



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)

THIRD QUARTERLY REPORT *2011*

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

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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 report misleading.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Hu Zhuoer (*Chief Executive Officer*)
Mr. Tse Chi Wai (*appointed on 15 August 2011*)
Dr. Yu Xiaoyang (*resigned on 15 August 2011*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Sun Guofu
Mr. Ng Kwok Fai (*appointed on 13 May 2011*)
Mr. Chen Zhongfa (*appointed on 15 August 2011*)
Ms. Ma Yuhua (*resigned on 15 August 2011*)
Ms. Liang Yeping (*resigned on 13 May 2011*)
Dr. Zhou Chunsheng (*resigned on 9 June 2011*)

COMPANY SECRETARY

Mr. Tse Chi Wai

COMPLIANCE OFFICER

Mr. Tse Chi Wai (*appointed on 15 August 2011*)
Dr. Yu Xiaoyang (*resigned on 15 August 2011*)

AUTHORISED REPRESENTATIVES

Mr. Hu Zhuoer
Mr. Tse Chi Wai

REMUNERATION COMMITTEE

Mr. Ng Kwok Fai (*Chairman*)
(*appointed on 13 May 2011*)
Dr. Sun Guofu
Mr. Chen Zhongfa
(*appointed on 15 August 2011*)
Ms. Ma Yuhua
(*resigned on 15 August 2011*)
Ms. Liang Yeping
(*resigned on 13 May 2011*)
Dr. Zhou Chunsheng
(*resigned on 9 June 2011*)

AUDIT COMMITTEE

Mr. Ng Kwok Fai (*Chairman*)
(*appointed on 13 May 2011*)
Dr. Sun Guofu
Mr. Chen Zhongfa
(*appointed on 15 August 2011*)
Ms. Ma Yuhua (*resigned on 15 August 2011*)
Ms. Liang Yeping
(*resigned on 13 May 2011*)
Dr. Zhou Chunsheng
(*resigned on 9 June 2011*)

AUDITORS

Ernst & Young

LEGAL ADVISORS

Conyers Dill & Pearman

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

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REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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GEM STOCK CODE

8178

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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 and has also streamlined its operations. The Group first submitted a resumption of share trading proposal to the Stock Exchange in August 2010. The Group submitted an updated resumption proposal in August 2011 and is now processing replies to 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.

On 30 June 2011, Proud Stars Limited ("Proud Stars"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Ka Yip International Investment Limited ("Ka Yip" and an independent third party), pursuant to which Proud Stars agreed to dispose, and Ka Yip agreed to acquire the entire issued share capital of Full Trump International Limited ("Full Trump") at the aggregate consideration of RMB100,000 (approximately HK\$120,000) plus the consolidated net operating profit of Full Trump for the period from 31 December 2010 to the date of completion, if any. The transaction was completed on 25 October 2011.

Business prospects

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

The Group is one of the major service providers to the Beijing Municipal Government in the areas of public administration information systems, through its subsidiaries such as Beijing Enterprises Sanxing Information Technology Company Limited and Beijing Enterprises VST Software Technology Company Limited. It currently focuses on providing supports to the systems in social security and social insurance administration, national land resources management, human resource and labor force management, and transient population administration, etc. From its services to the Beijing Municipal Government, the Group generates stable revenue of maintenance services and technical support services. The Beijing Municipal Government is supposed to expand the coverage of social security and social insurance, to improve its human resource management services, and to strengthen societal stability. All these efforts will lead to improving and upgrading the existing information systems in future. These factors will also provide financial opportunities to the Group in its focus areas such as system construction, development, integration and maintenance.

Shanghai Pantosoft Company Limited, one of the Group's subsidiaries, has positioned itself as one of the leaders in the occupational education information technology development in PRC. It currently attracts a stable service income from occupational schools, technical colleges and other educational institutes. It is expected to be able to obtain a speedy growth in its revenue in the future with its new business development into the areas of computer aided automobile repair solutions, automobile automation and simulation and simulation based training tools in banking and international business, etc.

Employees

The total number of full-time employees hired by the Group maintained at 551 as of 30 September 2011. (2010: 552 employees). Excluding the expenses on share options, the total expenses on employee benefits amounted to HK\$27,852,000 for the nine months ended 30 September 2011 (2010: HK\$23,170,000). The management believes the salaries offered by the Group to its employees are competitive.

