



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

2019

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

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This report, for which the directors (the “Directors” and each a “Director”) of the 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 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. Wong King Shiu, Daniel
Mr. Chan Kai Leung

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Chang Ki Sum, Clark

COMPLIANCE OFFICER

Mr. Chang Ki Sum, Clark

AUTHORISED REPRESENTATIVES

Mr. Wong Kui Shing, Danny
Mr. Chang Ki Sum, Clark

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

The Hongkong and Shanghai Banking
Corporation Limited
Public Bank (Hong Kong) Limited
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SUMMARY

- Turnover from continuing operations for the nine months ended 30 September 2019 (the “Reporting Period”) was approximately HK\$41,413,000, representing a decrease of 8.23% from the corresponding period in last year (2018: approximately HK\$45,129,000).
- Loss attributable to owners of the Company from continuing operations for the nine months ended 30 September 2019 amounted to approximately HK\$63,644,000 (2018: approximately HK\$26,394,000). The increase in loss was mainly attributed to (i) the fair value loss on the investment properties of approximately HK\$35,286,000 and (ii) recognition of an equity-settled share-based payment with an amount of approximately HK\$9,628,000 during the Reporting Period .
- Loss per share attributable to owners of the Company from continuing operations for the nine months ended 30 September 2019 was HK1.11 cents (2018: Loss per share of HK0.46 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 2019 (2018: 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 2019, the use of net proceeds from the Placement was as follows: (1) approximately HK\$73 million for refurbishment and other expenses relating to the PRC Properties; (2) approximately HK\$63.4 million for investment in Macro China Holding Limited (“Macro”), business development under DataCube Research Centre Limited (“DataCube Research Centre” or “DataCube”), IT business in Japan and a data center 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\$24.6 million had been applied to settle the consideration for the PRC Properties; and (4) approximately HK\$69 million for administrative expenses and other expenses incurred by the Group.

During the nine months ended 30 September 2019, the Company has continued to refine our business structure. On 15 January 2019, the Company entered into a non-legally binding memorandum of understanding (the "MOU") with an independent third party in relation to the possible acquisition of certain land and buildings with a data centre located in Nansha District, Guangzhou, the People's Republic of China ("PRC"). The Company has to pay a refundable deposit of RMB20 million in cash to the independent third party upon signing of the MOU. As no formal agreement had been entered into between the Group and the Vendor on or before the date falling 180 days from the date of execution of the MOU (i.e. 15 July 2019) nor there be an agreement reached in extending the date of entering into the formal agreement in relations thereto, the MOU had automatically lapsed and ceased to have any effect. The Group did not pay any deposit in relation to the MOU. Details of the MOU and the lapse of MOU are set out in the announcements dated 15 January 2019 and 22 July 2019 respectively.

Meanwhile, the Group had made various changes with the vision to equip and strengthen ourselves for the up-coming business developments.

On 21 June 2019, the Company has granted an aggregate of 217,056,000 share options (the "Options") to the grantees (the "Grantees") of the Company, to subscribe, in aggregate, for up to 217,056,000 ordinary shares (each a "Share") of HK\$0.1 each in the share capital of the Company subject to acceptance of the Grantees, with an exercise price of HK\$0.1 per Share, under the share option scheme (the "Share Option Scheme") adopted by the Company on 2 August 2012. Among the total of 217,056,000 Options, 60,048,000 Options were granted to the employees of the Company and the remaining 157,008,000 Options were granted to the consultants of the Company. The Company believes that human resources are of utmost importance to the success of a business and we believe that the grant of Options can provide incentives for the employees and consultants of the Group to work towards the goal of the Company.

