



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 2015

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

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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
Ms. Wu Jingjing
Mr. Wong Kui Shing, Danny
Mr. Wong Chi Yung
Mr. Takashi Togo

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Hing Man
Mr. May Tai Keung, Nicholas
Dr. Chen Shengrong

COMPANY SECRETARY

Mr. Tse Chi Wai

COMPLIANCE OFFICER

Mr. Tse Chi Wai

AUTHORISED REPRESENTATIVES

Mr. Hu Zhuoer
Mr. Tse Chi Wai

NOMINATION COMMITTEE

Mr. Hung Hing Man (*Chairman*)
Mr. May Tai Keung, Nicholas
Dr. Chen Shengrong

REMUNERATION COMMITTEE

Mr. May Tai Keung, Nicholas (*Chairman*)
Mr. Hung Hing Man
Dr. Chen Shengrong

AUDIT COMMITTEE

Mr. Hung Hing Man (*Chairman*)
Mr. May Tai Keung, Nicholas
Dr. Chen Shengrong

AUDITOR

ZHONGHUI ANDA CPA Limited

LEGAL ADVISOR

Conyers Dill & Pearman

PRINCIPAL BANKERS

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

In February 2015, the Company disposed of all its bonds investment in the principal amount of USD6,400,000 (equivalent to approximately HK\$49,623,000) through the open market at a total consideration of approximately USD6,499,000 (equivalent to approximately HK\$50,391,000). The bonds disposal provided the Group with a good opportunity to realise the bonds investment with a positive investment return and to minimize its exposure to the impacts of financial market turbulence. More details on bonds disposal had been disclosed in the relevant announcement of the Company dated 4 February 2015.

In April 2015, the Company and Mr. Cheng Shing Tak entered into an agreement, pursuant to which the Company had conditionally agreed to acquire 40% interest in Faithful Asia Group Limited at the consideration of HK\$80,000,000. Faithful Asia Group Limited primarily focuses on business intelligence, big data, facilities management, financial technology solutions consulting and implementation. It is also engaged in IT outsourcing and secondment assignments on business intelligence, IT cloud infrastructure, networking, application programming, mobile solution and technical support services. More details on the acquisition had been disclosed in the relevant announcement of the Company dated 20 April 2015.

In May 2015, the Company and IWT Group Limited entered into an agreement, pursuant to which the Company had conditionally agreed to acquire 25% interest in Wise Visual Holdings Limited at the consideration of HK\$80,000,000. Wise Visual Holdings Limited primarily focuses on solutions in big data and analytics for business intelligence and carrying on the principal business of developing and providing intelligent video recording surveillance system for security, safety alarm such as fire detection, business intelligence and process improvement. More details on the acquisition had been disclosed in the relevant announcement of the Company dated 7 May 2015.

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

Outlook and Prospect

Subsequent to the disposal of Wisdom Elite Holdings Limited ("Wisdom Elite") in 2014, the Group will focus more on development of the Pantosoft's 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. Alternatively, the Company had made a HK\$80 million investment on 7 May 2015 to acquire 25% equity interest in Wise Visual Holdings Limited, a company that focus on solutions in big data and analytics for business intelligence and carrying on the principal business of developing and providing intelligent video recording surveillance system for security, safety alarm such as fire detection, business intelligence and process improvement.

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 approximately 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. As at the date of this report, all the unutilized balances are placed in licensed banks in Hong Kong.

The Group received net proceeds of approximately HK\$85 million from the disposal of Wisdom Elite. It is the Company’s intention to 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. In April 2015, the Company had applied HK\$80 million to acquire 40% equity interest in Faithful Asia Group Limited, which is a comprehensive IT service provider.

The Group looks forward to expand its operation scale with plans as discussed in the above and to derive profits there from in future.

Employees

The total number of full-time employees hired by the Group maintained at 152 as of 31 March 2015. (2014: 236 employees, out of which 127 was related to Wisdom Elite and its subsidiary). Total expenses on employee benefits amounted to HK\$5,555,000 for the three months ended 31 March 2015 (2014: HK\$8,796,000, out of which HK\$5,109,000 was related to Wisdom Elite and its subsidiary). The increase in both headcounts and staff costs, excluding the effect of deconsolidation of Wisdom Elite and hence VST since the end of September 2014, was made in order to expand the operation of Pantosoft to better prepare if for the future. The management believes the salaries offered by the Group to its employees are competitive.

Financial review

For the three months ended 31 March 2015, the Group recorded a revenue from continuing operations of HK\$6,479,000, an increase of 97.5% from HK\$3,280,000 in the corresponding period last year. The increase in revenue as compared to the same period of the year 2014 was mainly due to the increased sales of e-education related software in the current period.

