



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)

2018

THIRD QUARTERLY
REPORT

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

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This report, for which the directors (“Directors” and each a “Director”) of China Information Technology Development Limited (the “Company”), together with its subsidiaries (the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) 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.citd.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. Wong Kui Shing, Danny
(*Chairman and Chief Executive Officer*)
Mr. Tse Chi Wai
Mr. Takashi Togo
Mr. Wong King Shiu, Daniel
Mr. Chan Kai Leung

NON-EXECUTIVE DIRECTOR

Mr. Wong Chi Yung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Hing Man
Mr. Wong Hoi Kuen
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. Wong Hoi Kuen
Dr. Chen Shengrong

REMUNERATION COMMITTEE

Mr. Wong Hoi Kuen (*Chairman*)
Mr. Hung Hing Man
Dr. Chen Shengrong

AUDIT COMMITTEE

Mr. Hung Hing Man (*Chairman*)
Mr. Wong Hoi Kuen
Dr. Chen Shengrong

AUDITOR

ZHONGHUI ANDA CPA Limited

LEGAL ADVISOR

Conyers Dill & Pearman

PRINCIPAL BANKERS

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SUMMARY

- Turnover from continuing operations for the nine months ended 30 September 2018 (the “Reporting Period”) was approximately HK\$45,129,000, representing an increase of 27.56% from the corresponding period in last year (2017: approximately HK\$35,379,000).
- Loss attributable to owners of the Company from continuing operations for the nine months ended 30 September 2018 amounted to approximately HK\$26,405,000 (2017: approximately HK\$100,174,000). The decrease in loss was mainly attributed to recognition of an equity-settled share-based payment with an amount of approximately HK\$81,842,000 in 2017.
- Loss per share attributable to owners of the Company from continuing operations for the nine months ended 30 September 2018 was HK0.32 cents (2017: Loss per share of HK1.80 cents).
- The Board (the “Board”) of Directors (the “Director(s)”) of the Company does not recommend the payment of an interim dividend for the nine months ended 30 September 2018 (2017: 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 places at a price of HK\$0.13 each and raised a net proceeds of approximately HK\$230 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 30 September 2018, the use of net proceeds from the Placement was as follows:– (1) approximately HK\$73.0 million for refurbishment and other expenses relating to the PRC Properties; (2) approximately HK\$41.7 million for investment in Macro China Holding Limited (“Macro”), IT business in Japan and a data centre in the PRC; (3) as a result of the loss in book value of the listed securities held by the Group, the Group has not realised those listed securities to settle part of the consideration for the PRC Properties as was planned. Instead, approximately HK\$46.6 million had been applied to settle the consideration for the PRC Properties; and (4) approximately HK\$69.0 million for administrative expenses and other expenses incurred by the Group. The unutilized proceeds were held as cash at bank.

During the nine months ended 30 September 2018, the Company has continued to refine its business structure. The Company has disposed the entire share capital of a subsidiary which owns a property situated in Hong Kong so that it can liquidate more resources for the development of our IT business. Meanwhile, the Company had also entered into sale and purchase agreements with two independent third parties pursuant to which the Group had acquired a total of 10% equity interests (5% from each of the independent third parties respectively) of a company incorporated in the PRC which principally engages in operation of data center in the PRC at a total consideration of RMB10,000,000. In the year to come, the Group shall continue to search for more cooperation and business opportunities in data-related areas.

On 25 May 2018, the Company and Madam Wang Jian Mei (“Madam Wang”) had entered into the sale and purchase agreement of which the Company would dispose 90% equity interest of Pantosoft International Limited (“Pantosoft”) to Madam Wang at a consideration of HK\$5,000,000. The financial performance of Pantosoft had not been meeting expectation of the management. It recorded losses for the recent couple of years despite the fact that the Group had been providing it with working capital with the hope that the Pantosoft could turn around. As competition becomes more fierce in recent years and the Group is steering away from this educational sector, it is decided that the Group should no longer invest in Pantosoft with a hope of its recovery and to realize any resources possible to be used to generate revenue and income from the other more promising sectors. Details of the disposal of Pantosoft are set out in the announcement of the Company dated 25 May 2018.

