



中國信息科技發展有限公司

China Information Technology Development Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8178)

FIRST QUARTERLY REPORT

2016



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

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

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This report, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report will be available on the Company’s website <http://www.chinainfotech.com.hk> and will remain on the “Latest Company Report” page on the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

Mr. Tse Chi Wai

Ms. Wu Jingjing

Mr. Wong Chi Yung

Mr. Takashi Togo

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Hing Man

Mr. May Tai Keung, Nicholas

Dr. Chen Shengrong

COMPANY SECRETARY

Mr. Tse Chi Wai

COMPLIANCE OFFICER

Mr. Tse Chi Wai

AUTHORISED REPRESENTATIVES

Mr. Wong Kui Shing, Danny

Mr. Tse Chi Wai

NOMINATION COMMITTEE

Mr. Hung Hing Man (*Chairman*)

Mr. May Tai Keung, Nicholas

Dr. Chen Shengrong

REMUNERATION COMMITTEE

Mr. May Tai Keung, Nicholas (*Chairman*)

Mr. Hung Hing Man

Dr. Chen Shengrong

AUDIT COMMITTEE

Mr. Hung Hing Man (*Chairman*)

Mr. May Tai Keung, Nicholas

Dr. Chen Shengrong

AUDITOR

ZHONGHUI ANDA CPA Limited

LEGAL ADVISOR

Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

United Overseas Bank Limited

DBS Bank (Hong Kong) Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite No. 5A, 9/F., Sino Plaza

255-257 Gloucester Road

Hong Kong

REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KYI-1111

Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KYI-1110

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East, Hong Kong

GEM STOCK CODE

8178

WEB-SITE ADDRESS

www.chinainfotech.com.hk

SUMMARY

- Turnover for the three months ended 31 March 2016 was HK\$1,868,000, representing a decrease of 71.2% from the corresponding period in last year (2015: HK\$6,479,000).
- Loss attributable to owners of the Company for the three months ended 31 March 2016 amounted to HK\$9,855,000 (2015: HK\$4,242,000).
- Loss per share attributable to owners of the Company for the three months ended 31 March 2016 was HK0.25 cents (2015: HK0.16 cents).
- The Board of Director (the “Board”) does not recommend the payment of an interim dividend for the three months ended 31 March 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

There were two matters initiated in late 2015 that are now completed.

In November 2015, Giant Prestige Investments Limited (the “Purchaser”), a wholly owned subsidiary of the Company, entered into an agreement with three independent third parties (the “Vendors”) pursuant to which the Purchaser conditionally agreed to purchase and the Vendors conditionally agreed to sell 100% of the issued share capital of the Joyunited Investments Limited (“Joyunited”) and all obligations, liabilities and debts owing or incurred by the Joyunited to the Vendors on or at any time prior to the completion at the aggregate consideration of RMB178 million (equivalent to approximate HK\$215 million) (the “Acquisition”). The transactions were duly passed as ordinary resolutions of the Company at the extraordinary general meeting held on 10 March 2016. More details on the Acquisition had been disclosed in the relevant announcement dated 25 November 2015 and the circular dated 23 February 2016. The Acquisition had been completed on 7 April 2016.

In December 2015, the Company and Kingston Securities Limited, as the placing agent, entered into the placing agreement, pursuant to which, subject to the approval of the shareholders of the Company at the extraordinary general meeting on 7 April 2016, the Company will place up to 1,830,792,000 new shares of the Company to not less than six independent placees at a price of HK\$0.13 each on a best effort basis and raise a maximum net proceeds of approximately HK\$230 million. It was expected that the net proceed will be: HK\$73 million for the refurbishment of and operation of the business in the 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. The transactions were duly passed as ordinary resolutions of the Company at the extraordinary general meeting held on 7 April 2016. 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.

Other than the above, during the period under review, revenue from provision of information technology related services in the People's Republic of China ("PRC") remained as staple income of the Group.

