



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 2015

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

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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

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(Chairman and Chief Executive Officer)
Mr. Tse Chi Wai
Ms. Wu Jingjing
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. Wong Kui Shing, Danny
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

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PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
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GEM STOCK CODE

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SUMMARY

- Turnover from continuing operations for the nine months ended 30 September 2015 was HK\$15,255,000, representing an increase of 37.1% from the corresponding period in last year (2014: HK\$11,123,000).
- Loss attributable to owners of the Company from continuing operations for the nine months ended 30 September 2015 amounted to HK\$56,585,000 (2014: HK\$12,326,000).
- Loss per share attributable to owners of the Company from continuing operations for the nine months ended 30 September 2015 was HK1.93 cents (2014: HK0.53 cents).
- The Board of Director (the “Board”) does not recommend the payment of an interim dividend for the nine months ended 30 September 2015 (2014: Nil).

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.

In June 2015, the Company placed 539,088,000 new shares at HK\$0.188 per share to certain independent placees and fetched a net proceed of approximately HK\$98 million. The proceed will be used for developing potential new business should such opportunities arise and for general working capital of the Group.

In October 2015, the Company placed 646,800,000 new shares at HK\$0.10 per share to certain independent placees and fetched a net proceed of approximately HK\$62.8 million. The proceed will be used for developing potential new business should such opportunities arise and for general working capital of the Group.

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 Shanghai Pantosoft Company Limited operation, and to broaden the scope of investment in the IT field as planned.

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.

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.

Subsequent to the completion of placing projects in June and October this year, the Group has better equipped itself with more new funds for future investment in promising IT related projects and to help strengthen its working capital.

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 150 as of 30 September 2015 (2014: 117 employees). Total expenses on employee remuneration packages amounted to approximately HK\$18,490,000 for the nine months ended 30 September 2015 (2014: HK\$11,122,000). The increase in both head counts and staff costs was made in order to expand the operation of Pantosoft to better prepare it for the future. The management believes the remuneration packages offered by the Group to its employees are competitive.

Financial review

For the nine months ended 30 September 2015, the Group recorded a revenue from continuing operations of HK\$15,255,000, an increase of 37.1% from HK\$11,123,000 in the corresponding period in 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 this period.

The Group had a total cost of sales and services from continuing operations of HK\$11,206,000 for the first three quarters of the year 2015, an increase of 12.5% compared with HK\$9,961,000 in the same period of year 2014. The increase was not of the same magnitude as the increase in revenue discussed in the above as more research and development expenses, which are charged to cost of sales, were incurred in the same period for 2014 as compared to 2015.

The gross profit of the Group from continuing operations for the first three quarters of year 2015 was HK\$4,049,000, representing an increase of HK\$2,887,000 compared with HK\$1,162,000 in corresponding period of last year. The gross profit margin from continuing operations increased to 26.5% for the first three quarters of year 2015 from 10.4% in corresponding period of last year. The increase was mainly due to the e-campus software became matured and lesser research and development charges were required.

During the nine months ended 30 September 2015, the Group generated other income and gains from continuing operations of HK\$8,333,000 (2014: HK\$4,831,000) which comprised: (i) bank and loan receivables interest income amounted to HK\$231,000 (2014: HK\$16,000); (ii) bonus issue of shares from financial assets at fair value through profit or loss amounted to HK\$6,671,000 (2014: nil) (iii) investment income from held-to-maturity investments and financial assets at fair value through profit or loss amounted to HK\$246,000 (2014: HK\$1,362,000); and (iv) other miscellaneous income amounted to HK\$1,185,000 (2014: HK\$486,000).

The Group's selling and distribution expenses from continuing operations for the first three quarters of year 2015 amounted to HK\$9,012,000, an increase of 168.7% compared with HK\$3,354,000 in the corresponding period in 2014. The increase was mainly due to increased staff cost and increase in expenses incurred to explore new markets.

Administrative expenses from continuing operations for the period were HK\$15,085,000, an increase of 12.1% as compared to HK\$13,454,000 for the corresponding period last year. The increase was mainly attributable to increase in staff cost as more directors were employed.

