



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 2014

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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. Tse Chi Wai

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Mr. Chen Zhongfa

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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
Mr. Chen Zhongfa

AUDIT COMMITTEE

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

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SUMMARY

- Turnover from continuing operations for the nine months ended 30 September 2014 was HK\$11,123,000, representing an increase of 16.3% from the corresponding period in last year (2013: HK\$9,565,000).
- Loss attributable to owners of the Company from continuing operations for the nine months ended 30 September 2014 amounted to HK\$12,326,000 (2013: HK\$11,734,000).
- Loss per share attributable to owners of the Company from continuing operations for the nine months ended 30 September 2014 was HK0.53 cents (2013: HK1.00 cents).
- The Board of Director (the “Board”) does not recommend the payment of an interim dividend for the nine months ended 30 September 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In January 2014, pursuant to an ordinary resolution passed at the related extraordinary general meeting, the authorised share capital of the Company was increased from HK\$100 million to HK\$400 million by creation of an additional 3,000 million new shares of HK\$0.10 each.

In March 2014, the Company issued 1,796,981,272 offer shares of HK\$0.11 each by way of an open offer on the basis of two offer shares for every one share held on the record date and raised net proceeds of approximately HK\$193 million. The open offer was completed on 6 March 2014. More details on the open offer had been disclosed in the relevant circular of the Company dated 10 January 2014 and the prospectus of the Company dated 13 February 2014.

In April 2014, the Company completed the acquisition of 21.45% partnership interest in Shanghai Rui Hung Jiu Fang Investment Partnership Enterprise (“Jiu Fang”). More details on the transaction had been disclosed in the relevant announcements of the Company dated 6 September 2013, 30 December 2013, 28 March 2014 and 16 April 2014 respectively.

In May 2014, the Company and Favour Time Investments Limited entered into an agreement pursuant to which the Company acquired 60% of the equity interest in China Luck International Limited (“China Luck”) and took over US\$1.2 million (equivalent to approximately HK\$9,336,000) loan to China Luck from the vendor, for the consideration of approximately US\$1.25 million (equivalent to approximately HK\$9,711,000). Immediately after completion of the transaction, the Company owns 100% of the equity interest in China Luck. China Luck holds 7.254% equity interest in Sterile Doctor LLC, which has an exclusive right to manufacture and sell Sterile Doctor™ sterilization products. More details on the transaction had been disclosed in the relevant announcements of the Company dated 28 May 2014 and 29 May 2014.

In June 2014, the Company, Bloom Faith Holdings Limited and Shenzhen Qian Ti Investment Limited entered into an agreement, pursuant to which the Company had conditionally agreed to purchase a further 24% of the partnership interest in Jiu Fang, for the consideration of RMB28 million (equivalent to approximately HK\$34,796,000). The transaction was approved by the shareholders at the related extraordinary meeting dated 19 September 2014. The Company is waiting for all the specified conditions precedent to be fulfilled to complete the transaction. More details on the proposed acquisition had been disclosed in the relevant announcement of the Company dated 6 June 2014 and the circular dated 29 August 2014.

In June 2014, the Company acquired certain bonds with a total nominal value of USD4,000,000 at a total consideration of USD4,116,000 (equivalent to approximately HKD31,040,000 and HK\$31,940,160 respectively). All those bonds will mature in 2019. The coupon rates range from 3.125% to 5.25% 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 16 June 2014.

In July 2014, the Company entered into an agreement with Beijing Group Information Limited pursuant to which the Company had conditionally agreed to dispose its holding of the entire equity interest in Wisdom Elite Holdings Limited (“Wisdom Elite”) at a consideration of RMB72 million (equivalent to approximately HK\$89.37 million). The disposal was completed on 29 September 2014. More details on the disposal had been disclosed in the relevant announcements of the Company dated 10 July 2014 and 30 September 2014, and the circular dated 28 August 2014.

Other than the above, during the period under review, revenue from provision of information technology related services in the People’s Republic of China (the “PRC”) remained as staple income of the Group.

Outlook and Prospect

Subsequent to the disposal of Wisdom Elite, the Group will focus more on development of the Pantosoft operation, and to broaden the scope of investment in the IT field as planned.

As discussed in the prospectus for the Open Offer dated 13 February 2014, among other matters, the Company intended to apply approximately HK\$181 million on investments in certain IT projects in 2014, namely:–

- (1) City emergency management (“CEM”) system in the areas of automated air and water pollution level monitoring;
- (2) Automated control and monitoring system for new steel refining technology (“ACM”);
- (3) Medical related information technology system (“MRS”); and
- (4) Other medium to small size projects of electronic business platforms.