Outlook and Prospect

Currently, the Pantosoft operation is the main revenue and income drivers of the Group. The Group has also acquired equity interest in two associates in the field of big data analysis and surveillance monitoring.

The Company has also signed a joint venture agreement with Nihon Unisys, Ltd., a market leader in the field of system integration in Japan, with a business objective to promoting and selling Japanese products and related businesses (including and not limited to advertising and consulting services) in the PRC and as well as the ASEAN Countries.

The Acquisition had demonstrated the Company's determination to broaden the business scope and diversify business of the Group and open up new income source, the Group through the Acquisition had acquired certain PRC office properties with a floor area of approximately 10,500 square meters that are located in the Tianhe area of Guangzhou, the PRC. This Acquisition allows the Group to extend its business footprints into the asset acquisition, management and consultancy services industry in the PRC as well as to build business network in the PRC. Furthermore, the Group is to refurbish the PRC office properties and occupy the same as the Group's future headquarters in the PRC to tie up the existing and new businesses together and completes the whole strategic business development plan of the Group. In this nurturing ground where different businesses of the Group will be located, the resources and different knowledge gained from various businesses of the Group can be more efficiently utilised and shared. Together with the experience and knowledge of the Group in the IT field, the Group believes that the Acquisition can help further to equip the Group to further expand its existing and future businesses in the PRC and the ASEAN Countries.

With the aforesaid, the Company is fueled up and equipped so as to expand the Group's footprint in the PRC market with the new headquarter in Guangzhou and the joint venture arrangement described in the above, together with the existing business and other new IT related projects to come in future.

Employees

The total number of full-time employees hired by the Group maintained at 142 as of 31 March 2016. (2015: 152 employees). Total expenses on employee benefits amounted to HK\$5,755,000 for the three months ended 31 March 2016 (2015: HK\$5,555,000). The management believes the salaries offered by the Group to its employees are competitive.

Financial review

For the three months ended 31 March 2016, the Group recorded a revenue of HK\$1,868,000, a decrease of 71.2% from HK\$6,479,000 for the corresponding period last year. Pantosoftware had a relatively soft quarter for the first quarter of 2016 as compared to 2015.

The Group had a total cost of sales and services of HK\$3,005,000 for the first quarter of year 2016, a decrease of 38% compared with HK\$4,849,000 for the same period of year 2015. There was a fixed cost element of approximately HK\$2.5 million for R&D costs charged as cost of sales and services for a quarter. Other than that, the decrease in cost of sales and services was a direct result of the decrease in revenue.

The gross loss of the Group for the first quarter of year 2016 was HK\$1,137,000, compared with a gross profit of HK\$1,630,000 for the corresponding period of last year as a result of insufficient gross profit from revenue to cover the fixed cost element mentioned above.

During the three months ended 31 March 2016, the Group generated other income and gains of HK\$1,316,000 (2015: HK\$930,000) which comprised: (i) bank interest income amounted to HK\$2,000 (2015: HK\$8,000); (ii) loans interest income amounted to HK\$596,000 (2015: nil); (iii) investment income from financial assets at fair value through profit or loss amounted to HK\$320,000 (2015: HK\$246,000); (iv) government grants amounted to HK\$221,000 (2015: HK\$399,000); and (v) other income amounted to HK\$177,000 (2015: HK\$277,000).

The Group's selling and distribution expenses for the first quarter of year 2016 was HK\$1,673,000, which decreased by 35.7% compared with HK\$2,602,000 for the corresponding period of year 2015. The decrease was mainly due to the fact that Pantosoftware reduced its promotion activity efforts significantly this year.

Administrative expenses for the period were HK\$5,536,000, representing an increase of 23.0% as compared to HK\$4,500,000 for the corresponding period last year. The increase was mainly attributable to increase in staff cost and travelling expenses incurred to explore new markets.

The Group recorded a mark-to-market loss on held-for-sale investment securities of HK\$3,746,000 for the period (2015: gain: HK\$358,000).