The Group incurred other expenses amounted to HK\$33,699,000 for the first nine months ended 30 September 2015 as compared to HK\$847,000 for the same period of 2014. The increase was mainly attributed to (i) provision for impairment against the investment in Jiufang joint venture of HK\$16,000,000; (ii) provision for impairment against the investment in China Luck of HK\$3,232,000; (iii) provision for impairment against the investment in golf club memberships located in Beijing of HK\$2,191,000; and (iv) realized loss on disposal of investment securities amounted to HK\$11,855,000.

As at 30 September 2015, the Group had recorded an unrealized mark to market loss of approximately HK\$11,780,000 on investment securities. The amount has been included in fair value loss on financial assets at fair value through profit or loss, net, which also contributed to a more significant loss for the period as compared to the same period for 2014.

Finance costs of the Group for the first three quarters of year 2015 were HK\$36,000, a decrease of 90.4% compared to HK\$374,000 for the corresponding period in 2014. All the finance costs were attributed to finance lease interest expenses for a motor vehicle of Pantosoft in 2015. All the finance costs were attributed to loan interest expenses incurred by China Luck in 2014.

The Group's loss from continuing operations attributable to owners of the Company was HK\$56,585,000 for the nine months ended 30 September 2015 (2014: HK\$12,326,000).

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Notes | Three months ended 30 September | | Nine months ended 30 September | |
|---|-------|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| CONTINUING OPERATIONS | | | | | |
| Revenue | 4 | 3,348 | 4,067 | 15,255 | 11,123 |
| Cost of sales and services | | (3,378) | (3,808) | (11,206) | (9,961) |
| Gross (loss)/profit | | (30) | 259 | 4,049 | 1,162 |
| Other income and gains, net | 4 | (8,729) | 3,653 | 8,333 | 4,831 |
| Selling and distribution expenses | | (3,278) | (1,743) | (9,012) | (3,354) |
| Administrative expenses | | (4,901) | (5,077) | (15,085) | (13,454) |
| Other expenses | 6 | (3,352) | (771) | (33,699) | (847) |
| Fair value loss on financial assets at fair value through profit or loss, net | | (11,748) | (394) | (11,780) | (328) |
| Finance costs | 5 | (11) | – | (36) | (374) |
| Share of results of associates | | (19) | – | 132 | – |
| LOSS BEFORE TAX FROM CONTINUING OPERATIONS | | | | | |
| | 6 | (32,068) | (4,073) | (57,098) | (12,364) |
| Income tax expenses | 7 | – | – | – | – |
| LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS | | | | | |
| | | (32,068) | (4,073) | (57,098) | (12,364) |
| DISCONTINUED OPERATION | | | | | |
| Profit for the period from a discontinued operation | 9 | – | 18,013 | – | 12,975 |
| (LOSS)/PROFIT FOR THE PERIOD | | | | | |
| | | (32,068) | 13,940 | (57,098) | 611 |

| | Three months ended | | Nine months ended | |
|--|--------------------|-------------|-------------------|-------------|
| | 30 September | | 30 September | |
| | 2015 | 2014 | 2015 | 2014 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Notes | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| ATTRIBUTABLE TO: | | | | |
| Owners of the Company | | | | |
| Loss from continuing operations | (32,050) | (4,061) | (56,585) | (12,326) |
| Profit from a discontinued operation | - | 18,013 | - | 12,975 |
| | (32,050) | 13,952 | (56,585) | 649 |
| Non-controlling interests | | | | |
| Loss from continuing operations | (18) | (12) | (513) | (38) |
| | (18) | (12) | (513) | (38) |
| (LOSS)/EARNING PER SHARE | | | | |
| ATTRIBUTABLE TO OWNERS | | | | |
| OF THE COMPANY | | | | |
| Basic and diluted (HK cents) | 8 | | | |
| - From continuing and discontinued operations for the period | (0.99) | 0.52 | (1.93) | 0.03 |
| - From continuing operations for the period | (0.99) | (0.15) | (1.93) | (0.53) |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Three months ended 30 September | | Nine months ended 30 September | |
|--|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| (LOSS)/PROFIT FOR THE PERIOD | (32,068) | 13,940 | (57,098) | 611 |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX | | | | |
| - Exchange differences on translation of foreign operations | 965 | 628 | 1,012 | 45 |
| - Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries | - | (13,624) | - | (13,624) |
| TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD | (31,103) | 944 | (56,086) | (12,968) |
| Attributable to: | | | | |
| Owners of the Company | (31,113) | 957 | (55,603) | (12,930) |
| Non-controlling interests | 10 | (13) | (483) | (38) |
| | (31,103) | 944 | (56,086) | (12,968) |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

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.

