**	9,628	—	9,628	—

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

7. Income tax expenses

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2019 as the Group has accumulated tax losses brought forward from previous year (2018: Nil).

No provision of the PRC corporate income tax has been made for the six months ended 30 June 2019 as the Group did not generate any assessable profits in the PRC during the period (2018: Nil).

No provision for Japan corporate income tax has been made for the six months ended 30 June 2019 since the Group did not generate any assessable profits arising in Japan during the period (2018: Nil). Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

8. (Loss)/profit per share

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

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)
(Loss)/profit for the period attributable to owners of the Company				
— From continuing operations	(56,464)	(9,441)	(52,026)	(9,557)
— From a discontinued operation	—	9,472	—	8,307
	(56,464)	31	(52,026)	(1,250)
	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Weighted average number of ordinary shares for basic and diluted (loss)/profit per share	5,712,151,908	5,712,151,908	5,712,151,908	5,712,151,908

For the six months ended 30 June 2019, 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 2019 and 2018.

9. Disposal of subsidiaries

(a) Disposal of Rosy Beauty Investments Limited (“Rosy Beauty”)

On 9 January 2018, the Group disposed the 100% equity interest in Rosy Beauty.

Net assets at the date of disposal were as follows:

	(Unaudited) HK\$'000
Deposits	2
Land and building	9,323
	9,325
Gain on disposal of subsidiaries	675
Satisfied by cash	10,000
Net cash inflow arising on disposal:	
Cash consideration received	10,000

(b) Disposal of Pantosoft International Limited (“Pantosoft”)

On 25 May 2018, the Company entered into a sale and purchase agreement (the “Disposal”) with Madam Wang Jian Mei to dispose 90% equity interest of Pantosoft at a consideration of HK\$5,000,000.

The Disposal was completed on 5 June 2018. Upon completion of the Disposal, Pantosoft ceased to be subsidiaries of the Company and their results, assets and liabilities and cash flows ceased to be consolidated to that of the Group since then. A gain on disposal of HK\$9,915,000 was recognised upon the completion, being calculated as follows:

	(Unaudited) HK\$'000
Net assets disposed of:	
Property, plant and equipment	12
Inventories	162
Trade receivables	1,098
Prepayments, deposits and other receivables	2,224
Cash and bank balances	287
Trade payables	(3,527)
Other payables and accruals	(2,793)
Other loans	(2,079)
Non-controlling interests	3,232
	(1,384)
Exchange fluctuation reserve realised	(3,532)
Gain on disposal of interest in subsidiaries	9,916
	5,000
Satisfied by cash	5,000
Net cash inflow arising on disposal:	
Cash consideration received	5,000
Cash and cash equivalents disposed of	(287)
	4,713

The results of the discontinued operation dealt with in the condensed consolidated financial statements for the six months ended 30 June 2018 are summarised as follows:

	Six months ended 30 June 2018 (Unaudited) HK\$'000
Revenue	685
Cost of goods sold	(938)
Gross loss	(253)
Other income	2
Selling and distribution expenses	(444)
Administrative expenses	(1,051)
Loss before tax	(1,746)
Income tax expenses	—
Loss for the period	(1,746)
Gain on disposal of subsidiaries, net of income tax	9,916
Profit for the period from a discontinued operation	8,170

10. Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (2018: Nil).

11. Investment properties

	(Unaudited) HK\$'000
Valuation	
At 1 January 2019	336,971
Additions	598
Fair value loss	(35,286)
Exchange differences	419
At 30 June 2019	302,702

At 30 June 2019, the carrying amount of investment properties pledged as security for the Group's bank loans amounted to approximately HK\$33,855,000 (31 December 2018: approximately HK\$38,706,000).

12. Additions in property, plant and equipment

During the period for the six months ended 30 June 2019, the Company spent approximately HK\$477,000 (30 June 2018: approximately HK\$2,380,000) for additions of property, plant and equipment.

