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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)

2018 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 2018. This announcement, containing the full text of the 2018 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 announcement of interim results. Printed version of the Company’s 2018 interim report will be delivered to the shareholders of the Company in due course.

By order of the Board

China Information Technology Development Limited

Tse Chi Wai

Executive Director and Company Secretary

Hong Kong, 13 August 2018

As at the date of this announcement, the Board comprises Mr. Wong Kui Shing, Danny (Chairman and Chief Executive Officer), Mr. Tse Chi Wai, Mr. Takashi Togo, Mr. Wong King Shiu, Daniel and Mr. Chan Kai Leung as executive Directors; Mr. Wong Chi Yung as non-executive Director; 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. Tse Chi Wai
Mr. Takashi Togo
Mr. Wong King Shiu, Daniel
Mr. Chan Kai Leung

NON-EXECUTIVE DIRECTOR

Mr. Wong Chi Yung

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

Mr. Hung Hing Man *(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
Citibank, N. A.

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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

8178

WEB-SITE ADDRESS

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SUMMARY

- Revenue from continuing operations for the six months ended 30 June 2018 was approximately HK\$30,661,000, representing an increase of 24.4% from the corresponding period in last year (2017: approximately HK\$24,655,000).
- Loss attributable to owners of the Company from continuing operations for the six months ended 30 June 2018 amounted to approximately HK\$9,562,000 (2017: loss attributable to owners of the Company of approximately HK\$49,731,000). The loss was mainly attributed to recognition of an equity-settled share-based payment amounted to approximately HK\$43,247,000 during the same period in 2017.
- Loss per share attributable to owners of the Company from continuing operations for the six months ended 30 June 2018 was approximately HK0.17 cent (2017: loss per share of approximately HK0.87 cent).
- The Board of Directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: 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 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 2018, the use of net proceeds from the Placement was as follows:– (1) approximately HK\$73.0 million for refurbishment and other expenses relating to the PRC Properties; (2) approximately HK\$38.8 million for investment in Macro China Holding Limited (“Macro”), 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\$49.4 million had been applied to settle the consideration for the PRC Properties; and (4) approximately HK\$66.9 million for administrative expenses and other expenses incurred by the Group. The unutilized proceeds were held as cash at bank.

During the six months ended 30 June 2018, the Company has continued to refine our business structure. The Company has disposed the entire share capital of a subsidiary which owns a property situated in Hong Kong so that we can liquidate more resources for the development of our IT business. Meanwhile, we had also entered into sale and purchase agreements with two independent third parties which the Group had acquired a total of 10% equity interests (5% from each of the independent third parties) of a company incorporated in the PRC which principally engages in operation of data center in the PRC at a total consideration of RMB10,000,000. In the year to come, we shall continue to search for more cooperation and business opportunities in data-related areas.

On 25 May 2018, the Company and Madam Wang Jian Mei (“Madam Wang”) had entered into the sale and purchase agreement of which the Company would dispose 90% equity interest of Pantosoftware International Limited (“Pantosoftware”) to Madam Wang at a consideration of HK\$5,000,000. The financial performance of Pantosoftware had not been meeting expectation of the management. It recorded losses for the recent couple of years despite the fact that the Group had been providing it with working capital with the hope that the Pantosoftware could turn around. As competition becomes more fierce in recent years and the Group is steering away from this educational sector, it is decided that the Group should no longer invest in Pantosoftware with a hope of its recovery and to realize any resources possible to be used to generate revenue and income from the other more promising sectors. Details of the disposal of Pantosoftware are set out in the announcement of the Company dated 25 May 2018.

Meanwhile, the existing businesses of Macro and its subsidiaries (“Macro Group”) and Value Creation Finance Limited (“Value Creation Finance”), have continued to bring synergies and refinement to the whole business of the Company.

Macro Group

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 and enjoys strong brand awareness and major presence in the Greater China region.