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 2015. 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.

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 2015 and 2014. 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 | | | In-house developed products | | | Technical support and maintenance services | | | Software development and system integration | | | Technical support and maintenance services | | | | |
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | Total 2015 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | Total 2015 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | Total 2015 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | Total 2015 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | Total 2015 (Unaudited) HK\$'000 | | |
| Segment revenue: | | | | | | | | | | | | | | | | | |
| Sales to external customers | 15,140 | 10,983 | 15,255 | 11,123 | 11,123 | 11,123 | - | - | 23,278 | - | 23,278 | - | 25,518 | - | 25,518 | 36,641 | |
| Other income and gains, net | 865 | 251 | 865 | 251 | 251 | 251 | - | - | 2,240 | - | 2,240 | - | 865 | - | 865 | 251 | |
| | 16,005 | 11,244 | 16,120 | 11,374 | 11,374 | 11,374 | - | - | 25,518 | - | 25,518 | - | 16,120 | - | 16,120 | 36,892 | |
| Reconciliation: | | | | | | | | | | | | | | | | | |
| Bank and loans receivables interest income | | | 231 | 16 | 16 | 16 | | | | | | | | | | 2,028 | 2,028 |
| Investment income from held-to-maturity investment | | | - | 274 | 274 | 274 | | | | | | | | | | - | 274 |
| Investment income from financial assets at fair value through profit or loss | | | 246 | 1,088 | 1,088 | 1,088 | | | | | | | | | | - | 1,088 |
| Reversal of impairment on other receivables | | | - | 2,967 | 2,967 | 2,967 | | | | | | | | | | - | 2,967 |
| Bonus issue of shares from financial assets at fair value through profit or loss | | | 6,671 | - | - | 6,671 | | | | | | | | | | - | 6,671 |
| Unallocated gains | | | 320 | 235 | 235 | 320 | | | | | | | | | | - | 320 |
| Share of results of associates | | | 132 | - | - | 132 | | | | | | | | | | - | 132 |
| Revenue, other income and gains, net | (9,488) | (7,538) | (9,630) | (7,706) | (7,706) | (7,706) | (89) | (79) | 283 | - | 283 | - | 3,221 | - | 3,221 | (4,485) | (4,485) |
| Segment loss | | | | | | | | | | | | | | | | | |
| Reconciliation: | | | | | | | | | | | | | | | | | |
| Bank and loans receivables interest income | | | 231 | 16 | 16 | 16 | | | | | | | | | | - | 2,028 |
| Investment income from held-to-maturity investments | | | - | 274 | 274 | 274 | | | | | | | | | | - | 274 |
| Investment income from financial assets at fair value through profit or loss | | | 246 | 1,088 | 1,088 | 1,088 | | | | | | | | | | - | 1,088 |
| Reversal of impairment on other receivables | | | - | 2,967 | 2,967 | 2,967 | | | | | | | | | | - | 2,967 |
| Share of results of associates | | | 132 | - | - | 132 | | | | | | | | | | - | 132 |
| Unallocated gains | | | 320 | 235 | 235 | 320 | | | | | | | | | | - | 320 |
| Bonus issue of shares from financial assets at fair value through profit or loss | | | 6,671 | - | - | 6,671 | | | | | | | | | | - | 6,671 |
| Gain on disposal of subsidiaries | | | (43,252) | (6,536) | (6,536) | (43,252) | | | | | | | | | | (4) | 8,402 |
| Corporate and other unallocated expenses | | | (11,780) | (3,281) | (3,281) | (11,780) | | | | | | | | | | - | (4) |
| Fair value loss on financial assets at fair value through profit or loss | | | (36) | (374) | (374) | (36) | | | | | | | | | | - | (374) |
| Finance costs | | | (57,098) | (12,364) | (12,364) | (57,098) | | | | | | | | | | - | (11,780) |
| (Loss)/Profit before tax | | | (57,098) | (12,364) | (12,364) | (57,098) | | | | | | | | | | - | (57,098) |
| Income tax expenses | | | - | - | - | - | | | | | | | | | | - | 13,631 |
| | | | (57,098) | (12,364) | (12,364) | (57,098) | | | | | | | | | | - | (656) |
| (Loss)/Profit for the period | | | (57,098) | (12,364) | (12,364) | (57,098) | | | | | | | | | | - | (656) |
| | | | (57,098) | (12,364) | (12,364) | (57,098) | | | | | | | | | | - | 12,975 |
| | | | (57,098) | (12,364) | (12,364) | (57,098) | | | | | | | | | | - | (57,098) |
| | | | (57,098) | (12,364) | (12,364) | (57,098) | | | | | | | | | | - | (57,098) |

