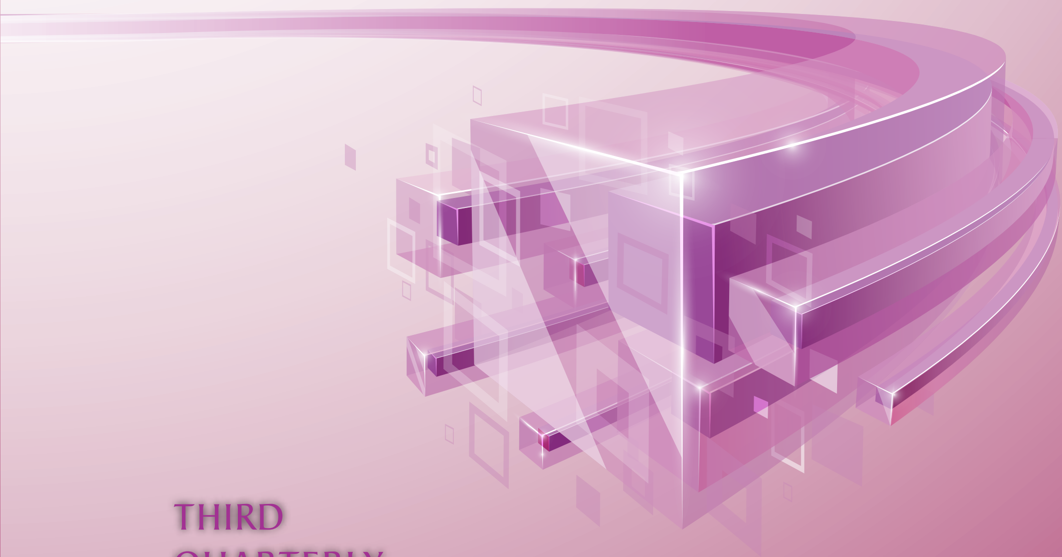
中國信息科技發展有限公司
China Information Technology Development Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8178)



THIRD QUARTERLY REPORT

2013

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

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

COMPANY SECRETARY

Mr. Tse Chi Wai

COMPLIANCE OFFICER

Mr. Tse Chi Wai

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Mr. Tse Chi Wai

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Dr. Sun Guofu
Mr. Hu Zhuoer

REMUNERATION COMMITTEE

Mr. Ng Kwok Fai *(Chairman)*
Dr. Sun Guofu
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MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In January 2013, 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.

In May 2013, the Company repaid all the outstanding long term loans amounted to HK$31,968,000 to reduce interest expense for the future.

In June 2013, the Company acquired certain bonds with a total nominal value of USD2,800,000 at a total consideration of USD2,825,390 (equivalent to approximately HKD21,784,000 and HK$21,981,000 respectively). Their respective maturities range from 2015 to 2023. The coupon rates are from 3.625% to 9.75% per annum and bond interests are paid semi-annually. More details on the bonds acquired had been disclosed in the relevant announcement of the Company dated 4 June 2013.

In September 2013, the Company, Bloom Faith Holdings Limited and Shenzhen Qian Ti Investment Limited have entered into an agreement, pursuant to which the Company had conditionally agreed to purchase 21.45% of the partnership interest in the Shanghai Rui Hung Jiu Fong Investment Partnership Enterprise, for the consideration of RMB25,000,000 (equivalent to approximately HK$31,518,000). Move details on the acquisition had been disclosed in the relevant announcement of the Company dated 6 September 2013.

Other than the above, during the period under review, 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. 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 moderately in 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 been launched in 2013 and is gradually gaining acceptance by the market.

Mainland China's economy is expected to maintain relatively fast growth in 2013. 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 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 254 as of 30 September 2013. (2012: 456 employees). Total expenses on employee benefits amounted to HK$19,626,000 for the nine months ended 30 September 2013 (2012: HK$28,788,000). The decrease was mainly attributed to the Group ceased to consolidate the Sanxing operation since February 2013. The management believes the remuneration packages offered by the Group to its employees are competitive.

Headcount of the Group as of 30 September 2013 decreased to 254 from 456 as of 30 September 2012 mainly as a result of (i) de-consolidation of Sanxing, which carried a staff of 221 since February 2013; and (ii) an increase of 9 technical staff by VST and 10 staff by Pantosoft respectively during the period.