During the reporting period, the business performance of Macro has continued to convince the Company that the acquisition of Macro was an appropriate step to diversify business risk as well as to refine the whole business of the Company. Meanwhile, Macro has been awarded the first and only 5 Star Certified Service Partners of Huawei Enterprise Solution Partner Program & Gold Partner – Huawei Enterprise Business in Hong Kong in January 2018. Macro has continued to organize different seminars with various IT elites to provide and share new developments in the IT industry. 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 synergy effects from the sharing of experiences and knowledge, it also helps the Company and Macro build a brand name and network in the industry.

With the vision to foster Hong Kong big data application and contribute to build Hong Kong as a smart city, the Group has established and managed the DataCube Research Centre (“DataCube Research Centre” or “DataCube”), the first big data research centre of the Group in 2017 and during the reporting period, the Company has persistently supported its development.

DataCube Research Centre is more than 2,000 square feet, which provides meeting venue for Macro technical team to meet with its clients and provide the most appropriate big data solutions. The spacious centre also offers a demo room to showcase the latest hardware platform. With years of experience in Macro to tailor-made information technology solutions for its clients, DataCube will be able to provide the most in-depth analysis for their business to realize the big data value.

The DataCube Research Centre will also focus on assisting local enterprises in the adoption of big data applications and inviting veteran data scientists to share and enhance related platforms for academic exchanges and other related projects. DataCube has adopted the latest hardware technology and the excellent integration technology platform and quality management from Macro. Not only can we provide a good demonstration for future big data applications and talents cultivation, but also foster a local group of data talents and enhance the public awareness of data applications in DataCube Research Centre, hence help them to seize the opportunity.

During the reporting period, Macro Group has contributed a revenue of approximately HK\$23,629,000 to the Group. This encouraging result motivates the Directors and the Company to continue developing the business of Macro Group.

Other businesses

Value Creation Finance, which owns a money lending license in Hong Kong under Money Lenders Ordinance, continued to bring steady income for the Group.

Besides, 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 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.

On 29 November 2017, the Company has entered into a non-legally binding memorandum of understanding (“Possible Acquisition”) with Digital Avatar Holdings Limited (the “Vendor”) in relation to the possible acquisition of not more than 51% of issued share capital of Polar Imagination Limited (the “Target Company”). With the brand name of MTGamer (“MTGamer”), the Target Group principally engages in the provision and operation of online tournament platform for eSports, as well as the domain and social media (including WeChat and Facebook etc.) providing latest information relating to eSports and game advertising. MTGamer is one of the pioneers in the eSports industry in Hong Kong.

The Directors are of the view that the Possible Acquisition can allow the Company to step into this emerging business and seize the valuable opportunities to utilize its knowledge and technologies in its existing business for upstream and downstream development in its eSports industrial chain, creating synergy effect to the development of the existing business of the Company. The Directors believe that the Possible Acquisition shall provide opportunities to the Company to broaden its business portfolio so as to improve the Group’s financial status in the long term. During the six months ended 30 June 2018, the Company is still in negotiation with the Vendor while paying close attention to the latest market developments and shall keep the Shareholders abreast of the latest development in relation to the Possible Acquisition. For more details, please refer to the announcement of the Company at 29 November 2017.

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 2018, the Company has continued to develop in the new areas that the market has been raved about. We believe that by exposing ourselves to these new trends in the market, we will be able to create a competitive edge for ourselves to provide more integrated and comprehensive services for our clients.

Nevertheless, the Company understands the importance to have a balanced development between the existing businesses and the new potential business opportunities. Especially in the IT world, the new technological advancement and devices do not come into place on its own. They are so intertwined with and dependent on other technologies, as the very popular and growing concept in the IT world, “Internet of Things (IoT)”, has proven how every technology and device can be closely related. During the reporting period, the Company has strived to maintain this balance.