13. Prepayments, deposits and other receivables

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Prepayments	1,692	1,372
Deposits and other receivables	47,155	46,007
	48,847	47,379
Non-current portion:		
Prepayments	1,154	1,201
Deposits and other receivables	—	367
	1,154	1,568
Current portion:		
Prepayments	538	171
Deposits and other receivables	47,155	45,640
	47,693	45,811
	48,847	47,379

14. Trade receivables

An ageing 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 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Within 1 month	2,862	3,041
1 to 2 months	1,175	124
2 to 3 months	209	8
Over 3 months	—	43
	4,246	3,216

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.

15. Loan receivables

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Loan receivables	68,978	127,366
Analysed as:		
Non-current assets	—	10,000
Current assets	68,978	117,366
	68,978	127,366

Note:

All loan receivables are denominated in HK\$ and carry fixed interest rate at 12% per annum (31 December 2018: from the range of 9% to 12% per annum) and with the terms ranging from 3 months to 18 months.

16. 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 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Within 1 month	2,416	773
1 to 2 months	1,209	397
2 to 3 months	—	1,176
Over 3 months	70	—
	3,695	2,346

17. Other payables and accruals

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Accruals	3,900	4,486
Other payables (<i>note</i>)	40,833	81,670
	44,733	86,156

Note:

As at 30 June 2019, other payables of HK\$6,100,000 (31 December 2018: HK\$1,000,000) is due to a director of the Company, Mr. Wong King Shiu, Daniel.

18. Bank and other borrowings

	Notes	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Bank loan:			
Mortgage loan	(i)	33,855	38,706
Other loans:			
Loan from a shareholder	(ii)	3,000	—
Margin loan	(iii)	12,782	14,215
		15,782	14,215
		49,637	52,921

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 loan from a shareholder is unsecured, interest bearing at 3% per annum and repayable on 28 May 2020.*

- (iii) *The margin loan is secured by the Group's equity securities listed in Hong Kong with fair value of HK\$21,766,000 (31 December 2018: HK\$25,450,000) and repayable on demand. The loan is charged at a fixed interest rate of 8.375% (31 December 2018: 8.375%) per annum.*

19. Share capital

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each at 31 December 2018 and 30 June 2019	12,000,000,000	1,200,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each at 31 December 2018 and 30 June 2019	5,712,151,908	571,215

20. 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 2019 using:			Total
	Level 1	Level 2	Level 3	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements:				
Investments at fair value through profit or loss				
Equity securities — listed in Hong Kong	39,662	—	—	39,662
Equity investments at fair value through other comprehensive income				
Equity securities — unlisted investments	—	—	17,197	17,197
Investment properties				
Commercial — PRC	—	—	302,702	302,702
Total recurring fair value measurement	39,662	—	319,899	359,561

Description	Fair value measurements as at 31 December 2018 using:			Total
	Level 1	Level 2	Level 3	2018
	(Audited)	(Audited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements:				
Investments at fair value through profit or loss				
Equity securities — listed in Hong Kong	38,012	—	—	38,012
Equity investments at fair value through other comprehensive income				
Equity securities — unlisted investments	—	—	17,197	17,197
Investment properties				
Commercial — PRC	—	—	336,971	336,971
Total recurring fair value measurement	38,012	—	354,168	392,180

(b) Reconciliation of assets measured at fair value based on level 3:

At 30 June 2019

Description	Equity investments at fair value through other comprehensive income HK\$'000	Investment properties HK\$'000	2019 Total HK\$'000
At 1 January	17,197	336,971	354,168
Total losses recognised in			
— consolidated profit or loss (#)	—	(35,286)	(35,286)
Additions	—	598	598
Exchange realignment	—	419	419
At 30 June	17,197	302,702	319,899
(#) Include losses for assets held at end of reporting period	—	(35,286)	(35,286)