Meanwhile, the existing businesses of Macro China Holding Limited and its subsidiaries (“Macro Group” or “Macro”) and Value Creation Finance Limited (“Value Creation Finance”) have continued to bring synergies and refinement to the whole business of the Company.

Macro Group

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 and enjoys strong brand awareness and major presence in the Greater China region.

During the nine months ended 30 September 2018, the business performance of Macro has convinced the Company that the acquisition of Macro in 2016 was an appropriate step to diversify business risk as well as to refine the whole business of the Company. Macro Group has been committed to providing quality IT support services to help companies embrace the opportunities brought about by the digital age and use the power of information technology to enhance their core competitiveness. In recent years, many traditional industries are experiencing the stage of digital transformation.

During the nine months ended 30 September 2018, Macro had continued provide strong IT infrastructure and management service to the clients. It has organized various IT seminars to clients, giving them a platform to share and get updated with different new technology and knowledges in the market. In August, we have organized a seminar comparing different Human — computer interaction (“HCI”) vendors to help clients understand which vendor’s HCI is more suitable for the actual scenario of their companies. Apart from that, Macro has persistently gained reputation in the IT industry. Macro has been honored with the “Huawei Enterprise Channel Partner Program” as 5 Star IT Certified Service Partner in January 2018. In August 2018, Macro was awarded the International Standard for Information Security Management Systems, ISO/IEC 27001:2013, by Bureau Veritas Certification to affirm Macro for information security efforts in the management field to ensure that customers are provided with high quality, stable and reliable data monitoring and protection in accordance with international standards. Together with the IT Service management system certification, ISO/IEC 20000-1:2011, that Macro has already obtained, Macro Systems leverages its expertise and years of practical experience to fully analyze the business needs of its customers to create the most appropriate IT solution. Macro’s goal is to help customers reduce overall costs and improve operational efficiency, allowing them to focus on developing their business and creating sustainable business advantages in an era of intense competition.

DataCube Research Centre (“DataCube Research Centre” or “DataCube”), the first data research centre of the Group, has more than 2,000 square feet of space under one roof, which provides meeting venue for Macro technical team to meet with its clients and provide the most appropriate big data solution. The spacious centre also offers a demo room to showcase the latest hardware platform. With years of experience in Macro Group to tailor-made information technology solutions for its clients, DataCube will be able to provide the most in-depth analysis for their business to realize the big data value.

The DataCube Research Centre will also focus on assisting local enterprises in the adoption of big data applications and inviting veteran data scientists to share and enhance related platforms for academic exchanges and other related projects. DataCube has adopted the latest hardware technology from Huawei Technology Co., Ltd., and the excellent integration technology platform and quality management from Macro. Not only can we provide a good demonstration for future big data applications and talents cultivation, but also foster a local group of data talents and enhance the public awareness of data applications in DataCube Research Centre, hence help them to seize the opportunity.

During the reporting period, Macro Group has contributed a revenue of approximately HK\$34,572,000 to the Group. This encouraging results motivates the Directors and the Company to continue developing the business of Macro Group.

Other businesses

During the nine months ended 30 September 2018, the Company has been developing its existing businesses while keeping alert of the market trends so that it would be able to create a competitive edge for itself to provide more integrated and comprehensive services.

Besides, the Company subscribed 16.67% equity interest of FULLPAY K.K. (FULLPAY 株式会社)("Fullpay"), which is a company incorporated in Japan under the form of a joint stock company (kabushiki kaisha) in 2017. Fullpay is principally engaged in the sourcing and provision of electronic fund transfer at point of sale (EFTPOS) 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 Company shall continue to seize the opportunities of stepping into the mobile payment business so as to gain relevant knowledge and bring synergy effects to the other businesses of the Company through its investment in Fullpay.

