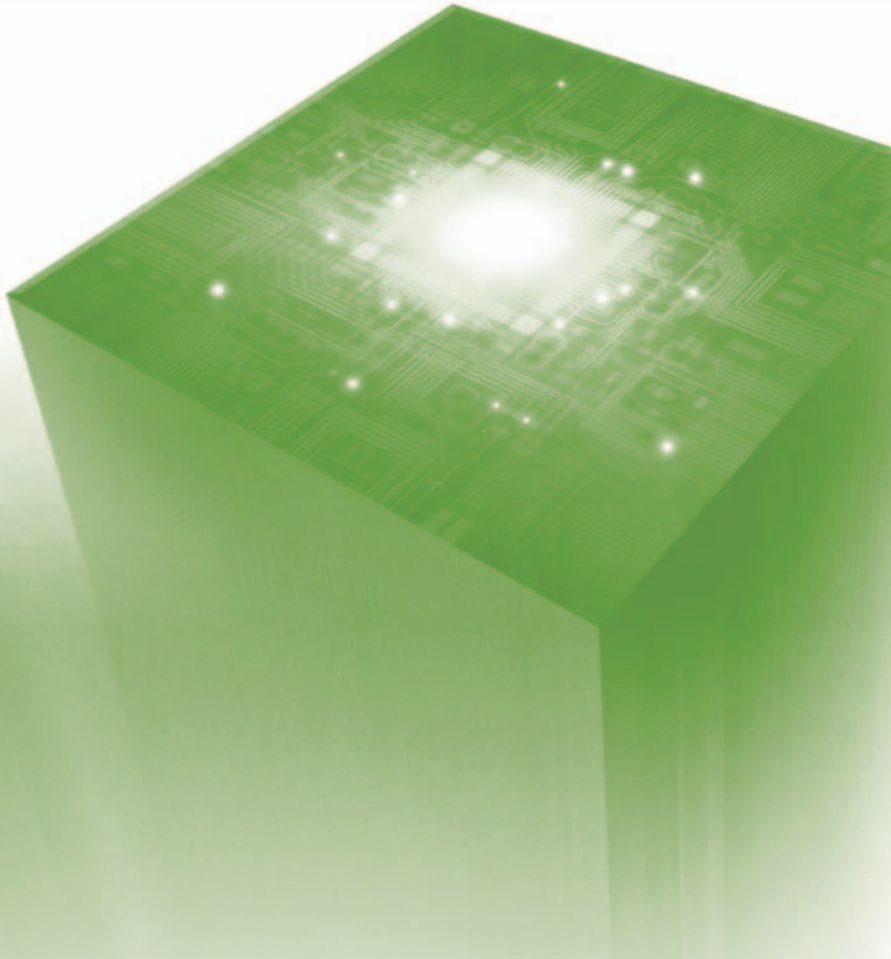




中國信息科技發展有限公司
China Information Technology Development Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8178)



THIRD QUARTERLY
REPORT 2012

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. 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 report 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.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Hu Zhuoer (*Chief Executive Officer*)
Mr. Tse Chi Wai

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Sun Guofu
Mr. Ng Kwok Fai
Mr. Chen Zhongfa

COMPANY SECRETARY

Mr. Tse Chi Wai

COMPLIANCE OFFICER

Mr. Tse Chi Wai

AUTHORISED REPRESENTATIVES

Mr. Hu Zhuoer
Mr. Tse Chi Wai

NOMINATION COMMITTEE

Mr. Chen Zhongfa (*Chairman*)
Dr. Sun Guofu
Mr. Hu Zhuoer

REMUNERATION COMMITTEE

Mr. Ng Kwok Fai (*Chairman*)
Dr. Sun Guofu
Mr. Chen Zhongfa

AUDIT COMMITTEE

Mr. Ng Kwok Fai (*Chairman*)
Dr. Sun Guofu
Mr. Chen Zhongfa

AUDITORS

ANDA CPA Limited

LEGAL ADVISORS

Conyers Dill & Pearman

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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GEM STOCK CODE

8178

WEB-SITE ADDRESS

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MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In March 2012, the Stock Exchange informed the Company that all the resumption conditions were fulfilled. Trading in the Company's shares was resumed on 19 March 2012.

