



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

2013

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

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

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GEM STOCK CODE

8178

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MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the period under review, China Information Technology Development Limited (the “Company”) disposed its equity interests in Astoria Innovations Limited (“Astoria”) and hence Beijing Enterprises Sanxing Information Technology Co., Limited (“Sanxing”) at a consideration of RMB50 million (equivalent to HK\$62.24 million) and recognized an unaudited gain on disposal of approximately HK\$10.21 million from the transaction. More details on background of the disposal had been disclosed in relevant circular of the Company dated 21 December 2012.

Other than the above, revenue from provision of information technology related services to authorities of the Beijing Municipal Government remained as staple income of the Group.

Outlook and Prospect

Total revenue of the Company and its subsidiaries (collectively the “Group”) may shrink in 2013 subsequent to the disposal of Astoria and hence Sanxing (the “Disposal”). Nonetheless, the Group will continue to focus on the development of information technology related services in the People’s Republic of China (the “PRC”) via the remaining operations of the Group, namely, Beijing Enterprises VST Software Technology Co. Ltd. (“VST”) and Shanghai Pantosoft Company Ltd. (“Pantosoft”).

VST is principally engaged in the provision of system integration and related services including system set up, system upgrading, and long-term maintenance to the systems in social insurance and land resources of the relevant authorities of the Beijing Municipal Government. The revenue from its key income drivers, namely, provision of integrated information services to Beijing social insurances and Beijing state owned land resources are currently expected to increase by fifteen percent year on year for 2013.

Pantosoft is principally engaged in the development of educational software as well as digital education campus in the PRC. In 2012, Pantosoft developed a new product, e-campus (數字化校園), which has begin to launch in 2013 and is expected to increase the revenue contribution to the Group.

Mainland China’s economy will maintain relatively fast growth in 2013, and the development in areas of e-government, vocational education informatization and technology innovation and investments will bring opportunities for the Group’s business expansion and performance enhancement.

Besides, the Group will strive to expand its operation scale and proactively seek for investment opportunities to utilize the proceeds from the Disposal to acquire businesses with good potentials so as to strengthen its operations.

Employees

The total number of full-time employees hired by the Group maintained at 256 as of 31 March 2013. (2012: 462 employees). The total expenses on employee benefits amounted to HK\$7,304,000 for the three months ended 31 March 2013 (2012: HK\$6,635,000). The management believes the salaries offered by the Group to its employees are competitive.

Headcount of the Group as of 31 March 2013 decreased to 256 from 462 as of 31 March 2012 mainly as a result of (i) de-consolidation of Beijing Enterprises Easycode Technology Co., Ltd, which carried a staff of 18 since August 2012; (ii) de-consolidation of Sanxing, which carried a staff of 219 since February 2013; and (iii) an increase of 31 technical staff by VST during the period.

Financial review

For the three months ended 31 March 2013, the Group recorded a revenue of 6,809,000, an increase of 50.0% from 4,539,000 in the corresponding period last year from continuing operations. The increase in revenue as compared to the same period of the year 2012 was mainly due to increase in revenue recognized from sale of system integration projects, especially educational software projects and increase in revenue from provision of maintenance services during the period as compared to the same period in 2012.

The Group had a total cost of sales and services from continuing operations of HK\$5,502,000 for the first quarter of year 2013, an increase of 55.6% compared with HK\$3,535,000 in the same period of year 2012. The increase was a direct result of the increase in revenue and general increase in cost.

The gross profit from continuing operations of the Group for the first quarter of year 2013 was HK\$1,307,000, representing an increase of HK\$303,000 compared with HK\$1,004,000 in corresponding period last year. The gross profit margin from continuing operations slightly decreased from 22.1% for the first quarter of 2012 to 19.2% for the first quarter of year 2013. The decrease was mainly attributed to the increase in staff costs.