The Group recorded a loss attributable to owners of the Company of HK\$9,855,000 for the three months ended 31 March 2016 (2015: HK\$4,242,000).

The board (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 2016, together with the unaudited comparative figures for the corresponding period of year 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Three months ended	
		2016	2015
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	3	1,868	6,479
Cost of sales and services		(3,005)	(4,849)
Gross (loss)/profit		(1,137)	1,630
Other income and gains	3	1,316	930
Selling and distribution expenses		(1,673)	(2,602)
Administrative expenses		(5,536)	(4,500)
Other expenses		(107)	(269)
Fair value (loss)/gain on financial assets at fair value through profit or loss		(3,746)	358
Finance costs	4	(20)	(13)
Share of results of associates		430	–
LOSS BEFORE TAX	5	(10,473)	(4,466)
Income tax expenses	6	–	–
LOSS FOR THE PERIOD		(10,473)	(4,466)
Attributable to:			
Owners of the Company		(9,855)	(4,242)
Non-controlling interests		(618)	(224)
		(10,473)	(4,466)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
Basic and diluted		HK0.25 cents	HK0.16 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended	
	31 March	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(10,473)	(4,466)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF INCOME TAX EXPENSES		
Exchange differences on translation of foreign operations	(50)	22
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(10,523)	(4,444)
Attributable to:		
Owners of the Company	(9,803)	(4,220)
Non-controlling interests	(720)	(224)
	(10,523)	(4,444)

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 2015.

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 2016. 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 following table presents revenue and loss for the Group’s business segments for the three months ended 31 March 2016 and 2015. No further geographical segment information is presented as the majority of the Group’s customers and business operations are located in Mainland China.

Reporting segment information

	Three months ended 31 March							
	Software development and system integration		Technical support and maintenance services		In-house developed products		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	(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	1,868	6,479	-	-	-	-	1,868	6,479
Other income and gains	221	639	-	-	-	-	221	639
	2,089	7,118	-	-	-	-	2,089	7,118
Reconciliation:								
Bank interest income							2	8
Loans interest income							596	-
Investment income from financial assets at fair value through profit or loss							320	246
Unallocated gains							177	37
Revenue, other income and gains							3,184	7,409
Segment loss	(4,041)	(2,118)	(54)	-	(108)	(24)	(4,203)	(2,142)
Reconciliation:								
Bank interest income							2	8
Loans interest income							596	-
Investment income from financial assets at fair value through profit or loss							320	246
Unallocated gains							177	37
Corporate and other unallocated expenses							(4,029)	(2,973)
Fair value (loss)/gain on financial assets at fair value through profit or loss							(3,746)	358
Share of results of associates							430	-
Finance costs							(20)	-
Loss before tax							(10,473)	(4,466)
Income tax expenses							-	-
Loss for the period							(10,473)	(4,466)

3. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents (1) an appropriate proportion of contract revenue from the provision of software development and system integration services, net of value-added tax, business tax and government surcharges; (2) the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for returns and trade discounts; and (3) an appropriate proportion of contract revenue from the provision of the technical support and maintenance services, net of business tax and government surcharges.

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

	Three months ended 31 March	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Provision of software development and system integration services	1,843	6,479
Provision of technical support and maintenance services	25	–
	1,868	6,479

	Three months ended 31 March	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income and gains		
Bank interest income	2	8
Loans interest income	596	–
Investment income from financial assets at fair value through profit or loss	320	246
Government grants	221	399
Others	177	277
	1,316	930

4. Finance costs

	Three months ended 31 March	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on other loans	8	–
Interest on finance lease	12	13
	20	13

5. Loss before tax

Loss before tax was arrived at after charging the following:

	Three months ended 31 March	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	315	204
Amortisation of other intangible assets	–	56

6. Income tax expenses

No provision for Hong Kong Profits Tax has been made for the three months ended 31 March 2016 as the Group did not generate any assessable profits arising in Hong Kong during the period (2015: Nil).

