



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

2010



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.

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

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.

CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Condensed Consolidated Income Statement	5
Condensed Consolidated Statement of Comprehensive Income	6
Notes to Condensed Consolidated Financial Statements	7
General Information	13
Corporate Governance	19

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 4401, 44/F., COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman)
Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman KYI-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

GEM STOCK CODE

8178

WEB-SITE ADDRESS

www.chinainfotech.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Unusual transaction data was found in the revenue recording system of Mingsuo internet platform in first half of year 2009. 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, during the financial period ended 31 March 2010, 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 2010 was HK\$24,476,000, which increased by 40.4% from HK\$17,428,000 in the corresponding period last year. The Group had a total cost of sales and services of HK\$16,105,000 for the first quarter of year 2010, which increased by 72.4% compared with HK\$9,341,000 in the same period of year 2009. The gross profit of the Group for the first quarter of year 2010 amounted to HK\$8,371,000 representing an increase of HK\$284,000 compared with HK\$8,087,000 in corresponding period last year. The gross profit margin of current period was 34.2% compared with that of 46.4% last year. It is mainly attributable to the increase in sale of software development projects during the first quarter of year 2010, which bore a lower gross margin.

During the financial period ended 31 March 2010, the Group generated other income which comprised: (i) exchange gain arising from debt repayment amounted to HK\$3,084,000; (ii) bank interest income amounted to HK\$46,000; (iii) PRC tax subsidy amounted to HK\$822,000; and (iv) other income amounted to HK\$380,000.

The Group's selling and distribution costs for the first quarter of year 2010 was HK\$4,501,000, which increased by 4.5% compared with HK\$4,307,000 in the corresponding period of year 2009. The increase in selling and distribution costs remained stable.

Administrative expenses for the period were HK\$14,021,000, a decrease of 38.0% as compared to HK\$22,610,000 for the corresponding period last year. The decrease was mainly due to downsizing of Mingsuo operation and decrease in share option expense as staff left during the period.

Finance costs of the Group for the first quarter of year 2010 were HK\$932,000, an increase of 0.6% comparing to HK\$926,000 in same period of year 2009.

The Group's loss attributable to owners of the Company was HK\$7,334,000 for the period ended 31 March 2010.

By 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 2010, together with the unaudited comparative figures for the corresponding period of year 2009, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Three months ended	
		31 March	2009
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	3	24,476	17,428
Cost of sales and services		(16,105)	(9,341)
Gross profit		8,371	8,087
Other income and gains	3	4,332	3,681
Selling and distribution costs		(4,501)	(4,307)
Administrative expenses		(14,021)	(22,610)
Finance costs	4	(932)	(926)
LOSS BEFORE TAX	5	(6,751)	(16,075)
Income tax expense	6	(305)	(429)
LOSS FOR THE PERIOD		(7,056)	(16,504)
ATTRIBUTABLE TO:			
Owners of the Company		(7,334)	(15,432)
Minority interests		278	(1,072)
		(7,056)	(16,504)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
Basic & diluted (HK cents)		(0.11)	(0.24)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended	
	31 March	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(7,056)	(16,504)
Exchange differences on translation of foreign operations	(2,874)	1,715
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(2,874)	1,715
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(9,930)	(14,789)
Attributable to:		
Owners of the Company	(9,942)	(13,251)
Minority interests	12	(1,538)
	(9,930)	(14,789)

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 2009.

Basis of consolidation

The consolidated financial statements included the financial statements of the Company and its subsidiaries for the three months ended 31 March 2010. 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.

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 2010 and 2009. 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	
	2010	2009	2010	2009	2010	2009	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	23,541	16,582	895	628	40	218	24,476	17,428
Intersegment sales	4,542	-	-	-	-	-	4,542	-
Other income and gains	822	698	-	2,839	-	-	822	3,537
	28,905	17,280	895	3,467	40	218	29,840	20,965
Reconciliation:								
Elimination of intersegment sales							(4,542)	-
Revenue							25,298	20,965
Segment results	(4,176)	(2,846)	(3,927)	(3,117)	(448)	(460)	(8,551)	(6,423)
Reconciliation:								
Elimination of intersegment results							4,542	-
Interest income and unallocated gains							3,510	144
Corporate and other unallocated expenses							(5,320)	(8,870)
Finance costs							(932)	(926)
Loss before tax							(6,751)	(16,075)

3. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of services rendered during the period.

