

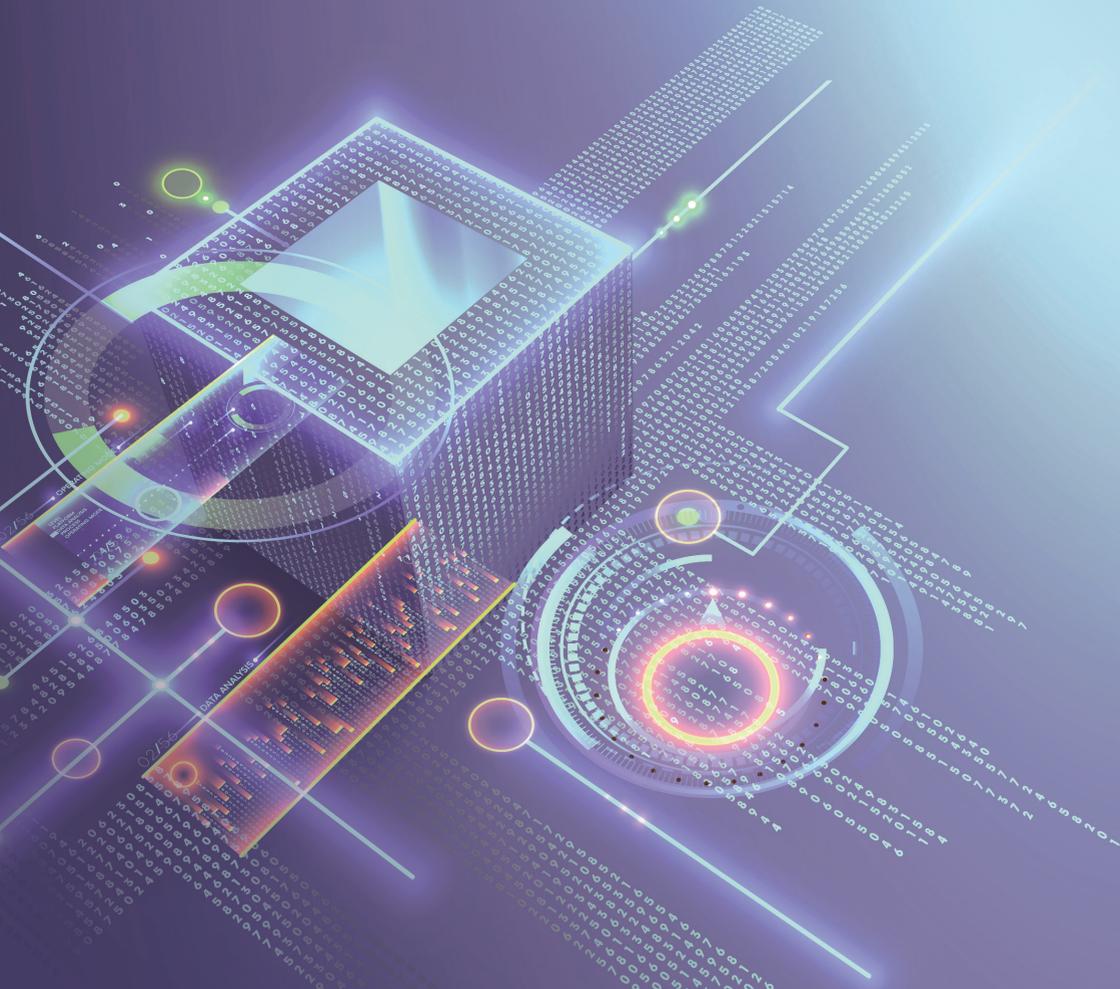


中國信息科技發展有限公司

China Information Technology Development Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8178)



2020

FIRST QUARTERLY
REPORT

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

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

EXECUTIVE DIRECTORS

Mr. Wong King Shiu, Daniel
(*Chairman and Chief Executive Officer*)
Mr. Wong Kui Shing, Danny
Mr. Chan Kai Leung