The reliance in IT has created a fierce demand for data centers and big data analysis and management. Only when data is organized and analyzed, will it become useful catalyst for business improvements and new technological developments. Envisioning the prospect and importance of data, we have set up DataCube to provide a nurturing ground for big data business development in Hong Kong and DateCube has started cooperating with the Hospital in PRC to provide data analysis service for medical research. We believe that by these cooperation enable us to utilize our knowledge and skills in different industries, allowing us to gain experience and excel in our businesses. With the honors awarded, Macro demonstrates high rate of success with its technology vendors, as well as recognition of partnership and achievement of customer success. We shall continue in the development of Macro as well as DataCube so that we will become a more reputable company in the industry in not only Hong Kong but also in other places like the PRC.

Understanding how the industry works is crucial to formulating a strategic development plan for a Company. By closely following with the market trends and the current situation of the Company, the Company shall continue to walk with two feet, steady growth in current businesses and the exploration of new businesses, so as to create value to the Group and bring benefits to the Shareholders.

Employees

The total number of full-time employees hired by the Group maintained at 74 as of 30 June 2018 (2017: 96 employees). Total expenses on employee benefits amounted to approximately HK\$14,351,000 for the six months ended 30 June 2018 (2017: approximately HK\$57,154,000, of which HK\$43,247,000 related to equity-settled share-based payment). 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 2018, the Group recorded a revenue of approximately HK\$30,661,000, an increase of 24.4% from approximately HK\$24,655,000 in the corresponding period in last year. The increase in revenue was mainly attributable to the increase in project in Macro and the increase in interest income in money lending business during the period.

The Group had a total cost of sales and services of approximately HK\$15,947,000 for the first half of year 2018, an increase of 15.1% compared with approximately HK\$13,860,000 in the same period of year 2017. 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 2018 was approximately HK\$14,714,000, an increase of 36.3% from approximately HK\$10,795,000.

During the six months ended 30 June 2018, the Group generated other income and gains of approximately HK\$610,000 (2017: approximately HK\$418,000) which comprised: (i) bank interest income amounted to approximately HK\$1,000 (2017: approximately HK\$2,000); and (ii) other income amounted to approximately HK\$609,000 (2017: approximately HK\$416,000).

The Group's selling and distribution expenses for the first half of year 2018 were approximately HK\$2,120,000, an increase of 406.0% compared with approximately HK\$419,000 in the corresponding period in 2017. The significant increase was mainly due to the fact that Macro increase its promotion activity efforts significantly in this reporting period.

Administrative expenses for the period were approximately HK\$23,053,000, a decrease of 66.8% as compared to approximately HK\$66,410,000 for the corresponding period last year. The decrease was mainly due to the recognition of share options granted to employees and consultants for the amount of approximately HK\$43,247,000 in 2017.

During the six month ended 30 June 2018, the Group recognized a gain of approximately HK\$10,591,000 from disposal of its equity interest in Pantosoft International Limited ("Pantosoft") and Rosy Beauty Investments Limited ("Rosy Beauty").

During the first half of 2018, the Group profited from trading of marketable securities and recorded a mark-to-market gain of approximately HK\$219,000 (2017: approximately HK\$4,195,000).

The Group's loss attributable to owners of the Company was approximately HK\$9,562,000 for the six months ended 30 June 2018 (2017: loss attributable to owners of the Company of approximately HK\$49,731,000).

Financial position

As at 30 June 2018, the Group had cash and bank balances of approximately HK\$6,808,000 (31 December 2017: approximately HK\$34,118,000).

As at 30 June 2018, the Group's total borrowings amounted approximately HK\$70,782,000 (31 December 2017: approximately HK\$68,921,000). The gearing ratio (calculated as total borrowings over total equity) of the Group was 0.13 (31 December 2017: 0.13).

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\$2,380,000 (31 December 2017: approximately HK\$1,230,000) for addition of property, plant and equipment and approximately HK\$6,231,000 for refurbishment construction works of investment properties for the six months ended 30 June 2018 (31 December 2017: approximately HK\$58,176,000).