On 2 August 2019, Giant Prestige Investments Limited, a direct wholly-owned subsidiary of the Company, as the vendor (the "Vendor") has entered into an agreement (the "Agreement") with Winner Sino Corporate Development Limited (the "Purchaser") and 廣州麓湖錦城置業管理有限公司 (Guangzhou Luhu Jincheng Properties Management Limited*) as the Purchaser's Guarantor (the "Purchaser's Guarantor"), pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 10 ordinary shares of US\$1.00 each in the share capital of the Joyunited Investments Limited (the "Target Company"), representing 100% of the issued share capital of the Target Company and any obligation or liabilities incurred or may be incurred or due or which would fall due by Target Company to the Vendor on or at any time prior to completion of the Agreement at the consideration of RMB260,000,000 (equivalent to approximately HK\$295,874,000) in cash (the "Disposal").

As one or more of the relevant percentage ratios under the GEM Listing Rules in respect of the transactions contemplated under the Agreement exceed 25% but are below 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. Details of the Disposal are set out in the announcement dated 2 August 2019 and the circular dated 4 September 2019. The Disposal has been approved by the shareholders of the Company at the extraordinary general meeting held on 17 October 2019.

Further to the Group's strategy to dispose of non-core assets and to pursue the foregoing new business strategy, apart from the Disposal, on 19 August 2019, Guangzhou Deyong as vendor, entered into a disposal agreement, pursuant to which 科華恒盛股份有限公司 (Kehua Hengsheng Co., Ltd.*), as purchaser, conditionally agreed to acquire and the vendor has conditionally agreed to sell 10% equity interest of 廣州德昇雲計算科技有限公司 (Desheng Cloud Computing Technology Co. Ltd.*) ("Desheng Cloud Computing") at the consideration of RMB20,000,000 (equivalent to approximately HK\$22,260,000) in cash. Desheng Cloud Computing was acquired by the Group in February 2018 at the acquisition cost of HK\$12,385,000. Considering the volatile global economic situation and the negative impact on the economy brought by the recent social unrest in Hong Kong, the Company believes that the Disposal may allow the Company to realise the investment in the Desheng Cloud Computing with an estimated gain of approximately HK\$8,572,000 and further liquidate its resources for maintaining our existing businesses while seeking for new business opportunities. With the development of Guangdong-Hong Kong-Macao Greater Bay Area, the Group will continue to seek for investment opportunities that offer synergies to the existing businesses of the Group in strategic locations where the Group can take advantage to expand its client base and reputation in the PRC and further excel and become a comprehensive AI and BI solutions provider. Details of the said disposal are set out in the announcement dated 19 August 2019.

Therefore, on 28 August 2019, an acquisition agreement was entered into between 廣州市德永科技投資有限公司, (Guangzhou Deyong Technology Investment Limited*), a company incorporated in the PRC with limited liability ("Guangzhou Deyong") as the purchaser and an indirect wholly-owned subsidiary of the Company as the vendor, an Independent Third Party and 廣州市德煌投資有限公司 (Guangzhou Dehuang Investment Company Limited*), a company incorporated in the PRC with limited liability ("Guangzhou Dehuang"), for the acquisition of a 19% equity interest in Guangzhou Dehuang, a company with data centres and data racks located in Nansha District. The consideration of RMB66,341,000 (equivalent to approximately HK\$72,842,000) should be satisfied by the promissory note issued on 3 September 2019 by Guangzhou Deyong. Completion of the acquisition of interest in Guangzhou Dehuang had taken place on 3 September 2019. Details of the said acquisition and its completion are set out in the announcement dated 28 August 2019 and 4 September 2019.

Nansha District is the core area of Guangdong-Hong Kong-Macao Greater Bay Area and the PRC government may plan to develop Nansha District as a comprehensive transportation hub of the Greater Bay Area. The projects for further development of Guangzhou Dehuang and its property have been proposed as the core infrastructure project of Guangzhou Nansha Economic and Technological Development Zone and has been recommended to be granted with the “green channel” so that the process of the project development will be speed up. The Group believes that the investment will allow the Company to step into this strategic location in China for development of the business of Macro China and DataCube and provide data modelling, big data analysis as well as AI and BI technology to the clients. With the Guangzhou Dehuang acquired, the Group is able to provide more comprehensive and integrated services to our clients all over PRC and Hong Kong and broaden its client base.

