



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 *2011*

## **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.**

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

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

## **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**

### **EXECUTIVE DIRECTORS**

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

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

Ms. Ma Yuhua  
Ms. Liang Yeping (resigned on 13 May 2011)  
Dr. Zhou Chunsheng  
Dr. Sun Guofu  
Mr. Ng Kwok Fai (appointed on 13 May 2011)

### **COMPANY SECRETARY**

Mr. Tse Chi Wai

### **COMPLIANCE OFFICER**

Dr. Yu Xiaoyang

### **AUTHORISED REPRESENTATIVES**

Mr. Hu Zhuoer  
Mr. Tse Chi Wai

### **REMUNERATION COMMITTEE**

Ms. Ma Yuhua (*Chairman*)  
Ms. Liang Yeping (resigned on 13 May 2011)  
Dr. Zhou Chunsheng  
Dr. Sun Guofu  
Mr. Ng Kwok Fai (appointed on 13 May 2011)

### **AUDIT COMMITTEE**

Ms. Ma Yuhua (*Chairman*)  
Ms. Liang Yeping (resigned on 13 May 2011)  
Dr. Zhou Chunsheng  
Dr. Sun Guofu  
Mr. Ng Kwok Fai (appointed on 13 May 2011)

### **AUDITORS**

Ernst & Young

### **LEGAL ADVISORS**

Conyers Dill & Pearman

### **PRINCIPAL BANKER**

The Hongkong and Shanghai Banking Corporation Limited

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

Suite no. 5A, 9/F,  
Sino Plaza  
255-257 Gloucester Road  
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 705, George Town  
Grand Cayman, Cayman Islands  
British West Indies

### **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](http://www.chinainfotech.com.hk)

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business review

In order to speed up the completion of resumption of share trading application, the Group continued to strengthen its internal control and accounting and financial reporting systems. The Group submitted a resumption of share trading proposal to the Stock Exchange and is now processing the reply and the related queries from the Stock Exchange.

The board of directors is looking forward to a successful resumption of trading of the Company's shares on GEM when the Company has fulfilled the relevant regulatory requirements.

## Business prospects

Software development, system integration, technical support and maintenance services still remain as stable income streams for the Group.

## Financial review

The Group's revenue for the period ended 31 March 2011 was HK\$16,795,000, which decreased by 31.4% from HK\$24,476,000 in the corresponding period last year. The decrease in revenue as compared to the same period of the year 2010 was mainly due to the fact that there was a relatively huge phase of a multi-year project executed in the first quarter of 2010 which was not recurring in the first quarter of 2011. The Group had a total cost of sales and services of HK\$11,145,000 for the first quarter of year 2011, which decreased by 30.8% compared with HK\$16,105,000 in the same period of year 2010. The gross profit of the Group for the first quarter of year 2010 amounted to HK\$5,650,000, representing a decrease of HK\$2,721,000 compared with HK\$8,371,000 in corresponding period last year. The gross profit margin of current period was 33.6% compared with that of 34.2% for the corresponding period last year. The reason for decrease of gross profit margin is mainly attributable to the decrease in sale of software development projects during the first quarter of year 2011, which bore a higher gross margin.

During the financial period ended 31 March 2011, the Group generated other income of HK\$673,000 which comprised: (i) bank interest income amounted to HK\$383,000; and (ii) PRC tax subsidy amounted to HK\$290,000.

The Group's selling and distribution costs for the first quarter of year 2011 was HK\$4,623,000, which increased by 2.7% compared with HK\$4,501,000 in the corresponding period of year 2010. The increase in selling and distribution costs remained stable.

Administrative expenses for the period were HK\$11,500,000, a decrease of 18.0% as compared to HK\$14,021,000 for the corresponding period last year. The decrease was mainly due to the Group had implemented certain effective enforcement of cost control measures during the period.

Finance costs of the Group for the first quarter of year 2011 were HK\$658,000, a decrease of 29.4% comparing to HK\$932,000 in same period of year 2010. All the finance costs were attributed to the imputed interest on promissory notes during the period. The decrease was mainly due to that zero coupon convertible bonds were replaced by zero interest promissory notes which bore a lower imputed interest rate.

The Group's loss attributable to shareholders of the Company was HK\$9,416,000 for the period ended 31 March 2011.