The CEM project did not proceed. The Company is monitoring the progress of ACM and MRS projects and will move forward with the investments when those projects are proven to be commercially viable. The two projects together calls for investment of HK\$69 million. The Company will apply the remaining funds in the area of electronic business platform investments and the Group's general working capital. All the unutilized balances are placed in licensed banks in Hong Kong or acquired interest-bearing bonds to generate interest income.

The Group received net proceeds of approximately HK\$85 million from the disposal of Wisdom Elite. The Company will apply those funds to acquire projects with good potential in e-education administration, other IT areas and other new technology applications, and to provide general working capital to the Group.

The Group looks forward to expand its operation scale with those funds and to derive profits there from in future.

Employees

The total number of full-time employees hired by the Group maintained at 117 as of 30 September 2014 (2013: 254 employees, out of which 144 was related to Wisdom Elite and its subsidiary). Total expenses on employee remuneration packages amounted to approximately HK\$11,122,000 for the nine months ended 30 September 2014 (2013: HK\$19,626,000). The decrease in both head counts and staff costs were mainly attribute to the Group ceased to consolidate the Wisdom Elite since the end of September 2014. The management believes the remuneration packages offered by the Group to its employees are competitive.

Headcount of the Group as of 30 September 2014 decreased to 117 from 254 as of 30 September 2013 mainly as a result of (i) de-consolidation of Wisdom Elite, which carried a staff of 127 immediately before the disposal of Wisdom Elite; and (ii) an increase of 7 staff by Pantosoftware during the period.

Financial review

For the nine months ended 30 September 2014, the Group recorded a revenue from continuing operations of HK\$11,123,000, an increase of 16.3% from HK\$9,565,000 in the corresponding period in last year. The increase in revenue as compared to the same period of the year 2013 was mainly due to the increased sales of e-educational administration business applications in this period.

The Group had a total cost of sales and services from continuing operations of HK\$9,961,000 for the first three quarters of the year 2014, an increase of 27.2% compared with HK\$7,829,000 in the same period of year 2013. The increase was a result of increased research and development expenses charged to cost of sales in 2014.

The gross profit of the Group from continuing operations for the first three quarters of year 2014 was HK\$1,162,000, representing a decrease of HK\$574,000 compared with HK\$1,736,000 in corresponding period of last year. The gross profit margin from continuing operations decreased to 10.4% for the first three quarters of year 2014 from 18.1% in corresponding period of last year. The decrease was mainly attributable to increase in cost of sales explained in the above.

During the nine months ended 30 September 2014, the Group generated other income and gains from continuing operations of HK\$4,831,000 (2013: HK\$883,000) which comprised: (i) bank interest income amounted to HK\$16,000 (2013: HK\$19,000); (ii) investment income from held-to-maturity investments and financial assets at fair value through profit or loss amounted to HK\$1,362,000 (2013: HK\$539,000); (iii) reversal of impairment provision on other receivables amounted to HK\$2,967,000 (2013: Nil); and (iv) other income amounted to HK\$486,000 (2013: HK\$325,000).

The Group's selling and distribution expenses from continuing operations for the first three quarters of year 2014 were HK\$3,354,000, an increase of 34.6% compared with HK\$2,492,000 in the corresponding period in 2013. The increase was mainly due to increased staff cost and increase in expenses spent to explore new markets.

Administrative expenses from continuing operations for the period were HK\$13,454,000, an increase of 32% as compared to HK\$10,195,000 for the corresponding period last year. The increase was mainly attributable to increase in staff cost and other expenses of Pantosoft as the Group had been scaling up the Pantosoft operation.

Finance costs of the Group for the first three quarters of year 2014 were HK\$374,000, a decrease of 48.8% comparing to HK\$730,000 for the corresponding period in 2013. All the finance costs were attributed to loan interest incurred by China Luck in 2014. The loan was fully repaid in June 2014. All the finance costs were attributed to the long term loan interest for 2013. The long term loan was fully repaid in May 2013.

The Group's loss from continuing operations attributable to owners of the Company was HK\$12,326,000 for the nine months ended 30 September 2014 (2013: HK\$11,734,000).

