



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)

FIRST QUARTERLY REPORT
2009

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

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

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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This report, for which the directors (“Directors”) of China Information Technology Development Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

CHAIRMAN OF THE BOARD AND NON-EXECUTIVE DIRECTOR

Mr. Zhang Honghai

EXECUTIVE DIRECTORS

Mr. Hu Zhuoer (*Chief Executive Officer*)
Dr. Yu Xiaoyang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ma Yuhua
Ms. Liang Yeping
Dr. Zhou Chunsheng
Dr. Sun Guofu

COMPANY SECRETARY

Mr. Wong Kwok Ho

COMPLIANCE OFFICER

Dr. Yu Xiaoyang

AUTHORISED REPRESENTATIVES

Mr. Hu Zhuoer
Mr. Wong Kwok Ho

REMUNERATION COMMITTEE

Ms. Ma Yuhua (*Chairman*)
Ms. Liang Yeping
Dr. Zhou Chunsheng
Mr. Zhang Honghai
Dr. Sun Guofu

AUDIT COMMITTEE

Ms. Ma Yuhua (*Chairman*)
Ms. Liang Yeping
Dr. Zhou Chunsheng
Dr. Sun Guofu

AUDITORS

Ernst & Young

LEGAL ADVISORS

Conyers Dill & Pearman

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

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GEM STOCK CODE

8178

WEB-SITE ADDRESS

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MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the financial period ended 31 March 2009, unusual transaction data was found in the revenue recording system of Mingsuo internet platform. The Group promptly established a special committee and appointed an independent professional adviser to investigate into the matter. In view of the results of the investigation, the directors of the Company have made tremendous effort to improve the Company's account reporting system, and to enable the Group to resume its normal operations.

Business prospects

The directors of the Company believe that the operations of the Group's other subsidiaries are still normal and healthy, and the Group as a whole can maintain sufficient level of operations pursuant to GEM Rule 17.26.

The Group will continue to make effort and board of directors is looking forward to a successful resumption of trading of the Company's shares on GEM after its satisfactory fulfillment of regulatory requirements.

All in all, software development, system integration, technical support and maintenance services will remain as a stable income stream for the Group.

Financial review

The Group's revenue for the period ended 31 March 2009 was HK\$17,428,000, which increased by 80.1% from HK\$9,675,000 in the corresponding period last year. The Group had a total cost of sales and services of HK\$9,341,000 for the first quarter of year 2009, which increased by 61.5% compared with HK\$5,785,000 in the same period of year 2008. The gross profit of the Group for the first quarter of year 2009 amounted to HK\$8,087,000, representing an increase of HK\$4,197,000 compared with HK\$3,890,000 in corresponding period last year. The gross profit margin of current period was 46.4% compared with that of 40.2% last year. It is mainly attributable to the increased number of contracts during the first quarter of year 2009 with better gross profit margin.

During the financial period ended 31 March 2009, the Group generated other income which comprised: (i) income received from the sales agents amounted to HK\$2,839,000; (ii) bank interest income amounted to HK\$144,000; and (iii) PRC tax subsidy amounted to HK\$698,000.

The Group's selling and distribution costs for the first quarter of year 2009 amounted to HK\$4,307,000, which decreased by 19.8% compared with HK\$5,373,000 in the corresponding period of year 2008. The decrease was mainly due to the restructuring on the sales team staffing.

Administrative expenses for the period were HK\$22,610,000, a decrease of 32.7% as compared to HK\$33,579,000 for the corresponding period last year. The decrease was mainly due to downsizing of Mingsuo operation and redundancy of staff.

Finance costs of the Group for the first quarter of year 2009 were HK\$926,000, decreased by 52.5% comparing to HK\$1,949,000 in same period of year 2008. It was mainly due to the partial conversion of convertible bonds in year 2008.

The Group's loss attributable to owners of the Company was HK\$15,432,000 for the period ended 31 March 2009.