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 15% to 25% for both periods. No provision for PRC corporate income tax has been made for the three months ended 31 March 2016 as the company's subsidiaries in PRC incurred tax losses during the period (2015: nil).

	Three months ended 31 March	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong	–	–
Current – PRC	–	–
Total tax charge for the period	–	–

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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the purpose of calculating basic and diluted loss per share	9,855	4,242

(b) Weighted average number of ordinary shares:

	Three months ended	
	31 March	
	2016	2015
	(Unaudited)	(Unaudited)
Total number of ordinary shares in issue at the end of the period	3,881,359,908	2,695,471,908
Weighted average number of ordinary shares in issue during the period	3,881,359,908	2,695,471,908

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 31 March 2016 and 2015 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 period ended 31 March 2016 (2015: Nil).

9. Reserves

	Attributable to owners of the Company							
	Share capital	Share premium account	Foreign currency translation reserve	PRC reserve funds	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	269,547	26,243	3,128	844	4,276	304,038	(1,070)	302,968
Loss for the period	-	-	-	-	(4,242)	(4,242)	(224)	(4,466)
Other comprehensive income								
- Exchange differences on translation of foreign operations	-	-	22	-	-	22	-	22
Total comprehensive gain/(loss) for the period	-	-	22	-	(4,242)	(4,220)	(224)	(4,444)
At 31 March 2015	269,547	26,243	3,150	844	34	299,818	(1,294)	298,524
At 1 January 2016	388,136	69,212	3,015	844	(101,186)	380,021	(1,306)	358,715
Loss for the period	-	-	-	-	(9,855)	(9,855)	(618)	(10,473)
Other comprehensive income/(loss)								
- Exchange differences on translation of foreign operations	-	-	52	-	-	52	(102)	(50)
Total comprehensive gain/(loss) for the period	-	-	52	-	(9,855)	(9,803)	(720)	(10,523)
At 31 March 2016	388,136	69,212	3,067	844	(111,041)	350,218	(2,026)	348,192

GENERAL INFORMATION

Directors' service contracts

At 31 March 2016, 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 2016.

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

At 31 March 2016, the interests and short positions of the Directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

(1) Long positions in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital at 31 March 2016
Mr. Wong Kui Shing, Danny	Through controlled corporation	388,131,449	10%

(2) Long positions in the share options of the Company:

Nil

Save as disclosed above and in the section headed "Share Option", as at 31 March 2016 and as at the date of this report, none of the Directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debentures

Save as disclosed in the sections "Directors' interests and short positions in shares and underlying shares" and "Share Option", at no time during the three months ended 31 March 2016 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.

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

At 31 March 2016, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital at 31 March 2016
Discover Wide Investments Limited		Directly beneficially owned	388,131,449	10%
Mr. Wong Kui Shing, Danny	(a)	Through controlled corporation	388,131,449	10%

Notes:

- (a) Mr. Wong Kui Shing, Danny was deemed to be interested in the 388,131,449 shares by virtue of his controlling interests in Discover Wide Investments Limited.

Save as disclosed above, as at 31 March 2016, 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.

Share option

On 11 April 2016, the Company granted a total of 323,448,000 share options with rights to subscribe for 323,448,000 ordinary shares of HK\$0.1 each in the share capital of the Company under the New Share Option Scheme. A total of 105,984,000 share options were granted to directors of the Company. Details of the share options granted are as follows:–

Name of Grantees	Position held with the Company	Number of share options		
		Outstanding as at 1 January 2016	Granted during the period	Outstanding as at 31 March 2016
Mr. Wong Kui Shing, Danny	Executive Director and substantial shareholder of the Company	0	936,000	936,000
Mr. Tse Chi Wai	Executive Director	0	32,328,000	32,328,000
Mr. Takashi Togo	Executive Director	0	32,328,000	32,328,000
Mr. Wong Chi Yung	Executive Director	0	32,328,000	32,328,000
Ms. Wu Jingjing	Executive Director	0	2,016,000	2,016,000
Mr. Hung Hing Man	Independent non-executive Director	0	2,016,000	2,016,000
Mr. May Tai Keung, Nicholas	Independent non-executive Director	0	2,016,000	2,016,000
Dr. Chen Shengrong	Independent non-executive Director	0	2,016,000	2,016,000
	Sub-total	0	105,984,000	105,984,000
	Other staff and consultants	0	217,464,000	217,464,000
	Total	0	323,448,000	323,448,000