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 2014, together with the unaudited comparative figures for the corresponding periods of the year 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (restated)	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (restated)
CONTINUING OPERATIONS					
Revenue	5	4,067	3,544	11,123	9,565
Cost of sales and services		(3,808)	(3,484)	(9,961)	(7,829)
Gross profit		259	60	1,162	1,736
Other income and gains, net	5	3,653	532	4,831	883
Selling and distribution expenses		(1,743)	(1,089)	(3,354)	(2,492)
Administrative expenses		(5,077)	(3,023)	(13,454)	(10,195)
Other expenses		(771)	–	(847)	–
Fair value (loss)/profit on financial assets at fair value through profit or loss		(394)	454	(328)	(970)
Finance costs	6	–	–	(374)	(730)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS					
	7	(4,073)	(3,066)	(12,364)	(11,768)
Income tax expenses	8	–	–	–	–
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS					
		(4,073)	(3,066)	(12,364)	(11,768)
DISCONTINUED OPERATION					
Profit/(loss) for the period from a discontinued operation	10	18,013	(4,216)	12,975	2,743
PROFIT/(LOSS) FOR THE PERIOD					
		13,940	(7,282)	611	(9,025)

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(restated)		(restated)
ATTRIBUTABLE TO:				
Owners of the Company				
Loss from continuing operations	(4,061)	(3,060)	(12,326)	(11,734)
Profit/(loss) from a discontinued operation	18,013	(4,216)	12,975	2,948
	13,952	(7,276)	649	(8,786)
Non-controlling interests				
Loss from continuing operations	(12)	(6)	(38)	(34)
Loss from a discontinued operation	-	-	-	(205)
	(12)	(6)	(38)	(239)
EARNING/(LOSS) PER SHARE				
ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Basic (HK cents)		9		
- For profit/(loss) for the period	0.52	(0.62)	0.03	(0.75)
- Loss from continuing operations	(0.15)	(0.26)	(0.53)	(1.00)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	13,940	(7,282)	611	(9,025)
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF INCOME TAX				
– Exchange differences on translation of foreign operations	628	360	45	1,772
– Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries	(13,624)	–	(13,624)	(7,494)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD	944	(6,922)	(12,968)	(14,747)
Attributable to:				
Owners of the Company	957	(6,915)	(12,930)	(14,590)
Non-controlling interests	(13)	(7)	(38)	(157)
	944	(6,922)	(12,968)	(14,747)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

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 2013 except as stated below:

2. Accounting policy for joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group’s share of the net fair value of the joint venture’s identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3. 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 2014. 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 period.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. 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 2014 and 2013. 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		Software development and system integration		Technical support and maintenance services		Total		
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Segment revenue:													
Sales to external customers	10,993	9,400	130	165	-	-	2,240	3,823	23,278	12,506	25,518	16,329	36,641
Other income and gains, net	251	-	-	-	-	-	-	-	-	-	-	-	251
	11,244	9,400	130	165	-	-	2,240	3,823	23,278	12,506	25,518	16,329	36,892
Reconciliation:													
Bank interest income	-	-	-	-	16	19	-	-	-	-	-	-	-
Investment income from held-to-maturity investment	-	-	-	-	274	539	-	-	-	-	-	-	274
Investment income from financial assets at fair value through profit or loss	-	-	-	-	1,088	-	-	-	-	-	-	-	1,088
Reversal of impairment on other receivables	-	-	-	-	2,967	-	-	-	-	-	-	-	2,967
Unallocated gains	-	-	-	-	235	325	-	-	-	-	-	-	235
Revenue, other income and gains, net	(7,538)	(3,137)	(83)	(65)	(79)	(65)	283	(2,063)	2,938	(6,749)	3,221	(8,812)	(4,485)
Segment loss													
Reconciliation:													
Bank interest income	-	-	-	-	16	19	-	-	-	-	-	-	-
Investment income from held-to-maturity investments	-	-	-	-	274	539	-	-	-	-	-	-	274
Investment income from financial assets at fair value through profit or loss	-	-	-	-	1,088	-	-	-	-	-	-	-	1,088
Reversal of impairment on other receivables	-	-	-	-	2,967	-	-	-	-	-	-	-	2,967
Unallocated gains	-	-	-	-	235	325	-	-	-	-	-	-	235
Gain on disposal of subsidiaries	-	-	-	-	(8,538)	(7,694)	-	-	-	-	-	(4)	(8,540)
Corporate and other unallocated expenses	-	-	-	-	(328)	(970)	-	-	-	-	-	-	(328)
Fair value profit/(loss) on financial assets at fair value through profit or loss	-	-	-	-	(374)	(730)	-	-	-	-	-	-	(374)
Finance costs	-	-	-	-	(12,364)	(11,769)	-	-	-	-	-	-	(328)
Profit/(Loss) before tax	-	-	-	-	(12,364)	(11,769)	-	-	-	-	-	-	(328)
Income tax expenses	-	-	-	-	(656)	(656)	-	-	-	-	-	-	(656)
Profit/(loss) for the period	-	-	-	-	(12,364)	(11,769)	-	-	-	-	-	-	(656)
					12,975	2,413							611
					12,975	2,413							611