Meanwhile, the existing business of Macro and its subsidiaries (“Macro Group”), DataCube Research Centre and Value Creation Finance Limited (“Value Creation Finance”), continue to bring synergies and refinement to the whole business of the Company.

Macro Group

During the nine months ended 30 September 2019, Macro Group had continued to provide strong IT infrastructure and management service to its clients. It has organized various IT seminars to clients, covering the most updated knowledge and topics that are on the vibe, giving the clients a platform to share and get updated with different new technologies and knowledges in the market. Macro had teamed up with DataCube to participate in the Imagine What’s Next event organized by Nutanix on 9 January 2019. With over 700 audience joining the event, IT infrastructure and operations leaders, architects, and DevOps practitioners gathered together to exchange the insights and innovative thinking that is driving the future of the enterprise clouds. In September 2019, Macro had organised seminars in relation to the building of a secure and controllable desktop cloud (VDI) and new digital retail sales strategies to provide the updated technological knowledge to our clients.

Through these activities, Macro and DataCube got the opportunity to connect with clients who were searching for in-depth information on big data analytics solutions and how our solutions could assist on their business strategies. We also touched on building the dataset system for corporate from technical aspect. In addition, we shared some case studies with the audience.

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 and the “Excellent Partner – 2018” and “The Distinguished Service Partner – 2018” in April 2019. The technical team leader of Macro was honored with the “The Best Service – 2018” Award as well. The appreciation affirms our technical service quality and value to make IT smart. 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. Macro will accompany the clients towards digital transformation with their professionalism continuously and always.

Alongside with the existing business, Macro sees a huge potential with the resurgence trend of AI. With the concurrence of other technical advancement and the importance of big data as well as the popularization of Interest of things (“IoT”), AI has become an almost inseparable part to a successful business and even our daily lives. Macro therefore, has started to transform itself from system integrator to a Marketing AI integrated solution provider. During the nine months ended 30 September 2019, Macro, in corporation with DataCube, had continued the research and development to originate our very own software for AI statistical analysis platform to provide the most tailor-made and suitable software and solutions for our clients in Hong Kong and PRC.

DataCube

DataCube Research Centre, is dedicated to promote data modelling, big data analysis as well as developing related technologies to expedite the adoption and drive the evolution of AI and business intelligence (“BI”) and across the region, so as to provide the technological platform and all related resources to drive the development of Smart Cities in Asia.

During the nine months ended 30 September 2019, working hand in hand with Macro Group, DataCube has been actively developing in these areas, namely Marketing Intelligence, Operation Intelligence, Smart Store and Smart Cities.

In the business world, BI has become a complementary if not essential tool used by enterprises to support a wide range of business decisions ranging from operational to strategic ones. The big data in business operations are systematically gathered and analyzed into useful information which can assist corporations to formulate their business strategies accordingly.

With the efforts we invested in data analysis, AI and BI reporting tools, we provided complete chain and system for our clients. Thanks to the hard work of the data science, engineering and consulting team, DataCube has developed AI book which is an exclusive end-to-end automatic platform with deep learning and machine learning technique equipped. It helps clients in processing data collection, filtering and analytics through four stages. It expedites iterative approach improves prediction accuracy and model robustness, making it an automatic procedure. Meanwhile, the result of data analytics will be showed on tailored-made BI Canvas platform. The massive data are transformed into various charts and line graphs in real time mode. It is clear and easy to understand and helps decision makers to spot out business value and hidden trends, quickly response to the market and adjust business deployment. DataCube shall aim to extend our services to cover across government, medical and education etc. For instance, AI system can be applied to provide automatic vehicle identification in car parks whereby the car license plates are detected and identified to enhance the efficient security management of car parks. Through the spectrum of client portfolio we built, we will gain knowledge of different industries so that we can strengthen our skillset to provide quality services, hence, enhance our competitiveness to drive social awareness upon data application and accelerate the adoption of AI for the development of Smart Cities in Asia in the future. We expect that DataCube shall become one of the income drivers and contribute to the business of the Group in the years to come.

