



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)

2022

FIRST QUARTERLY REPORT



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This report will be available on the Company’s website <http://www.citd.com.hk> and will remain on the “Latest Listed Company Information” 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

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Mr. Wong King Shiu, Daniel
(*Chairman and Chief Executive Officer*)
Mr. Chang Ki Sum Clark

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Ms. Lam Mei Wai Michelle

COMPLIANCE OFFICER

Mr. Chang Ki Sum Clark

AUTHORISED REPRESENTATIVES

Mr. Chang Ki Sum Clark
Ms. Lam Mei Wai Michelle

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 & Pearson

PRINCIPAL BANKERS

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Corporation Limited
Public Bank (Hong Kong) Limited
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SUMMARY

- Turnover for the three months ended 31 March 2022 (the “Period”) was approximately HK\$20,887,000 representing a decrease of 15.15% from the corresponding period in last year (2021: approximately HK\$24,617,000).
- Loss attributable to owners of the Company for the three months ended 31 March 2022 amounted to approximately HK\$3,880,000 (2021: loss of approximately HK\$4,104,000). The loss for the Period is mainly due to the research and development expenses for smart retail cloud platform and network security of IoT cloud platform of approximately HK\$4,320,000 during the Period.
- Loss per share attributable to owners of the Company for the three months ended 31 March 2022 was approximately HK1.13 cents (2021: loss of approximately HK1.71 cents).
- The Board of Directors (the “Board”) does not recommend the payment of an interim dividend for the three months ended 31 March 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Market overview

During the first three months of 2022, the rebound of COVID-19 cases in various areas including Hong Kong, have created instability in global economy. Business activities in Hong Kong almost came to a stagnant. To make things worse, the Russo-Ukrainian war has intensified the geopolitical atmosphere, driving macro-economy and business sentiments even more pessimistic.

Nevertheless, the stringent COVID-19 containment measures like cross-border restrictions, lockdowns, quarantine and “work-from-home” arrangements had reinforced the reliance of technologies like virtual desktop infrastructures, cloud technologies, Artificial Intelligence (“AI”) etc. AI for example, is becoming more prominent in business to reduce administrative and operational cost while helps increase productivity. According to Google CEO Sundar Pichai, impact of AI will be even greater than that of fire or electricity on our development as a species. AI is currently being used to help make efficient business decisions and even tackle climate change or develop treatments for cancer, the potential of AI and Smart technology is clearly enormous.

Business review

During the three months ended 31 March 2022, the Group has continued to develop steadily, preparing ourselves to face the challenges ahead while grabbing the golden opportunities for the sustainable growth of the Group. The Group had continued to dedicate its effort in developing innovative and advanced technology especially in fields like AI and cloud technologies while cautiously controlled and allocated our resources efficiently and took appropriate corporate actions according to the market conditions.

Rights Issue on the basis of one (1) Rights Share for every two (2) Existing Shares held on the record date on a non-underwritten basis (“Rights Issue”); and proposed placing of Placing Shares under Specific Mandate (“Placing Under Specific Mandate”)

On 5 January 2022, the Board of Directors proposed to conduct the Rights Issue on the basis of one (1) rights share (“Rights Share(s)”) for every two (2) existing Shares held on the record date of 8 March 2022 at the subscription price of HK\$0.15 per Rights Share, to raise up to approximately HK\$25.74 million before expenses by way of issuing up to 171,570,664 Rights Shares.

The Company and Grand China Securities Limited (“Placing Agent”) entered into the placing agreement (“Placing Agreement”), pursuant to which the Company conditionally appointed the Placing Agent and the Placing Agent conditionally agreed to act as the Placing Agent for the Company to procure, on a best effort basis, placees to subscribe for the placing shares (i.e., the unsubscribed Rights Share(s) not taken up by the qualifying shareholder(s) or renouncee(s) or transferee(s) of the Nil-Paid Rights under PAL(s) and the Rights Share(s) which would otherwise has/have been provisionally allotted to the excluded shareholder(s) in nil-paid form that has/have not been sold by the Company) on the terms and subject to the conditions set out in the Placing Agreement on 5 January 2022. Under the terms of the Placing Agreement, if all the Rights Shares have already been fully taken up in the Rights Issue whether through the PAL(s) and/or EAF(s), the Placing under Specific Mandate will not proceed.

The said Placing under Specific Mandate was approved by the Shareholders in the extraordinary general meeting on 24 February 2022.

There were a total of 16 valid acceptances and applications received for a total of 203,244,024 Rights Shares, comprising (a) 9 valid acceptances of provisional allotments under the PALs in respect of 115,027,076 Rights Shares; and (b) 7 valid applications for excess Rights Shares under the EAFs in respect of 88,216,948 Rights Shares, representing approximately 118.46% of the total number of 171,570,664 Rights Shares available for subscription under the Rights Issue.