5. 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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue				
Provision of software development and system integration services	4,036	3,508	10,993	9,400
Provision of technical support and maintenance services	31	36	130	165
	4,067	3,544	11,123	9,565
Other income and gains, net				
Bank interest income	4	9	16	19
Investment income from held-to-maturity investments	-	524	274	539
Investment income from financial assets at fair value through profit or loss	602	(73)	1,088	-
Reversal of impairment on other receivables	2,967	-	2,967	-
Others	80	72	486	325
	3,653	532	4,831	883

6. Finance costs

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Other loan interest	-	-	374	-
Interest on long term loans	-	-	-	730
	-	-	374	730

7. Loss before tax from continuing operations

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Amortisation of other				
intangible assets	40	40	121	121
Depreciation	43	186	556	589
Director's remuneration	550	525	1,883	1,575

8. Income tax expenses

No provision for Hong Kong Profits Tax was made for the nine months ended 30 September 2014 as the Group did not generate any assessable profits arising in Hong Kong during the period (2013: Nil).

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current – Hong Kong	–	–	–	–
Current – PRC	656	–	656	–
Total tax expenses for the period	656	–	656	–
Representing:				
Continuing operations:	–	–	–	–
Discontinued operation (Note 10(c))	656	–	656	–
	656	–	656	–

9. Profit/(loss) per share for the period/profit (loss) per share from continuing operations attributable to owners of the Company

The calculation of the basic profit and the loss from continuing operations per share attributable to the owners of the Company is based on the profit/(loss) attributable to owners of the Company of HK\$12,326,000 for the nine months ended 30 September 2014 (2013: HK\$11,734,000) and the weighted average number of 2,333,442,714 (2013: 1,174,949,293) ordinary shares (adjusted for the effects of the issue of shares upon open offer) of the Company in issue during the period.

(a) Profit/(loss) attributable to the owners of the Company:

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
From continuing operations	(4,061)	(3,060)	(12,326)	(11,734)
From discontinued operation	18,013	(4,216)	12,975	2,948
Profit/(loss) for the purpose of basic and diluted profit/(loss) per share	13,952	(7,276)	649	(8,786)

(b) Weighted average number of ordinary shares:

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Total number of ordinary shares in issue at the end of the period	2,695,471,908	898,490,636	2,695,471,908	898,490,636
Weighted average number of ordinary shares in issue during the period	2,695,471,908	1,174,949,293	2,333,442,714	1,174,949,293

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

10. Discontinued operation

(a) *Disposal of Wisdom Elite in 2014*

On 10 July 2014, the Company entered into a sale and purchase agreement, (the "Disposal") with Beijing Enterprises Group Information Limited (BEGIL), pursuant to which the Company conditionally agreed to dispose, and BEGIL conditionally agreed to acquire the 100% issued share capital of Wisdom Elite at a consideration of RMB72 million (equivalent to HK\$89.37 million). BEGIL 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 19 September 2014, the Disposal, as an ordinary resolution, was approved by the independent shareholders in an extraordinary general meeting.

Wisdom Elite is an investment holding company which holds the entire registered capital of Beijing Enterprises VST Software Technology Co., Limited ("VST"). VST is engaged in the development, operation and maintenance of e-government systems of 北京市人力資源和社會保障局 (Beijing Human Resources and Social Security Bureau) and 北京市國土資源局 (Beijing Municipal Bureau of Land and Resources).

The Disposal was completed on 29 September 2014. Upon completion of the Disposal, Wisdom Elite and VST ceased to be subsidiaries of the Company and their results, assets and liabilities and cash flows ceased to be consolidated to that of the Group since then. A gain on disposal of Wisdom Elite of HK\$8,402,000 was recognised upon the completion, being calculated as follows:

**Nine months ended
30 September 2014
(Unaudited)
HK\$'000**

Net assets disposed of:	
Goodwill	12,000
Property, plant and equipment	1,127
Inventories	37
Amounts due from contract customers	3,129
Amounts due from the Group	6,687
Trade receivables	811
Prepayments, deposits and other receivables	971
Held-to-maturity investment	63,084
Cash and bank balances	14,095
Amounts due to contract customers	(4,018)
Trade payables	(417)
Other payables and accruals	(2,059)
Tax payables	(1,052)
	94,395
Exchange fluctuation reserve realised	(13,624)
Gain on disposal of interest in a subsidiary	8,402
Direct cost to the disposal	197
	89,370
Total consideration	
	89,370
Total consideration satisfied by:	
Cash	85,650
Waiver of loan balances	3,720
	89,370