During the three months ended 31 March 2013, the Group generated other income and gains from continuing operations of HK\$10,375,000 which comprised: (i) bank interest income amounted to HK\$128,000 (2012: HK\$145,000); (ii) gain on disposal of a subsidiary amounted to HK\$10,214,000 (2012: Nil); and (iii) other income amounted to HK\$33,000 (2012: HK\$22,000).

The Group's selling and distribution expenses from continuing operations for the first quarter of year 2013 was HK\$2,074,000, which decreased by 5.6% compared with HK\$2,198,000 in the corresponding period of year 2012. The decrease was mainly due to a reduction in travelling expenses.

Administrative expenses from continuing operations for the period were HK\$5,713,000, a decrease of 10.5% as compared to HK\$6,383,000 for the corresponding period last year. The Group no longer needed to incur professional service fee charges in relation to resumption of shares in 2013, therefore administrative expenses decreased.

Finance costs of the Group for the first quarter of year 2013 were HK\$480,000, a decrease of 30.3% comparing to HK\$689,000 in same period of year 2012. All the finance costs were attributed to the long term loans interest during the period while all the finance costs for the corresponding 2012 period were attributed to the imputed interest on promissory notes.

The Group recorded a profit attributable to owners of the Company of HK\$2,986,000 for the three months ended 31 March 2013 (2012: Loss of HK\$8,029,000) and the profit was mainly attributable to gain on disposal of a subsidiary.

By Order of the Board

China Information Technology Development Limited

Hu Zhuoer

Executive Director and Chief Executive Officer

Hong Kong, 10 May 2013

The board (the "Board") of directors (the "Directors") of the Company announces the unaudited results of the Company and its subsidiaries for the three months ended 31 March 2013, together with the unaudited comparative figures for the corresponding period of year 2012, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended 31 March	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
	Notes		
CONTINUING OPERATIONS			
REVENUE	3	6,809	4,539
Cost of sales and services		(5,502)	(3,535)
Gross profit		1,307	1,004
Other income and gains, net	3	10,375	167
Selling and distribution expenses		(2,074)	(2,198)
Administrative expenses		(5,713)	(6,383)
Finance costs	4	(480)	(689)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	5	3,415	(8,099)
Income tax expenses	6	-	(73)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		3,415	(8,172)
DISCONTINUED OPERATION			
(Loss)/profit for the period from a discontinued operation	7	(641)	336
PROFIT/(LOSS) FOR THE PERIOD		2,774	(7,836)
Attributable to:			
Owners of the Company			
Profit/(loss) from continuing operations		3,422	(8,258)
(Loss)/profit from a discontinued operation		(436)	229
		2,986	(8,029)
Non-controlling interests			
(Loss)/profit from continuing operations		(7)	86
(Loss)/profit from a discontinued operation		(205)	107
		(212)	193
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	8		(Restated)
- For profit/(loss) for the period		HK0.33 cents	HK(1.24) cents
- For profit/(loss) from continuing operations		HK0.38 cents	HK(1.27) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended	
	31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	2,774	(7,836)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX EXPENSES		
Exchange differences on translation of foreign operations	348	758
Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries	(7,494)	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(4,372)	(7,078)
Attributable to:		
Owners of the Company	(4,246)	(7,378)
Non-controlling interests	(126)	300
	(4,372)	(7,078)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated financial information is 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 “GEM Listing Rules”).

The accounting policies and basis of preparation used in preparing the unaudited consolidated results are consistent with those used in the Company’s audited consolidated financial statements for the year ended 31 December 2012.

Basis of consolidation

The condensed consolidated financial statements included the condensed financial statements of the Company and its subsidiaries for the three months ended 31 March 2013. 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 2013 and 2012. No further geographical segment information is presented as the majority of the Group’s customers and business operations are located in Mainland China.