Based on the above results, the Rights Issue was over-subscribed by 31,673,360 Rights Shares, representing approximately 18.46% of the total number of 171,570,664 Rights Shares offered under the Rights Issue.

Under the terms of the Placing Agreement, based on the Rights Issue result on 23 March 2022, as all the Rights Shares were taken up in the Rights Issue through the PAL(s) and EAF(s), the Placing will not proceed and the obligations of the Placing Agents under the Placing Agreement have been fully discharged.

Subsequently, on completion of the Rights Issue which took place on 11 April 2022, 115,027,076 Rights Shares were allotted and issued under valid acceptances of PALs and 56,543,588 Rights Shares were allotted and issued under valid application of EAFs, representing the total number of 171,570,664 Rights Shares available for subscription under the Rights Issue.

Details of the Rights Issue and the proposed Placing under Specific Mandate are set forth in the announcements dated 5 January 2022, 30 March 2022 and 12 April 2022 and circular dated 25 January 2022.

Provision of Guarantee to a Subsidiary (“Provision of Guarantee”)

On 15 February 2022, 廣州信豐投資諮詢有限公司 (Guangzhou Xinfeng Investment Consultancy Company Limited*) (the “Subsidiary”), an indirect wholly-owned subsidiary of the Company entered into a facility agreement (the “Facility Agreement”) with China Construction Bank Corporation, Guangzhou Liwan Sub-branch (the “Lender”). Pursuant to the Facility Agreement, the Subsidiary agreed to borrow and the Lender agreed to provide a loan of RMB50,000,000 (the “Loan Facility”).

In consideration of the provision of the Loan Facility under the Facility Agreement by the Lender, the Company agreed to provide a corporate guarantee (the “Corporate Guarantee”) in favour of the Lender, so as to guarantee the performance of the Subsidiary’s payment obligations of up to the principal amount of RMB50,000,000. The Corporate Guarantee was signed on 15 February 2022 and a supplemental agreement to the Corporate Guarantee was signed on 7 March 2022 in Guangzhou, the People’s Republic of China (the “PRC”). The parties to the Corporate Guarantee agreed to submit to the jurisdiction of the courts in Guangzhou, the PRC if a legal action in connection with the Corporate Guarantee arises.

Details of the above Provision of Guarantee is set out in the announcement dated 7 March 2022.

Litigation against the Company's Subsidiary (the "Litigation")

Reference is made to the announcement dated 2 August 2019 (the "Announcement") and the circular and notice of extraordinary general meeting dated 27 September 2019 (the "Circular") in relation to the disposal of entire issued share capital of Joyunited Investments Limited (the "Target Company") pursuant to the sale and purchase agreement dated 2 August 2019 entered into between Giant Prestige Investments Limited (權盛投資有限公司) ("Giant Prestige") as vendor, Winner Sino Corporate Development Limited (中勝企業發展有限公司) ("Winner Sino") as purchaser and 廣州麓湖錦城置業管理有限公司 (Guangzhou Luhui Jincheng Properties Management Limited*) (the "Purchaser's Guarantor") as purchaser's guarantor relating to the sale and purchase of the entire issued share capital of the Target Company and the Sale Loan (the "Agreement") and the announcement of the Company dated 20 December 2019 in relation to the termination of major transaction in relation to the disposal of entire issued share capital of Target Company. Unless otherwise defined, capitalised terms used in this report shall have the same meanings as defined in the Announcement and the Circular.

The Board announced that, on 10 August 2021, 廣州信豐投資諮詢有限公司 (Guangzhou Xinfeng Investment Consultancy Company Limited*) ("Xinfeng"), received litigation documents, including the "Civil Complaint (2021) Yue 0191 Min Chu No. 14903"* ((2021) 粵0191民初14903號《民事起訴狀》), "List of Evidence"* (《證據清單》), "Notice of Response"* (《應訴通知書》), "Notice to Produce Evidence"* (《舉證通知書》), and "Writ of Summons"* (《傳票》), pursuant to which, the Purchaser's Guarantor alleged that the Giant Prestige, the Target Company, Xinfeng, 廣州市德永科技投資有限公司 (Guangzhou Deyong Technology Investment Limited*) ("Deyong") and Winner Sino (Giant Prestige, the Target Company, Xinfeng, Deyong and Winner Sino, collectively, the "Defendants") failed to perform their obligations under the Agreement and the Purchaser's Guarantor requested 廣東自由貿易區南沙片區人民法院 (the People's Court of Nanshapian District, Guangdong Free-Trade zone*) (the "Nanshapian District Court") to order the Defendants to pay (i) the deposit of RMB13,000,000 paid by the Purchaser's Guarantor under the Agreement (the "Deposit"); (ii) the interest on the Deposit; and (iii) the legal costs of the Litigation. The Giant Prestige, the Target Company, Xinfeng and Deyong are wholly owned subsidiaries of the Company.