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

In the volatile market situation especially during times of the US-China trade war, the Company understands the importance to have a balanced development between the existing businesses and the new potential business opportunities so as to cope with the risk that may be brought by the challenging macro-economic situation. While maintaining the healthy development of the existing business, we understand that especially in the IT world, the new technological advancement and devices do not come into place on its own. They are so intertwined with and dependent on other technologies, as the very popular and growing concept in the IT world, "Internet of Things (IoT)", has proven how every technology and device can be closely related. During the reporting period, the Company has strived to maintain this balance.

The reliance in IT has created a fierce demand for data centers and big data analysis and management. Only when data is organized and analyzed, will it become useful catalyst for business improvements and new technological developments. Envisioning the prospect and importance of data, we have set up DataCube to provide a nurturing ground for big data business development in Hong Kong and DateCube has started cooperating with the hospital in PRC to provide data analysis service for medical research. We believe that by this cooperation enable us to utilize our knowledge and skills in different industries, allowing us to gain experience and excel in our businesses. With the honors awarded, Macro demonstrates high rate of success with its vendors, as well as recognition of partnership and achievement of customer success. We shall continue in the development of Macro as well as DataCube so that we will become a more reputable company in the industry in not only Hong Kong but also in other places like the PRC.

Understanding how the industry works is crucial to formulating a strategic development plan for a Company. By closely following with the market trends and the current situation of the Company, the Company shall continue to walk with two feet, steady growth in current businesses and the exploration of new businesses, to create value to the Group and bring benefits to the Shareholders.

Employees

The total number of full-time employees hired by the Group maintained at 62 as of 30 September 2018 (31 December 2017: 96 employees). Total expenses on employee benefits amounted to HK\$17,041,000 (31 December 2017: approximately HK\$81,304,000, of which HK\$57,191,000 related to equity-settled share-based payment). The management believes the salaries offered by the Group to its employees are competitive.

Financial review

Continuing Operations

For the nine months ended 30 September 2018, the Group recorded a revenue of approximately HK\$45,129,000, an increase of 27.56% from approximately HK\$35,379,000 in the corresponding period in last year. The increase in revenue was mainly attributable to the increase in project revenue of Macro and the increase in interest income from money lending business during the period.

The Group had a total cost of sales and services of approximately HK\$24,790,000 for the first three quarters of the year 2018, an increase of 21.48% compared with approximately HK\$20,407,000 in the same period of year 2017. The increase was in line with the increase in revenue of Macro business for the period.

The gross profit of the Group for the nine months ended 30 September 2018 was approximately HK\$20,339,000, compared with approximately HK\$14,972,000 in corresponding period of last year.

During the nine months ended 30 September 2018, the Group generated other income and gains of approximately HK\$1,096,000 (2017: approximately HK\$595,000) which comprised: (i) bank interest income amounted to approximately HK\$1,000 (2017: approximately HK\$9,000); (ii) dividend income amounted to approximately HK\$160,000 (2017: HK\$nil); and (iii) other miscellaneous income amounted to approximately HK\$935,000 (2017: approximately HK\$586,000).

The Group's selling and distribution expenses for the nine months ended 30 September 2018 amounted to approximately HK\$2,491,000, an increase of 278.57% compared with approximately HK\$658,000 in the corresponding period in 2017. The increase was mainly due to Macro increased its promotion activities efforts during the period.

Administrative expenses for the period were approximately HK\$35,825,000, a decrease of 69.29% as compared to HK\$116,640,000 for the corresponding period last year. The decrease was mainly due to the recognition of share options granted to employees and consultants related expenses for the amount of approximately HK\$81,482,000 in 2017.

During the first three quarters of 2018, the Group suffered from trading of marketable securities and recorded a net loss of approximately HK\$10,236,000 as compared to a gain of approximately HK\$403,000 for 2017.

The Group's loss attributable to owners of the Company was approximately HK\$26,405,000 for the nine months ended 30 September 2018 (2017: approximately HK\$100,174,000).