During the nine months ended 30 September 2019, Macro Group has contributed a revenue of approximately HK\$34,358,000 to the Group. The remarkable achievements convinced the Directors and the Company to continue to put more effort in development of the business of Macro Group and DataCube.

Other businesses

During the nine months ended 30 September 2019, 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.

In late March 2019, the Company has entered into a formal sales and purchase agreement (the "Agreement") with an independent third party in relation to the acquisition of 51% of the equity interest of FULLPAY K.K. (FULLPAY株式会社) ("Fullpay") at a consideration of HK\$15,300,000 (the "Acquisition"). The Company has subscribed 16.67% equity interest of Fullpay in January 2017, therefore upon the Acquisition, the Company owns 67.67% of the equity interest of Fullpay. 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 and the rocketing numbers of Chinese tourist in Japan, 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.

Outlook and prospect

During the nine months ended 30 September 2019, the Group has made steady progress in refining its business model, putting more emphasis on our main business in Macro and the future development of DataCube. Leveraging our established brand names including Macro and DataCube, we deliver quality services to our clients. With more centralized resources, the Group will continue to endeavour to intensify its innovation facilitation and enhance new market expansions.

During and subsequent to the nine months ended 30 September 2019, Hong Kong has been facing an unprecedentedly challenging situation, both politically and socio-economically. Worse still, the international atmosphere has also been volatile with the on-going Sino-US trade conflicts and the long-lingering unresolved Brexit issue. Facing such adversity, the Company shall pay close attention to the market condition and act accordingly while continue to team up Macro and DataCube so as to synergize our IT capabilities and to jump on the bandwagon of Smart Cities among the businesses. Having the vision of giving the high quality data analysis and intelligence systems to our clients, together with the experiences and knowledge we gained through the years, we walk together with our clients and persistently to develop and improve our own self-developed software for AI statistical analysis platform so that we can provide unique and customized services to our clients. With the self-developed software which is still uncommon among our competitors, we strengthen our competitive edge to stand out in the market.

Employees

The total number of full-time employees hired by the Group maintained at 75 as of 30 September 2019 (31 December 2018: 59 employees). Total expenses on employee benefits amounted to HK\$16,592,000 of which HK\$2,664,000 related to equity-settled share-based payment (31 December 2018: approximately HK\$25,117,000). 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 2019, the Group recorded a revenue of approximately HK\$41,413,000, a decrease of 8.23% from approximately HK\$45,129,000 in the corresponding period in last year. The decrease in revenue was mainly due to the decrease in interest revenue during the period.

The Group had a total cost of sales and services of approximately HK\$24,809,000 for the first three quarters of the year 2019, an increase of 0.08% compared with approximately HK\$24,790,000 in the same period of year 2018. The cost does not have significant change which is in line with other revenue during the period.

The gross profit of the Group for the nine months ended 30 September 2019 was approximately HK\$16,604,000, compared with approximately HK\$20,339,000 in corresponding period of last year.

During the nine months ended 30 September 2019, the Group generated other income and gains of approximately HK\$460,000 (2018: approximately HK\$1,096,000) which comprised: (i) bank interest income amounted to approximately HK\$4,000 (2018: approximately HK\$1,000); (ii) dividend income amounted to approximately HK\$243,000 (2018: HK\$160,000); and (iii) other miscellaneous income amounted to approximately HK\$213,000 (2018: approximately HK\$935,000).

The Group's selling and distribution expenses for the nine months ended 30 September 2019 amounted to approximately HK\$2,192,000, a decrease of 12.00% compared with approximately HK\$2,491,000 in the corresponding period in 2018. The decrease was mainly due to Macro decreased its promotion activities efforts during the Reporting Period.