Reporting segment information

	Three months ended 31 March													
	Continuing operations						Discontinued operation							
	Software development and system integration		Technical support and maintenance services		In-house developed products		Total		Software development and system integration		Technical support and maintenance services		Total	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	Group
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	2,506	1,006	4,303	3,229	-	304	4,539	-	1,946	1,013	1,608	1,013	3,554	8,093
Reconciliation:														
Bank interest income							128	145				8	172	317
Unallocated gains							33	22				-	-	33
Revenue, other income and gains, net							6,970	4,706				1,021	3,726	7,991
Segment (loss)/profit	(1,534)	(1,633)	(2,634)	(2,700)	(16)	(840)	(4,184)	(5,233)	-	90	74	(649)	164	(4,833)
Reconciliation:														
Bank interest income								145				8	172	317
Unallocated gains							33	22				-	-	33
Gain on disposal of a subsidiary							10,214	-				-	-	10,214
Corporate and other unallocated expenses							(2,296)	(2,344)				-	-	(2,296)
Finance costs							(480)	(689)				-	-	(480)
Profit/(loss) before tax							3,415	(6,039)				(641)	336	2,774
														(17,783)

3. Revenue, other income and gains, net

Revenue, which is also the Group's turnover, represents (1) an appropriate proportion of contract revenue from the provision of software development and system integration services, net of value-added tax, business tax and government surcharges; (2) the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for returns and trade discounts; (3) an appropriate proportion of contract revenue from the provision of the technical support and maintenance services, net of business tax and government surcharges; and (4) the rental income received and receivable from the lease of in-house developed products during the period.

An analysis of revenue, other income and gains, net from continuing operations is as follows:

	Three months ended 31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Provision of software development and system integration services	2,506	1,006
Provision of technical support and maintenance services	4,303	3,229
Lease of in-house developed products	–	304
	6,809	4,539

	Three months ended 31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income and gains		
Bank interest income	128	145
Gain on disposal of a subsidiary (refer to Note 7 for more background details)	10,214	–
Others	33	22
	10,375	167

4. Finance costs

	Three months ended	
	31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on long term loans	480	–
Imputed interest on promissory notes	–	689
	480	689

5. Profit/(loss) before tax from continuing operations

Profit/(loss) before tax from continuing operations was arrived at after charging the following:

	Three months ended	
	31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	288	282
Amortisation of other intangible assets	40	40

6. Income tax expenses

No provision for Hong Kong Profits Tax has been made for the three months ended 31 March 2013 as the Group did not generate any assessable profits arising in Hong Kong during the period (2012: 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 High-New Technology Enterprises in Mainland China.

	Three months ended	
	31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong	–	–
Current – PRC	–	73
Total tax charge for the period	–	73

7. DISCONTINUED OPERATION

On 15 November 2012, the Company entered into a sale and purchase agreement (the “Disposal”) with QIFA Holdings Limited (“QIFA”), pursuant to which the Company conditionally agreed to dispose, and QIFA conditionally agreed to acquire the 68% issued share capital of Astoria at a consideration of RMB50 million (equivalent to HK\$62.24 million). QIFA is a connected person of the Company under the GEM Listing Rules. As such, the Disposal was subject to the independent shareholders’ approval requirement. On 11 January 2013, the Disposal, as an ordinary resolution, was approved by the independent shareholders in an extraordinary general meeting.

Astoria is an investment holding company which holds 100% registered capital of Sanxing. Sanxing mainly engages in the provision of system supports to the systems in social security and social insurance administration, human resource and labor force management, and transient population administration to the relevant authorities of the Beijing Municipal Government.

The Disposal was completed on 4 February 2013. Upon completion of the Disposal, Astoria and Sanxing ceased to be subsidiaries of the Company and their results, assets and liabilities and cash flows ceased to be consolidated to the Group since then. A gain on disposal of Astoria of HK\$10,214,000 was recognised upon the completion.

