



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

2016



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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. Takashi Togo

NON-EXECUTIVE DIRECTOR

Mr. Wong Chi Yung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Hing Man

Mr. May Tai Keung, Nicholas

Dr. Chen Shengrong

COMPANY SECRETARY

Mr. Tse Chi Wai

COMPLIANCE OFFICER

Mr. Tse Chi Wai

AUTHORISED REPRESENTATIVES

Mr. Wong Kui Shing, Danny

Mr. Tse Chi Wai

NOMINATION COMMITTEE

Mr. Hung Hing Man *(Chairman)*

Mr. May Tai Keung, Nicholas

Dr. Chen Shengrong

REMUNERATION COMMITTEE

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

Mr. Hung Hing Man

Dr. Chen Shengrong

AUDIT COMMITTEE

Mr. Hung Hing Man *(Chairman)*

Mr. May Tai Keung, Nicholas

Dr. Chen Shengrong

AUDITOR

ZHONGHUI ANDA CPA Limited

LEGAL ADVISOR

Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

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SUMMARY

- Turnover for the nine months ended 30 September 2016 was HK\$7,535,000, representing a decrease of 50.6% from the corresponding period in last year (2015: HK\$15,255,000).
- Loss attributable to owners of the Company for the nine months ended 30 September 2016 amounted to HK\$26,415,000 (2015: HK\$56,585,000).
- Loss per share attributable to owners of the Company for the nine months ended 30 September 2016 was HK0.55 cents (2015: HK1.93 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 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. The Group started to consolidate the operations of Joyunited commencing from 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 raised a maximum net proceeds of approximately HK\$230 million (the “Placement”). It was expected that the net proceed 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 above Acquisition (“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. As at 30 September 2016, the use of net proceeds from the Placement is as follows:– (1) approximately HK\$48 million for refurbishment and other expenses relating to the PRC Properties; (2) approximately HK\$11 million for interest bearing loan to independent third parties to enhance yield of idle cash of the Group; (3) as a result of the loss in book value of the listed securities held by the Group, the Group has not realised such listed securities to settle part of the consideration for the PRC Properties. Instead, approximately HK\$54 million had been applied to settle the consideration for the PRC Properties; (4) approximately HK\$3 million for deposit money for the Subscription as further described below and (5) approximately HK\$13 million for administrative expenses and other expenses incurred by the Group. The unutilized proceeds were held as cash in bank.

In June 2016, the Company entered into an agreement with Mr. Yang Jie, pursuant to which the Company had conditionally agreed to dispose its 25% shares in Wise Visual Holdings Limited (“Wise Visual”) at a consideration of HK\$80 million (the “Disposal”). More details on the Disposal had been disclosed in the relevant announcement of the Company dated 28 June 2016. The disposal was completed in the same month.

Apart from that, in June 2016, the Company’s subsidiary in Japan had entered into an agreement with Jiji Press, Ltd.(時事通信社)(“Jiji Press”) which is a prominent news agency in Japan, having 82 branch offices, general bureau in Japan and 28 general bureau globally (the “Agreement”). Pursuant to the Agreement, the Group shall procure advertising channels, through print and digital media in Hong Kong for Japanese products and Jiji Press will be the exclusive distributor for advertising channels so procured for the Japanese market in Japan. With the vast networks of Jiji Press in Japan, Jiji Press has valuable source of different famous and unique products around Japan. By cooperating with Jiji Press, the Group can further extend and build up its business networks in Japan and also in Hong Kong especially in the media industry where the Group can apply its technology to explore for new business opportunities. As announced in November 2015, the Company had formed a joint venture in Japan to launch into the business of promotion and distribution of Japanese products in Great China Region and ASEAN Regions, this Agreement has further strengthened the Group’s ability to promote the Japanese products in China and ASEAN Regions and indicated the determination of Company to continue on this business strategy to broaden its income source and enhance its financial performance. It further equips and gives synergy to the Group as to further its step to develop a comprehensive one-stop IT services platform that can be applied in the existing businesses of the Company. Details of the Agreement has been disclosed in the relevant announcement of the Company dated 20 June 2016.