Financial review

For the nine months ended 30 September 2013, the Group recorded a revenue of HK$24,881,000, an increase of 4.7% from HK$23,757,000 in the corresponding period in last year from continuing operations. The increase in revenue as compared to the same period of the year 2012 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$19,423,000 for the first three quarters of the year 2013, an increase of 13.4% compared with HK$17,128,000 in the same period of year 2012. The increase was a result of the increase in general cost.

The gross profit of the Group from continuing operations for the first three quarters of year 2013 was HK$5,458,000, representing a decrease of HK$1,171,000 compared with HK$6,629,000 in corresponding period of last year. The gross profit margin decreased to 21.9% for the first three quarters of year 2013 from 27.9% in corresponding period of last year. The decrease of gross profit margin was mainly attributable to a relatively low gross margin for the third quarter of 2013, 10.7% (37.3% for the third quarter of 2012). The Group completed a substantial hardware upgrade project for a customer in Beijing during the third quarter of 2012, which bore a relatively high margin. There had been no project of similar nature or margin for the third quarter of 2013 hence the gross margin for the third quarter of 2013 was lower than that of 2012.

During the nine months ended 30 September 2013, the Group generated other income and gains, net from continuing operations of HK$12,438,000 (2012: HK$751,000) which comprised: (i) bank interest income amounted to HK$1,360,000 (2012: 663,000); (ii) bonds interest income amounted to HK$539,000 (2012: Nil); (iii) gain on disposal of subsidiaries amounted to HK$10,214,000 (2012: Nil); and (iv) other income amounted to HK$325,000 (2012: 88,000).

The Group's selling and distribution expenses from continuing operations for the first three quarters of year 2013 were HK$5,138,000, an increase of 13.9% compared with HK$4,510,000 in the corresponding period in 2012. The increase, mainly attributable to Pantosoft, was mainly due to pay rate increase for staff and increased travelling expenses spent to explore new markets for products.

Administrative expenses from continuing operations for the period were HK$19,404,000, an increase of 6.5% as compared to HK$18,226,000 for the corresponding period last year. The net increase was mainly attributable to general increase in cost, such as office rental, administrative staff costs and the related staff welfare benefits, which more than offset the saving in professional service fee charges in relation to resumption of shares which was no longer required in 2013.

Finance costs of the Group from continuing operations for the first three quarters of year 2013 were HK$730,000, a decrease of HK$400,000 comparing to HK$1,130,000 in same period of the year 2012. All the finance costs were attributed to long term loans interest during the period while finance costs for the corresponding period in 2012 were attributed to the imputed interest on the interest-free promissory notes. The Company no longer incurrs finance cost since June 2013 upon settlement of all the outstanding long term loans.

The Group's loss attributable to owners of the Company from continuing operations was HK$8,350,000 for the period ended 30 September 2013 (2012: HK$18,671,000). The reduction in reported loss was mainly attributed to recognition of a non-recurring gain on disposal of subsidiaries amounted to approximately HK$10.21 million during the period.

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 2013, together with the unaudited comparative figures for the corresponding periods of the year 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended 30 September 2013 (Unaudited) HK$'000	Three months ended 30 September 2012 (Unaudited) HK$'000	Nine months ended 30 September 2013 (Unaudited) HK$'000	Nine months ended 30 September 2012 (Unaudited) HK$'000
CONTINUING OPERATIONS					
Revenue	*4*	**7,629**	8,537	**24,881**	23,757
Cost of sales and services		**(6,813)**	(5,355)	**(19,423)**	(17,128)
Gross profit		**816**	3,182	**5,458**	6,629
Other income and gains, net	*4*	**773**	245	**12,438**	751
Selling and distribution expenses		**(2,168)**	(1,596)	**(5,138)**	(4,510)
Administrative expenses		**(7,156)**	(6,019)	**(19,404)**	(18,226)
Other expenses		**(1)**	–	**(38)**	(417)
Fair value profit/(loss) on financial assets at fair value through profit or loss		**454**	–	**(970)**	–
Finance costs	*5*	**–**	320	**(730)**	(1,130)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**(7,282)**	(3,868)	**(8,384)**	(16,903)
Income tax credits/(expenses)	*7*	**–**	37	**–**	(717)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(7,282)**	(3,831)	**(8,384)**	(17,620)
DISCONTINUED OPERATION					
Profit/(loss) for the period from a discontinued operation	*9*	**–**	884	**(641)**	1,147
LOSS FOR THE PERIOD		**(7,282)**	(2,947)	**(9,025)**	(16,473)