As at 31 December 2020, the Company had recognised the Deposit forfeited as other income of the Group. The Board is seeking legal advice in respect of the Litigation and is assessing its potential impact on the Company at the moment. In any event, the Litigation does not affect the normal operation of the Group. The Company will take appropriate actions to vigorously defend the claims under the Litigation. There were no further update regarding the Litigation at the date of this report. The hearing date for the Litigation has been scheduled to take place at the Nanshapian District Court on 20 June 2022.

The Company will make further announcement(s) to keep its shareholders and investors informed of any significant development of the Litigation as and when appropriate.

Macro Systems

During the Period, Macro Systems Limited (“Macro Systems”) allied with various top-class industry elites to continuously promote enterprise market’s digital transformation in Hong Kong. Macro Systems has continued to be the “Nutanix Certified Sales Expert” and gained “Master Partner”, the highest tier of partnership in the Nutanix Partner Program. Besides, Macro Systems has been the “Gold Partner” in Sangfor Technology Channel Partner, IBM PartnerWorld Program “Silver Partner” as well as “VMware Partner Connect Program — Advanced Partner”. These awards and partnerships issued by various world-class partners are solid affirmation of our high quality services.

Meanwhile, we continued to utilise our scenario driven business agility zone at our experience centre in Tsimshatsui to allow our customers to experience the business transformation we bring with secured intelligence and technology. It allows clients to have a first-angle experience of smart office with high speed connection at any location. Not only does it help business to be performed in a seamless and agile way from office to anywhere by virtual workspace, it helps business to save energy and improve environment. We believe the experience zone can successfully strengthen clients’ confidence in deploying virtual workspace solution and facilitate the related business project progress.

DataCube

During the Period, DataCube Research Centre Limited (“DataCube”), has continued to promote data modelling and big data analysis, as well as developing related technologies to expedite the adoption and drive the evolution of AI and business intelligence across different industries and regions with its unique advanced core technologies of the AI Book, AI Manager and BI Canvas. As such, DataCube provides the technological platforms and all related resources to drive the development of smart cities in Asia. Currently, the AI Book and BI Canvas developed by DataCube serve clients in the PRC. AI Book is a learning platform that analyzes and generates meaningful and accurate data through deep learning and machine learning technologies. The BI Canvas then clearly presents the analysis generated by the AI Book through various charts and tables. Such platforms help clients and their IT teams to explore potential opportunities and provide insights for developing their businesses and improving their operational efficiency. The AI Book and BI Canvas cover various industries such as the education and retailing industries. By providing services to its customers via the AI Book and BI Canvas, the Group gains a better understanding about the unique needs of each industry. In order to customise its data empowerment platforms to specific industries, the Group, together with the research team of DataCube, have dedicated tremendous efforts and resources to develop the AI Booster solution services.

The smart logistics and customer relationships management system (the “CRM system”), one of the branches of the AI Booster solution services, is a simplified AI solution targeting small to medium-sized enterprises without AI specialists. It is an end-to-end ecosystem that provides leading-edge solutions for model development, deployment, monitoring and evolution. According to the data collected by DataCube, the smart logistics and CRM system of the AI Booster solution services help customers of the Group to select the optimal transportation by providing real-time information sharing so that on-time delivery can be achieved. It can also monitor exceptional changes of the business while providing more personalised recommendation to the customers. The algorithms and data management technologies used in the AI Book and BI Canvas can create synergy for the development of AI Booster and the smart logistics and CRM system, allowing the Group to seamlessly streamline its entire data process and leverage cutting-edge AI technologies. Therefore, the Company has been injecting resources in research and development on its AI technology in the smart logistics and CRM system to transform enormously complex data with automated machine learning platforms and augmented analytics into useful insights which enables the Group to provide timely services to its customers. The system shall also provide automated sales and customer service interactions and other logistics management services. During the Period, bearing the objective to provide the most advanced but user-friendly technology that can help clients to manage their business at ease, the Company has persistently putting effort and injecting resources in refining the CRM system. The system is considered to be part of the IT Solutions Business of the Group and is expected to launch in the second half of 2022.

During the Period, Macro Systems and DataCube have contributed a revenue of approximately HK\$4,380,000 and approximately HK\$11,716,000 respectively to the Group while DataCube had been negotiating with different business partners for potential projects and focused on the R&D of the AI Booster branches. The Directors and the Company shall continue to develop the businesses of Macro Systems and DataCube. Macro Systems and DataCube shall continue to ally with each other and look for collaborations to create synergy to the Group business performance.