Financial review

The Group has taken initiative to streamline its existing business and has completed the disposal of its interests in Full Trump International Limited and its subsidiaries so as to focus its financial resources in the remaining core businesses of the Group. The disposal proceed is approximately HK\$120,000 and the gain on disposal is expected to be approximately HK\$20 million. The followings are the financial reviews on continuing operations.

The board of Directors (the "Board") of China Information Technology Development Limited (the "Company") announces that, for the nine months ended 30 September 2011, the Company and its subsidiaries (collectively the "Group") recorded revenue of HK\$52,401,000, an increase of 11.5% from HK\$46,986,000 in the corresponding period last year from continuing operations. The increase in revenue as compared to the same period of the year 2010 was mainly due to the increased sales of the technical support and maintenance services in this period. The Group had a total cost of sales and services from continuing operations of HK\$30,853,000 for the first three quarters of year 2011, an increase of 12.0% compared with HK\$27,554,000 in the same period of year 2010. The gross profit of the Group for the first three quarters of year 2011 was HK\$21,548,000, representing an increase of HK\$2,116,000 compared with HK\$19,432,000 in corresponding period last year. The gross profit margin slightly decreased to 41.1% in first three quarters of year 2011 from 41.4% in corresponding period last year.

During the financial period ended 30 September 2011, the Group generated other income of HK\$3,901,000 which comprised: (i) bank interest income amounted to HK\$1,733,000; (ii) gain on deemed partial disposal of a subsidiary amounted to HK\$1,871,000; and (iii) government grants amounted to HK\$297,000. Other income decreased by HK\$9,674,000 compared to that of the same period of year 2010 mainly because there was a reversal of imputed interest on convertible bonds in the amount of HK\$8,443,000 in year 2010 which was not recurring this year.

The Group's selling and distribution costs for the first three quarters of year 2011 were HK\$11,642,000, an increase of 10.8% compared with HK\$10,507,000 in the corresponding period in 2010. The increase in selling and distribution costs was mainly attributed to increase in labour cost.

Administrative expenses for the period were HK\$26,249,000, a decrease of 6.2% as compared to HK\$27,986,000 for the corresponding period last year. The decrease was mainly due to implementation of certain effective enforcement of cost control measures during the period.

Finance costs of the Group for the first three quarters of year 2011 were HK\$2,014,000, an increase of HK\$2,007,000 comparing to HK\$7,000 in same period of year 2010. All the finance costs were attributed to the imputed interest on promissory notes during the period.

The Group's loss attributable to shareholders of the Company from continuing operations was HK\$13,506,000 for the period ended 30 September 2011.

The board of Directors of the Company announces the unaudited results of the Company and its subsidiaries for the three months and nine months ended 30 September 2011, together with the unaudited comparative figures for the corresponding periods of year 2010, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
CONTINUING OPERATIONS					
Revenue	3	18,152	6,489	52,401	46,986
Cost of sales and services		(12,141)	(5,840)	(30,853)	(27,554)
Gross profit		6,011	649	21,548	19,432
Other income and gains, net	3	750	333	3,901	13,575
Selling and distribution costs		(5,354)	(4,344)	(11,642)	(10,507)
Administrative expenses		(9,632)	(9,430)	(26,249)	(27,986)
Other expenses		(61)	–	(1,040)	–
Finance costs	4	(685)	–	(2,014)	(7)
LOSS BEFORE TAX	5	(8,971)	(12,792)	(15,496)	(5,493)
Income tax	6	(37)	(879)	(1,480)	(1,891)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(9,008)	(13,671)	(16,976)	(7,384)
DISCONTINUED OPERATIONS					
Profit/(loss) for the period from discontinuing operation	8	61	(4,647)	(6,545)	(14,018)
LOSS FOR THE PERIOD		(8,947)	(18,318)	(23,521)	(21,402)

	Three months ended		Nine months ended	
	30 September	2010	30 September	2010
	2011	(Unaudited)	2011	(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ATTRIBUTABLE TO:				
Shareholders of the Company				
– from continuing operations	(7,731)	(11,419)	(13,506)	(5,548)
– from discontinued operations	294	(3,372)	(5,832)	(12,693)
	(7,437)	(14,791)	(19,338)	(18,241)
Non-controlling interests				
– from continuing operations	(1,277)	(2,252)	(3,470)	(1,836)
– from discontinued operations	(233)	(1,275)	(713)	(1,325)
	(1,510)	(3,527)	(4,183)	(3,161)
LOSS FOR THE PERIOD	(8,947)	(18,318)	(23,521)	(21,402)