Administrative expenses for the period were approximately HK\$42,829,000, an increase of 20.15% as compared to HK\$35,645,000 for the corresponding period last year. The increase was mainly due to the recognition of share options granted to employees and consultants related expenses for the amount of approximately HK\$9,628,000 in June 2019.

During the nine months ended 30 September 2019, the Group recognised a decrease in fair value of investment properties of approximately HK\$35,286,000 due to the recession of property market in the PRC.

During the first three quarters of 2019, the Group recorded a net gain of approximately HK\$1,577,000 from trading of marketable securities as compared to a net loss of approximately HK\$10,236,000 for 2018.

The Group's loss attributable to owners of the Company was approximately HK\$63,644,000 for the nine months ended 30 September 2019 (2018: approximately HK\$26,394,000).

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 2019, together with the unaudited comparative figures for the corresponding periods of the year 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)
CONTINUING OPERATIONS					
Interest revenue		1,982	3,525	7,055	10,557
Other revenue		9,066	10,943	34,358	34,572
Revenue	4	11,048	14,468	41,413	45,129
Cost of sales and services		(5,481)	(8,843)	(24,809)	(24,790)
Gross profit		5,567	5,625	16,604	20,339
Other income and gains, net	4	344	486	460	1,096
Selling and distribution expenses		(572)	(371)	(2,192)	(2,491)
Administrative expenses		(13,383)	(12,707)	(42,829)	(35,645)
Gain on disposal of subsidiaries		—	1,732	—	2,407
Fair value (loss)/gain on investments at fair value through profit or loss, net		(2,254)	(10,455)	1,577	(10,236)
Change in fair value of investment properties		—	—	(35,286)	—
Finance costs	5	(1,344)	(1,241)	(3,190)	(3,731)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	(11,642)	(16,931)	(64,856)	(28,261)
Income tax expense	7	—	—	—	—
Loss for the period from continuing operations		(11,642)	(16,931)	(64,856)	(28,261)
DISCONTINUED OPERATION					
Profit for the period from a discontinued operation		—	—	—	8,170
LOSS FOR THE PERIOD		(11,642)	(16,931)	(64,856)	(20,091)
Attributable to:					
Owners of the Company					
Loss from continuing operations		(11,618)	(16,836)	(63,644)	(26,394)
Profit from a discontinued operation		—	—	—	8,307
		(11,618)	(16,836)	(63,644)	(18,087)

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
<hr/>				
Non-controlling interests				
Loss from continuing operations	(24)	(95)	(1,212)	(1,867)
Loss from a discontinued operation	—	—	—	(137)
	(24)	(95)	(1,212)	(2,004)
<hr/>				
Basic and diluted loss per share	8			
— From continuing and discontinued operations	HK(0.20) cents	HK(0.29) cents	HK(1.11) cents	HK(0.32) cents
— From continuing operations	HK(0.20) cents	HK(0.29) cents	HK(1.11) cents	HK(0.46) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(11,642)	(16,931)	(64,856)	(20,091)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF INCOME TAX				
— Exchange differences on translation of foreign operations	(4,357)	(7,762)	(3,797)	(11,738)
— Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries	—	2,706	—	2,406
— Gain on disposal of an equity investment at fair value through other comprehensive income	8,672	—	8,672	—
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(7,327)	(21,987)	(59,981)	(29,423)
ATTRIBUTABLE TO:				
Owners of the Company	(7,360)	(24,779)	(58,807)	(33,452)
Non-controlling interests	33	2,792	(1,174)	4,029
	(7,327)	(21,987)	(59,981)	(29,423)

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 2018.

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 2019. 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 2019 and 2018 respectively.