In September 2016, Golden Sunweave Limited, the Subscriber, being a direct wholly-owned subsidiary of the Company, Macro China Holding Limited (the “Target Company”), and Mr. Chan Kai Leung, the current director and ultimate beneficial owner of 20% shareholding interest of the Target Company as the guarantor (the “Guarantor”) entered into the subscription agreement dated 12 September 2016 (the “Subscription Agreement”), pursuant to which the Target Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for the subscription shares, representing 525% of the issued share capital of the Target Company and 84% of the total issued share capital of the Target Company as enlarged by the allotment and issue of the subscription shares, at the total Subscription Price of HK\$8,400,000 (the “Subscription”). The Target Group provides comprehensive end-to-end solutions and services, ranging from (i) procurement and deployment of IT equipment and facilities; (ii) systems integration; (iii) consulting services on IT infrastructure and business solutions; and (iv) technical support and managed services. As one of the major players in the IT service management industry in Hong Kong and the PRC, the Target Company has strong relationships with well-renowned suppliers and large scale customers, by entering into the Subscription Agreement, it enjoys strong brand awareness and major presence in the Greater China region.

The Board expects that, through bringing in the Group’s seasoned management team into the Target Company and its group companies (the “Target Group”) and sharing technical know-how and existing customer bases between the Group and the Target Group, the subscription will create synergies that allow the Group to better complement its existing business. In addition, given (i) the similarity of the business nature of the Group and the Target Group and (ii) that subject to entering into of the service contracts, each of the executives of the Target Company will continue his/her employment service to the Target Company for 3 years, the integration risks of the enlarged Group are expected to be minimal. The Board is of the view that is in line with the Group’s business expansion plan. Furthermore, the Board believes, with financial support of the Group, the cash flow of the Target Group will be improved, which will facilitate the Target Company to engage in those large scale projects, which are generally of high profit margin. More details on the transaction had been disclosed in the relevant announcement dated 12 September 2016. An extraordinary general meeting (“EGM”) will be held to seek for shareholders’ approval on this transaction. A circular in relation to the Subscription and EGM will be published once available.

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.

During the period under review, the Company has further demonstrated its determination to broaden the business scope, diversify business of the Group and open up new income source. The business structure of the Company has been more complete and refined upon the corporate actions. The Company shall continue with the refurbishment of 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 and the Subscription can help further to equip the Group to further expand its existing and future businesses.

With the aforesaid, the Company is fueled up and equipped so as to expand the Group's footprint in the PRC and ASEAN Regions with the new headquarter in Guangzhou, the joint venture arrangement and cooperation with Jiji Press and the Subscription 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 111 as of 30 September 2016 (2015: 150 employees). Total expenses on employee benefits amounted to HK\$36,314,000 (2015: HK\$18,490,000), in which HK\$19,625,000 related to equity-settled share based payment for the nine months ended 30 September 2016 (2015: HK\$Nil). The management believes the salaries offered by the Group to its employees are competitive.

Financial review

For the nine months ended 30 September 2016, the Group recorded a revenue of HK\$7,535,000, a decrease of 50.6% from HK\$15,255,000 in the corresponding period in last year. The revenue of Pantosoft shrank as compared to the same period of the year 2015. Pantosoft had had soft first and third quarters for 2016. Though the revenue for the second quarter of 2016 was comparable to 2015, the total revenue for the first three quarters of 2016 still significantly fell short of that for 2015.

The Group had a total cost of sales and services of HK\$10,282,000 for the first three quarters of the year 2016, a decrease of 8.2% compared with HK\$11,206,000 in 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 three quarters of year 2016 was HK\$2,747,000, representing a decrease of 167.8% compared with gross profit of HK\$4,049,000 in corresponding period of last year. Overall, Pantosoft had insufficient gross profit from revenue to cover the fixed cost element mentioned above so it generated a gross loss as compared to a profit.

During the nine months ended 30 September 2016, the Group generated other income and gains of HK\$2,827,000 (2015: HK\$8,333,000) which comprised: (i) bank interest income amounted to HK\$6,000 (2015: HK\$17,000); (ii) loans interest income amounted to HK\$1,497,000 (2015: HK\$214,000); (iii) bonus issue of shares from financial assets at fair value through profit or loss amounted to HK\$Nil (2015: HK\$6,671,000) (iv) investment income from financial assets at fair value through profit or loss amounted to HK\$320,000 (2015: HK\$246,000); and (v) other miscellaneous income amounted to HK\$1,004,000 (2015: HK\$1,185,000).

