



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

**2017**



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

**GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report 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.*

# CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Condensed Consolidated Statement of Profit or Loss	7
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Notes to Condensed Consolidated Financial Statements	9
General Information	15
Corporate Governance	18

## **CORPORATE INFORMATION**

### **EXECUTIVE DIRECTORS**

Mr. Wong Kui Shing, Danny (*Chairman and Chief Executive Officer*)

Mr. Tse Chi Wai

Ms. Wu Jingjing

Mr. Takashi Togo

### **NON-EXECUTIVE DIRECTOR**

Mr. Wong Chi Yung

### **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**

Conyers Dill & Pearman

### **PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking Corporation Limited

Public Bank (Hong Kong) Limited

DBS Bank (Hong Kong) Limited

Citibank, N.A.

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Suite 2802, 28th Floor

Prosperity Tower

39 Queen's Road Central

Hong Kong

### **REGISTERED OFFICE**

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong Investor Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East, Hong Kong

### **GEM STOCK CODE**

8178

### **WEB-SITE ADDRESS**

[www.chinainfotech.com.hk](http://www.chinainfotech.com.hk)

## SUMMARY

- Turnover for the three months ended 31 March 2017 was approximately HK\$11,400,000 representing an increase of 510% from the corresponding period in last year (2016: approximately HK\$1,868,000).
- Profit attributable to owners of the Company for the three months ended 31 March 2017 amounted to approximately HK\$9,756,000 (2016: loss of approximately HK\$9,855,000).
- Profit per share attributable to owners of the Company for the three months ended 31 March 2017 was approximately HK0.17 cent (2016: loss of approximately HK0.25 cent).
- The Board of Directors (the “Board”) does not recommend the payment of an interim dividend for the three months ended 31 March 2017 (2016: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

In 2016, the Company placed 1,830,792,000 new shares of the Company to not less than six independent placees at a price of HK\$0.13 each and raised a net proceeds of approximately HK\$232 million (the “Placement”). It was expected that the net proceeds raised would be utilized as follows: HK\$73 million for the refurbishment of and operation of the business in the PRC properties as acquired in the acquisition of Joyunited Investments Limited on 7 April 2016 (“PRC Properties”), the Company would have approximately HK\$69 million for the general working capital and approximately HK\$88 million for the projects that are currently in progress. More details on the Placement had been disclosed in the relevant announcement of the Company dated 8 December 2015 and the circular dated 18 March 2016. The Placement had been completed on 9 May 2016. As at 31 March 2017, the use of net proceeds from the Placement was as follows:– (1) approximately HK\$68.6 million for refurbishment and other expenses relating to the PRC Properties; (2) approximately HK\$11.9 million for investment in Macro; (3) approximately HK\$13.2 million for loans to an independent third parties to enhance yield of idle cash of the Group; (4) as a result of the loss in book value of the listed securities held by the Group during mid-2016, the Group has not realised those listed securities to settle part of the consideration for the PRC Properties as was planned. Instead, approximately HK\$76.1 million had been applied to settle the consideration for the PRC Properties; (5) approximately HK\$9.2 million for expenses relating to the Group’s Japan business and related travelling expenses; and (6) approximately HK\$24.8 million for administrative expenses and other expenses incurred by the Group. The unutilized proceeds were held as cash at bank.

In September 2016, Golden Sunweave Limited (the “Subscriber”), being a direct wholly-owned subsidiary of the Company, Macro China Holding Limited (“Macro”), and Mr. Chan Kai Leung, the current director of Macro who is also one of its shareholders as the guarantor (the “Guarantor”), entered into a subscription agreement dated 12 September 2016 (the “Subscription Agreement”), pursuant to which Macro has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for the subscription shares, representing 525% of the issued share capital of Macro and 84% of the total issued share capital of Macro as enlarged by the allotment and issue of the subscription shares, at the total subscription price of HK\$8,400,000 (the “Subscription”). Macro Group provides comprehensive end-to-end solutions and services, ranging from (i) procurement and deployment of IT equipment and facilities; (ii) systems integration; (iii) consulting services on IT infrastructure and business solutions; and (iv) technical support and managed services. As one of the major players in the IT service management industry in Hong Kong and the PRC, Macro has strong relationships with well-renowned suppliers and large scale customers, by entering into the Subscription Agreement, it enjoys strong brand awareness and major presence in the Greater China region.