Reporting segment information

Nine months ended 30 September

	Continuing operations						Discontinued operation									
	IT solutions and maintenance			Money lending			Securities investments			Software development and system integration			Group			
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	
Segment revenue:																
Sales to external customers	34,358	34,572	7,055	10,557	—	—	41,413	45,129	685	—	685	—	685	41,413	45,814	
Segment (loss)/profit	(2,286)	(1,638)	6,919	10,338	1,801	(10,094)	6,434	(1,394)	(1,746)	—	(1,746)	—	(1,746)	6,434	(3,140)	
Reconciliation:																
Bank interest income				4	1	—	—	—	—	—	—	—	—	4	1	
Change in fair value of investment properties				(35,286)	—	—	—	—	—	—	—	—	—	(35,286)	—	
Gain on disposal of subsidiaries				—	2,407	—	—	—	9,916	—	—	—	—	—	12,323	
Unallocated gains				—	—	—	—	—	—	—	—	—	—	—	—	
Corporate and other unallocated expenses				(32,818)	(26,147)	—	(32,818)	(26,147)	—	—	—	—	—	(32,818)	(26,147)	
Finance costs				(3,190)	(3,731)	—	(3,190)	(3,731)	—	—	—	—	—	(3,190)	(3,731)	
(Loss)/profit before tax				(64,856)	(28,261)	—	(64,856)	(28,261)	—	—	—	—	—	(64,856)	(20,091)	

4. Revenue, other income and gains

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

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue				
Sale of computer hardware and software	7,379	8,017	27,322	23,696
Provision of technical support and maintenance services	1,687	2,926	7,036	10,876
Revenue from contracts with customers	9,066	10,943	34,358	34,572
Loans interest income	1,982	3,525	7,055	10,557
	11,048	14,468	41,413	45,129
Disaggregation of revenue from contracts with customers:				
Geographical markets				
Hong Kong	9,013	10,624	34,103	31,969
PRC except Hong Kong	53	319	255	2,603
	9,066	10,943	34,358	34,572
Major products/services				
Sale of computer hardware and software	7,379	8,017	27,322	23,696
Provision of technical support and maintenance services	1,687	2,926	7,036	10,876
Total	9,066	10,943	34,358	34,572
Timing of revenue recognition				
At a point in time	7,379	8,017	27,322	23,696
Over time	1,687	2,926	7,036	10,876
Total	9,066	10,943	34,358	34,572
Other income and gains				
Bank interest income	3	—	4	1
Dividend income	243	160	243	160
Others	98	326	213	935
	344	486	460	1,096

5. Finance costs

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)
Interest on bank loan	455	598	1,489	1,986
Interest on other loans	828	585	1,575	1,576
Lease interest	61	58	126	169
	1,344	1,241	3,190	3,731

6. Loss before tax from continuing operations

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

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000 (Restated)
Amortisation of other intangible assets	196	195	587	587
Change in fair value of investment properties	—	—	35,286	—
Depreciation on property, plant and equipment	357	481	1,044	927
Depreciation on right-of-use assets	1,040	910	3,180	2,429
Directors' remuneration	657	1,065	2,874	3,198
Equity-settled share based payments	—	—	9,628	—

7. Income tax expense

No provision for Hong Kong Profits Tax has been made for the nine months ended 30 September 2019 as the Group has accumulated tax losses brought forward from previous year (2018: 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 2019 as the Group did not generate any assessable profits in the PRC during the period (2018: Nil).

No provision for Japan corporate income tax has been made for the nine months ended 30 September 2019 since the Group did not generate any assessable profits arising in Japan during the period (2018: 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 2019 (Unaudited) HK\$'000		Nine months ended 30 September 2019 (Unaudited) HK\$'000	
	2018 (Unaudited) HK\$'000 (Restated)	2018 (Unaudited) HK\$'000 (Restated)	2018 (Unaudited) HK\$'000 (Restated)	2018 (Unaudited) HK\$'000 (Restated)
Loss for the period attributable to owners of the Company	11,618	16,836	63,644	18,087
	Three months ended 30 September 2019 (Unaudited)		Nine months ended 30 September 2019 (Unaudited)	
	2018 (Unaudited)	2018 (Unaudited)	2018 (Unaudited)	2018 (Unaudited)
Weighted average number of ordinary shares for basic and diluted loss per share	5,721,072,082	5,712,151,908	5,715,157,974	5,712,151,908

For the nine months ended 30 September 2019, 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 2019 and 2018.