	Notes	Three months ended 30 September 2013 (Unaudited) HK$'000	Three months ended 30 September 2012 (Unaudited) HK$'000	Nine months ended 30 September 2013 (Unaudited) HK$'000	Nine months ended 30 September 2012 (Unaudited) HK$'000
ATTRIBUTABLE TO:					
Owners of the Company					
Loss from continuing operations		**(7,276)**	(3,982)	**(8,350)**	(18,671)
Profit/(loss) from a discontinued operation		**–**	601	**(436)**	780
		(7,276)	(3,381)	**(8,786)**	(17,891)
Non-controlling interests					
(Loss)/profit from continuing operations		**(6)**	151	**(34)**	1,051
Profit/(loss) from a discontinued operation		**–**	283	**(205)**	367
		(6)	434	**(239)**	1,418
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Basic & diluted (HK cents)	*8*				
– For loss for the period		**(0.81)**	(0.45)	**(0.98)**	(2.59)
– For loss from continuing operations		**(0.81)**	(0.53)	**(0.93)**	(2.71)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
LOSS FOR THE PERIOD	**(7,282)**	(2,947)	**(9,025)**	(16,473)
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF INCOME TAX				
– Exchange differences on translation of foreign operations	**360**	(247)	**1,772**	(2,233)
– Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries	**–**	–	**(7,494)**	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(6,922)**	(3,194)	**(14,747)**	(18,706)
Attributable to:				
Owners of the Company	**(6,915)**	(3,594)	**(14,590)**	(20,185)
Non-controlling interests	**(7)**	400	**(157)**	1,479
	(6,922)	(3,194)	**(14,747)**	(18,706)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated financial statements 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 condensed consolidated financial statements are consistent with those used in the Company's audited consolidated financial statements for the year ended 31 December 2012 except as stated below:

2. Adoption of new and revised Hong Kong financial reporting standards

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

a. Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

3. Operating segment information

The following table presents unaudited revenue and profit/(loss) for the Group's business segments for the nine months ended 30 September 2013 and 2012. No further geographical segment information is presented as the Group's customers and operations are principally located in Mainland China.

Reporting segment information

	Nine months ended 30 September															
	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		Group	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	(Unaudited)	(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$'000**	HK$'000
Segment revenue:																
Sales to external customers	**13,223**	10,750	**11,658**	12,646	**–**	361	**24,881**	23,757	**–**	2,369	**1,013**	28,276	**1,013**	30,645	**25,894**	54,402
Other income and gains	**–**	–	**–**	–	**–**	–	**–**	–	**–**	131	**–**	–	**–**	131	**–**	131
	13,223	10,750	**11,658**	12,646	**–**	361	**24,881**	23,757	**–**	2,500	**1,013**	28,276	**1,013**	30,776	**25,894**	54,533
Reconciliation:																
Bank interest income							**1,360**	663					**8**	1,735	**1,368**	2,398
Bonds interest income							**539**	–					**–**	–	**539**	–
Gain on disposal of subsidiaries							**10,214**	–					**–**	–	**10,214**	–
Others							**325**	88					**–**	1,098	**325**	1,186
Revenue, other income and gains, net							**37,319**	24,508					**1,021**	33,609	**38,340**	58,117
Segment results	**(6,035)**	(3,554)	**(5,320)**	(4,181)	**(65)**	165	**(11,420)**	(7,570)	**–**	(108)	**(649)**	(1,297)	**(649)**	(1,405)	**(12,069)**	(8,975)
Reconciliation:																
Bank interest income							**1,360**	663					**8**	1,735	**1,368**	2,398
Bonds interest income							**539**	–					**–**	–	**539**	–
Gain on disposal of subsidiaries							**10,214**	–					**–**	–	**10,214**	–
Others							**325**	88					**–**	1,098	**325**	1,186
Corporate and other unallocated expenses							**(7,702)**	(8,954)					**–**	(10)	**(7,702)**	(8,964)
Fair value loss on financial assets at fair value through profit or loss							**(970)**	–					**–**	–	**(970)**	–
Finance costs							**(730)**	(1,130)					**–**	–	**(730)**	(1,130)
(Loss)/profit before tax							**(8,384)**	(16,903)					**(641)**	1,418	**(9,025)**	(15,485)
Income tax expenses							**–**	(717)					**–**	(271)	**–**	(988)
(Loss)/profit for the period							**(8,384)**	(17,620)					**(641)**	1,147	**(9,025)**	(16,473)