By the order of the Board

China Information Technology Development Limited

Hu Zhuoer

Executive Director and Chief Executive Officer

Hong Kong, 14 May 2010

The board of Directors (the “Board”) of the Company announces the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2009, together with the unaudited comparative figures for the corresponding period of year 2008, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended	
		31 March	
		2009	2008
		(Unaudited)	(Restated)
	<i>Notes</i>	HK\$'000	(Unaudited) HK\$'000
REVENUE	3	17,428	9,675
Cost of sales and services		(9,341)	(5,785)
Gross profit		8,087	3,890
Other income and gains	3	3,681	3,650
Selling and distribution costs		(4,307)	(5,373)
Administrative expenses		(22,610)	(33,579)
Other expenses		–	(53,846)
Impairment of goodwill		–	(995,940)
Finance costs	4	(926)	(1,949)
LOSS BEFORE TAX	5	(16,075)	(1,083,147)
Income tax expense	6	(429)	(1,743)
LOSS FOR THE PERIOD		(16,504)	(1,084,890)
ATTRIBUTABLE TO:			
Owners of the Company		(15,432)	(1,083,671)
Minority interests		(1,072)	(1,219)
		(16,504)	(1,084,890)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
Basic & diluted (HK cents)		(0.24)	(17.16)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended	
	31 March	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(16,504)	(1,084,890)
Exchange differences on translation of foreign operations	1,715	10,205
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	1,715	10,205
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(14,789)	(1,074,685)
Attributable to:		
Owners of the Company	(13,251)	(1,074,027)
Minority interests	(1,538)	(658)
	(14,789)	(1,074,685)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated financial information have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The accounting policies and basis of preparation used in preparing the unaudited consolidated results are consistent with those used in the Company’s audited financial statements for the year ended 31 December 2008.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the three months ended 31 March 2009. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Restatement of 2008 comparative figures due to doubtful transactions of Huayuan Run Tong (Beijing) Sci-Tech Co., Ltd. ("Run Tong")

In the course of auditing the financial statements for the year ended 31 December 2008, the auditors of the Company identified certain unusual transactions relating to Run Tong, which is wholly owned by Full Trump International Limited ("Full Trump"), acquired by the Group in 2007. In response, the Company appointed an independent professional firm to carry out an investigation into the revenue recording system of Run Tong for the year 2008. The result of the investigation, announced by the Company before, revealed that there were: doubtful or questionable genuineness as to certain transaction records and assets in Run Tong and certain agents, suppliers and customers might be controlled by Run Tong. Taking into account the result of the investigation, the directors considered that the certain accounts and assets in the Group in respect of Run Tong were overstated and the Company restate the following 2008 comparative figures for the period ended 31 March 2009:

- reversal of revenue for the period of HK\$25,509,000 and outstanding deferred income of HK\$2,583,000; and a corresponding elimination of outstanding trade receivables of HK\$25,123,000 and reclassification of receipts by Run Tong arising from purported sales of prepaid service cards included in revenue to other income for the period of HK\$3,198,000;
- provisions for impairment of intangible assets, prepayments and trade receivables of approximately HK\$30,864,000, HK\$9,145,000 and HK\$7,314,000 respectively; and
- provision for impairment of goodwill arising from the acquisition of Full Trump of approximately HK\$995,940,000.

2. Operating segment information

The following table presents revenue and profit/(loss) for the Group's business segments for the three months ended 31 March 2009 and 2008. No further geographical segment information is presented as the Group's customers and operations are located in Mainland China.

Reporting segment information

	Three months ended 31 March							
	Software development and system integration		Internet, mobile and telecommunication		In-house developed products		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	(Unaudited)	(Restated)	(Unaudited)	(Restated)	(Unaudited)	(Restated)	(Unaudited)	(Restated)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:								
Sales to external customers	16,582	8,890	628	496	218	289	17,428	9,675
Other income and gains	698	-	2,839	3,198	-	-	3,537	3,198
	17,280	8,890	3,467	3,694	218	289	20,965	12,873
Segment results	(2,846)	(10,227)	(3,117)	(51,517)	(460)	(579)	(6,423)	(62,323)
Reconciliation:								
Interest income and unallocated gains							144	452
Corporate and other unallocated expenses							(8,870)	(23,387)
Impairment of goodwill							-	(995,940)
Finance costs							(926)	(1,949)
Loss before tax							(16,075)	(1,083,147)