The Board of Directors of the Company announces the unaudited results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 30 September 2018, together with the unaudited comparative figures for the corresponding periods of the year 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (Restated)	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (Restated)
CONTINUING OPERATIONS					
Revenue	4	14,468	10,724	45,129	35,379
Cost of sales and services		(8,843)	(6,547)	(24,790)	(20,407)
Gross profit		5,625	4,177	20,339	14,972
Other income and gains, net	4	486	177	1,096	595
Selling and distribution expenses		(371)	(239)	(2,491)	(658)
Administrative expenses		(12,772)	(50,230)	(35,825)	(116,640)
Other expenses		—	(200)	—	(200)
Gain on disposal of subsidiaries		1,732	—	2,407	—
Fair value (loss)/gain on financial assets at fair value through profit or loss, net		(10,455)	(3,792)	(10,236)	403
Finance costs	5	(1,183)	(528)	(3,562)	(1,529)
Share of results of an associate		—	(1,153)	—	404
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	(16,938)	(51,788)	(28,272)	(102,653)
Income tax expense	7	—	—	—	—
Loss for the period from continuing operations		(16,938)	(51,788)	(28,272)	(102,653)
DISCONTINUED OPERATION					
(Loss)/profit for the period from a discontinued operation		—	(1,479)	8,170	(2,706)
LOSS FOR THE PERIOD		(16,938)	(53,267)	(20,102)	(105,359)
Attributable to:					
Owners of the Company					
Loss from continuing operations		(16,843)	(50,443)	(26,405)	(100,174)
(Loss)/profit from a discontinued operation		—	(1,337)	8,307	(2,491)
		(16,843)	(51,780)	(18,098)	(102,665)

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
<hr/>				
Non-controlling interests				
Loss from continuing operations	(95)	(1,345)	(1,867)	(2,479)
Loss from a discontinued operation	—	(142)	(137)	(215)
	(95)	(1,487)	(2,004)	(2,694)
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Basic and diluted loss per share	8			
— From continuing and discontinued operations	HK(0.29) cents	HK(0.91) cents	HK(0.32) cents	HK(1.80) cents
— From continuing operations	HK(0.29) cents	HK(0.88) cents	HK(0.46) cents	HK(1.75) cents
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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(16,938)	(53,267)	(20,102)	(105,359)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX				
— Exchange differences on translation of foreign operations	(7,762)	5,246	(11,738)	13,467
— Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries	2,706	(60)	2,406	(60)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(21,994)	(48,081)	(29,434)	(91,952)
ATTRIBUTABLE TO:				
Owners of the Company	(24,786)	(46,562)	(33,463)	(89,184)
Non-controlling interests	2,792	(1,519)	4,029	(2,768)
	(21,994)	(48,081)	(29,434)	(91,952)

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 2017.

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 2018. HKFRSs comprise HKFRSs; HKASs 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

During the nine months ended 30 September 2018, the Company has entered into the sales and purchase agreement of which the Company would dispose 90% equity interest of Pantosoft which is previously included in software development and system integration segment. The directors of the Company considered such business was classified as discontinued operation during the nine months ended 30 September 2018.

The Group has four 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;
- provision of IT infrastructure solutions and maintenance services (“IT solutions and maintenance”);
- money lending; and
- Securities trading (“Securities investments”).

The following table presents revenue and loss for the Group’s operating segments for the nine months ended 30 September 2018 and 2017 respectively.

Reporting segment information

Nine months ended 30 September

	Continuing operations						Discontinued operation								
	IT solutions and maintenance			Securities investments			Money lending			Software development and system integration			Total		
	2018	2017	2018	2018	2017	2018	2018	2017	2018	2017	2018	2017	2018	2017	Group
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:															
Sales to external customers	34,572	29,084	10,557	6,295	—	—	35,379	3,102	685	3,102	685	3,102	45,814	38,481	
Segment (loss)/profit	(1,657)	324	10,338	6,137	(10,094)	395	(1,413)	(1,746)	(1,746)	(2,706)	(1,746)	(2,706)	(3,159)	4,150	
Reconciliation:															
Bank interest income							1	9	—	—	—	—	1	9	
Share of results of an associate							—	404	—	—	—	—	—	404	
Gain on disposal of subsidiaries							2,407	—	9,916	—	9,916	—	12,323	—	
Unallocated gains							603	447	—	—	—	—	603	447	
Corporate and other unallocated expenses							(26,308)	(108,840)	—	—	—	—	(26,308)	(108,840)	
Finance costs							(3,562)	(1,529)	—	—	—	—	(3,562)	(1,529)	
(Loss)/profit before tax							(28,272)	(102,653)	8,170	(2,706)	8,170	(2,706)	(20,102)	(105,359)	