The Group had a total cost of sales and services from continuing operations of HK\$4,849,000 for the first quarter of year 2015, an increase of 88.3% compared with HK\$2,575,000 in the same period of year 2014. The increase was a direct result of the increase in revenue.

The gross profit from continuing operations of the Group for the first quarter of year 2015 was HK\$1,630,000, representing an increase of HK\$925,000 compared with HK\$705,000 in corresponding period of last year. The gross profit margin from continuing operations slightly increased from 21.5% for the first quarter of 2014 to 25.2% for the first quarter of year 2015.

During the three months ended 31 March 2015, the Group generated other income and gains from continuing operations of HK\$930,000 (2014: HK\$482,000) which comprised: (i) bank interest income amounted to HK\$8,000 (2014: HK\$8,000); (ii) investment income from held-to-maturity investments and financial assets at fair value through profit or loss investments amounted to HK\$246,000 (2014: HK\$263,000); (iii) government grants amounted to HK\$399,000 (2014: HK\$137,000); and (iv) other income amounted to HK\$277,000 (2014: HK\$74,000).

The Group's selling and distribution expenses from continuing operations for the first quarter of year 2015 was HK\$2,602,000, which increased by 188.8% compared with HK\$901,000 in the corresponding period of year 2014. The increase represented efforts spent to promote Pantosoft's products.

Administrative expenses from continuing operations for the period were HK\$4,500,000, representing a slight increase of 2.3% as compared to HK\$4,399,000 for the corresponding period last year as a result of general increase in cost.

The Group recorded a loss attributable to owners of the Company of HK\$4,242,000 for the three months ended 31 March 2015 (2014: HK\$7,332,000).

By Order of the Board
China Information Technology Development Limited
Hu Zhuoer
Executive Director and Chief Executive Officer

Hong Kong, 12 May 2015

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 2015, together with the unaudited comparative figures for the corresponding period of year 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Three months ended	
		2015	2014
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
			(re-stated)
CONTINUING OPERATIONS			
Revenue	3	6,479	3,280
Cost of sales and services		(4,849)	(2,575)
Gross profit		1,630	705
Other income and gains	3	930	482
Selling and distribution expenses		(2,602)	(901)
Administrative expenses		(4,500)	(4,399)
Other expenses		(269)	–
Fair value gain on financial assets at fair value through profit or loss		358	195
Finance costs	4	(13)	–
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	5	(4,466)	(3,918)
Income tax expenses	6	–	–
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(4,466)	(3,918)
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	7	–	(3,524)
LOSS FOR THE PERIOD		(4,466)	(7,442)

		Three months ended	
		31 March	
		2015	2014
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	HK\$'000
			(re-stated)
Attributable to:			
Owners of the Company			
	Loss from continuing operations	(4,242)	(3,808)
	Loss from a discontinued operation	–	(3,524)
		(4,242)	(7,332)
Non-controlling interests			
	Loss from continuing operations	(224)	(110)
	Loss from a discontinued operation	–	–
		(224)	(110)
LOSS PER SHARE ATTRIBUTABLE TO			
OWNERS OF THE COMPANY			
	Basic and diluted		
	– For loss for the period	HK0.16 cents	HK0.46 cents
	– For loss from continuing operations for the period	HK0.16 cents	HK0.24 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(4,466)	(7,442)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX EXPENSES		
Exchange differences on translation of foreign operations	22	(581)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(4,444)	(8,023)
Attributable to:		
Owners of the Company	(4,220)	(7,913)
Non-controlling interests	(224)	(110)
	(4,444)	(8,023)

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 2014.

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 2015. 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 loss for the Group’s business segments for the three months ended 31 March 2015 and 2014. 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			In-house developed products			Software development and system integration			Technical support and maintenance services							
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000				
Segment revenue:																	
Sales to external customers	6,479	3,188	-	82	-	-	6,479	3,280	-	263	-	1,684	-	1,957	6,479	5,237	
Other income and gains	639	137	-	-	-	-	639	137	-	-	-	-	-	-	639	137	
	7,118	3,325	-	82	-	-	7,118	3,417	-	263	-	1,684	-	1,957	7,118	5,374	
Reconciliation:																	
Bank interest income							8	8						135	8	143	
Investment income from held-to-maturity investments							-	45						-	-	45	
Investment income from financial assets at fair value through profit or loss							246	218						-	246	218	
Unallocated gains							37	74						-	37	74	
Corporate and other unallocated expenses							(2,973)	(3,232)						-	(2,973)	(3,232)	
Fair value gain on financial assets at fair value through profit or loss							358	195						-	358	195	
Loss before tax							(4,466)	(3,918)						(3,524)	(4,466)	(7,442)	
Income tax expenses							-	-						-	-	-	
Loss for the period							(4,466)	(3,918)						(3,524)	(4,466)	(7,442)	

3. Revenue, other income and gains

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; and (3) an appropriate proportion of contract revenue from the provision of the technical support and maintenance services, net of business tax and government surcharges.