4. Finance costs

	Three months ended 31 March	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank overdrafts	1	48
Interest on convertible bonds	925	1,900
Interest expenses on amount due to a substantial shareholder	-	1
	926	1,949

5. Loss before tax

Loss before tax was arrived at after charging the following:

	Three months ended 31 March	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	1,022	710
Amortisation of other intangible assets	81	281

6. Income tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2008: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

In accordance with the relevant tax rules and regulations of the PRC, certain of the Company's PRC subsidiaries enjoy income tax exemptions and reductions. Certain PRC subsidiaries are subject to income tax rates ranging from 0% to 25%.

	Three months ended	
	31 March	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong	–	–
Current – PRC	429	1,743
Total tax charge for the period	429	1,743

7. Loss per share attributable to owners of the Company

The calculation of basic loss per share for the three months ended 31 March 2009 is based on the Group's unaudited loss attributable to owners of the Company of approximately HK\$15,432,000 (2008: HK\$1,083,671,000) and on the weighted average number of 6,494,906,368 ordinary shares in issue during the period (2008: 6,314,214,060 shares).

A diluted loss per share amounts for the period ended 31 March 2009 and 2008 are the same as the basis loss per share, as the average share price of the Company for the periods ended 31 March 2009 and 2008 are lower than the exercise price of the share options outstanding during these periods and the convertible bonds outstanding during those periods had an anti-dilutive effect on the basic loss per share for these periods.

8. Dividend

The Board does not recommend the payment of an interim dividend for the period (2008: Nil).

9. Reserves

	Attributable to owners of the Company									
	Equity			Retained				Total	Minority interests	Total equity
	Issued capital	Share premium account	component convertible bonds	Share option reserve	PRC reserve funds	Exchange fluctuation reserve	(accumulated losses)			
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	62,339	1,128,172	25,345	23,770	19,103	11,193	6,497	1,276,419	12,802	1,289,221
Loss for the period	-	-	-	-	-	-	(1,083,671)	(1,083,671)	(1,219)	(1,084,890)
Other comprehensive income	-	-	-	-	-	9,644	-	9,644	561	10,205
Total comprehensive income/(loss) for the period	-	-	-	-	-	9,644	(1,083,671)	(1,074,027)	(658)	(1,074,685)
Transfer to PRC reserve funds	-	-	-	-	715	-	(715)	-	-	-
Conversion of convertible bonds	1,305	23,771	(3,174)	-	-	-	-	21,902	-	21,902
Equity-settled share option arrangements	-	-	-	19,564	-	-	-	19,564	-	19,564
At 31 March 2008	63,644	1,151,943	22,171	43,334	19,818	20,837	(1,077,889)	243,858	12,144	256,002
At 1 January 2009	64,949	1,176,781	10,411	42,931	22,338	24,600	(1,196,113)	145,897	13,035	158,932
Loss for the period	-	-	-	-	-	-	(15,432)	(15,432)	(1,072)	(16,504)
Other comprehensive income/(loss)	-	-	-	-	-	2,181	-	2,181	(466)	1,715
Total comprehensive income/(loss) for the period	-	-	-	-	-	2,181	(15,432)	(13,251)	(1,538)	(14,789)
Equity-settled share option arrangements	-	-	-	6,082	-	-	-	6,082	-	6,082
Reversal of share option expense	-	-	-	(208)	-	-	208	-	-	-
At 31 March 2009	64,949	1,176,781	10,411	48,805	22,338	26,781	(1,211,337)	138,728	11,497	150,225

GENERAL INFORMATION

Directors' service contracts

At 31 March 2009, none of the Directors had any existing or proposed service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the three months ended 31 March 2009.