In June and October 2012, the Company placed 1,000,000,000 (prior to share consolidation) and 149,000,000 new shares at HK\$0.027 and HK\$0.18 per share to certain independent placees and fetched a net proceeds of approximately HK\$26 million and HK\$26 million respectively. The proceeds were applied to settle certain long term loans in the amount of approximately HK\$50 million in aggregate. The remaining balance was applied to strengthen the working capital position of the Company.

As approved at the extraordinary general meeting of the Company held on 2 August 2012, every ten shares of HK\$0.01 each in the share capital of the Company had been consolidated into one consolidated share of HK\$0.1 each effective from 3 August 2012.

For the nine months ended 30 September 2012, the Group's businesses were operating normally. Revenue from provision of technical support and maintenance services remained stable while the revenue from provision of software development and system integration services was on the increase year on year.

Business prospects

Software development, system integration, technical support and maintenance services still remain as staple income streams for the Company and its subsidiaries (collectively 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 People's Republic of China (the "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 based training tools in banking and international business, etc.

Employees

The total number of full-time employees hired by the Group maintained at 456 as of 30 September 2012. (2011: 551 employees). Excluding the expenses on share options, the total expenses on employee benefits amounted to HK\$28,788,000 for the nine months ended 30 September 2012 (2011: HK\$27,852,000). The management believes the remuneration packages offered by the Group to its employees are competitive.

Financial review

For the nine months ended 30 September 2012, the Group recorded revenue of HK\$54,402,000, an increase of 3.8% from HK\$52,401,000 in the corresponding period last year from continuing operations. The increase in revenue as compared to the same period of the year 2011 was mainly due to the increased sales of the software development and system integration services in this period. The Group had a total cost of sales and services from continuing operations of HK\$36,014,000 for the first three quarters of the year 2012, an increase of 16.7% compared with HK\$30,853,000 in the same period of year 2011. The gross profit of the Group from continuing operations for the first three quarters of year 2012 was HK\$18,388,000, representing a decrease of HK\$3,160,000 compared with HK\$21,548,000 in corresponding period last year. The gross profit margin decreased to 33.8% in first three quarters of year 2012 from 41.1% in corresponding period last year. The decrease of gross profit margin was mainly attributable to the general increase in cost.

During the financial period ended 30 September 2012, the Group generated other income from continuing operations of HK\$3,715,000 (2011: HK\$3,901,000) which comprised: (i) bank interest income amounted to HK\$2,398,000; (ii) reversal of impairment of trade receivables amounted to HK\$1,095,000; (iii) government grants amounted to HK\$131,000; and (iv) other income amounted to HK\$91,000.

The Group's selling and distribution costs from continuing operations for the first three quarters of year 2012 were HK\$9,262,000, a decrease of 20.4% compared with HK\$11,642,000 in the corresponding period in 2011. The decrease was mainly due to reduction in sales conference and travelling expenses.

Administrative expenses from continuing operations for the period were HK\$26,779,000, an increase of 2.0% as compared to HK\$26,249,000 for the corresponding period last year. The net increase was mainly attributable to general increase in cost, certain one-off non-recurring charges, such as professional service fee charges in relation to resumption of shares, and the Group's continuing efforts to maintain a cost efficient operation.

Finance costs of the Group from continuing operations for the first three quarters of year 2012 were HK\$1,130,000, a decrease of HK\$884,000 comparing to HK\$2,014,000 in same period of the year 2011. All the finance costs were attributed to the imputed interest on promissory notes for the relevant periods.

The Group's loss attributable to shareholders of the Company from continuing operations was HK\$17,891,000 for the period ended 30 September 2012 (2011: HK\$13,506,000).