FUTURE PROSPECT

Shadowed by the uncertainty brought by the COVID-19 Pandemic and heightened geopolitical tension, 2022 is expected to remain to be a challenging year, especially in the first half of 2022. The rebound of COVID-19 cases in various areas including Hong Kong, have created instability in macro-economy since the second half of 2021. The performance of the Group was also affected and was in line with the general market conditions. Nevertheless, the future of the economic development and the industry remains positive. Robust growth in different technology trends such as IoT, cloud technology and AI are expected. This is especially the case when the reliance on technology rocketed during the COVID-19 Pandemic in our lives and businesses. Software development is constantly transforming to cater the needs under the “New Normals”. To keep pace with the technological advancement and the market trends, the Group shall dedicate more resources on research and development of the IoT, AI, cloud and other technologies so as to provide updated and quality services and products to the clients that can improve their business efficiency. Research and development of such advanced technologies like our CRM System requires capital as well as seasoned experts. The Company shall therefore inject necessary resources to strengthen our research and development team. Meanwhile, under such volatile market condition, the Board shall continue to closely monitor the market conditions and shall assess the impact of COVID-19 on the financial position and operations of the Group. The Group shall timely implement measures and adjust its business strategies to mitigate any possible business risks. In 2022, the Group shall continue to nurture its existing businesses while looking for potential business opportunities and build up its competitive edge which creates value to the Company and its shareholders in long run.

Looking forward, the Group shall keep alert on the market conditions and trends while look for potential projects, business opportunities and/or collaborations especially on cloud technology IoT and AI or related IT services for the long term development of the Group.

Employees

The total number of full-time employees hired by the Group maintained at 71 as of 31 March 2022 (2021: 69 employees). Total expenses on employee benefits amounted to approximately HK\$4,263,000 for the three months ended 31 March 2022 (2021: approximately HK\$4,047,000). The management believes the salaries offered by the Group to its employees are competitive.

Financial review

For the three months ended 31 March 2022, the Group recorded a revenue of approximately HK\$20,887,000, a decrease of 15.15% from approximately HK\$24,617,000 in the corresponding period of last year. The decrease is mainly due to the decrease of loan interest revenue as some of the loan receivables have been collected; and decrease in number of projects which caused by the rebound of COVID-19 cases during the first three months of 2022 in Hong Kong.

The Group had a total cost of sales and services of approximately HK\$13,922,000 for the first quarter of year 2022, a decrease of 34.17% compared with approximately HK\$21,149,000 for the same period of year 2021. The decrease is mainly due to the decrease in number of projects during the period.

The gross profit of the Group for the first quarter of year 2022 was approximately HK\$6,965,000, compared with approximately HK\$3,468,000 for the corresponding period of last year. The increase is mainly due to the rental income of approximately HK\$3,114,000 from the PRC properties which were rented to an independent third party for commercial, office and other use permitted by the laws and regulations of the PRC.

Selling and distribution expenses for the Period were approximately HK\$4,542,000, representing an increase of HK\$4,348,000 as compared to approximately HK\$194,000 for the corresponding period last year. The increase is due to the research and development expenses for smart retail cloud platform and network security of IoT cloud platform of approximately HK\$4,320,000 during the Period.

Administrative expenses for the Period were approximately HK\$5,978,000, representing a decrease of 22.1% as compared to approximately HK\$7,674,000 for the corresponding period last year. The Group implemented control of operation costs and expenditure since 2020.

The Group recorded a market-to-market loss on held-for-sale investment securities of approximately HK\$68,000 for the Period (2021: a gain of approximately HK\$1,246,000).

Finance costs of the Group for the three months ended 31 March 2022 were approximately HK\$2,787,000, a decrease approximately HK\$204,000, comparing to approximately HK\$2,991,000 for the same period in 2021.

The Group recorded a loss attributable to owners of the Company of approximately HK\$3,880,000 for the three months ended 31 March 2022 (2021: loss of approximately HK\$4,104,000).

The Board of directors (the “Directors”) of the Company announces the unaudited results of the Company and its subsidiaries for the three months ended 31 March 2022, together with the unaudited comparative figures for the corresponding period of year 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Three months ended 31 March	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Interest revenue		917	1,296
Other revenue		19,970	23,321
Total revenue	3	20,887	24,617
Cost of sales and services		(13,922)	(21,149)
Gross profit		6,965	3,468
Other income and gains	3	2,547	1,860
Selling and distribution expenses		(4,542)	(194)
Administrative expenses		(5,978)	(7,674)
Fair value (loss)/gain on investment at fair value through profit or loss		(68)	1,246
Finance costs	4	(2,787)	(2,991)
LOSS BEFORE TAX	5	(3,863)	(4,285)
Income tax expenses	6	—	—
LOSS FOR THE PERIOD		(3,863)	(4,285)
Attributable to:			
Owners of the Company		(3,880)	(4,104)
Non-controlling interests		17	(181)
		(3,863)	(4,285)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	7	(HK1.13 cents)	(HK1.71 cents)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(3,863)	(4,285)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX EXPENSES		
Exchange differences on translation of foreign operations	387	(2,048)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(3,476)	(6,333)
Attributable to:		
Owners of the Company	(3,486)	(6,153)
Non-controlling interests	10	(180)
	(3,476)	(6,333)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated financial information is prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The accounting policies and basis of preparation used in preparing the unaudited consolidated results are consistent with those used in the Company’s audited consolidated financial statements for the year ended 31 December 2021.