4. Revenue, other income and gains, net

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

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Revenue				
Provision of software development and system integration services	**4,066**	5,270	**13,223**	10,750
Provision of technical support and maintenance services	**3,563**	3,267	**11,658**	12,646
Lease of in-house developed products	**–**	–	**–**	361
	7,629	8,537	**24,881**	23,757
Other income and gains, net				
Bank interest income	**250**	212	**1,360**	663
Bonds interest income	**451**	–	**539**	–
Gain on disposal of subsidiaries (refer to Note 9 for more background details)	**–**	–	**10,214**	–
Others	**72**	33	**325**	88
	773	245	**12,438**	751

5. Finance costs

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Imputed interest on promissory notes	**–**	–	**–**	1,130
Reversal of accrual interest on long term loans/Interest on long term loans	**–**	(320)	**730**	–
	–	(320)	**730**	1,130

6. Loss before tax from continuing operations

Loss before tax from continuing operations was arrived at after charging the following:

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations				
Amortisation of other intangible assets	**40**	40	**121**	121
Depreciation	**256**	288	**810**	851
Director's remuneration	**525**	525	**1,575**	1,495

7. Income tax (credits)/expenses

No provision for Hong Kong Profits Tax was made for the nine months ended 30 September 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 New and/or High Technology Enterprises in Mainland China.

No provision of the PRC corporate income tax had been made for the nine months ended 30 September 2013 as the Group did not generate any assessable profits in the PRC during the period (2012: 717,000).

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current – Hong Kong	**–**	–	**–**	–
Current – PRC	**–**	(37)	**–**	717
Total tax (credit)/charge for the period	**–**	(37)	**–**	717

8. Loss per share for the period/loss per share from continuing operation attributable to owners of the Company

The calculation of basic loss per share for the three months ended 30 September 2013 is based on the unaudited loss attributable to owners of the Company from the continuing operations of approximately HK$7,276,000 and an unaudited loss from a discontinued operation of HK$nil and the weighted average number of 898,490,636 ordinary shares in issue during the period.

The calculation of basic loss per share for the nine months ended 30 September 2013 is based on the unaudited loss attributable to owners of the Company from the continuing operations of approximately HK$8,350,000 and an unaudited loss from a discontinued operation of HK$436,000 and the weighted average number of 898,490,636 ordinary shares in issue during the period.

The calculation of basic loss per share for the three months ended 30 September 2012 is based on the unaudited loss attributable to owners of the Company from the continuing operations of approximately HK$3,982,000 and an unaudited net profit from a discontinued operation of approximately HK$601,000 and the weighted average number of 749,490,636 ordinary shares 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 owners of the Company from the continuing operations of approximately HK$18,671,000 and an unaudited net profit from a discontinued operation of approximately HK$780,000 and the weighted average number of 689,452,281 ordinary shares in issue during the period.

The loss per share for the three-months period and nine-months period ended 30 September 2012 had been restated to take into account the effect of reclassification of profit or loss from continuing operations and discontinued operation for the relevant periods.

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 ended and the nine months ended 30 September 2013 and 2012 as there were no dilutive elements for the 2013 period and the impact of the share options outstanding during the 2012 period had no diluting effect on the basic loss per share amounts presented.