By Order of the Board  
**China Information Technology Development Limited**  
**Hu Zhuoer**  
*Executive Director and Chief Executive Officer*

Hong Kong, 13 May 2011

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 2011, together with the unaudited comparative figures for the corresponding period of year 2010, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

|   |              | <b>Three months ended</b> |             |
|---|--------------|---------------------------|-------------|
|   |              | <b>31 March</b>           |             |
|   |              | <b>2011</b>               | 2010        |
|   | <i>Notes</i> | <b>(Unaudited)</b>        | (Unaudited) |
|   |              | <b>HK\$'000</b>           | HK\$'000    |
| REVENUE   | 3            | <b>16,795</b>             | 24,476      |
| Cost of sales and services                                    |              | <b>(11,145)</b>           | (16,105)    |
| Gross profit  |              | <b>5,650</b>              | 8,371       |
| Other income and gains  | 3            | <b>673</b>                | 4,332       |
| Selling and distribution costs                                |              | <b>(4,623)</b>            | (4,501)     |
| Administrative expenses                                       |              | <b>(11,500)</b>           | (14,021)    |
| Finance costs   | 4            | <b>(658)</b>              | (932)       |
| LOSS BEFORE TAX   | 5            | <b>(10,458)</b>           | (6,751)     |
| Income tax  | 6            | <b>(207)</b>              | (305)       |
| LOSS FOR THE PERIOD   |              | <b>(10,665)</b>           | (7,056)     |
| ATTRIBUTABLE TO:  |              |                           |             |
| Shareholders of the Company                                   |              | <b>(9,416)</b>            | (7,334)     |
| Non-controlling interests                                     |              | <b>(1,249)</b>            | 278         |
|   |              | <b>(10,665)</b>           | (7,056)     |
| LOSS PER SHARE ATTRIBUTABLE TO<br>SHAREHOLDERS OF THE COMPANY |              |                           |             |
| Basic & diluted (HK cents)                                    | 7            | <b>(0.14)</b>             | (0.11)      |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | Three months ended |             |
|--|--------------------|-------------|
|  | 31 March           |             |
|  | 2011               | 2010        |
|  | (Unaudited)        | (Unaudited) |
|  | HK\$'000           | HK\$'000    |
| LOSS FOR THE PERIOD  | <b>(10,665)</b>    | (7,056)     |
| OTHER COMPREHENSIVE INCOME/(LOSS)<br>FOR THE PERIOD, NET OF TAX OF NIL |                    |             |
| – Exchange differences on translation<br>of foreign operations         | <b>1,516</b>       | (2,874)     |
| TOTAL COMPREHENSIVE LOSS<br>FOR THE PERIOD                             | <b>(9,149)</b>     | (9,930)     |
| Attributable to:   |                    |             |
| Shareholders of the Company  | <b>(8,083)</b>     | (9,942)     |
| Non-controlling interests  | <b>(1,066)</b>     | 12          |
|  | <b>(9,149)</b>     | (9,930)     |



# 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 2010.

### *Basis of consolidation*

The consolidated financial statements included the financial statements of the Company and its subsidiaries for the three months ended 31 March 2011. 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 2011 and 2010. 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          |                |
|  | 2011  | 2010           | 2011                                   | 2010           | 2011                        | 2010         | 2011           | 2010           |
|  | (Unaudited)                                 | (Unaudited)    | (Unaudited)                            | (Unaudited)    | (Unaudited)                 | (Unaudited)  | (Unaudited)    | (Unaudited)    |
| HK\$'000                                 | HK\$'000                                    | HK\$'000       | HK\$'000                               | HK\$'000       | HK\$'000                    | HK\$'000     | HK\$'000       |                |
| <b>Segment revenue:</b>                  |   |                |  |                |                             |              |                |                |
| Sales to external customers              | 15,528                                      | 23,541         | 1,267                                  | 895            | -                           | 40           | 16,795         | 24,476         |
| Intersegment sales                       | -   | 4,542          | -                                      | -              | -                           | -            | -              | 4,542          |
| Other income and gains                   | 290   | 822            | -                                      | -              | -                           | -            | 290            | 822            |
|  | 15,818                                      | 28,905         | 1,267                                  | 895            | -                           | 40           | 17,085         | 29,840         |
| Reconciliation:                          |   |                |  |                |                             |              |                |                |
| Elimination of intersegment sales        |   |                |  |                |                             |              | -              | (4,542)        |
| Revenue                                  |   |                |  |                |                             |              | 17,085         | 25,298         |
| <b>Segment results</b>                   | <b>(5,829)</b>                              | <b>(4,176)</b> | <b>(905)</b>                           | <b>(3,927)</b> | <b>(148)</b>                | <b>(448)</b> | <b>(6,882)</b> | <b>(8,551)</b> |
| Reconciliation:                          |   |                |  |                |                             |              |                |                |
| Elimination of intersegment results      |   |                |  |                |                             |              | -              | 4,542          |
| Interest income and unallocated gains    |   |                |  |                |                             |              | 383            | 3,510          |
| Corporate and other unallocated expenses |   |                |  |                |                             |              | (3,301)        | (5,320)        |
| Finance costs                            |   |                |  |                |                             |              | (658)          | (932)          |
| Loss before tax                          |   |                |  |                |                             |              | (10,458)       | (6,751)        |