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2018 and 31 December 2017 respectively.

Capital commitment

The Group did not have any material capital commitments as at 30 June 2018 and 31 December 2017.

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 2018, together with the unaudited comparative figures for the corresponding period of year 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (Restated)	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (Restated)
CONTINUING OPERATIONS					
Revenue	4	13,989	13,056	30,661	24,655
Cost of sales and services		(5,681)	(10,462)	(15,947)	(13,860)
Gross profit		8,308	2,594	14,714	10,795
Other income and gains	4	366	265	610	418
Selling and distribution expenses		(960)	(213)	(2,120)	(419)
Administrative expenses		(11,036)	(54,925)	(23,053)	(66,410)
Gain on disposal of subsidiaries	9	—	—	675	—
Fair value (loss)/gain on financial assets at fair value through profit or loss		(5,499)	(8,400)	219	4,195
Finance costs	5	(1,216)	(530)	(2,379)	(1,001)
Share of results of associates		—	(723)	—	1,557
LOSS BEFORE TAX FROM CONTINUING OPERATIONS					
Income tax expenses	6 7	(10,037) —	(61,932) —	(11,334) —	(50,865) —
Loss for the period from continuing operations		(10,037)	(61,932)	(11,334)	(50,865)
DISCONTINUED OPERATION					
Profit/(loss) for the period from a discontinued operation	9	9,423	(20)	8,170	(1,227)
LOSS FOR THE PERIOD					
Attributable to:					
Owners of the Company					
Loss from continuing operations		(9,446)	(60,566)	(9,562)	(49,731)
Profit/(loss) from a discontinued operation		9,472	(75)	8,307	(1,154)
		26	(60,641)	(1,255)	(50,885)
Non-controlling interests					
Loss from continuing operations		(591)	(1,366)	(1,772)	(1,134)
(Loss)/profit from a discontinued operation		(49)	55	(137)	(73)
		(640)	(1,311)	(1,909)	(1,207)
Basic and diluted profit/(loss) per share					
— From continuing and discontinued operations	8	HK0.00 cent	HK(1.06) cent	HK(0.02) cent	HK(0.89) cent
— From continuing operations		HK(0.17) cent	HK(1.06) cent	HK(0.17) cent	HK(0.87) cent

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
LOSS FOR THE PERIOD	(614)	(61,952)	(3,164)	(52,092)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF INCOME TAX				
— Exchange differences on translation of foreign operations	(15,091)	5,654	(3,976)	8,221
— Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries	9 (300)	—	(300)	—
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(16,005)	(56,298)	(7,440)	(43,871)
Attributable to:				
Owners of the Company	(18,694)	(54,953)	(8,677)	(42,622)
Non-controlling interests	2,689	(1,345)	1,237	(1,249)
	(16,005)	(56,298)	(7,440)	(43,871)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000 (Restated)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Investment properties	11	396,174	395,094
Property, plant and equipment	12	4,903	12,384
Goodwill		3,865	3,865
Other intangible assets		7,094	7,485
Equity investments at fair value through other comprehensive income		27,347	15,036
Prepayments, deposits and other receivables	13	2,450	2,201
Deferred tax assets		2,386	2,386
Total non-current assets		444,219	438,451
CURRENT ASSETS			
Inventories		1,567	704
Trade receivables	14	3,669	3,178
Contract assets and contract costs		—	195
Prepayments, deposits and other receivables	13	38,162	41,613
Loan receivables	15	124,664	111,750
Equity investments at fair value through profit or loss		71,926	61,974
Bank and cash balances		6,808	34,118
Total current assets		246,796	253,532
CURRENT LIABILITIES			
Trade payables	16	3,005	7,563
Contract liabilities		1,576	1,660
Other payables and accruals	17	86,609	77,356
Current tax liabilities		531	531
Bank and other borrowings	18	70,782	68,921
Total current liabilities		162,503	156,031
NET CURRENT ASSETS		84,293	97,501