Basis of consolidation

The condensed consolidated financial statements included the condensed financial statements of the Company and its subsidiaries for the three months ended 31 March 2022. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2. Operating segment information

The Group has four reportable segments as follows:

- provision of IT infrastructure solutions and maintenance services (“IT solutions and maintenance”);
- money lending;
- Securities trading (“Securities investments”); and
- rental of properties.

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

The following table presents revenue and (loss)/profit for the Group's business segments for the three months ended 31 March 2022 and 2021.

Reporting segment information

	Three months ended 31 March							
	IT solutions and maintenance		Money lending		Securities investments		Rental of properties	
	2022	2021	2022	2021	2022	2021	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	16,856	23,321	917	1,296	—	—	3,114	—
							20,887	24,617
Segment (loss)/profit	(5,999)	(2,108)	869	1,255	(160)	1,243	(2,363)	390
Reconciliation:								
Bank and other interest income							1,839	1,791
Unallocated gains							666	12
Corporate and other unallocated expenses							(1,218)	(3,487)
Finance costs							(2,787)	(2,991)
Loss before tax							(3,863)	(4,285)
Income tax expenses							—	—
Loss for the period							(3,863)	(4,285)

Geographical information

	Revenue 2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Hong Kong	17,773	24,391
PRC except Hong Kong	3,114	226
Consolidated total	20,887	24,617

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

3. Revenue, other income and gains

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

	Three months ended 31 March 2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue		
Sale of computer hardware and software	2,211	5,735
Provision of technical support and maintenance services	14,645	17,586
Revenue from contracts with customers	16,856	23,321
Rental income	3,114	—
Loans interest income	917	1,296
	20,887	24,617
Disaggregation of revenue from contracts with customers:		
Geographical markets		
Hong Kong	16,856	23,095
PRC except Hong Kong	—	226
	16,856	23,321
Major products/services		
Sale of computer hardware and software	2,211	5,735
Provision of technical support and maintenance services	14,645	17,586
Total	16,856	23,321

	Three months ended 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Timing of revenue recognition		
At a point in time	2,211	5,735
Over time	14,645	17,586
Total	16,856	23,321
Other income and gains		
Other interest income	1,839	1,791
Others	708	69
	2,547	1,860

4. Finance costs

	Three months ended 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	170	273
Interest on other loans	88	280
Lease interest	16	45
Imputed Interest on promissory notes	2,513	2,393
	2,787	2,991

5. Loss before tax

Loss before tax was arrived at after charging the following:

	Three months ended 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	400	413
Amortisation of other intangible assets	216	196

6. Income tax expenses

No provision for Hong Kong Profits Tax has been made for the three months ended 31 March 2022 as the Group has accumulated tax losses brought forward from previous year (2021: Nil).

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both periods. No provision for PRC Enterprise Income Tax has been made for the three months ended 31 March 2022 as the company’s subsidiaries in PRC incurred tax losses during the period (2021: Nil).

7. Loss per share for the period attributable to owners of the Company

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

	Three months ended 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the purpose of calculating basic and diluted loss per share	3,880	4,104

(b) Weighted average number of ordinary shares:

	Three months ended 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(restated)
Total number of ordinary shares in issue at the end of the period	343,141,329	239,341,329
Weighted average number of ordinary shares in issue during the period	343,141,329	239,341,329

No adjustment has been made to the basic loss per share amounts presented for the periods ended 31 March 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

8. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2022 (2021: Nil).