At 31 December 2018

Description	Equity	Investment	2018
	investments at fair value through other comprehensive income		
	HK\$'000	HK\$'000	HK\$'000
At 1 January	15,036	395,094	410,130
Total losses recognised in			
— consolidated profit or loss (#)	—	(41,805)	(41,805)
— other comprehensive income	(689)	—	(689)
Additions	12,385	2,550	14,935
Disposal	(9,535)	—	(9,535)
Exchange realignment	—	(18,868)	(18,868)
At 31 December	17,197	336,971	354,168
(#) Include losses for assets held at end of reporting period	—	(41,805)	(41,805)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

As at 30 June 2019

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK\$'000
Investment properties	Direct comparison approach	Market price of office	RMB30,000 per square meter	Increase	302,702
		Market price of commercial	RMB32,500 per square meter	Increase	
		Market price of carpark	RMB180,000 per unit	Increase	
		Unexpended construction cost	RMB6,234,000	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	Weighted average cost of capital	13%	Decrease	1,614
		Revenue growth rate	15-37%	Increase	
		Marketability discount	21%	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	Weighted average cost of capital	16.6%	Decrease	1,995
		Revenue growth rate	6-10%	Increase	
		Marketability discount	21%	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Guideline publicly-traded comparable method	Price-to-book ratio	3.18	Increase	13,588
		Price-to-sales ratio	5.29	Increase	
		Price-to-earnings ratio	53.11	Increase	
		Marketability discount	21%	Decrease	

As at 31 December 2018

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK\$'000
Investment properties	Direct comparison approach	Market price of office	RMB32,500 per square meter	Increase	336,971
		Market price of commercial	RMB37,500 per square meter	Increase	
		Market price of carpark	RMB200,000 per unit	Increase	
		Unexpended construction cost	RMB11,567,000	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	Weighted average cost of capital	13%	Decrease	1,614
		Revenue growth rate	15-37%	Increase	
		Marketability discount	21%	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	Weighted average cost of capital	16.6%	Decrease	1,995
		Revenue growth rate	6-10%	Increase	
		Marketability discount	21%	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Guideline publicly-traded comparable method	Price-to-book ratio	3.18	Increase	13,588
		Price-to-sales ratio	5.29	Increase	
		Price-to-earnings ratio	53.11	Increase	
		Marketability discount	21%	Decrease	

21. Contingent liabilities

As at 30 June 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

22. Approval of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 14 August 2019.

GENERAL INFORMATION

Directors' service contracts

At 30 June 2019, 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 2019.

Directors' interests and short positions in shares and underlying shares

At 30 June 2019, 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 5.67 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 the Company's issued share capital (approximately %) (Note)
		Registered Shareholder	Underlying Interest	
Mr. Wong Kui Shing, Danny	Through controlled corporation	403,971,449		7.06%
	Beneficially owned		5,688,000	0.10%
Mr. Wong King Shiu, Daniel	Beneficially owned	10,008,000	57,000,000	1.17%

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 5,722,159,908 Shares.

Save as disclosed above and in the section headed "Share Options", as at 30 June 2019 and as at of 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 5.67 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 2019 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 children under 18 years of age, 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.

Share Options

On 11 April 2017, the Company granted a total of 571,200,000 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.

On 27 September 2017, the Company granted a total of 571,200,000 Options with rights to subscribe 571,200,000 ordinary shares of HK\$0.1 each in the share capital of the Company under the Share Option Scheme.

On 21 June 2019, the Company granted a total of 217,056,000 Options with rights to subscribe 571,200,000 ordinary shares of HK\$0.1 each in the share capital of the Company under the Share Option Scheme.