(LOSS)/PROFIT PER SHARE

ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY					
Basic & diluted (HK cents)	7	(0.11)	(0.23)	(0.30)	(0.28)
– from continuing operations		(0.12)	(0.18)	(0.21)	(0.09)
– from discontinued operations		0.01	(0.05)	(0.09)	(0.19)
		(0.11)	(0.23)	(0.30)	(0.28)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(8,947)	(18,318)	(23,521)	(21,402)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX OF NIL				
– Exchange differences on translation of foreign operations	1,868	1,355	7,000	(697)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(7,079)	(16,963)	(16,521)	(22,099)
Attributable to:				
Shareholders of the Company	(5,772)	(13,575)	(14,115)	(18,923)
Non-controlling interests	(1,307)	(3,388)	(2,406)	(3,176)
	(7,079)	(16,963)	(16,521)	(22,099)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated financial statements 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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

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 nine months ended 30 September 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 nine months ended 30 September 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

	Nine months ended 30 September													
	Continuing operations						Discontinued operations							
	Software development and system integration		In-house developed products		Total		Software development and system integration		Internet, mobile and telecommunication		Total		Group	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Segment revenue:														
Sales to external customers	52,078	46,667	323	419	52,401	46,986	3,771	3,501	4,246	3,027	8,017	6,528	60,418	53,514
Intersegment sales	-	-	-	-	-	-	-	20,720	-	-	-	20,720	-	20,720
Other income and gains	297	873	-	-	297	873	-	-	-	-	-	-	297	873
	52,375	47,440	323	419	52,698	47,859	3,771	24,221	4,246	3,027	8,017	27,248	60,715	75,107
Reconciliation:														
Elimination of intersegment sales	-	-	-	-	-	-	-	(20,720)	-	-	-	(20,720)	-	(20,720)
Revenue	52,375	47,440	323	419	52,698	47,859	3,771	3,501	4,246	3,027	8,017	6,528	60,715	54,387
Segment results	(6,445)	(2,914)	(821)	(849)	(7,266)	(3,763)	(4,278)	(20,752)	(2,233)	(14,232)	(6,571)	(34,984)	(13,837)	(38,747)
Reconciliation:														
Elimination of intersegment results						-	-					20,720		20,720
Interest income and unallocated gains					1,733	12,702					88	354	1,821	13,066
Gain on deemed partial disposal of a subsidiary					1,871	-					-	-	1,871	-
Corporate and other unallocated expenses					(9,820)	(14,425)					(82)	(108)	(9,882)	(14,533)
Finance costs					(2,014)	(7)					-	-	(2,014)	(7)
Loss before tax					(15,496)	(5,493)					(6,545)	(14,018)	(22,041)	(19,511)

3. Revenue, other income and gains, net

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, net is as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Provision of software development and system integration services	905	1,970	11,338	19,296
Provision of technical support and maintenance services	17,073	4,170	40,740	27,271
Sale and lease of in-house developed products	174	349	323	419
	18,152	6,489	52,401	46,986
Other income and gains, net				
Bank interest income	745	115	1,733	454
Exchange gain	-	37	-	3,140
Gain on deemed partial disposal of a subsidiary*	-	-	1,871	-
Government grants**	5	29	297	873
Reversal of imputed interest on convertible bonds	-	-	-	8,443
Others	-	152	-	665
	750	333	3,901	13,575

* During the period ended 30 September 2011, Beijing Enterprises EasyCode (Beijing) Technology Co., Ltd. ("EasyCode") issued an aggregate of 500,000 shares to an independent third party, accordingly, the shareholding held by the Group was diluted and resulted in a gain on deemed partial disposal amounting to approximately HK\$1,871,000. EasyCode became an associated company instead of a subsidiary of the Group subsequent to the Group's loss of control of the board of EasyCode. The gain on deemed partial disposal was calculated as the difference between the Group's share of net assets in EasyCode prior to and after the issuance of additional shares by EasyCode.

** The government grants represented a government subsidy and value-added tax refunds, which impose no restriction on usage.