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

**Nine months ended
30 September 2014
(Unaudited)
HK\$'000**

Cash and bank balances disposed of	(14,095)
Cash consideration	85,650
	71,555
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	
	71,555

(b) Disposal of Astoria in 2013

On 15 November 2012, the Company entered into a sale and purchase agreement, (the "Astoria 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 Innovations Limited ("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 Astoria Disposal was subject to the independent shareholders' approval requirement. On 11 January 2013, the Astoria 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 Beijing Enterprises Sanxing Information Technology Co., Limited ("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 Astoria Disposal was completed on 4 February 2013. Upon completion of the Astoria 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 that of 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)
	<u>59,520</u>

Exchange fluctuation reserve realised	(7,494)
Gain on disposal of interest in a subsidiary	10,214
	<u>2,720</u>

62,240

Satisfied by cash	<u>62,240</u>
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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
	<u>(5,324)</u>

Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>(5,324)</u>
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- (c) The results of the discontinued operation dealt with in the condensed consolidated financial statements for the nine months ended 30 September 2014 and 2013 are summarised as follows:

	Nine months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue	25,518	16,329
Cost of goods sold	(11,257)	(12,322)
Gross profit	14,261	4,007
Other income	2,012	1,349
Selling and distribution expenses	(2,471)	(3,078)
Administrative expenses	(8,573)	(9,711)
Other expenses	–	(38)
Profit/(loss) before tax	5,229	(7,471)
Income tax expenses	(656)	–
Profit/(loss) for the period	4,573	(7,471)
Gain on disposal of a subsidiary, net of income tax	8,402	10,214
Profit for the period from a discontinued operation	12,975	2,743

11. Dividend

The Board does not recommend the payment of an interim dividend for the nine months period ended 30 September 2014 (2013: Nil).

12. Reserves

Attributable to Owners of the Company									
	Share capital (Unaudited) HK\$'000	Share premium account (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 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

Attributable to owners of the Company									
	Share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	(Accumulated losses)/ Retained earnings (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2014	89,849	1,204,135	-	17,373	7,826	(1,198,645)	120,538	(976)	119,562
Profit/(loss) for the period	-	-	-	-	-	649	649	(38)	611
Other comprehensive (loss)/ income									
- Exchange differences on translation of foreign operations	-	-	-	45	-	-	45	-	45
- Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries	-	-	-	(13,624)	-	-	(13,624)	-	(13,624)
Total comprehensive loss for the period	-	-	-	(13,579)	-	649	(12,930)	(38)	(12,968)
Issue of new shares	179,698	17,970	-	-	-	-	197,668	-	197,668
Transaction costs attributable to issue of new shares	-	(2,562)	-	-	-	-	(2,562)	-	(2,562)
Share premium reduction (note i)	-	(1,193,300)	-	-	-	1,193,300	-	-	-
Disposal of subsidiaries	-	-	-	-	(6,936)	6,936	-	-	-
At 30 September 2014	269,547	26,243	-	3,794	890	2,240	302,714	(1,014)	301,700

Note:

- (i) Pursuant to a special resolution passed by the shareholders at the Company's annual general meeting on 27 June 2014, it was agreed that both the share premium account and the accumulated losses account be reduced by the same amount of HK\$1,193.3 million.

GENERAL INFORMATION

Directors' service contracts

At 30 September 2014, 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 2014.

Directors' interests and short positions in shares and underlying shares

At 30 September 2014, 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 2014, 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 2014 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 2014, 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	<i>Notes</i>	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Novel Rainbow Limited		Directly beneficially owned	1,037,067,449	38.47%
Mr. Wei Gao	(a)	Through controlled corporations	1,037,067,449	38.47%
Farco Holdings Limited		Directly beneficially owned	264,551,344	9.81%
Mr. Dong Yu	(b)	Through controlled corporations	264,551,344	9.81%

Notes:

- (a) Mr. Wei Gao was deemed to be interested in the 1,037,067,449 shares by virtue of his controlling interests in Novel Rainbow Limited.
- (b) Mr. Dong Yu was deemed to be interested in the 264,551,344 shares by virtue of his controlling interests in Farco Holdings Limited.

Save as disclosed above, as at 30 September 2014, 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 2014, 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 2014, 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 2014.

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 2014 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 2014

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.