The Board expects that, through bringing in the Group’s seasoned management team into Macro and its group companies (“Macro Group”) and sharing technical know-how and existing customer bases between the Group and Macro Group, the Subscription will create synergies that allow the Group to better complement its existing business. In addition, given (i) the similarity of the business nature of the Group and Macro Group and (ii) that subject to entering into of the service contracts, each of the executives of Macro will continue his/her employment service to Macro for 3 years, the integration risks of the enlarged Group are expected to be minimal. The Board is of the view that is in line with the Group’s business expansion plan. Furthermore, the Board believes, with financial support of the Group, the cash flow of Macro Group will be improved, which will facilitate Macro to engage in those large scale projects, which are generally of high profit margin. The Subscription has been completed on 30 December 2016. More details on the transaction had been disclosed in the relevant announcements and circular dated 12 September 2016, 25 November 2016, 14 December 2016 and 30 December 2016.

To diversify the business of the Group, in November 2016, the Company acquired the entire share capital of Value Creation Finance Limited, which owns a money lender licence in Hong Kong under the Money Lenders Ordinance, at a consideration of HK\$450,000 from an independent third party in order to commence the money lending business which brings steady income for the Group.

For the three months ended 31 March 2017, the Company has continued the abovementioned businesses as acquired and developed in 2016, with the expectation to improve the business performance as well as to bring synergies and refinement to the whole business of the Company.

In January 2017, the Company subscribed 16.67% equity interest of FULLPAY K.K. (FULLPAY 株式會社) (“Fullpay”), which is a company incorporated in Japan under the form of a joint stock company (kabushiki kaisha), at a consideration of JPY20,000,000 (equivalent to approximately HK\$1,342,000). Fullpay is principally engaged in the sourcing and provision of electronic fund transfer at point of sale (EFT-POS) terminals and peripheral devices which support WeChat Pay, as well as the provision of relevant EFT-POS installation and system support services, to vendors in Japan.

Grabbing hold of the rising popularity of mobile payment in the world, especially in China, the Directors believe that the subscription is a golden opportunity for the Company to step into the mobile payment business so as to gain relevant knowledge and bring synergy effects to the other businesses of the Company.

Other than the above, during the period under review, revenue from provision of information technology related services remained as staple income of the Group.

## **Outlook and Prospect**

During the three months ended 31 March 2017. The Group has continued to broaden the business scope and open up new income source. The business structure of the Group has been more complete and refined upon the corporate actions.

Through the subscription of Macro, the Group can further diversify its IT business and derive addition revenue in the coming years. The Group believes that the subscription of Macro can create synergies with Macro Group to enlarge its business in Hong Kong and the PRC.

The subscription of 16.67% equity interest of Fullpay in January 2017 has demonstrated that the Group has been attentive to the market trends and is more than determined to make appropriate response to sustain, if not, to improve the business performance as well as the revenue of the Group.

Together with the experience and knowledge of the Group in the IT field, the Group believes that the acquisition and the subscriptions of Macro and Fullpay can help further to equip the Group to further expand its existing and future businesses.

## **Employees**

The total number of full-time employees hired by the Group maintained at 86 as of 31 March 2017 (2016: 142 employees). Total expenses on employee benefits amounted to approximately HK\$6,528,000 for the three months ended 31 March 2017 (2016: approximately HK\$5,755,000). The management believes the salaries offered by the Group to its employees are competitive.

## Financial review

For the three months ended 31 March 2017, the Group recorded a revenue of approximately HK\$11,400,000, an increase of 510% from approximately HK\$1,868,000 in the corresponding period of last year. The significant increase in revenue was mainly attributable to the consolidation of the revenue of Macro into the Group in the period.

The Group had a total cost of sales and services of approximately HK\$6,867,000 for the first quarter of year 2017, an increase of 128.5% compared with approximately HK\$3,005,000 for the same period of year 2016. The increase was mainly due to the consolidation of the cost of services of Macro during the period.

The gross profit of the Group for the first quarter of year 2017 was approximately HK\$4,533,000, compared with a gross loss of approximately HK\$1,137,000 for the corresponding period of last year as a result of consolidation of Macro which can generate gross profit during the period.

During the three months ended 31 March 2017, the Group generated other income and gains of approximately HK\$1,460,000 (2016: approximately HK\$1,316,000) which comprised: (i) bank interest income amounted to approximately HK\$1,000 (2016: approximately HK\$2,000); (ii) loans interest income amounted to approximately HK\$1,226,000 (2016: approximately HK\$596,000); (iii) investment income from financial assets at fair value through profit or loss amounted to HK\$nil (2016: approximately HK\$320,000); (iv) government grants amounted to approximately HK\$81,000 (2016: approximately HK\$221,000); and (v) other income amounted to approximately HK\$152,000 (2016: approximately HK\$177,000).