4. Finance costs

	Three months ended		Nine months ended	
	30 September	2010	30 September	2010
	2011	(Unaudited)	2011	(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Imputed interest on promissory notes	685	-	2,014	-
Other interest expenses	-	-	-	7
	685	-	2,014	7

5. Loss before tax

Loss before tax was arrived at after charging the following:

	Three months ended		Nine months ended	
	30 September	2010	30 September	2010
	2011	(Unaudited)	2011	(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Depreciation	535	532	1,423	1,615
Amortisation of other intangible assets/ (reversal of amortisation)	40	(13)	121	148
Discontinued operations				
Depreciation	297	447	795	1,338

6. Income tax

No provision for Hong Kong profits tax has been made for the period ended 30 September 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.

	Three months ended		Nine months ended	
	30 September		30 September	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current – PRC:				
Hong Kong	-	-	-	-
Mainland China	37	879	1,480	1,891
Total tax charge for the period	37	879	1,480	1,891

7. Loss per share attributable to shareholders of the Company

The calculation of basic loss per share for the three months ended 30 September 2011 is based on the unaudited loss attributable to shareholders of the Company from the continuing operations of approximately HK\$7,731,000 and profit from discontinued operations of approximately HK\$294,000 and the weighted average number of 6,494,906,368 ordinary shares in issue during the period.

The calculation of basic loss per share for the nine months ended 30 September 2011 is based on the unaudited loss attributable to shareholders of the Company from the continuing operations of approximately HK\$13,506,000 and loss from discontinued operations of approximately HK\$5,832,000 and the weighted average number of 6,494,906,368 ordinary shares in issue during the period.

The calculation of basic loss per share for the three months ended 30 September 2010 is based on the unaudited loss attributable to shareholders of the Company from the continuing operations of approximately HK\$11,419,000 and loss from discontinued operations of approximately HK\$3,372,000 and the weighted average number of 6,494,906,368 ordinary shares in issue during the period.

The calculation of basic loss per share for the nine months ended 30 September 2010 is based on the unaudited loss attributable to shareholders of the Company from the continuing operations of approximately HK\$5,548,000 and loss from discontinued operations of approximately HK\$12,693,000 and the weighted average number of 6,494,906,368 ordinary shares in issue during the period.

In respect of the diluted earnings and loss per share amounts, no adjustment has been made to the basic earnings and loss per share amounts presented for the periods ended 30 September 2011 and 2010 as the impact of the share options and convertible bonds outstanding during these periods, had either no diluting effect or an anti-dilutive effect on the basic earnings and loss per share amounts presented.

8. Discontinued operations

On 30 June 2011, Proud Stars Limited ("Proud Stars"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Ka Yip International Investment Limited ("Ka Yip" and an independent third party), pursuant to which Proud Stars agreed to dispose, and Ka Yip agreed to acquire the entire issued share capital of Full Trump International Limited ("Full Trump") at the aggregate consideration of RMB100,000 (approximately HK\$120,000) plus the consolidated net operating profit of Full Trump for the period from 31 December 2010 to the date of completion, if any.

As at the reporting date, the directors considered the carrying amount of Full Trump and its subsidiaries (collectively the "disposal group") is to be recovered through a sale transaction and the disposal was completed on 25 October 2011. As a result, the operations of the disposal group has been categorized under "discontinued operations" in the condensed consolidated income statement.

The results of the disposal group are presented below:

Discontinued operations

	Nine months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover	8,017	6,528
Cost of sales and services	(5,566)	(5,984)
Gross profit	2,451	544
Other income and gains	88	354
Selling and distribution costs	(2,985)	(3,066)
Administrative expenses	(6,099)	(11,850)
Loss before taxation	(6,545)	(14,018)
Income tax	-	-
Loss for the period from discontinued operations	(6,545)	(14,018)

9. Dividend

The Board does not recommend the payment of a quarterly dividend for the nine months period ended 30 September 2011 (2010: Nil).