The Group's selling and distribution expenses for the first three quarters of year 2016 amounted to HK\$4,564,000, a decrease of 49.4% compared with HK\$9,012,000 in the corresponding period in 2015. The decrease was mainly due to decreased staff cost and promotion activity efforts spent by Pantosoft this year.

Administrative expenses for the period were HK\$43,684,000, an increase of 189.6% as compared to HK\$15,085,000 for the corresponding period last year. The increase was, among other matters, mainly due to the accounting for staff cost attributable to share options granted to employees and consultants for the amount of HK\$19,625,000 during the period.

During the first three quarters of 2016, the Group profited from trading of marketable securities and recorded a net gain of HK\$15,641,000 as compared to a loss of HK\$11,780,000 for 2015.

Profit guarantee extended by vendor of equity interest in Faithful Asia and valued at HK\$10,610,000 as at 31 December 2015 was written off as the related profit guarantee had been fulfilled.

The Group made an impairment provision of HK\$22,597,000 against investment in Wise Visual in 2015. The provision was reversed upon disposal of interest in the associate. Together with other miscellaneous items, a net gain of HK\$22,827,000 was recognized.

The Group's loss attributable to owners of the Company was HK\$26,415,000 for the nine months ended 30 September 2016 (2015: HK\$56,585,000).

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 2016, together with the unaudited comparative figures for the corresponding periods of the year 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
CONTINUING OPERATIONS					
Revenue	4	495	3,348	7,535	15,255
Cost of sales and services		(2,714)	(3,378)	(10,282)	(11,206)
Gross (loss)/profit		(2,219)	(30)	(2,747)	4,049
Other income and gains, net	4	942	(8,729)	2,827	8,333
Selling and distribution expenses		(1,615)	(3,278)	(4,564)	(9,012)
Administrative expenses		(10,114)	(4,901)	(43,684)	(15,085)
Other expenses	6	3	(3,352)	(104)	(33,699)
Fair value gain/(loss) on financial assets at fair value through profit or loss, net		7,430	(11,748)	15,641	(11,780)
Change in fair value of investment properties		-	-	(11,730)	-
Change in fair value of borrowings		-	-	2,876	-
Change in fair value of derivative financial asset		-	-	(10,610)	-
Finance costs	5	(1,063)	(11)	(2,191)	(36)
Share of results of associates		(545)	(19)	135	132
Gain on disposal of an associate		-	-	22,827	-
LOSS BEFORE TAX	6	(7,181)	(32,068)	(31,324)	(57,098)
Income tax credit	7	-	-	2,933	-
LOSS FOR THE PERIOD		(7,181)	(32,068)	(28,391)	(57,098)

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ATTRIBUTABLE TO:				
Owners of the Company	(6,033)	(32,050)	(26,415)	(56,585)
Non-controlling interests	(1,148)	(18)	(1,976)	(513)
	(7,181)	(32,068)	(28,391)	(57,098)
LOSS PER SHARE				
ATTRIBUTABLE TO OWNERS				
OF THE COMPANY				
	8			
- Basic (HK cents)	(0.11)	(0.99)	(0.55)	(1.93)
- Diluted (HK cents)	(0.11)	(0.99)	(0.55)	(1.93)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(7,181)	(32,068)	(28,391)	(57,098)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF INCOME TAX				
– Exchange differences on translation of foreign operations	(425)	965	(5,204)	1,012
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(7,606)	(31,103)	(33,595)	(56,086)
Attributable to:				
Owners of the Company	(6,672)	(31,113)	(31,844)	(55,603)
Non-controlling interests	(934)	10	(1,751)	(483)
	(7,606)	(31,103)	(33,595)	(56,086)

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 2015.

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 2016. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); HKAS 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

The following table presents unaudited revenue and profit/(loss) for the Group’s business segments for the nine months ended 30 September 2016 and 2015. No further geographical segment information is presented as the Group’s customers and operations are principally located in Mainland China.