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

	Three months ended 31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Provision of software development and system integration services	6,479	3,198
Provision of technical support and maintenance services	–	82
	6,479	3,280

	Three months ended 31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income and gains		
Bank interest income	8	8
Investment income from held-to-maturity investments	–	45
Investment income from financial assets at fair value through profit or loss	246	218
Government grants	399	137
Others	277	74
	930	482

4. Finance costs

	Three months ended 31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on finance lease	(13)	–

5. Loss before tax from continuing operations

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

	Three months ended 31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	204	189
Amortisation of other intangible assets	56	40

6. Income tax expenses

No provision for Hong Kong Profits Tax has been made for the three months ended 31 March 2015 as the Group did not generate any assessable profits arising in Hong Kong during the period (2014: Nil).

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 15% to 25% for both periods. No provision for PRC corporate income tax has been made for the three months ended 31 March 2015 as the company's subsidiaries in PRC incurred tax losses during the period (2014: nil).

	Three months ended	
	31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong	–	–
Current – PRC	–	–
Total tax charge for the period	–	–

7. DISCONTINUED OPERATION

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.

The results of the discontinued operation dealt with in the condensed consolidated financial statements for the three months ended 31 March 2015 and 2014 are summarised as follows:

	Three months ended	
	31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue	-	1,957
Cost of goods sold	-	(1,771)
Gross profit	-	186
Other income	-	135
Selling and distribution expenses	-	(1,239)
Administrative expenses	-	(2,606)
Other expenses	-	-
Loss before tax	-	(3,524)
Income tax expenses	-	-
Loss for the period from a discontinued operation	-	(3,524)

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

(a) Loss attributable to the owners of the Company:

	Three months ended	
	31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
From continuing operations	(4,242)	(3,808)
From a discontinued operation	–	(3,524)
Loss for the purpose of calculating basic and diluted loss per share	(4,242)	(7,332)

(b) Weighted average number of ordinary shares:

	Three months ended	
	31 March	
	2015	2014
	(Unaudited)	(Unaudited)
Total number of ordinary shares in issue at the end of the period	2,695,471,908	2,695,471,908
Weighted average number of ordinary shares in issue during the period	2,695,471,908	1,597,316,686

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 31 March 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

9. Dividend

The Board does not recommend the payment of an interim dividend for the three months period ended 31 March 2015 (2014: Nil).

10. Reserves

	Attributable to owners of the Company							
	Share capital	Share premium account	Foreign currency translation reserve	PRC reserve funds	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	89,849	1,204,135	17,373	7,826	(1,198,645)	120,538	(976)	119,562
Loss for the period	-	-	-	-	(7,332)	(7,332)	(110)	(7,442)
Other comprehensive income								
- Exchange differences on translation of foreign operations	-	-	(581)	-	-	(581)	-	(581)
Total comprehensive loss for the period	-	-	(581)	-	(7,332)	(7,913)	(110)	(8,023)
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)
At 31 March 2014	269,547	1,219,543	16,792	7,826	(1,205,977)	307,731	(1,086)	306,645
At 1 January 2015	269,547	26,243	3,128	844	4,276	304,038	(1,070)	302,968
Loss for the period	-	-	-	-	(4,242)	(4,242)	(224)	(4,466)
Other comprehensive income								
- Exchange differences on translation of foreign operations	-	-	22	-	-	22	-	22
Total comprehensive gain(loss) for the period	-	-	22	-	(4,242)	(4,220)	(224)	(4,444)
At 31 March 2015	269,547	26,243	3,150	844	34	299,818	(1,294)	298,524

GENERAL INFORMATION

Directors' service contracts

At 31 March 2015, 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 2015.

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

At 31 March 2015, 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 2015, 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 2015 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 2015, 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
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 31 March 2015, 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 2015, 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 2015, 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 2015.

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.

As at the date of this report, the audit committee comprises three members, including Mr. Hung Hing Man (audit committee chairman), Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong. All of them are Independent Non-executive Directors.

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2015 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 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. Hung Hing Man being the chairman and Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong 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.

As at the date of this report, members of the remuneration committee are Mr. May Tai Keung, Nicholas (remuneration committee chairman), Mr. Hung Hing Man and Dr. Chen Shengrong. 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, 12 May 2015

As at the date of this report, the Board comprises Mr. Hu Zhuoer (Chief Executive Officer), Mr. Tse Chi Wai, Ms. Wu Jingjing, Mr. Wong Kui Shing, Danny, Mr. Takashi Togo and Mr. Wong Chi Yung as Executive Directors; Mr. Hung Hing Man, Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong as Independent Non-executive Directors.