The Group's selling and distribution expenses for the first quarter of year 2017 was approximately HK\$355,000, which decreased by 78.8% compared with approximately HK\$1,673,000 for the corresponding period of year 2016. The decrease was mainly due to the fact that Pantosoft reduced its promotion activity efforts significantly in this reporting period.

Administrative expenses for the period were approximately HK\$10,182,000, representing an increase of 83.9% as compared to approximately HK\$5,536,000 for the corresponding period last year. The increase was mainly attributable to the consolidation of the administrative expenses of Macro and increase in staff cost and travelling expenses incurred to explore new business opportunities.

The Group recorded a mark-to-market gain on held-for-sale investment securities of approximately HK\$12,595,000 for the period (2016: loss of approximately HK\$3,746,000).

The Group recorded a profit attributable to owners of the Company of approximately HK\$9,756,000 for the three months ended 31 March 2017 (2016: loss of approximately HK\$9,855,000).



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 2017, together with the unaudited comparative figures for the corresponding period of year 2016, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2017</b>	2016
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
Revenue	3	<b>11,400</b>	1,868
Cost of sales and services		<b>(6,867)</b>	(3,005)
Gross profit/(loss)		<b>4,533</b>	(1,137)
Other income and gains	3	<b>1,460</b>	1,316
Selling and distribution expenses		<b>(355)</b>	(1,673)
Administrative expenses		<b>(10,182)</b>	(5,536)
Other expenses		–	(107)
Fair value gain/(loss) on financial assets at fair value through profit or loss		<b>12,595</b>	(3,746)
Finance costs	4	<b>(471)</b>	(20)
Share of results of associates		<b>2,280</b>	430
PROFIT/(LOSS) BEFORE TAX	5	<b>9,860</b>	(10,473)
Income tax expenses	6	–	–
PROFIT/(LOSS) FOR THE PERIOD		<b>9,860</b>	(10,473)
Attributable to:			
Owners of the Company		<b>9,756</b>	(9,855)
Non-controlling interests		<b>104</b>	(618)
		<b>9,860</b>	(10,473)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	7	<b>HK0.17 cent</b>	(HK0.25 cent)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended	
	31 March	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	<b>9,860</b>	(10,473)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX EXPENSES		
Exchange differences on translation of foreign operations	<b>2,567</b>	(50)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<b>12,427</b>	(10,523)
Attributable to:		
Owners of the Company	<b>12,331</b>	(9,803)
Non-controlling interests	<b>96</b>	(720)
	<b>12,427</b>	(10,523)

# 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 2016.

### *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 2017. 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 Group has five reportable segments as follows:

- the software development and system integration segment engages in (i) the sale of computer hardware; (ii) the provision of software development services; (iii) the provision of system integration services; and (iv) the provision of technical support and maintenance services;
- the in-house developed products segment engages in the lease of in-house developed computer hardware;
- provision of IT infrastructure solutions and maintenance services (“IT solutions and maintenance”);
- money lending; and
- Securities trading (“Securities investments”).

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The following table presents revenue and profit/(loss) for the Group’s business segments for the three months ended 31 March 2017 and 2016.

## Reporting segment information

Three months ended 31 March

	Software development and system integration		In-house developed products		IT solutions and maintenance		Money lending		Securities investments		Total	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Segment revenue:</b>												
Sales to external customers	1,027	1,868	-	-	10,373	-	-	-	-	-	11,400	1,868
<b>Segment profit/(loss)</b>	(1,208)	(4,095)	-	(108)	3,126	-	786	-	12,592	(3,435)	15,296	(7,638)
<b>Reconciliation:</b>												
Bank interest income											1	2
Loans interest income											394	596
Unallocated gains											93	177
Corporate and other unallocated expenses											(7,733)	(4,020)
Share of results of associates											2,280	430
Finance costs											(471)	(20)
Profit/(loss) before tax											9,860	(10,473)
Income tax expenses											-	-
Profit/(loss) for the period											9,860	(10,473)

## Geographical information

	Revenue	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Hong Kong	10,102	-
PRC except Hong Kong	1,298	1,868
Consolidated total	11,400	1,868

In presenting the geographical information, revenue is based on the locations of the customers.