4. Revenue, other income and gains, net

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

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue				
Sale of computer hardware and software	8,017	6,887	23,696	23,421
Provision of technical support and maintenance services	2,926	966	10,876	5,663
Loan interest income	3,525	2,871	10,557	6,295
	14,468	10,724	45,129	35,379
Other income and gains				
Bank interest income	—	7	1	9
Dividend income	160	—	160	—
Others	326	170	935	586
	486	177	1,096	595

5. Finance costs

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest on bank loan	598	—	1,986	68
Interest on other loans	585	528	1,576	1,461
	1,183	528	3,562	1,529

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	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of other intangible assets	195	195	587	587
Depreciation	481	484	927	1,335
Directors' remuneration	1,065	1,283	3,198	3,394
Equity-settled share based payments*	—	38,595	—	81,842

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

7. Income tax expense

No provision for Hong Kong Profits Tax has been made for the nine months ended 30 September 2018 as the Group has accumulated tax losses brought forward from previous year (2017: Nil).

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

No provision of the PRC corporate income tax has been made for the nine months ended 30 September 2018 as the Group did not generate any assessable profits in the PRC during the period (2017: Nil).

No provision for Japan corporate income tax has been made for the nine months ended 30 September 2018 since the Group did not generate any assessable profits arising in Japan during the period (2017: Nil). Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

8. Loss per share

The calculation of the loss per share attributable to the owners of the Company is based on the following data:

	Three months ended 30 September 2018 (Unaudited) HK\$'000		2017 (Unaudited) HK\$'000	Nine months ended 30 September 2018 (Unaudited) HK\$'000		2017 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company	16,843		51,780	18,098		102,665

	Three months ended 30 September 2018 (Unaudited)		2017 (Unaudited)	Nine months ended 30 September 2018 (Unaudited)		2017 (Unaudited)
Weighted average number of ordinary shares for basic and diluted loss per share	5,712,151,908		5,712,151,908	5,712,151,908		5,712,151,908

For the nine months ended 30 September 2018, diluted loss per share is the same as the basic loss per share as the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in an anti-dilutive effect on loss per share during the nine months ended 30 September 2018 and 2017.

9. Dividend

The Board does not recommend the payment of any interim dividend for the nine months period ended 30 September 2018 (2017: Nil).

10. Reserves

	Attributable to owners of the Company									
	Share capital	Share premium account	Share options reserve	Foreign currency translation reserve	PRC reserve funds	Accumulated losses	Equity investment revaluation reserve	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017	571,215	117,975	19,625	(13,114)	844	(149,329)	—	547,216	(879)	546,337
Loss for the period	—	—	—	—	—	(102,665)	—	(102,665)	(2,694)	(105,359)
Other comprehensive income/(loss)										
— Exchange differences on translation of foreign operations	—	—	—	13,541	—	—	—	13,541	(74)	13,467
— Exchange differences reclassified to profit or loss on disposal of subsidiary	—	—	—	(60)	—	—	—	(60)	—	(60)
Total comprehensive income/(loss) for the period	—	—	—	13,481	—	(102,665)	—	(89,184)	(2,768)	(91,952)
Lapsed of share options	—	—	(19,625)	—	—	19,625	—	—	—	—
Equity-settled share based payment expenses	—	—	81,842	—	—	—	—	81,842	—	81,842
Capital injection by a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	1,545	1,545
At 30 September 2017	571,215	117,975	81,842	367	844	(232,369)	—	539,874	(2,102)	537,772
At 1 January 2018	571,215	107,108	81,842	6,195	831	(231,280)	3,160	539,071	(3,780)	535,291
Loss for the period	—	—	—	—	—	(18,098)	—	(18,098)	(2,004)	(20,102)
Other comprehensive loss										
— Exchange differences on translation of foreign operations	—	—	—	(11,719)	—	—	—	(11,719)	(19)	(11,738)
— Exchange differences reclassified to profit or loss on disposal of subsidiaries	—	—	—	(3,646)	(831)	831	—	(3,646)	6,052	2,406
Total comprehensive loss for the period	—	—	—	(15,365)	(831)	(17,267)	—	(33,463)	4,029	(29,434)
Lapsed of share options	—	—	(152)	—	—	152	—	—	—	—
At 30 September 2018	571,215	107,108	81,690	(9,170)	—	(248,395)	3,160	505,608	249	505,857