	As at 30 June 2018 (Unaudited) Notes	As at 31 December 2017 (Audited) HK\$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES	528,512	535,952
NON-CURRENT LIABILITIES		
Deferred tax liabilities	661	661
NET ASSETS	527,851	535,291
EQUITY		
Equity attributable to owners of the Company		
Share capital	19	571,215
Reserves	(40,821)	(32,144)
	530,394	539,071
Non-controlling interests	(2,543)	(3,780)
TOTAL EQUITY	527,851	535,291

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium account	Share-based payment reserve	Foreign currency			Equity investment		Non-controlling	
				translation reserve	PRC reserve funds	Accumulated losses	revaluation reserve	Total	interests	Total equity
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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 loss										
— Exchange differences on translation of foreign operations	—	—	—	8,263	—	—	—	8,263	(42)	8,221
Total comprehensive loss 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
At 30 June 2017	571,215	117,975	43,247	(4,851)	844	(180,589)	—	547,841	(2,128)	545,713
At 1 January 2018	571,215	107,108	81,842	6,195	831	(231,280)	3,160	539,071	(3,780)	535,291
Loss for the period	—	—	—	—	—	(1,255)	—	(1,255)	(1,909)	(3,164)
Other comprehensive income										
— Exchange differences on translation of foreign operations	—	—	—	(3,890)	—	—	—	(3,890)	(86)	(3,976)
Total comprehensive loss for the period	—	—	—	(3,890)	—	(1,255)	—	(5,145)	(1,995)	(7,140)
Lapsed of share options	—	—	(152)	—	—	152	—	—	—	—
Disposal of subsidiaries	—	—	—	(3,532)	(831)	831	—	(3,532)	3,232	(300)
At 30 June 2018	571,215	107,108	81,690	(1,227)	—	(231,552)	3,160	(530,394)	(2,543)	527,851

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (Restated)
NET CASH USED IN OPERATING ACTIVITIES	(16,499)	(9,715)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,380)	(229)
Payment for construction works of investment properties	(6,231)	(1,696)
Purchase of equity investments at fair value through profit or loss	(12,311)	(12,649)
Purchase of equity investments at fair value through other comprehensive income	(25,695)	(1,341)
Proceeds from disposal of subsidiaries	14,713	—
Proceeds from disposal of equity investments at fair value through profit or loss	15,962	544
Other investing items	1	2
NET CASH USED IN INVESTING ACTIVITIES	(15,941)	(15,369)
CASH FLOWS FROM FINANCING ACTIVITIES		
Margin loan raised	10,729	270
Repayment of bank and other loans	(6,098)	(6,794)
NET CASH GENERATED FROM /(USED IN) FINANCING ACTIVITIES	4,631	(6,524)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,809)	(31,608)
Cash and cash equivalents at beginning of the period	33,867	80,078
Effect of foreign exchange rate changes, net	499	1,598
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	6,557	50,068

For six months ended
30 June

	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)

ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

Cash and bank balances other than time deposits	6,557	50,068
Time deposits	251	251
<hr/>		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	6,808	50,319
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	6,557	50,068

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 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 2017, 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 2017 except as stated below.

(a) *Financial assets*

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost;
- Debt investments at fair value through other comprehensive income;
- Equity investments at fair value through other comprehensive income; and
- Investments at fair value through profit or loss.

(i) *Financial assets at amortised cost*

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) *Debt investments at fair value through other comprehensive income*

Debt investments are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling assets; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at fair value. Interest income calculated using the effective interest method is recognised in profit or loss.

The assets are treated as monetary items. A foreign currency asset is treated as an asset measured at amortised cost in the foreign currency. Exchange differences on the amortised cost are recognised in profit or loss.

Other gains or losses are recognised in other comprehensive income and accumulated in the debt investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the debt investment revaluation reserve are reclassified to profit or loss.