9. Dividend

The Board does not recommend the payment of any interim dividend for the nine months period ended 30 September 2019 (2018: Nil).

10. Reserves

	Attributable to owners of the Company									
	Share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share options reserve (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Equity investment revaluation reserve (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2018, as restated	571,215	107,108	81,842	6,195	831	(231,421)	3,160	538,930	(3,780)	535,150
Loss for the period	—	—	—	—	—	(18,087)	—	(18,087)	(2,004)	(20,091)
Other comprehensive (loss)/income										
— Exchange differences on translation of foreign operations	—	—	—	(11,719)	—	—	—	(11,719)	(19)	(11,738)
— Exchange differences reclassified to profit or loss on disposal of subsidiary	—	—	—	(3,646)	(831)	831	—	(3,646)	6,052	2,406
Total comprehensive (loss)/income for the period	—	—	—	(15,365)	(831)	(17,256)	—	(33,452)	4,029	(29,423)
Lapsed of share options	—	—	(152)	—	—	152	—	—	—	—
At 30 September 2018	571,215	107,108	81,690	(9,170)	—	(248,525)	3,160	505,478	249	505,727
At 1 January 2019, as restated	571,215	107,108	81,250	(9,469)	—	(305,498)	2,471	447,077	(708)	446,369
Loss for the period	—	—	—	—	—	(63,644)	—	(63,644)	(1,212)	(64,856)
Other comprehensive (loss)/income										
— Exchange differences on translation of foreign operations	—	—	—	(3,835)	—	—	—	(3,835)	38	(3,797)
— Gain of disposal of an equity investment at fair value through other comprehensive income	—	—	—	(1,255)	—	11,130	(1,203)	8,672	—	8,672
Total comprehensive (loss)/income for the period	—	—	—	(5,090)	—	(52,514)	1,268	(58,807)	(1,174)	(59,981)
Equity-settled share-based payment	—	—	9,628	—	—	—	—	9,628	—	9,628
Exercise of share options	1,001	444	(444)	—	—	—	—	1,001	—	1,001
At 30 September 2019	572,216	107,552	90,434	(14,559)	—	(358,012)	1,268	398,899	(1,882)	397,017

GENERAL INFORMATION

Directors' service contracts

At 30 September 2019, 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

Save as disclosed in the report, 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 2019.

Directors' interests and short positions in shares and underlying shares

At 30 September 2019, 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	—	7.06%
	Beneficially owned	147,816,000	5,688,000	2.68%
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 5,722,159,908 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 2019 and as at of 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 2019 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 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.

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

On 21 June 2019, the Company granted a total of 217,056,000 Options with rights to subscribe 571,200,000 ordinary shares of HK\$0.1 each in the share capital of the Company under the Share Option Scheme.

As at the date of this report, details of the Options granted and remain effective 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 2019	Lapsed during the period	Outstanding as at 30 September 2019	
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. 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. 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. Tse Chi Wai	Executive Director (currently consultant of the Company)	11 April 2017	11 April 2017 - 10 April 2027	57,000,000	—	57,000,000	HK\$0.153
Mr. Takashi Togo	Executive Director (currently consultant of the Company)	11 April 2017	11 April 2017 - 10 April 2027	57,000,000	—	57,000,000	HK\$0.153
Mr. Wong Chi Yung	Non-executive Director (currently consultant of the Company)	11 April 2017	11 April 2017 - 10 April 2027	33,000,000	—	33,000,000	HK\$0.153
Sub-total				222,768,000	—	222,768,000	