9. 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, being calculated as follows:

	Nine months ended 30 September 2013 (Unaudited) HK$'000
Net assets disposed of:	
Goodwill	**19,000**
Property, plant and equipment	**3,415**
Inventories	**46**
Amounts due from contract customers	**5,072**
Trade receivables	**123**
Prepayments, deposits and other receivables	**12,300**
Cash and bank balances	**67,564**
Amounts due to contract customers	**(12,488)**
Trade payables	**(515)**
Other payables and accruals	**(13,142)**
Tax payables	**(2,787)**
Non-controlling interests	**(19,068)**
	59,520
Exchange fluctuation reserve realised	**(7,494)**
Gain on disposal of interest in a subsidiary	**10,214**
	62,240
Satisfied by cash	**62,240**

An analysis of the cash flows in respect of the disposal of subsidiaries is as follows:

	Nine months ended 30 September 2013 (Unaudited) HK$'000
Cash and bank balances disposed of	**(67,564)**
Cash consideration	**62,240**
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(5,324)**

The results of the discontinued operation dealt with in the condensed consolidated financial statements for the nine months ended 30 September 2013 and 2012 are summarised as follows:

	Nine months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue	**1,013**	30,645
Cost of goods sold	**(728)**	(18,886)
Gross profit	**285**	11,759
Other income	**8**	2,964
Selling and distribution expenses	**(432)**	(4,752)
Administrative expenses	**(502)**	(8,553)
(Loss)/profit before tax	**(641)**	1,418
Income tax expenses	**–**	(271)
(Loss)/profit for the period from a discontinued operation	**(641)**	1,147

10. Dividend

The Board does not recommend the payment of an interim dividend for the nine months period ended 30 September 2013 (2012: Nil).

11. 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	–	–	–	–	–	–	(17,891)	(17,891)	1,418	(16,473)
Other comprehensive (loss)/profit										
– Exchange differences on translation of foreign operations	–	–	–	–	(2,294)	–	–	(2,294)	61	(2,233)
Total comprehensive (loss)/income 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
At 1 January 2013	89,849	1,204,135	–	8,329	22,244	12,569	(1,202,651)	134,475	18,326	152,801
Loss for the period	–	–	–	–	–	–	(8,786)	(8,786)	(239)	(9,025)
Other comprehensive profit/(loss)										
– Exchange differences on translation of foreign operations	–	–	–	–	1,690	–	–	1,690	82	1,772
– Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries	–	–	–	–	(7,494)	–	–	(7,494)	–	(7,494)
Total comprehensive loss for the period	–	–	–	–	(5,804)	–	(8,786)	(14,590)	(157)	(14,747)
Disposal of subsidiaries	–	–	–	–	–	(5,782)	5,782	–	(19,068)	(19,068)
At 30 September 2013	**89,849**	**1,204,135**	**–**	**8,329**	**16,440**	**6,787**	**(1,205,655)**	**119,885**	**(899)**	**118,986**

GENERAL INFORMATION

Directors' service contracts

At 30 September 2013, 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 2013.

Directors' interests and short positions in shares and underlying shares

At 30 September 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 share options of the Company:

Nil

Save as disclosed above, as at 30 September 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 nine months ended 30 September 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 30 September 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	189,551,344	21.10%
Beijing Enterprises Holdings Limited	*(b)*	Through controlled corporations	189,551,344	21.10%
Bejing Enterprises Investments Limited	*(c)*	Through controlled corporations	189,551,344	21.10%
Beijing Enterprises Group Company Limited	*(d)*	Through controlled corporations	189,551,344	21.10%
Prime Technology Group Limited		Directly beneficially owned	167,754,607	18.67%
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	*(e)*	Through controlled corporations	74,856,000	8.33%
Novel Rainbow Limited		Directly beneficially owned	54,040,000	6.01%
Mr. Wei Gao	*(f)*	Through controlled corporations	54,040,000	6.01%

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) Bejing Enterprises Investments Limited was deemed to be interested in the 189,551,344 shares by virtue of its controlling interests, together with Beijing Enterprises Group Company Limited, in Beijing Enterprises Holdings Limited.

(d) 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.

(e) 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.

(f) Mr. Wei Gao was deemed to be interested in the 54,040,000 shares by virtue of his controlling interests in Novel Rainbow Limited.

Save as disclosed above, as at 30 September 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 nine months ended 30 September 2013, 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 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 nine months ended 30 September 2013, the Company has complied with the 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 nine months ended 30 September 2013.

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 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

The Company established a nomination committee with written terms of reference in compliance with Code Provisions A.5.1 to A.5.5 of Appendix 15 of the GEM Listing Rules.

The 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 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.