GENERAL INFORMATION

Directors' service contracts

At 30 September 2018, 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

None of the Directors 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 2018.

Directors' interests and short positions in shares and underlying shares

At 30 September 2018, 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 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name	Capacity	Nature of Interest		Percentage of the Company's issued share capital (approximate %) (Note a)
		Registered Shareholder	Underlying Interest	
Mr. Wong Kui Shing, Danny	Interest in controlled corporation (Note b)	403,971,449		7.07%
	Beneficially owned		5,688,000	0.10%
Mr. Wong King Shiu, Daniel	Beneficially owned	10,008,000	57,000,000	1.17%

Note:

- (a) 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 Shares.
- (b) The 403,971,449 Shares are held by Discover Wide Investments Limited ("Discover Wide"), which is wholly-owned by Mr. Wong Kui Shing, Danny. Pursuant to the provisions 7 and 8 of Part XV of the SFO, Mr. Wong is deemed to have an interest in all shares in which Discover Wide has, or deemed to have an interest.

Save as disclosed above and in the section headed “Share Options”, as at 30 September 2018 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 5.67 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 nine months ended 30 September 2018 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 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 adopted by the Company on 2 August 2012 (“Share Option Scheme”). A total of 160,752,000 Options were granted to the Directors of the Company.

On 27 September 2017, the Company granted a total of 571,200,000 share options with rights to subscribe 571,200,000 ordinary shares of HK\$0.1 each in the share capital under the Share Option Scheme. A total of 224,784,000 share options were granted to Directors of the Company.

Details of the share options granted on 11 April 2017 and 27 September 2017 are as follows:

Name of Grantees	Position held with the Company	Date of Grant	Exercise period	Number of share options			Exercise price per share
				Outstanding as at 1 January 2018	Lapsed during the period	Outstanding as at 30 September 2018	
Directors							
Mr. Wong Kui Shing, Danny	Executive Director	11 April 2017	11 April 2017 - 10 April 2027	5,688,000	—	5,688,000	HK\$0.153
Mr. Tse Chi Wai	Executive Director	11 April 2017	11 April 2017 - 10 April 2027	57,000,000	—	57,000,000	HK\$0.153
Mr. Takashi Togo	Executive Director	11 April 2017	11 April 2017 - 10 April 2027	57,000,000	—	57,000,000	HK\$0.153

Name of Grantees	Position held with the Company	Date of Grant	Exercise period	Number of share options			Exercise price per share
				Outstanding as at 1 January 2018	Lapsed during the period	Outstanding as at 30 September 2018	
Mr. Wong King Shiu, Daniel	Executive Director	27 September 2017	27 September 2017 - 26 September 2027	57,000,000	—	57,000,000	HK\$0.130
Mr. Chan Kai Leung	Executive Director	27 September 2017	27 September 2017 - 26 September 2027	5,016,000	—	5,016,000	HK\$0.130
Mr. Wong Chi Yung	Non-executive Director	11 April 2017	11 April 2017 - 10 April 2027	33,000,000	—	33,000,000	HK\$0.153
Mr. Hung Hing Man	Independent non-executive Director	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	—	2,016,000	HK\$0.153
Dr. Chen Shengrong	Independent non-executive Director	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	—	2,016,000	HK\$0.153
Mr. Wong Hoi Kuen	Independent non-executive Director	27 September 2017	27 September 2017 - 26 September 2027	2,016,000	—	2,016,000	HK\$0.130
Former Directors							
Ms. Wu Jingjing	Executive Director (currently vice president of Business Development Department of the Company)	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	—	2,016,000	HK\$0.153
Mr. May Tai Keung, Nicholas	Independent non-executive Director	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	(2,016,000)	—	HK\$0.153
Sub-total				224,784,000	(2,016,000)	222,768,000	