### 3. Revenue, other income and gains

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

	Three months ended 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Revenue</b>		
Provision of software development and system integration services	971	1,843
Provision of technical support and maintenance services	56	25
Provision of IT infrastructure solutions and maintenance services	10,373	–
	<b>11,400</b>	<b>1,868</b>

	Three months ended 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Other income and gains</b>		
Bank interest income	1	2
Loans interest income	1,226	596
Investment income from financial assets at fair value through profit or loss	–	320
Government grants	81	221
Others	152	177
	<b>1,460</b>	<b>1,316</b>

#### 4. Finance costs

	Three months ended 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	60	–
Interest on other loans	411	8
Interest on finance lease	–	12
	<b>471</b>	<b>20</b>

#### 5. Profit/(loss) before tax

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

	Three months ended 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	405	315
Amortisation of other intangible assets	196	–

#### 6. Income tax expenses

No provision for Hong Kong Profits Tax has been made for the three months ended 31 March 2017 as the Group has accumulated tax losses brought forward from previous year (2016: 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 Enterprise Income Tax has been made for the three months ended 31 March 2017 as the company’s subsidiaries in PRC incurred tax losses during the period (2016: Nil).

No provision for Japan corporate income tax has been made for the three months ended 31 March 2017 since the Group did not generate any assessable profits arising in Japan during the period (2016: Nil). Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## 7. Profit/(loss) per share for the period attributable to owners of the Company

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

	Three months ended 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) for the purpose of calculating basic and diluted profit/(loss) per share	<b>9,756</b>	(9,855)

### (b) Weighted average number of ordinary shares:

	Three months ended 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
Total number of ordinary shares in issue at the end of the period	<b>5,712,151,908</b>	3,881,359,908
Weighted average number of ordinary shares in issue during the period	<b>5,712,151,908</b>	3,881,359,908

No adjustment has been made to the basic profit/(loss) per share amounts presented for the periods ended 31 March 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

## 8. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2017 (2016: Nil).

## 9. Reserves

	Attributable to owners of the Company								
	Share capital	Share premium account	Share-based payment reserve	Foreign currency translation reserve	PRC reserve funds	Accumulated losses	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016	388,136	69,212	-	3,015	844	(101,186)	360,021	(1,306)	358,715
Loss for the period	-	-	-	-	-	(9,855)	(9,855)	(618)	(10,473)
Other comprehensive income/ (loss)									
- Exchange differences on translation of foreign operations	-	-	-	52	-	-	52	(102)	(50)
Total comprehensive income/ (loss) for the period	-	-	-	52	-	(9,855)	(9,803)	(720)	(10,523)
<b>At 31 March 2016</b>	<b>388,136</b>	<b>69,212</b>	<b>-</b>	<b>3,067</b>	<b>844</b>	<b>(111,041)</b>	<b>350,218</b>	<b>(2,026)</b>	<b>348,192</b>
At 1 January 2017	571,215	117,975	19,625	(13,114)	844	(149,329)	547,216	(879)	546,337
Profit for the period	-	-	-	-	-	9,756	9,756	104	9,860
Other comprehensive income/ (loss)									
- Exchange differences on translation of foreign operations	-	-	-	2,575	-	-	2,575	(8)	2,567
Total comprehensive income for the period	-	-	-	2,575	-	9,756	12,331	96	12,427
<b>At 31 March 2017</b>	<b>571,215</b>	<b>117,975</b>	<b>19,625</b>	<b>(10,539)</b>	<b>844</b>	<b>(139,573)</b>	<b>559,547</b>	<b>(783)</b>	<b>558,764</b>



## GENERAL INFORMATION

### Directors' service contracts

At 31 March 2017, 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 2017.

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

At 31 March 2017, 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:

#### *Long positions in ordinary shares of the Company:*

Name	Capacity	Nature of Interest		Percentage of the Company's issued share capital
		Registered Shareholder	Underlying Interest	
Mr. Wong Kui Shing, Danny	Through controlled corporation	403,971,449		7.07%
	Beneficially owned		936,000	0.02%

Save as disclosed above and in the section headed "Share Options"; as at 31 March 2017 and as at the date of this report, 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 sections "Directors' interests and short positions in shares and underlying shares" and "Share Options"; at no time during the three months ended 31 March 2017 and as at the date of this report 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.