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 | |
|--|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Revenue | | | | |
| Provision of software development and system integration services | 3,300 | 4,036 | 15,140 | 10,993 |
| Provision of technical support and maintenance services | 48 | 31 | 115 | 130 |
| | 3,348 | 4,067 | 15,255 | 11,123 |
| Other income and gains | | | | |
| Bank interest income | 2 | 4 | 17 | 16 |
| Interest income from loans receivables | 214 | – | 214 | – |
| Bonus issued shares from financial assets at fair value through profit or loss | (9,384) | – | 6,671 | – |
| Investment income from held-to-maturity investments | – | – | – | 274 |
| Investment income from financial assets at fair value through profit or loss | – | 602 | 246 | 1,088 |
| Reversal of impairment on other receivables | – | 2,967 | – | 2,967 |
| Others | 439 | 80 | 1,185 | 486 |
| | (8,729) | 3,653 | 8,333 | 4,831 |

5. Finance costs

| | Three months ended 30 September | | Nine months ended 30 September | |
|---------------------------|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Other loan interest | – | – | – | 374 |
| Interest on finance lease | 11 | – | 36 | – |
| | 11 | – | 36 | 374 |

6. 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 | |
| | 2015 | 2014 | 2015 | 2014 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Continuing operations | | | | |
| Amortisation of other intangible assets | – | 40 | 114 | 121 |
| Depreciation | 204 | 43 | 616 | 556 |
| Director's remuneration | 1,125 | 550 | 2,897 | 1,883 |
| Loss on disposal of items of equipment* | 123 | – | 123 | – |
| Impairment of trade receivables* | (3) | – | 268 | – |
| Impairment of other intangible assets* | – | – | 2,191 | – |
| Loss on disposal of investment securities* | – | – | 11,885 | – |
| Impairment of investment in a joint venture* | – | – | 16,000 | – |
| Impairment on available-for-sale financial assets* | 3,232 | – | 3,232 | – |

* These items are included in "other expenses" of the condensed consolidated statement of profit or loss.

7. Income tax expenses

No provision for Hong Kong Profits Tax was made for the nine months ended 30 September 2015 as the Group did not generate any assessable profits arising in Hong Kong during the period (2014: 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 | 2014 | 30 September | 2014 |
| | 2015 | (Unaudited) | 2015 | (Unaudited) |
| | (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 9(b)) | – | 656 | – | 656 |
| | – | 656 | – | 656 |

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

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

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| From continuing operations | (32,050) | (4,061) | (56,585) | (12,326) |
| From discontinued operation | - | 18,013 | - | 12,975 |
| (Loss)/Profit for the purpose of basic and diluted (loss)/profit per share | (32,050) | 13,952 | (56,585) | 649 |

(b) Weighted average number of ordinary shares:

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|---------------------|-----------------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) | 2015 (Unaudited) | 2014 (Unaudited) |
| Total number of ordinary shares in issue at the end of the period | 3,234,559,908 | 2,695,471,908 | 3,234,559,908 | 2,695,471,908 |
| Weighted average number of ordinary shares in issue during the period | 3,234,559,908 | 2,695,471,908 | 2,936,383,029 | 2,333,442,714 |