Directors' interests and short positions in shares and underlying shares

At 31 March 2009, the interests and short positions of the Directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

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

Name of director	Number of shares held	Capacity and nature of interest	Percentage of the Company's issued share capital
Mr. Wang Zhenyu	600,000,000 <i>(Note)</i>	Directly beneficially owned	9.24%
Dr. Zhou Chunsheng	600,000	Directly beneficially owned	0.01%

Note:

On 24 June 2008, Prime Technology Group Limited (“Prime Technology”), a wholly owned subsidiary of Beijing Development (Hong Kong) Limited (“Beijing Development”) and Mr. Wang Zhenyu had entered into a share disposal agreement. Pursuant to the Agreement (the “Disposal Agreement”), Mr. Wang Zhenyu conditionally agreed to purchase and Prime Technology conditionally agreed to sell 600,000,000 shares of the Company, representing approximately 9.24% of the entire issued share capital of the Company as at 30 September 2008. On 14 August 2008, the parties entered into the supplemental deed, the completion date was agreed to extend to 19 December 2008.

Pursuant to the Extension Deed dated 19 December 2008, the completion date was further extended to a date on or before 30 September 2009, on a condition that Mr. Wang Zhenyu will pay HK\$10,000,000 (the “Security Money”) in cash within 30 days of signing the Extension Deed.

On 25 September 2009, Prime Technology considered the Extension Deed lapsed and terminated as Mr. Wang Zhenyu was unable to pay up the Security Money and considered to take legal action against him for the breach of the Disposal Agreement.

(2) Interest in underlying shares of the share options of the Company:

Name of director	Nature of interest	Number of underlying shares <i>(Note 1)</i>	Exercise period of the share options	Exercise price per share	Approximate percentage of shareholding
Executive directors					
Mr. Wang Zhenyu	Beneficial owner	35,000,000 (L)	13 March 2008 to 12 September 2012	HK\$0.79	0.54% <i>(Note 2)</i>
Dr. Yu Xiaoyang	Beneficial owner	32,400,000 (L)	13 March 2008 to 12 September 2012	HK\$0.79	0.50% <i>(Note 2)</i>
Mr. Zhang Zhihong	Beneficial owner	32,400,000 (L)	13 March 2008 to 12 September 2012	HK\$0.79	0.50% <i>(Note 2)</i>
Mr. Zhang Honghai	Beneficial owner	20,000,000 (L)	11 August 2008 to 10 February 2013	HK\$0.53	0.31% <i>(Note 2)</i>
Independent non-executive directors					
Ms. Ma Yuhua	Beneficial owner	4,000,000 (L)	13 March 2008 to 12 September 2012	HK\$0.79	0.06% <i>(Note 2)</i>
Ms. Liang Yeping	Beneficial owner	4,000,000 (L)	13 March 2008 to 12 September 2012	HK\$0.79	0.06% <i>(Note 2)</i>
Dr. Zhou Chunsheng	Beneficial owner	4,000,000 (L)	13 March 2008 to 12 September 2012	HK\$0.79	0.06% <i>(Note 2)</i>

Notes:

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

Save as disclosed above, as at 31 March 2009, none of the directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debentures

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above and in the section "Share option scheme" below, at no time during the three months ended 31 March 2009 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 31 March 2009, 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	Percentage of		Number of share option held	Number of convertible bonds held
			Number of ordinary shares held	the Company's issued share capital		
Beijing Development (Hong Kong) Limited	(a)	Through controlled corporations	1,895,513,445	29.18%	-	-
Beijing Enterprises Holdings Limited	(b)	Through controlled corporations	1,895,513,445	29.18%	-	-
Beijing Enterprises Group Company Limited	(c)	Through controlled corporations	1,895,513,445	29.18%	-	-
Mr. Li Kecheng		Directly beneficially owned	1,122,000,000	17.28%	-	781,133,750
Mr. Wang Zhenyu	(d)	Directly beneficially owned	600,000,000	9.24%	35,000,000	-
Ms. Zhao Hongxia	(e)	Interest of spouse owned	600,000,000	9.24%	-	-

Notes:

- (a) Beijing Development (Hong Kong) Limited was deemed to be interested in the 1,895,513,445 shares by virtue of its controlling interests in its wholly owned subsidiaries, Prime Technology Group Limited and E-tron Limited.
- (b) Beijing Enterprises Holdings Limited was deemed to be interested in the 1,895,513,445 shares by virtue of its controlling interests in Beijing Development (Hong Kong) Limited.
- (c) Beijing Enterprises Group Company Limited was deemed to be interested in the 1,895,513,445 shares by virtue of its controlling interests in Beijing Enterprises Investments Limited and Beijing Enterprises Holdings Limited.