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 2012, together with the unaudited comparative figures for the corresponding periods of the year 2011, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
CONTINUING OPERATIONS					
Revenue	3	26,156	18,152	54,402	52,401
Cost of sales and services		(17,322)	(12,141)	(36,014)	(30,853)
Gross profit		8,834	6,011	18,388	21,548
Other income and gains, net	3	875	750	3,715	3,901
Selling and distribution costs		(3,298)	(5,354)	(9,262)	(11,642)
Administrative expenses		(9,574)	(9,632)	(26,779)	(26,249)
Other expenses		–	(61)	(417)	(1,040)
Finance costs	4	320	(685)	(1,130)	(2,014)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		(2,843)	(8,971)	(15,485)	(15,496)
Income tax	6	(104)	(37)	(988)	(1,480)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(2,947)	(9,008)	(16,473)	(16,976)
DISCONTINUED OPERATION					
Profit/(loss) for the period from discontinued operation	8	–	61	–	(6,545)
LOSS FOR THE PERIOD	5	(2,947)	(8,947)	(16,473)	(23,521)

	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ATTRIBUTABLE TO:				
Shareholders of the Company				
– From continuing operations	(3,381)	(7,731)	(17,891)	(13,506)
– From discontinued operation	–	294	–	(5,832)
	(3,381)	(7,437)	(17,891)	(19,338)
Non-controlling interests				
– From continuing operations	434	(1,277)	1,418	(3,470)
– From discontinued operation	–	(233)	–	(713)
	434	(1,510)	1,418	(4,183)
	(2,947)	(8,947)	(16,473)	(23,521)
LOSS PER SHARE				
ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY				
Basic & diluted (HK cents)	7	(Restated)		(Restated)
– For loss for the period	(0.45)	(1.15)	(2.59)	(2.98)
– For from continuing operations	(0.45)	(1.19)	(2.59)	(2.08)
– For from discontinued operation	–	0.04	–	(0.90)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(2,947)	(8,947)	(16,473)	(23,521)
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD, NET OF TAX OF NIL				
– Exchange differences on translation of foreign operations	(247)	1,868	(2,233)	7,000
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(3,194)	(7,079)	(18,706)	(16,521)
Attributable to:				
Shareholders of the Company	(3,594)	(5,772)	(20,185)	(14,115)
Non-controlling interests	400	(1,307)	1,479	(2,406)
	(3,194)	(7,079)	(18,706)	(16,521)

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 condensed consolidated financial statements are consistent with those used in the Company’s audited consolidated financial statements for the year ended 31 December 2011.

Basis of consolidation

The condensed consolidated financial statements included the condensed financial statements of the Company and its subsidiaries for the nine months ended 30 September 2012. 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 2012 and 2011. No further geographical segment information is presented as the Group’s customers and operations are principally located in Mainland China.

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	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Provision of software development and system integration services	6,390	905	13,119	11,338
Provision of technical support and maintenance services	19,766	17,073	40,922	40,740
Lease of in-house developed products	–	174	361	323
	26,156	18,152	54,402	52,401
Other income and gains, net				
Bank interest income	711	745	2,398	1,733
Gain on deemed partial disposal of a subsidiary*	–	–	–	1,871
Government grants**	131	5	131	297
Reversal of impairment of trade receivables	–	–	1,095	–
Others	33	–	91	–
	875	750	3,715	3,901

* During the period ended 30 September 2011, Beijing Enterprise EasyCode (Beijing) Technology Co., Ltd. ("Easy Code") 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 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 was imposed.

4. Finance costs

	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Imputed interest on promissory notes	-	685	1,130	2,014
Reversal of interest on long term loans	(320)	-	-	-
	(320)	685	1,130	2,014

5. Loss before tax

Loss before tax was arrived at after charging the following:

	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Depreciation	790	535	1,620	1,423
Amortisation of other intangible assets	40	40	121	121
Discontinued operation				
Depreciation	-	297	-	795

6. Income tax

No provision for Hong Kong profits tax was made for the period ended 30 September 2012 as the Group did not generate any assessable profits arising in Hong Kong during the period (2011: 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	2011	30 September	2011
	2012	(Unaudited)	2012	(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current – Hong Kong	–	–	–	–
Current – PRC	104	37	988	1,480
Total tax charge for the period	104	37	988	1,480

7. Loss per share attributable to shareholders of the Company

The calculation of basic loss per share for the three months ended 30 September 2012 is based on the unaudited loss attributable to shareholders of the Company from the continuing operations of approximately HK\$3,381,000 and unaudited loss attributable to shareholders of the Company from discontinued operation of HK\$nil and the weighted average number of 749,490,636 ordinary shares (adjusted for the effects of share consolidation) in issue during the period.