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

9. 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) The results of the discontinued operation dealt with in the condensed consolidated financial statements for the nine months ended 30 September 2015 and 2014 are summarised as follows:

| | Nine months ended | |
|---|--------------------------|-------------|
| | 30 September | |
| | 2015 | 2014 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Revenue | – | 25,518 |
| Cost of goods sold | – | (11,257) |
| Gross profit | – | 14,261 |
| Other income | – | 2,012 |
| Selling and distribution expenses | – | (2,471) |
| Administrative expenses | – | (8,573) |
| Other expenses | – | – |
| Profit before tax | – | 5,229 |
| Income tax expenses | – | (656) |
| Profit for the period | – | 4,573 |
| Gain on disposal of a subsidiary, net of income tax | – | 8,402 |
| Profit for the period from a discontinued operation | – | 12,975 |

10. Dividend

The Board does not recommend the payment of any interim dividend for the nine months period ended 30 September 2015 (2014: Nil).

11. Reserves

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

| Attributable to owners of the Company | | | | | | | | |
|---|--|--|---|--|---|----------------------------------|--|---|
| | Share capital (Unaudited) HK\$'000 | Share premium account (Unaudited) HK\$'000 | Foreign currency translation reserve (Unaudited) HK\$'000 | PRC reserve funds (Unaudited) HK\$'000 | Retained earnings/ (Accumulated losses) (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 | Non-controlling interests (Unaudited) HK\$'000 | Total equity (Unaudited) HK\$'000 |
| At 1 January 2015 | 269,547 | 26,243 | 3,128 | 844 | 4,276 | 304,038 | (1,070) | 302,968 |
| Loss for the period | - | - | - | - | (56,585) | (56,585) | (513) | (57,098) |
| Other comprehensive (loss)/income | | | | | | | | |
| - Exchange differences on translation of foreign operations | - | - | 982 | - | - | 982 | 30 | 1,012 |
| Total comprehensive loss for the period | - | - | 982 | - | (56,585) | (55,603) | (483) | (56,086) |
| Issue of new shares | 53,909 | 47,441 | - | - | - | 101,350 | - | 101,350 |
| Transaction costs attributable to issue of new shares | - | (2,725) | - | - | - | (2,725) | - | (2,725) |
| At 30 September 2015 | 323,456 | 70,959 | 4,110 | 844 | (52,309) | 347,060 | (1,553) | 345,507 |

GENERAL INFORMATION

Directors' service contracts

At 30 September 2015, 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 2015.

Directors' interests and short positions in shares and underlying shares

At 30 September 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 share options of the Company:

Nil

Save as disclosed above, as at 30 September 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 nine months ended 30 September 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 30 September 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 | <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 | 32.06% |
| Mr. Wei Gao | (a) | Through controlled corporations | 1,037,067,449 | 32.06% |

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.

Save as disclosed above, as at 30 September 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 nine months ended 30 September 2015, 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 2015, 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.

Deviation from the corporate governance code

Mr. Hu Zhuoer (“Mr Hu”) resigned as Chief Executive Officer (“CEO”) with effect from 20 October 2015 and following his resignation, Mr Wong Kui Shing, Danny (“Mr. Wong”), the chairman of the company, was appointed as CEO on the same date.

As Mr. Wong now serves as both the Chairman and the Chief Executive Officer, such practice deviates from code provision A.2.1 of the Corporate Governance Code of the GEM Listing Rules (the “Code”). The Board is of the opinion that it is appropriate and in the best interests of the Company for Mr. Wong to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. The Company has been proactively recruiting candidates for the post of Chief Executive Officer through different means so as to fulfill the requirements of A.2.1 of the Code as soon as possible.

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 2015.

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. 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 nine months ended 30 September 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 established a nomination committee with written terms of reference in compliance with Code Provisions A.5.1 to A.5.6 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. 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.

During the period under review, 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 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
Wong Kui Shing, Danny
Chairman and Chief Executive Officer

Hong Kong
12 November 2015

As at the date of this report, the Board comprises Mr. Wong Kui Shing, Danny (Chairman and Chief Executive Officer), Mr. Tse Chi Wai, Ms. Wu Jingjing, 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.