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

	Three months ended	
	31 March	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sale of in-house developed products	40	218
Provision of software development and system integration services	14,220	10,470
Provision of technical support and maintenance services	9,321	6,112
Provision of internet, mobile and telecommunication value-added services	895	628
	24,476	17,428

	Three months ended	
	31 March	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income and gains		
Bank interest income	46	144
PRC tax subsidies	822	698
Income received from the sales agents	–	2,839
Others	3,464	–
	4,332	3,681

4. Finance costs

	Three months ended 31 March	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank overdrafts	-	1
Interest on convertible bonds	925	925
Other interest expenses	7	-
	932	926

5. Loss before tax

Loss before tax was arrived at after charging the following:

	Three months ended 31 March	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	983	1,022
Amortisation of other intangible assets	81	81

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 (2009: 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	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong	–	–
Current – PRC	305	429
Total tax charge for the period	305	429

7. Loss per share attributable to owners of the Company

The calculation of basic loss per share for the three months ended 31 March 2010 is based on the Group's unaudited loss attributable to owners of the Company of approximately HK\$7,334,000 (2009: HK\$15,432,000) and on the weighted average number of 6,494,906,368 ordinary shares in issue during the period (2009: 6,494,906,368 shares).

A diluted loss per share amount for the period ended 31 March 2010 and 2009 are the same as the basis loss per share, as the average share price of the Company for the periods ended 31 March 2010 and 2009 are lower than the exercise price of the share options outstanding during these periods and the convertible bonds outstanding during those years 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 (2009: Nil).

9. Reserves

	Attributable to owners of the Company										
	Issued capital (Unaudited) HK\$'000	Equity			Share option reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits/ losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
		Share premium account (Unaudited) HK\$'000	convertible bonds (Unaudited) HK\$'000	Share							
				reserve							
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	
At 1 January 2010	64,949	1,176,781	10,411	48,110	22,338	25,135	(1,242,561)	105,163	14,226	119,389	
Loss for the period	-	-	-	-	-	-	(7,334)	(7,334)	278	(7,056)	
Other comprehensive loss	-	-	-	-	-	(2,608)	-	(2,608)	(266)	(2,874)	
Total comprehensive income/(loss) for the period	-	-	-	-	-	(2,608)	(7,334)	(9,942)	12	(9,930)	
Transfer to PRC reserve funds	-	-	-	-	1,061	-	(1,061)	-	-	-	
Equity-settled share option arrangements	-	-	-	2,616	-	-	-	2,616	-	2,616	
Reversal of share option expense	-	-	-	(1,738)	-	-	1,738	-	-	-	
At 31 March 2010	64,949	1,176,781	10,411	48,988	23,399	22,527	(1,249,218)	97,837	14,238	112,075	

GENERAL INFORMATION

Directors' service contracts

At 31 March 2010, 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 2010.

Directors' interests and short positions in shares and underlying shares

At 31 March 2010, 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
Dr. Zhou Chunsheng	600,000	Directly beneficially owned	0.01%

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

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

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 2010, 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 2010 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 2010, 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	Number of convertible bonds held
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%	-
Carford Holdings Limited		Directly beneficially owned	560,000,000	8.62%	87,000,000
Getwin Investment Limited		Directly beneficially owned	560,000,000	8.62%	87,000,000
Mr. Xia Xiaoman	(d)	Through controlled corporations	1,120,000,000	17.42%	174,000,000
Perfect Unit Limited		Directly beneficially owned	-	-	607,133,750

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) Mr. Xia Xiaoman was deemed to be interested in the 1,120,000,000 shares by virtue of his controlling interests in Carford Holdings Limited and Getwin Investment Limited.

Save as disclosed above, as at 31 March 2010, 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 2010:

Name or category of participant	Notes	Number of Share Options		
		At 1 January 2010	Forfeited during the period	At 31 March 2010
Executive director:				
Dr. Yu Xiaoyang	(a)	32,400,000	–	32,400,000
Non-Executive director:				
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)	70,475,000	(4,725,000)	65,750,000
Advisers and consultants	(a)	4,000,000	–	4,000,000
		138,875,000	(4,725,000)	134,150,000

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 2010, 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 2010, 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 2010.

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 2010 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, Dr. Zhou Chunsheng and Dr. Sun Guofu. 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.