- (d) The details of the interest of Mr. Wang Zhenyu is disclosed in the section “Directors’ interests and short positions in shares and underlying shares” above.
- (e) Under Part XV of the SFO, Ms. Zhao Hongxia, the spouse of Mr. Wang Zhenyu, is deemed to be interested in the same parcel of 600,000,000 shares held by Mr. Wang Zhenyu.

Save as disclosed above, as at 31 March 2009, no person, other than the directors of the Company, whose interests are set out in the section “Directors’ interests and short positions in shares and underlying shares” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Share option scheme

The following share options were outstanding under the Share Option Scheme during the three months ended 31 March 2009:

Name or category of participant	Notes	Number of Share Options		
		At 1 January 2009	Forfeited during the period	At 31 March 2009
Executive directors:				
Mr. Wang Zhenyu	(a)	35,000,000	–	35,000,000
Dr. Yu Xiaoyang	(a)	32,400,000	–	32,400,000
Mr. Zhang Zhihong	(a)	32,400,000	–	32,400,000
Mr. Zhang Honghai	(b)	20,000,000	–	20,000,000
Independent non-executive directors:				
Ms. Ma Yuhua	(a)	4,000,000	–	4,000,000
Ms. Liang Yeping	(a)	4,000,000	–	4,000,000
Dr. Zhou Chunsheng	(a)	4,000,000	–	4,000,000
Other employees	(a)	48,000,000	(500,000)	47,500,000
Advisers and consultants	(a)	4,000,000	–	4,000,000
		183,800,000	(500,000)	183,300,000

Notes:

- a. These options were granted on 13 September 2007 at an exercise price of HK\$0.79* per share. The options may be exercised at any time commencing on 13 March 2008 and, if not otherwise exercised, will lapse on 12 September 2012. The exercise of the option is subject to an annual cap of 25% of the share options granted. Subject to the approval of the Share Option Committee and the Remuneration Committee, executive directors and independent non-executive directors are entitled to exercise all the share options within three months from the date of termination of their employment.
 - b. These options were granted on 11 February 2008 at an exercise price of HK\$0.53* per share. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK\$0.52. The options may be exercised at any time commencing on 11 August 2008 and, if not otherwise exercised, will lapse on 10 February 2013. The exercise of the options is subject to an annual cap of 25% of the share options granted.
- * The exercise price of these share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

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

During the three months ended 31 March 2009, 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, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CORPORATE GOVERNANCE

Corporate governance practices

During the three months ended 31 March 2009, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

Non-executive directors

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

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

Code of conduct regarding securities transactions by directors

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the directors during the three months ended 31 March 2009.

Audit committee

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

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

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2009 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable

accounting standards. The audit committee comprises four members, including Ms. Ma Yuhua, Ms. Liang Yeping, Dr. Zhou Chunsheng and Dr. Sun Guofu. All of them are independent non-executive directors. The chairman of the audit committee is Ms. Ma Yuhua.

Remuneration committee

The remuneration committee of the Group was established in accordance with the Code Provisions. During the period under review, members of the remuneration committee are Ms. Ma Yuhua (committee chairman), Mr. Zhang Honghai, Ms. Liang Yeping and Dr. Zhou Chunsheng. The majority of the remuneration committee members are independent non-executive directors.

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

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

Internal control

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

By Order of the Board

China Information Technology Development Limited

Hu Zhuoer

Executive Director and Chief Executive Officer

Hong Kong
14 May 2010

As at the date of this report, the Board comprises Mr. Zhang Honghai (Chairman) as non-executive director, Mr. Hu Zhuoer (Chief Executive Officer) and Dr. Yu Xiaoyang as executive directors; and Ms. Ma Yuhua, Ms. Liang Yeping, Dr. Zhou Chunsheng and Dr. Sun Guofu as independent non-executive directors.