10. Reserves

Attributable to shareholders of the Company

	Share			Convertible		Exchange	PRC		Non-		Total equity
	Issued	premium	Share option	Capital	bonds equity	fluctuation	reserve	Accumulated	Total	controlling	
	capital	account	reserve	reserve	reserve	reserve	funds	losses		interests	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'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 for the period	-	-	-	-	-	-	-	(18,241)	(18,241)	(3,161)	(21,402)
Other comprehensive loss											
- Exchange differences on translation of foreign operations	-	-	-	-	-	(682)	-	-	(682)	(15)	(697)
Total comprehensive loss for the period	-	-	-	-	-	(682)	-	(18,241)	(18,923)	(3,176)	(22,099)
Transfer to PRC reserve funds	-	-	-	-	-	-	1,082	(1,082)	-	-	-
Cancellation of convertible bonds	-	-	-	-	(10,411)	-	-	-	(10,411)	-	(10,411)
Transfer of share option reserve upon the forfeiture of share options	-	-	(1,738)	-	-	-	-	1,738	-	-	-
Equity-settled share option arrangements	-	-	7,458	-	-	-	-	-	7,458	-	7,458
At 30 September 2010	64,949	1,176,781	53,830	-	-	24,453	23,420	(1,260,146)	83,287	11,050	94,337
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	-	-	-	-	-	-	-	(19,338)	(19,338)	(4,183)	(23,521)
Other comprehensive profit											
- Exchange differences on translation of foreign operations	-	-	-	-	-	5,223	-	-	5,223	1,777	7,000
Total comprehensive income/(loss) for the period	-	-	-	-	-	5,223	-	(19,338)	(14,115)	(2,406)	(16,521)
Transfer to PRC reserve funds	-	-	-	-	-	-	440	(440)	-	-	-
Transfer of share option reserve upon the forfeiture of share options	-	-	(18,517)	-	-	-	-	18,517	-	-	-
Equity-settled share option arrangements	-	-	1,288	-	-	-	-	-	1,288	-	1,288
At 30 September 2011	64,949	1,176,781	27,468	8,329	-	34,490	26,118	(1,254,647)	83,488	15,097	98,585

GENERAL INFORMATION

Directors' service contracts

At 30 September 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 nine months ended 30 September 2011.

Directors' interests and short positions in shares and underlying shares

At 30 September 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:

Name of director	Number of shares held	Capacity and nature of interest	Percentage of the Company's issued share capital
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Nil

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

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

* Resigned on 15 August 2011

Note:

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.

Save as disclosed above, as at 30 September 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 nine months ended 30 September 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 30 September 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 30 September 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 nine months ended 30 September 2011:

Name or category of participant	Notes	Number of Share Options		
		At 1 January 2011	Forfeited during the period	At 30 September 2011
Executive director:				
Dr. Yu Xiaoyang (Resigned on 15 August 2011)	(a)	32,400,000	–	32,400,000
Independent non-executive directors:				
Ms. Ma Yuhua (Resigned on 15 August 2011)	(a)	4,000,000	–	4,000,000
Ms. Liang Yeping (Resigned on 13 May 2011)	(a)	4,000,000	(4,000,000)	–
Dr. Zhou Chunsheng (Resigned on 9 June 2011)	(a)	4,000,000	(4,000,000)	–
Other employees	(a)	53,900,000	(34,400,000)	19,500,000
Advisers and consultants	(a)	4,000,000	–	4,000,000
Total		102,300,000	(42,400,000)	59,900,000

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.

* *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 nine months ended 30 September 2011, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of Company's listed securities.

Competing Interests

During the period and up to the date of this report, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company 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 nine months ended 30 September 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.

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 nine months ended 30 September 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 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 nine months ended 30 September 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. During the period under review, the audit committee comprises the following members, namely, Mr. Ng Kwok Fai (audit committee chairman) (appointed on 13 May 2011), Dr. Sun Guofu, Mr. Chen Zhongfa (appointed on 15 August 2011), Ms. Liang Yeping (resigned on 13 May 2011), Dr. Zhou Chunsheng (resigned on 9 June 2011) and Ms. Ma Yuhua (resigned on 15 August 2011). 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 Mr. Ng Kwok Fai (remuneration committee chairman) (appointed on 13 May 2011), Dr. Sun Guofu, Mr. Chen Zhongfa (appointed on 15 August 2011), Ms. Liang Yeping (resigned on 13 May 2011), Dr. Zhou Chunsheng (resigned on 9 June 2011) and Ms. Ma Yuhua (resigned on 15 August 2011). 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
10 November 2011

As at the date of this report, the Board comprises Mr. Hu Zhuoer (Chief Executive Officer) and Mr. Tse Chi Wai as executive directors; and Mr. Ng Kwok Fai, Dr. Sun Guofu, and Mr. Chen Zhongfa as independent non-executive directors.