As at the date of this report, details of the Options granted and remain effective are as follows:

Name of Grantees	Position held with the Company	Date of Grant	Exercise period	Number of share options			Exercise price per share
				Outstanding as at 1 January 2019	Lapsed during the period	Outstanding as at 30 June 2019	
Directors							
Mr. Wong Kui Shing, Danny	Executive Director	11 April 2017	11 April 2017 - 10 April 2027	5,688,000	—	5,688,000	HK\$0.153
Mr. Wong King Shiu, Daniel	Executive Director	27 September 2017	27 September 2017 - 26 September 2027	57,000,000	—	57,000,000	HK\$0.130
Mr. Chan Kai Leung	Executive Director	27 September 2017	27 September 2017 - 26 September 2027	5,016,000	—	5,016,000	HK\$0.130
Mr. Hung Hing Man	Independent non-executive Director	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	—	2,016,000	HK\$0.153
Dr. Chen Shengrong	Independent non-executive Director	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	—	2,016,000	HK\$0.153
Mr. Wong Hoi Kuen	Independent non-executive Director	27 September 2017	27 September 2017 - 26 September 2027	2,016,000	—	2,016,000	HK\$0.130
Former Directors							
Ms. Wu Jingjing	Executive Director (currently vice president of Business Development Department of the Company)	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	—	2,016,000	HK\$0.153
Mr. Tse Chi Wai (retired as director upon conclusion of annual general meeting on 28 June 2019)	Executive Director (currently consultant of the Company)	11 April 2017	11 April 2017 - 10 April 2027	57,000,000	—	57,000,000	HK\$0.153
Mr. Takashi Togo (retired as director upon conclusion of annual general meeting on 28 June 2019)	Executive Director (currently consultant of the Company)	11 April 2017	11 April 2017 - 10 April 2027	57,000,000	—	57,000,000	HK\$0.153
Mr. Wong Chi Yung (retired as director upon conclusion of annual general meeting on 28 June 2019)	Non-executive Director (currently consultant of the Company)	11 April 2017	11 April 2017 - 10 April 2027	33,000,000	—	33,000,000	HK\$0.153
Sub-total				222,768,000	—	222,768,000	

Name of Grantees	Date of Grant	Exercise period	Number of share options				Exercise price per share
			Outstanding as at	Granted on	Lapsed during the	Outstanding as at	
			1 January 2019				
Other staff	11 April 2017	11 April 2017 - 10 April 2027	202,968,000	—	—	202,968,000	HK\$0.153
	27 September 2017	27 September 2017 - 26 September 2027	334,680,000	—	—	334,680,000	HK\$0.130
	21 June 2019	21 June 2019 - 20 June 2029	—	60,048,000	—	60,048,000	HK\$0.100
Consultants of the Company	11 April 2017	11 April 2017 - 10 April 2027	202,992,000	—	—	202,992,000	HK\$0.153
	27 September 2017	27 September 2017 - 26 September 2027	171,000,000	—	—	171,000,000	HK\$0.130
	21 June 2019	21 June 2019 - 20 June 2029	—	157,008,000	—	157,008,000	HK\$0.100
Total			1,134,408,000	217,056,000	—	1,351,464,000	

All the outstanding Options granted on 11 April 2017 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 on 11 April 2017 was HK\$0.145.

All the outstanding Options granted on 27 September 2017 are exercisable during the period from date of grant to 26 September 2027 at an exercise price of HK\$0.130 per share. The closing price per share immediately before the date of grant on 27 September 2017 was HK\$0.130.

All outstanding Options granted on 21 June 2019 are exercisable during the period from date of grant to 20 June 2029 at an exercise price of HK\$0.100 per share. The closing price per share immediately before the date of grant on 21 June 2019 was HK\$0.091.

Subsequent to the Period, on 11 July 2019, 10,008,000 Options which were granted on 21 June 2019 were exercised by a consultant of the Company.

Save as disclosed above, none of the outstanding Options were exercised or cancelled or lapsed during the six months ended 30 June 2019.

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

At 30 June 2019, 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 <i>(Registered Shareholder)</i>	7.06%
Mr. Wong Kui Shing, Danny	(a)	Through controlled corporation	403,971,449 <i>(Beneficial Owner)</i>	7.06%
		Beneficially owned	5,688,000 <i>(Underlying Interest)</i>	0.10%
Mr. Zhang Rong		Directly beneficially owned	509,824,000 <i>(Registered Shareholder)</i>	8.91%

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 5,722,159,908 Shares.