The results of the discontinued operation dealt with in the condensed consolidated financial statements for the three months ended 31 March 2013 and 2012 are summarised as follows:

	Three months ended	
	31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue	1,021	3,726
Expenses	(1,662)	(3,390)
(Loss)/profit before tax from the discontinued operation	(641)	336
Income tax related to (loss)/profit before tax from the discontinued operation	–	–
(Loss)/profit for the period from the discontinued operation	(641)	336

8. Profit/(loss) per share attributable to owners of the Company

The calculation of basic profit/(loss) per share amounts is based on the unaudited profit/(loss) for the three months ended 31 March 2013 and profit/(loss) for the period from continuing operations attributable to owners of the Company of approximately HK\$2,986,000 (2012: Loss of HK\$8,029,000) and HK\$3,422,000 (2012: Loss of HK\$8,258,000), respectively, and the weighted average number of 898,490,636 (2012: 649,490,636) ordinary shares (adjusted for the effects of the share consolidation) in issue during the period.

In respect of the diluted profit/(loss) per share amounts, no adjustment has been made to the basic profit/(loss) per share amounts presented for the three months ended 31 March 2013 and 2012 as the impact of the share options outstanding during these periods had no diluting effect on the basic profit/(loss) per share amounts presented.

9. Dividend

The Board does not recommend the payment of an interim dividend for the period (2012: Nil).

10. Reserves

	Attributable to owners of the Company									
	Share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Foreign currency translation 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 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	-	-	-	-	-	-	(8,029)	(8,029)	193	(7,836)
Other comprehensive income										
- Exchange differences on translation of foreign operations	-	-	-	-	651	-	-	651	107	758
Total comprehensive income/ (loss) for the period	-	-	-	-	651	-	(8,029)	(7,378)	300	(7,078)
Transfer of share option reserve upon the forfeiture of share options	-	-	(4,426)	-	-	-	4,426	-	-	-
Transfer to reserves	-	-	-	-	-	510	(510)	-	-	-
At 31 March 2012	64,949	1,176,781	18,014	8,329	22,209	12,569	(1,220,708)	82,143	18,528	100,671
At 1 January 2013	89,849	1,204,135	-	8,329	22,244	12,569	(1,202,651)	134,475	18,326	152,801
Profit/(loss) for the period	-	-	-	-	-	-	2,986	2,986	(212)	2,774
Other comprehensive income										
- Exchange differences on translation of foreign operations	-	-	-	-	262	-	-	262	86	348
- Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries (Note 7)	-	-	-	-	(7,494)	-	-	(7,494)	-	(7,494)
Total comprehensive (loss)/ income for the period	-	-	-	-	(7,232)	-	2,986	(4,246)	(126)	(4,372)
Disposal of a subsidiary (Note 7)	-	-	-	-	-	(5,782)	5,782	-	(19,068)	(19,068)
At 31 March 2013	89,849	1,204,135	-	8,329	15,012	6,787	(1,193,883)	130,229	(868)	129,361

GENERAL INFORMATION

Directors' service contracts

At 31 March 2013, 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 2013.

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

At 31 March 2013, 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 the share options of the Company:

Nil

Save as disclosed above, as at 31 March 2013, 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, at no time during the three months ended 31 March 2013 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 2013, 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	189,551,334	21.10%
Beijing Enterprises Holdings Limited	(b)	Through controlled corporations	189,551,334	21.10%
Beijing Enterprises Group Company Limited	(c)	Through controlled corporations	189,551,334	21.10%
Carford Holdings Limited		Directly beneficially owned	64,700,000	7.20%
Getwin Investments Limited		Directly beneficially owned	10,156,000	1.13%
Mr. Xia Xiaoman	(d)	Through controlled corporations	74,856,000	8.33%

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 Investments Limited.

Save as disclosed above, as at 31 March 2013, 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.

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

During the three months ended 31 March 2013, 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 were 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 2013, the Company has complied with the codes on Corporate Governance Code (the “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 three months ended 31 March 2013.

Audit committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 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 three months ended 31 March 2013 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

In 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 personnel 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 May 2013

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.