The calculation of basic loss per share for the nine months ended 30 September 2012 is based on the unaudited loss attributable to shareholders of the Company from the continuing operations of approximately HK\$17,891,000 and unaudited loss attributable to shareholders of the Company from discontinued operation of HK\$nil and the weighted average number of 689,452,281 ordinary shares (adjusted for the effects of share consolidation) in issue during the period.

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 unaudited profit attributable to shareholders of the Company from discontinued operation of approximately HK\$294,000 and the weighted average number of 649,490,636 ordinary shares (adjusted for the effects of share consolidation) 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 unaudited loss attributable to shareholders of the Company from discontinued operation of approximately HK\$5,832,000 and the weighted average number of 649,490,636 ordinary shares (adjusted for the effects of share consolidation) in issue during the period.

The weighted average number of ordinary shares for the purposes of calculating basis loss per share for the three months and nine months ended 30 September 2011 have been restated for the effect of the share consolidation in August 2012.

In respect of the diluted loss per share amounts, no adjustment has been made to the basic loss per share amounts presented for the three months and nine months ended 30 September 2012 and 2011 as the impact of the share options outstanding during these periods had no diluting effect on the basic loss per share amounts presented.

8. Discontinued operation

On 30 June 2011, Proud Stars Limited ("Proud Stars", a wholly-owned subsidiary of the Company) entered into a sale and purchase agreement and a supplementary agreement in relation thereto with a third party, pursuant to which, the third party purchased the entire equity interest in Full Trump International Limited ("Full Trump") for cash consideration of RMB100,000 and adjusted by certain contingent considerations and the consolidated net operating result of Full Trump and its subsidiaries for the period from 1 January 2011 to the completion date of transaction. The transaction was completed on 25 October 2011 and the consideration for the transaction was determined to be RMB5,831,000 (equivalent to approximately HK\$7,131,000 at the then prevailing exchange rate).

The Group's internet, mobile and telecommunication related operation, being a major separate reportable operating segment of the Group, was solely undertaken by Full Trump and its subsidiaries. Accordingly, the internet, mobile and telecommunication related operation of the Group was discontinued upon the completion of the disposal transaction.

The results of the discontinued operation dealt with in the condensed consolidated financial statements for the periods ended 30 September 2012 and 2011 are summarised as follows:

	Nine months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue	–	8,105
Expenses	–	(14,650)
Loss before tax from discontinued operation	–	(6,545)
Income tax related to loss before tax from discontinued operation	–	–
Loss for the period from the discontinued operation	–	(6,545)

9. Dividend

The Board does not recommend the payment of an interim dividend for the nine months period ended 30 September 2012 (2011: Nil).

10. Reserves

	Attributable to shareholders of the Company									
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
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/expiration 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
At 1 January 2012	64,949	1,176,781	22,440	8,329	21,558	12,059	(1,216,595)	89,521	18,228	107,749
(Loss)/profit for the period	-	-	-	-	-	-	(17,891)	(17,891)	1,418	(16,473)
Other comprehensive profit/(loss)										
- Exchange differences on translation of foreign operations	-	-	-	-	(2,294)	-	-	(2,294)	61	(2,233)
Total comprehensive income/(loss) for the period	-	-	-	-	(2,294)	-	(17,891)	(20,185)	1,479	(18,706)
Transfer to PRC reserve funds	-	-	-	-	-	509	(509)	-	-	-
Transfer of share option reserve upon the forfeiture/expiration of share options	-	-	(22,440)	-	-	-	22,440	-	-	-
Issue of new shares	10,000	17,000	-	-	-	-	-	27,000	-	27,000
Transaction costs attributable to issue of new shares	-	(845)	-	-	-	-	-	(845)	-	(845)
At 30 September 2012	74,949	1,192,936	-	8,329	19,264	12,568	(1,212,555)	95,491	19,707	115,198

11. Events after the reporting period

On 11 October 2012, a total of 149,000,000 new ordinary shares were placed to certain independent placees pursuant to the terms and conditions of the Placing Agreement dated 25 September 2012. Those new ordinary shares rank pari passu with the ordinary shares already in issue immediately before the placement. A net proceeds of approximately HK\$26 million was raised.