Reporting segment information

Nine months ended 30 September

	Software development and system integration		Securities investments		Total	
	2016	2015	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	7,535	15,255	–	–	7,535	15,255
Segment (loss)/profit	(11,402)	(9,630)	15,946	(4,863)	4,544	(14,493)
Reconciliation:						
Bank interest income					6	17
Loans interest income					1,497	214
Fair value change of investment properties					(11,730)	–
Fair value change of borrowings					2,876	–
Fair value change of derivative financial asset					(10,610)	–
Share of results of associates					135	132
Gain on disposal of an associate					22,827	–
Unallocated gains					381	320
Corporate and other unallocated expenses					(39,059)	(43,252)
Finance costs					(2,191)	(36)
Loss before tax					(31,324)	(57,098)

4. Revenue, other income and gains, net

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Provision of software development and system integration services	462	3,300	7,475	15,140
Provision of technical support and maintenance services	33	48	60	115
	495	3,348	7,535	15,255
Other income and gains				
Bank interest income	3	2	6	17
Interest income from loans receivables	523	214	1,497	214
Bonus issued shares from financial assets at fair value through profit or loss	-	(9,384)	-	6,671
Investment income from financial assets at fair value through profit or loss	-	-	320	246
Government grants	316	196	623	625
Others	100	243	381	560
	942	(8,729)	2,827	8,333

5. Finance costs

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings	888	-	1,829	-
Other loan interest	33	-	57	-
Margin loans	136	-	284	-
Interest on finance lease	6	11	21	36
	1,063	11	2,191	36

6. Loss before tax

Loss before tax was arrived at after charging/(crediting) the following:

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of other intangible assets	-	-	-	114
Depreciation	99	204	743	616
Directors' remuneration	900	1,125	2,700	2,897
Equity-settled share based payments**	-	-	19,625	-
Loss on disposal of items of equipment*	-	123	-	123
Impairment of trade receivables*	-	(3)	-	268
Impairment of other intangible assets*	-	-	-	2,191
Loss on disposal of investment securities*	-	-	-	11,885
Impairment of investment in a joint venture*	-	-	-	16,000
Impairment on available-for-sale financial assets*	-	3,232	-	3,232

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

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

7. Income tax credit

No provision for Hong Kong Profits Tax was made for the nine months ended 30 September 2016 as the Group did not generate any assessable profits arising in Hong Kong during the period (2015: 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.

For the period ended 30 September 2016, the Group recognised a deferred tax credit of HK\$2,933,000 pursuant to consolidation of the new acquired Joyunited.

	Three months ended		Nine months ended	
	30 September	2015	30 September	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current – Hong Kong	–	–	–	–
Current – PRC	–	–	–	–
Deferred tax credit	–	–	2,933	–
Total tax credit for the period	–	–	2,933	–

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		Nine months ended 30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	6,033	20,293	26,415	24,535

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for basic and diluted loss per share	5,712,151,908	2,867,269,183	4,843,527,966	2,781,845,123

Weighted average number of
ordinary shares for basic and
diluted loss per share

5,712,151,908 2,867,269,183 **4,843,527,966** 2,781,845,123

For the nine months ended 30 September 2016, 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 2016 while the Company did not have any dilutive potential ordinary shares during the nine months ended 30 September 2015.

9. Dividend

The Board does not recommend the payment of any interim dividend for the nine months period ended 30 September 2016 (2015: 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	Retained earnings/ (Accumulated losses) (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) 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	-	-	-	-	-	(56,585)	(56,585)	(513)	(57,098)
Other comprehensive (loss)/ income									
- Exchange differences on translation of foreign operations	-	-	-	982	-	-	982	30	1,012
Total comprehensive loss for the period	-	-	-	982	-	(56,585)	(55,603)	(483)	(56,086)
Issue of new shares	53,909	47,441	-	-	-	-	101,350	-	101,350
Transaction costs attributable to issue of new shares	-	(2,725)	-	-	-	-	(2,725)	-	(2,725)
At 30 September 2015	323,456	70,959	-	4,110	844	(52,309)	347,060	(1,553)	345,507
At 1 January 2016	388,136	69,212	-	3,015	844	(101,186)	360,021	(1,306)	358,715
Loss for the period	-	-	-	-	-	(26,415)	(26,415)	(1,976)	(28,391)
Other comprehensive (loss)/ income									
- Exchange differences on translation of foreign operations	-	-	-	(5,429)	-	-	(5,429)	225	(5,204)
Total comprehensive loss for the period	-	-	-	(5,429)	-	(26,415)	(31,844)	(1,751)	(33,595)
Equity-settled share based payment expenses	-	-	19,625	-	-	-	19,625	-	19,625
Issue of new shares	183,079	54,924	-	-	-	-	238,003	-	238,003
Transaction costs attributable to issue of new shares	-	(6,161)	-	-	-	-	(6,161)	-	(6,161)
Capital injection by a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	1,236	1,236
At 30 September 2016	571,215	117,975	19,625	(2,414)	844	(127,601)	579,644	(1,821)	577,823