The loss allowance for expected credit losses is recognised in other comprehensive income and does not reduce the carrying amount of the assets.

(iii) *Equity investments at fair value through other comprehensive income*

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iv) *Investments at fair value through profit or loss*

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

(b) Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, contract assets and lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables, contract assets and lease receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

(c) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

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 2018. 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.

A. *HKFRS 9 (2014) “Financial Instruments”*

Available-for-sale investments are now classified as equity investments at fair value through other comprehensive income.

HKFRS 9 (2014) has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	As at 31 December 2017 HK\$'000
Decrease in available-for-sale investments	(15,036)
Increase in equity investments at fair value through other comprehensive income	15,036

B. *HKFRS 15 “Revenue from Contracts with Customers”*

Revenue of the Group’s system integration contract was previously recognised using the percentage of completion method. Under HKFRS 15, such contracts do not meet the conditions of recognising the revenue over time. Revenue of such contracts is now recognised at a point in time when control of the products is transferred to the customers.

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	As at 31 December 2017 HK\$'000
Decrease in gross amount due from customers for contract work	(195)
Decrease in gross amount due to customers for contract work	1,660
Increase in contract assets and contract costs	195
Increase in contract liabilities	(1,660)

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 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 2018 and 2017 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			Total		
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	
Segment revenue:															
Sales to external customers	23,629	21,231	7,032	3,424	—	30,661	24,655	685	2,930	685	2,930	31,346	27,585		
Segment (loss)/profit	(717)	1,819	6,866	3,316	204	6,353	9,326	(1,746)	(1,227)	(1,746)	(1,227)	4,607	8,099		
Reconciliation:															
Bank interest income						1	2	—	—	—	—	1	2		
Share of results of associates						—	1,557	—	—	—	—	—	1,557		
Gain on disposal of subsidiaries						675	—	9,916	—	—	—	10,591	—		
Unallocated gains						323	349	—	—	—	—	323	349		
Corporate and other unallocated expenses						(16,307)	(61,098)	—	—	—	—	(16,307)	(61,098)		
Finance costs						(2,379)	(1,001)	—	—	—	—	(2,379)	(1,001)		
Profit/(loss) before tax						(11,334)	(50,865)	8,170	(1,227)	8,170	(1,227)	(3,164)	(52,092)		

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	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Sale of computer hardware and software	5,266	7,800	15,679	17,534
Provision of technical support and maintenance services	5,206	3,058	7,950	4,697
Loans interest income	3,517	2,198	7,032	3,424
	13,989	13,056	30,661	24,655
Other income and gains				
Bank interest income	—	1	1	2
Others	366	264	609	416
	366	265	610	418

5. Finance costs

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loan	675	9	1,388	68
Interest on other loans	541	521	991	933
	1,216	530	2,379	1,001

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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Amortisation of other intangible assets	196	196	392	392
Depreciation	197	446	446	851
Directors' remuneration	1,065	1,066	2,133	2,111
Equity-settled share based payment**	—	43,247	—	43,247

** 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 2018 as the Group has accumulated tax losses brought forward from previous year (2017: Nil).

No provision of the PRC corporate income tax has been made for the six months ended 30 June 2018 as the Group did not generate any assessable profits in the PRC during the period (2017: Nil).

No provision for Japan corporate income tax has been made for the six months ended 30 June 2018 since the Group did not generate any assessable profits arising in Japan during the period (2017: Nil). Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

8. Profit/(loss) per share

The calculation of the profit/(loss) 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Profit/(loss) for the period attributable to owners of the Company				
— From continuing operations	(9,446)	(60,566)	(9,562)	(49,731)
— From a discontinued operation	9,472	(75)	8,307	(1,154)
	26	(60,641)	(1,255)	(50,885)

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Weighted average number of ordinary shares for basic and diluted profit/(loss) 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 2018, 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 2018 and 2017.