### 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:

|  | <b>Three months ended</b> |             |
|--|---------------------------|-------------|
|  | <b>31 March</b>           |             |
|  | <b>2011</b>               | 2010        |
|  | <b>(Unaudited)</b>        | (Unaudited) |
|  | <b>HK\$'000</b>           | HK\$'000    |
| <b>Revenue</b>   |                           |             |
| Provision of software development and system integration services        | <b>6,755</b>              | 14,220      |
| Provision of technical support and maintenance services                  | <b>8,773</b>              | 9,321       |
| Provision of internet, mobile and telecommunication value-added services | <b>1,267</b>              | 895         |
| Sale and lease of in-house developed products                            | –                         | 40          |
|  | <b>16,795</b>             | 24,476      |

|                               | <b>Three months ended</b> |             |
|-------------------------------|---------------------------|-------------|
|                               | <b>31 March</b>           |             |
|                               | <b>2011</b>               | 2010        |
|                               | <b>(Unaudited)</b>        | (Unaudited) |
|                               | <b>HK\$'000</b>           | HK\$'000    |
| <b>Other income and gains</b> |                           |             |
| Bank interest income          | <b>383</b>                | 46          |
| PRC tax subsidies             | <b>290</b>                | 822         |
| Others                        | –                         | 3,464       |
|                               | <b>673</b>                | 4,332       |

#### 4. Finance costs

|                                       | Three months ended<br>31 March |             |
|---------------------------------------|--------------------------------|-------------|
|                                       | 2011                           | 2010        |
|                                       | (Unaudited)                    | (Unaudited) |
|                                       | HK\$'000                       | HK\$'000    |
| Imputed interest on convertible bonds | -                              | 925         |
| Imputed interest on promissory notes  | 658                            | -           |
| Other interest expenses               | -                              | 7           |
|                                       | <b>658</b>                     | 932         |

#### 5. Loss before tax

Loss before tax was arrived at after charging the following:

|   | Three months ended<br>31 March |             |
|---|--------------------------------|-------------|
|   | 2011                           | 2010        |
|   | (Unaudited)                    | (Unaudited) |
|   | HK\$'000                       | HK\$'000    |
| Depreciation                            | 903                            | 983         |
| Amortisation of other intangible assets | 40                             | 81          |

#### 6. Income tax

No provision for Hong Kong profits tax has been made for the period ended 31 March 2011 as the Group did not generate any assessable profits arising in Hong Kong during the period (2010: Nil).

The PRC corporate income tax provision in respect of operations in Mainland China is calculated at applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of the PRC, certain of the Company's subsidiaries enjoy income tax reduction, by reason that these subsidiaries are certified as New and/or High Technology Enterprises in Mainland China.

|  | <b>Three months ended</b> |             |
|--|---------------------------|-------------|
|  | <b>31 March</b>           |             |
|  | <b>2011</b>               | 2010        |
|  | <b>(Unaudited)</b>        | (Unaudited) |
|  | <b>HK\$'000</b>           | HK\$'000    |
| Current – Hong Kong                    | –                         | –           |
| Current – PRC                          | <b>207</b>                | 305         |
| <b>Total tax charge for the period</b> | <b>207</b>                | 305         |

## **7. Loss per share attributable to shareholders of the Company**

The calculation of basic loss per share for the three months ended 31 March 2011 is based on the Group's unaudited loss attributable to shareholders of the Company of approximately HK\$9,416,000 (2010: HK\$7,334,000) and on the weighted average number of 6,494,906,368 ordinary shares in issue during the period (2010: 6,494,906,368 shares).