All the above share options granted are exercisable during the period from date of grant to 10 April 2017 at an exercise price of HK\$0.185 per share.

The closing price per share immediately before the date of grant was HK\$0.177. No share options were exercised, cancelled or lapsed during the period ended 31 March 2016.

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

During the three months ended 31 March 2016, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of Company's listed securities.

Competing interests

During the period under review, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CORPORATE GOVERNANCE

Corporate governance practices

During the three months ended 31 March 2016, 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 following:

Code Provision A.2.1

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

Mr. Wong Kui Shing, Danny ("Mr Wong") now serves as both the chairman (the "Chairman") and the chief executive officer of the Company (the "Chief Executive Officer"), such practice deviates from code provision A.2.1 of the Code. The Board is of the opinion that it is appropriate and in the best interests of the Company for Mr. Wong to hold both positions as it helps maintain the continuity of the policies and the stability of the operations of the Company. The Company has been proactively recruiting candidates for the post of Chief Executive Officer through different means so as to fulfill the requirements of A.2.1 of the Code as soon as possible.

Code Provision A.4.1

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

None of the non-executive Directors is appointed for a specific term, which constitutes a deviation from Code Provision A.4.1. Nonetheless, in accordance with the articles of association of the Company, all non-executive directors are subject to retirement by rotation. The Company considers that there are sufficient measures to ensure the corporate governance standard of the Company is not less exacting than the Code.

Code of conduct regarding securities transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.68 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the three months ended 31 March 2016.

Audit committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules.

The primary duties of the audit committee include supervising the financial reporting procedure and reviewing the financial statements of the Group, examining and monitoring the internal control system adopted by the Group and reviewing the relevant work of the Group's external auditor.

As at the date of this report, the audit committee comprises three members, including Mr. Hung Hing Man (audit committee chairman), Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong. All of them are independent non-executive Directors.

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2016 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

Nomination Committee

The Company has set up a nomination committee which is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitable qualified to become Board members and selecting or making recommendations to the board on the selection of individuals nominated for directorships, assessing the independence of Independent Non-executive Directors and making recommendations to the Board on the appointment, re-appointment and succession of director. The nomination committee currently has three members, with Mr. Hung Hing Man being the chairman and Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong being the members. All nomination committee members are independent non-executive Directors of the Company.

Remuneration committee

The Company established a remuneration committee with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules.

As at the date of this report, members of the remuneration committee are Mr. May Tai Keung, Nicholas (remuneration committee chairman), Mr. Hung Hing Man and Dr. Chen Shengrong. All the remuneration committee members are Independent Non-executive Directors.

The main role and function included the determination of specific remuneration packages of all Executive Directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board on the remuneration of Non-executive Directors.

The remuneration committee meets regularly to determine the policy for the remuneration of Directors and assess the performance of Executive Directors and certain senior management personnel of the Company.

Internal controls

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 audit committee of the Company is responsible for reviewing the effectiveness of the risk management and internal control systems and reporting to the Board. The scope of risk management and internal control relates to areas including effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

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

Hong Kong, 12 May 2016

As at the date of this report, the Board comprises Mr. Wong Kui Shing, Danny (Chairman and Chief Executive Officer), Mr. Tse Chi Wai, Ms. Wu Jingjing, Mr. Takashi Togo and Mr. Wong Chi Yung as executive Directors; Mr. Hung Hing Man, Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong as independent non-executive Directors.