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	(2,792)
Other loans	(2,079)
Non-controlling interests	3,232
	(1,383)
Exchange fluctuation reserve realised	(3,532)
Gain on disposal of interest in subsidiaries	9,915
	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 2018 (2017: Nil).

11. Investment properties

	(Unaudited) HK\$'000
Valuation	
At 1 January 2018	395,094
Additions	6,231
Exchange differences	(5,151)
At 30 June 2018	396,174

At 30 June 2018, the carrying amount of investment properties pledged as security for the Group's bank loans amounted to approximately HK\$45,331,000 (31 December 2017: approximately HK\$51,033,000).

12. Additions in property, plant and equipment

During the period for the six months ended 30 June 2018, the Company spent approximately HK\$2,380,000 (30 June 2017: approximately HK\$229,000) for additions of property, plant and equipment.

13. Prepayments, deposits and other receivables

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Prepayments	1,441	2,991
Deposits and other receivables	39,171	42,096
	40,612	45,087
Impairment	—	(1,273)
	40,612	43,814
Non-current portion:		
Prepayments	1,299	1,317
Deposits and other receivables	1,151	884
	2,450	2,201
Current portion:		
Prepayments	142	1,674
Deposits and other receivables	38,020	39,939
	38,162	41,613
	40,612	43,814

14. Trade receivables

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

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Within 1 month	3,078	1,252
1 to 2 months	437	295
2 to 3 months	43	—
Over 3 months	111	1,631
	3,669	3,178

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 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Loan receivables	124,664	111,750

Note:

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.

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 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Within 1 month	2,117	1,673
1 to 2 months	879	2,257
2 to 3 months	—	335
Over 3 months	9	3,298
	3,005	7,563

17. Other payables and accruals

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Accruals	11,538	13,535
Receipts in advance	—	1,526
Other payables	75,071	62,295
	86,609	77,356

18. Bank and other loans

		As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
	<i>Notes</i>		
Bank loan:			
Mortgage loan	<i>(i)</i>	45,331	51,033
		45,331	51,033
Other loans:			
Loan from a company controlled by former management of a subsidiary	<i>(ii)</i>	—	744
Loan from a management personnel of a subsidiary	<i>(ii)</i>	—	1,251
Loan from an independent third party	<i>(iii)</i>	1,417	1,387
Margin loans	<i>(iv)</i>	24,034	13,305
Loan secured by shares of a subsidiary	<i>(v)</i>	—	1,201
		25,451	17,888
		70,782	68,921

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 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.*

- (iii) *Loan from an independent third party is unsecured, interest bearing at 0.5% per annum and repayable on 30 September 2018.*

- (iv) *The margin loans are secured by the Group's equity securities listed in Hong Kong with fair value of HK\$71,926,000 and repayable on demand. The loans of approximately HK\$19,758,000 and approximately HK\$4,277,000 are charged at a fixed interest rate of 8% per annum and at 3% per annum over the Hong Kong prime rate respectively.*

- (v) *Loan secured by shares of a subsidiary is interest bearing at 6% per annum and fully repaid on 14 May 2018.*

19. Share capital

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each at 31 December 2017 and 30 June 2018	12,000,000,000	1,200,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each at 31 December 2017 and 30 June 2018	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 2018 using:			Total
	Level 1	Level 2	Level 3	2018
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Equity securities — listed in Hong Kong	71,926	—	—	71,926
Financial assets at fair value through other comprehensive income				
Equity securities — unlisted investments	—	—	27,347	27,347
Investment properties	—	—	396,174	396,174

Description	Fair value measurements			Total 2017 (Audited) HK\$'000
	as at 31 December 2017 (Restated) using:			
	Level 1	Level 2	Level 3	
	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Equity securities — listed in Hong Kong	61,974	—	—	61,974
Financial assets at fair value through other comprehensive income				
Equity securities — unlisted investments	—	—	15,036	15,036
Investment properties	—	—	395,094	395,094

21. Contingent liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities (31 December 2017: 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 13 August 2018.