GENERAL INFORMATION

Directors' service contracts

At 30 September 2016, 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

Except for matters relating to and disclosed for the joint venture agreement dated 13 November 2015 entered into among the Company, Mr. Wong Kui Shing, Danny, an executive Director, Chairman and Chief Executive Officer, and Nihon Unisys, Ltd. in relation to the formation of China Information Technology Development Japan Limited (details of which are set out in the announcement dated 13 November 2015); 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 2016.

Directors' interests and short positions in shares and underlying shares

At 30 September 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 30 September 2016
Mr. Wong Kui Shing, Danny	Through controlled corporation	388,131,449	6.79%

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

Nil

Save as disclosed above and in the section headed "Share Options," as at 30 September 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 section "Directors' interests and short positions in shares and underlying shares" and "Share Options", at no time during the nine months ended 30 September 2016 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 30 September 2016, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital at 30 September 2016
Discover Wide Investments Limited		Directly beneficially owned	388,131,449	6.79%
Mr. Wong Kui Shing, Danny	(a)	Through controlled corporation	388,131,449	6.79%

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.

According to the Corporate Substantial Shareholder Notice filed on 13 October 2016, subsequent to the nine months ended 30 September 2016, Mr. Zhang Rong beneficially holds 364,672,000 shares (6.38% of the shareholding of the Company).

Save as disclosed above, as at 30 September 2016 and as at the date of this report, 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 Options

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

Name of Grantees	Position held with the Company	Number of share options		
		Granted on 11 April 2016	Cancelled during the period	Outstanding as at 30 September 2016
Mr. Wong Kui Shing, Danny	Executive Director and substantial shareholder of the Company	936,000	–	936,000
Mr. Tse Chi Wai	Executive Director	32,328,000	–	32,328,000
Mr. Takashi Togo	Executive Director	32,328,000	–	32,328,000
Ms. Wu Jingjing	Executive Director	2,016,000	–	2,016,000
Mr. Wong Chi Yung	Non-Executive Director	32,328,000	–	32,328,000
Mr. Hung Hing Man	Independent non-executive Director	2,016,000	–	2,016,000
Mr. May Tai Keung, Nicholas	Independent non-executive Director	2,016,000	–	2,016,000
Dr. Chen Shengrong	Independent non-executive Director	2,016,000	–	2,016,000
	Sub-total	105,984,000	–	105,984,000
	Other staff and consultants	217,464,000	(3,000,000)	214,464,000
	Total	323,448,000	(3,000,000)	320,448,000

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 and 3,000,000 share options were cancelled during the period ended 30 September 2016.

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

During the nine months ended 30 September 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 and up to the date of this report, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CORPORATE GOVERNANCE

Corporate governance practices

During the nine months ended 30 September 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.

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 5.68 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 nine months ended 30 September 2016.

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 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. May Tai Keung, Nicholas and Dr. Chen Shengrong. All of them are independent non-executive Directors.

The Group's unaudited condensed consolidated interim financial statements for the nine months ended 30 September 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 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 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 of the nomination committee 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 of the Company.

Internal control

The Board has overall responsibility for the Group's system of internal control and risk management and for reviewing its effectiveness. The Board will conduct regular review regarding internal control and risk management system of the Group.

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

Hong Kong, 11 November 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 and Mr. Takashi Togo as executive Directors; Mr. Wong Chi Yung as non-executive Director; Mr. Hung Hing Man, Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong as independent non-executive Directors.