9. Reserves

	Attributable to owners of the Company							Total equity (Unaudited) HK\$'000
	Share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	(Accumulated retained profits (Unaudited) HK\$'000	Investment revaluation reserve (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	
At 1 January 2021	574,419	108,291	—	3,167	(292,582)	26,516	419,811	415,586
Loss for the period	—	—	—	—	(4,104)	—	(4,104)	(4,285)
Other comprehensive (loss)/income	—	—	—	—	—	—	—	—
— Exchange differences on translation of foreign operations	—	—	—	(2,049)	—	—	(2,049)	(2,048)
Total comprehensive loss for the period	—	—	—	(2,049)	(4,104)	—	(6,153)	(6,333)
Capital reorganisation	(572,026)	—	—	—	572,026	—	—	—
At 31 March 2021	2,393	108,291	—	1,118	275,340	26,516	413,658	409,253
At 1 January 2022	3,431	135,041	2,892	12,856	189,218	15,421	358,859	354,262
Loss for the period	—	—	—	—	(3,880)	—	(3,880)	(3,863)
Other comprehensive (loss)/income	—	—	—	—	—	—	—	—
— Exchange differences on translation of foreign operations	—	—	—	394	—	—	394	(7)
Total comprehensive income/(loss) for the period	—	—	—	394	(3,880)	—	(3,486)	(3,476)
At 31 March 2022	3,431	135,041	2,892	13,250	185,338	15,421	355,373	350,786

GENERAL INFORMATION

Directors' service contracts

At 31 March 2022, none of the Directors had any existing or proposed service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the three months ended 31 March 2022.

Directors' interests and short positions in shares and underlying shares

At 31 March 2022, 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 of Directors	Capacity	Nature of Interest		Percentage of the Company's issued share capital (approximately) (Note a)
		Registered Shareholder	Underlying Interest	
Mr. WONG King Shiu, Daniel	Beneficial owner	417,000	—	0.12%
Mr. CHANG Ki Sum Clark	Beneficial owner	—	2,390,000	0.70%
Mr. WONG Kui Shing, Danny (resigned as Director with effect from 31 March 2021)	Interest in controlled corporation (Note b)	16,832,143	—	4.91%
	Beneficial owner	833,333	—	0.24%

Notes:

- (a) The percentage is calculated based on the total number of ordinary shares of the Company in issue as at 31 March 2022, which was 343,141,329 Shares.
- (b) The 16,832,143 Shares are held by Discover Wide Investments Limited ("Discover Wide"), which is wholly-owned by Mr. Wong Kui Shing, Danny ("Mr. Danny Wong"), the former executive Director. Pursuant to the Division 7 and 8 of Part XV of the SFO, Mr. Danny Wong is deemed to have an interest in all shares in which Discover Wide has, or deemed to have an interest.

Directors' rights to acquire shares or debentures

Save as disclosed in the sections "Directors' interests and short positions in shares and underlying shares" and "Share Options", at no time during the three months ended 31 March 2022 and as at the date of this report were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Share Options

The Company has adopted the share option scheme with effect from 2 August 2012 pursuant to an ordinary resolution passed by the Shareholders on 2 August 2012 (the "Share Options Scheme").

Pursuant to the Share Option Scheme, the maximum number of shares of the Company Shares which may be issued upon exercise of all options (the "Options") to be granted under the Share Option Scheme and any other share option scheme(s) of the Company and/or its subsidiaries (if any) must not represent more than 10% of the total number of Shares in issue as at the date of adoption of the Share Option Scheme. Save for the Share Option Scheme, as at the date of this report, the Company does not have any other share option scheme.

The scheme mandate limit may be refreshed by the shareholders of the Company in general meeting from time to time provided that:

- (i) the scheme mandate limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval of the refreshment of the Scheme Mandate Limit;
- (ii) Options previously granted under the Share Option Scheme and any other share option scheme(s) of the Company and/or its subsidiaries (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme(s) of the Company and/or its subsidiaries) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed; and
- (iii) the total number of Shares which may be issued upon exercise of all Options granted and yet to be exercised under the Share Option Scheme or any other share option scheme(s) adopted by the Company and/or its subsidiaries must not exceed 30% of the Shares in issue from time to time.

Upon Capital Reorganisation, the total number of Shares which may issue under the Share Option Scheme or any other share option schemes shall not exceed 23,934,132 Shares.

On 13 May 2021, the Company granted a total of 23,900,000 Options with rights to subscribe for 23,900,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Share Option Scheme at an exercise price of HK\$0.245 with no vesting period. The exercise period is from 13 May 2021 to 12 May 2031. The closing price per Share immediately before the date of grant on 13 May 2021 was HK\$0.243.

As at the date of this report, the total number of Shares which may issue under the Share Option Scheme or any other share option schemes shall not exceed 31,571,667 Shares.