Save as disclosed above, as at 30 June 2019, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

During the six months ended 30 June 2019, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of Company's listed securities.

Competing Interests of Directors and controlling shareholders

During the six months ended 30 June 2019 and up to the date of this report, the Directors had an interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to the GEM Listing Rules were as follows:

Name of Director	Name of Company	Nature of Business	Nature of interest
Wong Kui Shing, Danny	TFG International Group Limited ("TFG"), Stock Code: 542	Money Lending Business	Non-executive director of TFG
	Huiyin Holdings Group Limited ("Huiyin"), Stock Code: 1178	Money Lending Business	Executive director of Huiyin <i>(resigned as director of Huiyin with effect from 10 April 2019)</i>
Wong King Shiu, Daniel	Huisheng International Holdings Limited ("Huisheng"), Stock Code: 1340	Money Lending Business	Independent non-executive director of Huisheng

As the Board is independent to the boards of the above mentioned companies, the Group is capable of carrying on its business independently of and at arm's length, from the business of those companies.

During the six months ended 30 June 2019 and up to the date of this report, save as disclosed above, none of the Directors or the controlling 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 2019, the Company has complied with the code provisions on the 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 (including the independent non-executive Directors) are subject to retirement by rotation. The Company considers that there are sufficient measures to ensure the corporate governance standard of the Company is not less exacting than the Code.

Code of conduct regarding securities transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required Standard of dealings and its code of conduct regarding securities transactions by the Directors during the six months ended 30 June 2019.

Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of Appendix 15 of the GEM Listing Rules.

The primary duties of the audit committee of the Company (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 currently has three members, including Mr. Hung Hing Man (Audit Committee chairman), Mr. Wong Hoi Kuen and Dr. Chen Shengrong. All Audit Committee Members are independent non-executive Directors.

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 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 primary duties of the nomination committee of the Company (the "Nomination Committee") include 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, including Mr. Hung Hing Man (Nomination Committee chairman) and Mr. Wong Hoi Kuen and Dr. Chen Shengrong being the members. All Nomination Committee Members are independent non-executive Directors.

Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with Rules 5.34 to 5.36 of Appendix 15 of the GEM Listing Rules.

The primary duties of the remuneration committee of the Company (the “Remuneration Committee”) include 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.

The Remuneration Committee currently has three members, including Mr. Wong Hoi Kuen (Remuneration Committee chairman), Mr. Hung Hing Man and Dr. Chen Shengrong. All Remuneration Committee members are independent non-executive Directors.

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 2019 and as at the date of this report are set out below:

- (1) Mr. Wong Kui Shing, Danny has resigned as executive director of Huiyin Holdings Group Limited (Stock Code: 1178) with effect from 10 April 2019.
- (2) Mr. Tse Chi Wai, Mr. Takashi Togo have retired as executive directors and Mr. Wong Chi Yung has retired as a non-executive director of the Company due to their personal commitments on other professions and career upon conclusion of the annual general meeting of the Company on 28 June 2019.

Save as disclosed above, there are no other matters required to be disclosed pursuant to 17.50A of the GEM Listing Rules.

Internal control and Risk management

The Board has the ultimate responsibility to maintain 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.

Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (2018: Nil).

Events after reporting period

Save as disclosed in this report, there was no other significant event after the reporting period.

By Order of the Board
China Information Technology Development Limited
Wong King Shiu, Daniel
Executive Director

Hong Kong, 14 August 2019

As at the date of this report, the Board comprises Mr. Wong Kui Shing, Danny (Chairman and Chief Executive Officer), Mr. Wong King Shiu, Daniel and Mr. Chan Kai Leung as executive Directors; Mr. Hung Hing Man, Mr. Wong Hoi Kuen and Dr. Chen Shengrong as independent non-executive Directors.