Name of Grantees	Date of Grant	Exercise period	Number of share options			Exercise price per share
			Outstanding as at 1 January 2018	Lapsed during the period	Outstanding as at 30 September 2018	
Other staff and consultants	11 April 2017	11 April 2017 - 10 April 2027	408,960,000	—	408,960,000	HK\$0.153
	27 September 2017	27 September 2017 - 26 September 2027	507,168,000	(1,488,000)	505,680,000	HK\$0.130
Total			1,140,912,000	(3,504,000)	1,137,408,000	

All the outstanding share options granted on 11 April 2017 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 on 11 April 2017 was HK\$0.145.

All the outstanding share options granted on 27 September 2017 are exercisable during the period from date of grant to 26 September 2027 at an exercise price of HK\$0.130 per share. The closing price per share immediately before the date of grant on 27 September 2017 was HK\$0.130.

2,016,000 share options and 1,488,000 share options were lapsed on 5 January 2018 and 13 July 2018 respectively. Save as disclosed above, none of the outstanding share options were exercised or cancelled or lapsed during the nine months ended 30 September 2018.

Subsequent to the reporting period, 3,000,000 share options were lapsed on 6 October 2018.

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

At 30 September 2018, 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:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital <i>(Note a)</i>
Discover Wide Investments Limited	Directly beneficially owned	403,971,449 <i>(Registered Shareholder)</i>	7.07%
Mr. Zhang Rong	Directly beneficially owned	509,824,000 <i>(Registered Shareholder)</i>	8.93%

Notes:

(a) 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 Shares.

Save as disclosed above, as at 30 September 2018, 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 2018, 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 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 2018, the Company has complied with the codes on Corporate Governance Code (the “Code”) as set out in Appendix 15 of the GEM Listing Rules, except for the followings:

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.

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 A.4.1 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 5.67 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 2018.

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 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 and risk management systems 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. Wong Hoi Kuen and Dr. Chen Shengrong. All of the Audit Committee members are independent non-executive Directors.

The Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 2018 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 of the Company (the “Nomination Committee”) 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 comprises three members, including Mr. Hung Hing Man (Nomination Committee chairman), Mr. Wong Hoi Kuen and Dr. Chen Shengrong. All of the 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.

The primary duties of the remuneration committee of the Company (the “Remuneration Committee”) include 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.

The Remuneration Committee comprises three members, including Mr. Wong Hoi Kuen (Remuneration Committee chairman), Mr. Hung Hing Man and Dr. Chen Shengrong. All the Remuneration Committee members are independent non-executive Directors.

Change in information of directors

Pursuant to the Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors subsequent to the date of the interim report of the Company for the six month ended 30 June 2018 and as at the date of this report are set out below:–

Mr. Tse Chi Wai, the executive Director, has retired as the independent non-executive director, chairman of the audit committee and remuneration committee and a member of the nomination committee of Chong Kin Group Holdings Limited (Stock Code: 1609) with effect from 31 August 2018.

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 November 2018

As at the date of this report, the Board comprises Mr. Wong Kui Shing, Danny (Chairman and Chief Executive Officer), Mr. Tse Chi Wai, Mr. Takashi Togo, Mr. Wong King Shiu, Daniel and Mr. Chan Kai Leung as executive Directors; Mr. Wong Chi Yung as non-executive Director; Mr. Hung Hing Man, Mr. Wong Hoi Kuen and Dr. Chen Shengrong as independent non-executive Directors.