On 29 October 2012, the Company repaid certain long term loans amounted to HK\$31,968,130. The aggregate principle of the long term loans outstanding was reduced to HK\$31,968,130 accordingly.

GENERAL INFORMATION

Directors' service contracts

At 30 September 2012, none of the Directors had any existing or proposed service contract with the Company which was 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 2012.

Directors' interests and short positions in shares and underlying shares

At 30 September 2012, 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:

Nil

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

Nil

Save as disclosed above, as at 30 September 2012, 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 2012 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 2012, 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	<i>(a)</i>	Through controlled corporations	189,551,344	25.29%
Beijing Enterprises Holdings Limited	<i>(b)</i>	Through controlled corporations	189,551,344	25.29%
Beijing Enterprises Group Company Limited	<i>(c)</i>	Through controlled corporations	189,551,344	25.29%
Carford Holdings Limited		Directly beneficially owned	64,700,000	8.63%
Getwin Investment Limited		Directly beneficially owned	10,156,000	1.36%
Mr. Xia Xiaoman	<i>(d)</i>	Through controlled corporations	74,856,000	9.99%

Notes:

- (a) Beijing Development (Hong Kong) Limited was deemed to be interested in the 189,551,344 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 189,551,344 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 189,551,344 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 74,856,000 shares by virtue of his controlling interests in Carford Holdings Limited and Getwin Investment Limited.

Save as disclosed above, as at 30 September 2012, 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 2012:

Name or category of participant	Notes	Number of Share Options		
		(Adjusted) At 1 January 2012	(Adjusted) Forfeited during the period	(Adjusted) At 30 September 2012
Directors		(b) –	(b) –	–
Other employees	(a)	4,240,000	(4,240,000)	–
Advisers and consultants	(a)	400,000	(400,000)	–
Total		4,640,000	(4,640,000)	–

Notes:

- a. These options were granted on 13 September 2007 at an exercise price of HK\$7.9(b)* per share. The options might be exercised at any time commencing on 13 March 2008 and, if not otherwise exercised, would lapse on 12 September 2012. The exercise of the option was 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 were entitled to exercise all the share options within three months from the date of termination of their employment.
- b. The exercise price and number of share options were adjusted pursuant to the share consolidation which became effective on 3 August 2012.
- * 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.

Share consolidation

As approved at the extraordinary general meeting of the Company held on 2 August 2012, every ten shares of HK\$0.01 each in the share capital of the Company had been consolidated into one consolidated share of HK\$0.1 each effective from 3 August 2012.

For details, please refer to the announcement of the Company dated 6 July 2012 and the circular of the Company dated 18 July 2012.

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

During the nine months ended 30 September 2012, 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 2012, the Company has complied with the Corporate Governance Code 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 5.46 to 5.68 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 2012.

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 audit committee comprises three members, including Mr. Ng Kwok Fai (audit committee chairman), Dr. Sun Guofu and Mr. Chen Zhongfa. All of them are independent non-executive directors.

The Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 2012 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

Nomination Committee

On 23 March 2012, the Company has set up a nomination committee which is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitable qualified to become Board members and selecting or making recommendations to the board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment, re-appointment and succession of director. The nomination committee currently has three members, with Mr. Chen Zhongfa being the chairman and Dr. Sun Guofu and Mr. Hu Zhuoer being the members. A majority of the nomination committee are independent non-executive directors of the Company.

Remuneration committee

The Company established a remuneration committee with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules.

During the period under review, members of the remuneration committee are Mr. Ng Kwok Fai (remuneration committee chairman), Dr. Sun Guofu and Mr. Chen Zhongfa. 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 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
12 November 2012

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.