As at 31 March 2022, details for Options granted and remain effective are as follows:

Name	Title	Exercise price (HK\$)	Date of Grant	Number of share options				
				Granted	Lapsed	Cancelled	Exercised	Outstanding
SUBSTANTIAL SHAREHOLDER								
ZHANG Rong	Substantial Shareholder	0.245	13/5/2021	230,000	—	—	—	230,000
	Sub-total:			230,000	—	—	—	230,000
DIRECTOR								
CHANG Ki Sum Clark	Executive Director	0.245	13/5/2021	2,390,000	—	—	—	2,390,000
	Sub-total:			2,390,000	—	—	—	2,390,000
EMPLOYEES								
Batch A ¹		0.245	13/5/2021	3,700,000	(800,000)	—	—	2,900,000
Batch B ¹		0.245	13/5/2021	2,200,000	—	—	—	2,200,000
Batch C ¹		0.245	13/5/2021	11,140,000	—	—	—	11,140,000
	Sub-total:			17,040,000	(800,000)	—	—	16,240,000
CONSULTANTS								
WEI Qi	AI consultant	0.245	13/5/2021	2,120,000	—	—	—	2,120,000
WEI Guokang	Data center construction consultant	0.245	13/5/2021	2,120,000	—	—	—	2,120,000
	Sub-total:			4,240,000	—	—	—	4,240,000
	TOTAL:			23,900,000	(800,000)	—	—	23,100,000

Note 1:

Batch	Number of Options Granted to each employee	Number of Employees
A	0 to 500,000	18 (4 of the 18 employees resigned and the options granted have been lapsed)
B	500,001 to 1,000,000	4
C	2,000,001 to 2,500,000	5

The Board of Directors, especially the executive Directors, are responsible for overseeing the operation of the Company as well as providing leadership for the Company to put forward the business strategy and work towards the business goals of the Company. The employees of the Company are responsible for various daily operational duties for the Group including but not limited to research and development, sales and marketing, IT systems support and other administrative duties of the Group. The Board believes that the grant of Options to employees and the executive Director shall provide incentives and motivates the grantees to perform their best towards the goal of the Group.

Mr. Wei Qi is engaged for providing advice on AI technology developments and introduce potential business partners for DataCube Research Centre Limited, a subsidiary of the Company. The Options are granted to Mr. Wei Qi as service fees. As the AI market trends is ever-changing, Mr. Wei Qi provides us the updated advice and/or bring potential projects to the Group. He introduced an integrated pharmaceutical manufacturing, retail and wholesale enterprise in China to the Group and the Group has eventually entered into a co-operation with the enterprise in relation to the provision of AI retail data prediction services for the enterprise. He was also involved in various successful tenders, including the provision of software services for a university in China. Mr. Wei Guokang ("Mr. Wei") is the data center construction consultant for the Group in Guangzhou for years. Mr. Wei has been assisting in the management our data center and the IT systems and hardware of the office in China. He oversees the daily maintenance and construction of the data center in China and he provides advice to the senior management on the improvements and advancements to be made to the data center and the office so that the Group can keep pace with the market trends. The Options are granted to him as his service fees and to maintain the long-term cordial relationship with Mr. Wei. The Company believes that this provides motivations for the consultants to create value for the Company without affecting the operating cost of the Company. The number of Options granted to them is determined with reference to the market and the potential benefits and/or income they may bring to DataCube and/or the Group with the projects they involved in.

No performance targets have to be achieved by the grantees before their Options can be exercised.

Among the above grantees, to the best of the Directors' knowledge, information and belief, none of the other grantees are overlapped or connected/related to each other.

Save as disclosed above, none of the outstanding Options were exercised or cancelled or lapsed during the period ended 31 March 2022.

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

At 31 March 2022, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital (approximately) (Note a)
Mr. ZHANG Rong ("Mr. Zhang")	Beneficial owner	37,843,333 (Registered shareholder)	11.03%
		230,000 (underlying interest)	0.07%
	Through controlled corporation (Note b)	7,592,000 (Registered shareholder)	2.21%
Mr. LAM Shu Chung ("Mr. Lam")	Beneficial owner	25,342,000 (Registered shareholder)	7.39%
Ms. CHOI Hing Lin Lori ("Ms. Choi")	Interest of Spouse (Note c)	25,342,000	7.39%
Mr. TANG Keung	Beneficial owner	23,356,000 (Registered shareholder)	6.81%
Valuable Fortune Limited	Beneficial owner (Note d)	20,000,000 (Registered shareholder)	5.83%
Discover Wide Investments Limited ("Discover Wide")	Beneficial owner (Note e)	16,832,143 (Registered shareholder)	4.91%

Notes:

- (a) *The percentage is calculated based on the total number of ordinary shares of the Company in issue as at 31 March 2022, which was 343,141,329.*
- (b) *The 7,592,000 Shares are held by Corporate Advisory Limited (“Corporate Advisory”), which is wholly-owned by Mr. Zhang. Pursuant to the Division 7 and 8 of Part XV of the SFO, Mr. Zhang is deemed to have an interest in all Shares in which Corporate Advisory has, or deemed to have an interest.*
- (c) *Ms. Choi is the spouse of Mr. Lam, and therefore deemed to have an interest on the Shares in which Mr. Lam has, or deemed to have, an interest.*
- (d) *The 20,000,000 Shares are held by the Valuable Fortune Limited which is wholly-owned by Mr. Lee Yat Lung Andrew (“Mr. Lee”). Pursuant to the Division 7 and 8 of Part XV of the SFO, Mr. Lee is deemed to have an interest in all Shares in which Valuable Fortune Limited has, or deemed to have, an interest.*
- (e) *The 16,832,143 Shares are held by Discover Wide, which is wholly-owned by Mr. Danny Wong, the former executive Director. Pursuant to the Division 7 and 8 of Part XV of the SFO, Mr. Danny 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, as at 31 March 2022, no person, other than the Directors of the Company, whose interests are set out in the section “Directors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares and Debentures” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Purchase, sale or redemption of the Company’s listed securities

During the three months ended 31 March 2022, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of Company’s listed securities.

Competing interests

During the three months ended 31 March 2022 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
Mr. 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 three months ended 31 March 2022 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 three months ended 31 March 2022, the Company has complied with the code provision(s) (the "Code Provision(s)") of Corporate Governance Code (the "Code") as set out in Appendix 15 of the GEM Listing Rules, except for the following:

Code Provision A.2.1

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

Mr. Wong King Shiu, Daniel ("Mr. Daniel 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. Daniel Wong to hold both positions as it helps maintain the continuity of the policies and the stability of the operations of the Company.

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 confirmed that they had complied with the required standard of dealings and the Company's code of conduct regarding securities transactions by the Directors during the three months ended 31 March 2022.

Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision D.3.3 of the Code.

The role and functions of the Audit Committee include but not limited to supervising the financial reporting procedure and reviewing the consolidated financial statements of the Group, overseeing the Company's financial reporting system risk management and internal control systems adopted by the Group and reviewing the relevant work of the Group's external auditor. The Audit Committee had reviewed this report and confirmed that it complies with the applicable standard, the GEM Listing Rules and other applicable legal requirements and the adequate disclosures have been made. There is no disagreement between the members of the Audit Committee regarding the selection and appointment of external auditors.

As at the date of this report, the Audit Committee comprises three members, including Mr. Hung Hing Man (Audit Committee chairman), Mr. Wong Hoi Kuen and Dr. Chen Shengrong. All Audit Committee members are independent non-executive Directors.

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2022 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

Changes in information of Directors

Pursuant to the Rule 17.50A(1) of the GEM Listing Rules, there is no change in information of Directors during the three months ended 31 March 2022 and as at the date of this report.

Save as disclosed, there are no other matter required to be disclosed pursuant to Rule 17.50A of the GEM Listing Rules.

Risk management and Internal control

The Board has the ultimate responsibility to maintain a sound and effective risk management and internal control 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 Reporting Period

On 11 April 2022, on completion of Rights Issue, 115,027,076 Rights Shares were allotted and issued under valid acceptances of PALs and 56,543,588 Rights Shares were allotted and issued under valid application of EAFs, representing the total number of 171,570,664 Rights Shares available for subscription under the Rights Issue.

Subsequently as a results of the Rights Issue, adjustments are made to the exercise price and the number of Shares falling to be issued upon the exercise of the outstanding Share Options pursuant to the relevant terms of the Share Option Scheme, Rule 23.03(13) of the GEM Listing Rules in relation to the adjustment to the terms of the Share Option Scheme, the Supplementary Guidance on GEM Listing Rule 23.03(13) and the Note Immediately After the Rule attached to the Frequently Asked Question No. 072–2020 issued by the Stock Exchange on 6 November 2020.

The exercise price of the outstanding Share Options and the number of Shares falling to be issued upon the exercise of the outstanding Share Options are adjusted in the following manner:

Date of adoption of the Share Option Scheme	Immediately before the Rights Issue		Immediately after the Rights Issue	
	Exercise price per Share HK\$	Number of Shares to be issued upon full exercise of the outstanding Share Options	Adjusted exercise price per Share HK\$	Adjusted number of Shares to be issued upon full exercise of the outstanding Share Options
2 August 2012	0.245	23,100,000	0.219	25,842,465

Save for the above adjustments, all other terms and conditions of the outstanding Share Options remain unchanged.

As at the date of this report, the total number of issued Shares was 514,711,993 Shares.

Save as disclosed, there was no other significance events after the Period.

By Order of the Board
China Information Technology Development Limited
Wong King Shiu, Daniel
Chairman and Chief Executive Officer

Hong Kong, 11 May 2022

As at the date of this report, the Board comprises Mr. Wong King Shiu, Daniel (Chairman and Chief Executive Officer) and Mr. Chang Ki Sum Clark as executive Directors; Mr. Hung Hing Man, Mr. Wong Hoi Kuen and Dr. Chen Shengrong as independent non-executive Directors.