23. Comparative figures

Loan interest income in relation to money lending have been reclassified from other income to revenue to conform to current period's presentation. In the opinion of the Directors, the new classification was considered to provide a more appropriate presentation of financial statements of the Group.

GENERAL INFORMATION

Directors' service contracts

At 30 June 2018, 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 2018.

Directors' interests and short positions in shares and underlying shares

At 30 June 2018, 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 %) <i>(Note)</i>
		Registered Shareholder	Underlying Interest	
Mr. Wong Kui Shing, Danny	Through controlled corporation	403,971,449		7.07%
	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 5,712,151,908 Shares.

Save as disclosed above and in the section headed “Share Options”, as at 30 June 2018 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 2018 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.

Share Options

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.

On 27 September 2017, the Company granted a total of 571,200,000 share options with rights to subscribe 571,200,000 ordinary shares of HK\$0.1 each in the share capital under the Share Option Scheme. A total of 224,784,000 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	Date of Grant	Exercise period	Number of share options			Exercise price per share
				Outstanding as at 1 January 2018	Lapsed during the period	Outstanding as at 30 June 2018	
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. Tse Chi Wai	Executive Director	11 April 2017	11 April 2017 - 10 April 2027	57,000,000	—	57,000,000	HK\$0.153
Mr. Takashi Togo	Executive Director	11 April 2017	11 April 2017 - 10 April 2027	57,000,000	—	57,000,000	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. Wong Chi Yung	Non-executive Director	11 April 2017	11 April 2017 - 10 April 2027	33,000,000	—	33,000,000	HK\$0.153
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. May Tai Keung, Nicholas	Independent non-executive Director	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	(2,016,000)	—	HK\$0.153
Sub-total				224,784,000	(2,016,000)	222,768,000	

Name of Grantees	Date of Grant	Exercise period	Number of share options			Exercise price per share
			Outstanding as at 1 January 2018	Lapsed during the period	Outstanding as at 30 June 2018	
Other staff and consultants	11 April 2017	11 April 2017 - 10 April 2027	408,960,000	—	408,960,000	HK\$0.153
	27 September 2017	27 September 2017 - 26 September 2027	507,168,000	—	507,168,000	HK\$0.130
Total			1,140,912,000	(2,016,000)	1,138,896,000	

All the outstanding share 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 share 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.

2,016,000 share options were lapsed on 5 January 2018. Save as disclosed above, none of the outstanding share options were exercised or cancelled or lapsed during the six months ended 30 June 2018. Subsequent to the period under review, 1,488,000 share options which were granted on 27 September 2017, were lapsed on 13 July 2018.

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

At 30 June 2018, 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>	7.07%
Mr. Wong Kui Shing, Danny	(a)	Through controlled corporation	403,971,449 <i>(Beneficial Owner)</i>	7.07%
		Beneficially owned	5,688,000 <i>(Underlying Interest)</i>	0.10%
Mr. Zhang Rong		Directly beneficially owned	509,824,000 <i>(Registered Shareholder)</i>	8.93%

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 2018, 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 2018, 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 2018, 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 5.46 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 2018.

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 2018 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 2018 and as at the date of this report are set out below:

Mr. Wong Hoi Kuen, the independent non-executive Director has been appointed as an independent non-executive director, a member of the audit committee and remuneration committee and chairman of nomination committee of REXLot Holdings Limited (Stock Code: 555) with effect from 29 June 2018.

Mr. Wong Hoi Kuen has also ceased to be the independent non-executive director, members of audit committee and nomination committee of China Baoli Technologies Holdings Limited (Stock Code: 164) with effect from 16 July 2018.

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.

By Order of the Board

China Information Technology Development Limited
Wong Kui Shing, Danny

Chairman and Chief Executive Officer

Hong Kong, 13 August 2018

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