In respect of the diluted loss per share amounts, no adjustment has been made to the basic loss per share amounts presented for the periods ended 31 March 2011 and 2010 as the impact of the share options and convertible bonds outstanding during these periods, where applicable, had either no diluting effect or an anti-dilutive effect on the basic loss per share amounts presented.

## **8. Dividend**

The Board does not recommend the payment of an interim dividend for the period (2010: Nil).

## 9. Reserves

|  | Attributable to shareholders of the Company  |  |   |   |  |   |  |                       |         |                                  |                 |
|--|--|--|---|---|--|---|--|-----------------------|---------|----------------------------------|-----------------|
|  | Convertible                                  |  |   |   |  |   |  | Accumulated<br>losses | Total   | Non-<br>controlling<br>interests | Total<br>equity |
|  | Issued<br>capital<br>(Unaudited)<br>HK\$'000 | Share<br>premium<br>account<br>(Unaudited)<br>HK\$'000 | Share<br>option<br>reserve<br>(Unaudited)<br>HK\$'000 | Capital<br>reserve<br>(Unaudited)<br>HK\$'000 | bond<br>equity<br>reserve<br>(Unaudited)<br>HK\$'000 | Exchange<br>fluctuation<br>reserve<br>(Unaudited)<br>HK\$'000 | PRC<br>reserve<br>funds<br>(Unaudited)<br>HK\$'000 |                       |         |                                  |                 |
| At 1 January 2010  | 64,949                                       | 1,176,781  | 48,110  | -   | 10,411   | 25,135  | 22,338   | (1,242,561)           | 105,163 | 14,226                           | 119,389         |
| (Loss)/income for the period   | -  | -  | -   | -   | -  | -   | -  | (7,334)               | (7,334) | 278                              | (7,056)         |
| Other comprehensive loss   | -  | -  | -   | -   | -  | (2,608)   | -  | -                     | (2,608) | (286)                            | (2,874)         |
| Total comprehensive<br>income/(loss) for<br>the period                   | -  | -  | -   | -   | -  | (2,608)   | -  | (7,334)               | (9,942) | 12                               | (9,930)         |
| Transfer to PRC<br>reserve funds   | -  | -  | -   | -   | -  | -   | 1,061  | (1,061)               | -       | -                                | -               |
| Equity-settled share<br>option arrangements                              | -  | -  | 2,616   | -   | -  | -   | -  | -                     | 2,616   | -                                | 2,616           |
| Transfer of share option reserve upon<br>the forfeiture of share options | -  | -  | (1,738)   | -   | -  | -   | -  | 1,738                 | -       | -                                | -               |
| At 31 March 2010   | 64,949                                       | 1,176,781  | 48,968  | -   | 10,411   | 22,527  | 23,399   | (1,249,218)           | 97,837  | 14,238                           | 112,075         |
| At 1 January 2011  | 64,949                                       | 1,176,781  | 44,697  | 8,329   | -  | 29,267  | 25,678   | (1,253,386)           | 96,315  | 17,503                           | 113,818         |
| Loss for the period  | -  | -  | -   | -   | -  | -   | -  | (9,416)               | (9,416) | (1,249)                          | (10,665)        |
| Other comprehensive income   | -  | -  | -   | -   | -  | 1,333   | -  | -                     | 1,333   | 183                              | 1,516           |
| Total comprehensive income/<br>(loss) for the period                     | -  | -  | -   | -   | -  | 1,333   | -  | (9,416)               | (8,083) | (1,066)                          | (9,149)         |
| Equity-settled share<br>option arrangements                              | -  | -  | 529   | -   | -  | -   | -  | -                     | 529     | -                                | 529             |
| Transfer of share option reserve upon<br>the forfeiture of share options | -  | -  | (14,150)  | -   | -  | -   | -  | 14,150                | -       | -                                | -               |
| At 31 March 2011   | 64,949                                       | 1,176,781  | 31,076  | 8,329   | -  | 30,600  | 25,678   | (1,248,652)           | 88,761  | 16,437                           | 105,198         |

## GENERAL INFORMATION

### Directors' service contracts

At 31 March 2011, 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 2011.