Name of Grantees	Date of Grant	Exercise period	Number of share options					Exercise price per share
			Outstanding as at 1 January 2019	Granted on 21 June 2019	Exercised on 11 July 2019	Lapsed during the period	Outstanding as at 30 September 2019	
Other staff	11 April 2017	11 April 2017 - 10 April 2027	202,968,000	—	—	—	202,968,000	HK\$0.153
	27 September 2017	27 September 2017 - 26 September 2027	334,680,000	—	—	—	334,680,000	HK\$0.130
	21 June 2019	21 June 2019 - 20 June 2029	—	60,048,000	—	—	60,048,000	HK\$0.100
Consultants of the Company	11 April 2017	11 April 2017 - 10 April 2027	202,992,000	—	—	—	202,992,000	HK\$0.153
	27 September 2017	27 September 2017 - 26 September 2027	171,000,000	—	—	—	171,000,000	HK\$0.130
	21 June 2019	21 June 2019 - 20 June 2029	—	157,008,000	10,008,000	—	147,000,000	HK\$0.100
Total			1,134,408,000	217,056,000	10,008,000	—	1,341,456,000	

All the outstanding 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 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.

All outstanding Options granted on 21 June 2019 are exercisable during the period from date of grant to 10 June 2019 at an exercise price of HK\$0.100 per share. The closing price per share immediately before the date of grant on 21 June 2019 was HK\$0.091.

Save as disclosed above, none of the outstanding Options were exercised or cancelled or lapsed during the nine months ended 30 September 2019.

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

At 30 September 2019, 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>
Mr. Zhang Rong	Directly beneficially owned	748,144,000 <i>(Registered Shareholder)</i>	13.07%
Discover Wide Investments Limited	Directly beneficially owned	403,971,449 <i>(Registered Shareholder)</i>	7.07%

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 5,722,159,908 Shares.

Save as disclosed above, as at 30 September 2019, 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 2019, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of Company's listed securities.

Competing interests of Directors and controlling shareholders

During the nine months ended 30 September 2019 and up to the date of this report, the Directors had an interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to the GEM Listing Rules were as follows:

Name of Director	Name of Company	Nature of Business	Nature of interest
Wong Kui Shing, Danny	TFG International Group Limited ("TFG"), Stock Code: 542	Money Lending Business	Non-executive director of TFG
	Huiyin Holdings Group Limited ("Huiyin"), Stock Code: 1178	Money Lending Business	Executive director of Huiyin <i>(resigned as director of Huiyin with effect from 10 April 2019)</i>
Wong King Shiu, Daniel	Huisheng International Holdings Limited ("Huisheng"), Stock Code: 1340	Money Lending Business	Independent non-executive director of Huisheng

As the Board is independent to the boards of the above mentioned companies, the Group is capable of carrying on its business independently of and at arm's length, from the business of those companies.

During the nine months ended 30 September 2019 and up to the date of this report, save as disclosed above, none of the Directors or the controlling 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 2019, 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 2019.

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 2019 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 nine months ended 30 September 2019 and as at the date of this report are set out below:–

- (a) Mr. Wong Kui Shing, Danny, the executive Director, has been appointed as the executive director of Rosedale Hotel Holdings Limited (Stock Code: 1189) with effect from 20 September 2019.

Mr. Wong Kui Shing, Danny has also resigned as the executive director of Larry Jewelry International Company Limited (Stock Code: 8351) with effect from 10 October 2019.

- (b) Mr. Wong King Shiu, Daniel, the executive Director, has resigned as the executive director and authorized representative as required under Rule 3.05 of the Listing Rules, and an authorised representative of the Company for the acceptance of service of process and notices in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) of China Baoli Technologies Holding Limited (Stock Code: 164) with effect from 3 October 2019.

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.

Events after the Reporting Period

Save as disclosed in this report, there was no other significant event after the reporting period.

By Order of the Board
China Information Technology Development Limited
Wong King Shiu, Daniel
Executive Director

Hong Kong, 8 November 2019

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