## Share options

On 11 April 2016, the Company granted a total of 323,448,000 share options with rights to subscribe for 323,448,000 ordinary shares of HK\$0.1 each in the share capital of the Company under the share option scheme adopted by the Company on 2 August 2012 ("Share Option Scheme"). A total of 105,984,000 share options were granted to Directors of the Company. Those share options were lapsed on 10 April 2017. On 11 April 2017, the Company granted a total of 571,200,000 share options with rights to subscribe for 571,200,000 ordinary shares of HK\$0.1 each in the share capital of the Company under the Share Option Scheme. A total of 160,752,000 share options were granted to Directors of the Company. Details of the share options granted are as follows:-

Name of Grantees	Position held with the Company	Number of share options			Granted and outstanding as at 11 April 2017
		Outstanding as at 1 January 2017	Outstanding as at 31 March 2017	Lapsed on 10 April 2017	
Mr. Wong Kui Shing, Danny	Executive Director and substantial shareholder of the Company	936,000	936,000	(936,000)	5,688,000
Mr. Tse Chi Wai	Executive Director	32,328,000	32,328,000	(32,328,000)	57,000,000
Mr. Takashi Togo	Executive Director	32,328,000	32,328,000	(32,328,000)	57,000,000
Ms. Wu Jingjing	Executive Director	2,016,000	2,016,000	(2,016,000)	2,016,000
Mr. Wong Chi Yung	Non-executive Director	32,328,000	32,328,000	(32,328,000)	33,000,000
Mr. Hung Hing Man	Independent non-executive Director	2,016,000	2,016,000	(2,016,000)	2,016,000
Mr. May Tai Keung, Nicholas	Independent non-executive Director	2,016,000	2,016,000	(2,016,000)	2,016,000
Dr. Chen Shengrong	Independent non-executive Director	2,016,000	2,016,000	(2,016,000)	2,016,000
	Sub-total	105,984,000	105,984,000	(105,984,000)	160,752,000
Other staff and consultants		214,464,000	214,464,000	(214,464,000)	410,448,000
	Total	320,448,000	320,448,000	(320,448,000)	571,200,000

All the outstanding share options granted are exercisable during the period from date of grant to 10 April 2027 at an exercise price of HK\$0.153 per share.

The closing price per share immediately before the date of grant was HK\$0.145. No share options were exercised, cancelled or lapsed during the period ended 31 March 2017.

## Substantial shareholders' and other persons' interests in shares and underlying shares

At 31 March 2017, 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 (Note b)
Discover Wide Investments Limited		Directly beneficially owned	403,971,449 (Registered Shareholder)	7.07%
Mr. Wong Kui Shing, Danny	(a)	Through controlled corporation	403,971,449 (Beneficial Owner)	7.07%
		Beneficially owned	936,000 (Underlying Interest)	0.02%
Mr. Zhang Rong		Directly beneficially owned	364,672,000 (Registered Shareholder)	6.38%

#### Notes:

- (a) Mr. Wong Kui Shing, Danny was deemed to be interested in the 403,971,449 shares by virtue of his controlling interests in Discover Wide Investments Limited.
- (b) The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the date of this report, which was 5,712,151,908.

Save as disclosed above, as at 31 March 2017, 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 2017, 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 2017, the Company has complied with the code provision(s) (the “Code provision(s)”) of Corporate Governance Code (the “Code”) as set out in Appendix 15 of the GEM Listing Rules, except for the following:

### **Code Provision A.2.1**

Code Provision A.2.1 stipulates the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wong Kui Shing, Danny (“Mr. Wong”) now serves as both the chairman (the “Chairman”) and the chief executive officer of the Company (the “Chief Executive Officer”), such practice deviates from code provision A.2.1 of 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 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 Provision A.4.1**

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term.

None of the non-executive Directors is appointed for a specific term, which constitutes a deviation from Code Provision A.4.1. Nonetheless, 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 2017.

## **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 of the Company (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 2017 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. All nomination committee members 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 and Risk management

The Board has the ultimate responsibility to maintain a sound and effective internal control and risk management systems for the Group to safeguard the shareholders' investment and the Group's assets and to ensure strict compliance with relevant laws, rules and regulations. The Group has established a risk management framework, which consists of the Board, the Audit Committee and the senior management of the Group. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives. The Audit Committee is responsible for reviewing the effectiveness of the internal control and risk management systems and reporting to the Board. The Board, through the Audit Committee, conducts reviews of the effectiveness of such systems at least annually, covering all material controls including financial, operational and compliance controls.

By Order of the Board  
**China Information Technology Development Limited**  
**Wong Kui Shing, Danny**  
*Chairman and Chief Executive Officer*

Hong Kong, 12 May 2017

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 and Mr. Takashi Togo as executive Directors and Mr. Wong Chi Yung as non-executive Director; Mr. Hung Hing Man, Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong as independent non-executive Directors.