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

At 31 March 2011, 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:

| <b>Name of director</b> | <b>Number of shares held</b> | <b>Capacity and nature of interest</b> | <b>Percentage of the Company's issued share capital</b> |
|-------------------------|------------------------------|--|---|
| Dr. Zhou Chunsheng      | 600,000                      | Directly beneficially owned            | 0.01%   |

**(2) Long positions in the share options of the Company:**

| <b>Name of director</b>                    | <b>Nature of interest</b> | <b>Number of underlying shares</b> | <b>Exercise period of the share options</b> | <b>Exercise price per share</b> | <b>Approximate percentage of shareholding</b> |
|--|---------------------------|------------------------------------|---|---------------------------------|---|
| <b>Executive director</b>                  |                           |                                    |   |                                 |   |
| Dr. Yu Xiaoyang                            | Beneficial owner          | 32,400,000                         | 13 March 2008 to 12 September 2012          | HK\$0.79                        | 0.50%<br><i>(Note 1)</i>                      |
| <b>Independent non-executive directors</b> |                           |                                    |   |                                 |   |
| Ms. Ma Yuhua                               | Beneficial owner          | 4,000,000                          | 13 March 2008 to 12 September 2012          | HK\$0.79                        | 0.06%<br><i>(Note 1)</i>                      |
| Ms. Liang Yeping**                         | Beneficial owner          | 4,000,000                          | 13 March 2008 to 12 September 2012          | HK\$0.79                        | 0.06%<br><i>(Note 1)</i>                      |
| Dr. Zhou Chunsheng                         | Beneficial owner          | 4,000,000                          | 13 March 2008 to 12 September 2012          | HK\$0.79                        | 0.06%<br><i>(Note 1)</i>                      |

*Notes:*

1. 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.

\*\* Resigned on 13 May 2011.



Save as disclosed above, as at 31 March 2011, 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 2011 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 2011, 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 |
|---|-------|---------------------------------|--------------------------------|--|
| 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%  |
| Getwin Investment Limited                 |       | Directly beneficially owned     | 560,000,000                    | 8.62%  |
| Mr. Xia Xiaoman                           | (d)   | Through controlled corporations | 1,120,000,000                  | 17.24%   |

#### 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) 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 2011, 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 2011:

| Name or category of participant             | Notes | Number of Share Options |                             |                   |
|---|-------|-------------------------|-----------------------------|-------------------|
|   |       | At 1 January 2011       | Forfeited during the period | At 31 March 2011  |
| <b>Executive director:</b>                  |       |                         |                             |                   |
| Dr. Yu Xiaoyang                             | (a)   | 32,400,000              | –                           | 32,400,000        |
| <b>Independent non-executive directors:</b> |       |                         |                             |                   |
| 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         |
| <b>Other employees</b>                      | (a)   | 53,900,000              | (32,400,000)                | 21,500,000        |
| <b>Advisers and consultants</b>             | (a)   | 4,000,000               | –                           | 4,000,000         |
| <b>Total</b>                                |       | <b>102,300,000</b>      | <b>(32,400,000)</b>         | <b>69,900,000</b> |

*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.
- \* 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.
- \*\* Resigned on 13 May 2011.

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

During the three months ended 31 March 2011, 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 2011, 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 Provision.

## **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 2011.

## **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 2011 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 (audit committee chairman), Dr. Zhou Chunsheng, Dr. Sun Guofu and Mr. Ng Kwok Fai. All of them are independent non-executive directors.

## **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 (remuneration committee chairman), Dr. Zhou Chunsheng, Dr. Sun Guofu and Mr. Ng Kwok Fai. All the remuneration committee members are independent non-executive directors.

The main role and function included the determination of specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board on the remuneration of non-executive directors. The remuneration committee 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  
13 May 2011

As at the date of this report, the Board comprises Mr. Hu Zhuoer (Chief Executive Officer) and Dr. Yu Xiaoyang as Executive Directors; and Ms. Ma Yuhua, Dr. Zhou Chunsheng, Dr. Sun Guofu and Mr. Ng Kwok Fai as Independent Non-executive Directors.