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Chang Ki Sum Clark

COMPLIANCE OFFICER

Mr. Chang Ki Sum Clark

AUTHORISED REPRESENTATIVES

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

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

AUDITOR

ZHONGHUI ANDA CPA Limited

LEGAL ADVISOR

Conyers Dill & Pearman

PRINCIPAL BANKERS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 3308, 33/F
Millennium City 6
392 Kwun Tong Road
Kwun Tong, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
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.citd.com.hk

SUMMARY

- Turnover for the three months ended 31 March 2020 (the “Period”) was approximately HK\$16,115,000 representing a decrease of 5.4% from the corresponding period in last year (2019: approximately HK\$17,041,000).
- Loss attributable to owners of the Company for the three months ended 31 March 2020 amounted to approximately HK\$8,417,000 (2019: profit of approximately HK\$4,438,000). The loss was mainly due to an unaudited fair value loss on securities investment of approximately HK\$5,328,000 for the Period; whereas the Group recorded an unaudited fair value gain on securities investment of approximately HK\$7,265,000 for the corresponding period in 2019.
- Loss per share attributable to owners of the Company for the three months ended 31 March 2020 was approximately HK0.15 cents (2019: profit of approximately HK0.08 cents).
- The Board of Directors (the “Board”) does not recommend the payment of an interim dividend for the three months ended 31 March 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Market overview

During the three months ended 31 March 2020, the market condition remained uncertain with the long-lingering trade war between China and the US and the outbreak of COVID-19 pandemic. Under such pessimistic sentiment, the Chinese economy grew 6.1%, marking the weakest expansion in 29 years. Worse still, the coronavirus has fueled the drastic drop of crude oil price of more than 15% in the first two months of 2020 which further intensified the depression of world economy. Many corporations had held on their potential projects and investments with the consideration of slowing down of economy in Hong Kong and the rest of the world because of the COVID-19. Nevertheless, it also created business opportunities especially this was the time where the help of technology swept in. With the various measures implemented by different places like full lockdowns, travelling restrictions and working-from-home arrangements, technologies helped connect people together and made communication and business possible in this time of social distancing.

Business review

In 2016, the Company placed 1,830,792,000 new shares of the Company to not less than six independent placees at a price of HK\$0.13 each and raised a net proceeds of approximately HK\$230 million (the “Placement”). It was expected that the net proceeds raised would be utilized as follows: HK\$73 million for the refurbishment and operation of the business in the PRC properties as acquired in the acquisition of Joyunited Investments Limited on 7 April 2016 (“PRC Properties”), the Company would have approximately HK\$69 million for the general working capital and approximately HK\$88 million for the projects that were then in progress. More details on the Placement had been disclosed in the relevant announcement of the Company dated 8 December 2015 and the circular dated 18 March 2016. The Placement had been completed on 9 May 2016. As at 31 March 2020, the use of net proceeds from the Placement was as follows:– (1) approximately HK\$73.0 million for refurbishment and other expenses relating to the PRC Properties; (2) approximately HK\$63.8 million for investment in Macro China Holding Limited (“Macro”), business development under DataCube Research Centre Limited (“DataCube”), IT business in Japan and a data centre in the PRC; (3) approximately HK\$24.2 million had been applied to settle the consideration for the PRC Properties; and (4) approximately HK\$69.0 million for administrative expenses and other expenses incurred by the Company and its subsidiaries (“the Group”).

Aiming to provide our clients with business agility for their sustainable business development, during the three months ended 31 March 2020, the Group had continued to improve ourselves to deliver affordable but advanced and quality services and products to our clients.

During the three months ended 31 March 2020, DataCube, a subsidiary of the Company, has entered into a memorandum of understanding (the “Memorandum of Understanding”) with a subsidiary of a listed company in Hong Kong (“Counterparty”, together with DataCube, the “Parties”), which is one of the leading energy management contract providers in Hong Kong, with an integrated platform for providing solutions ranging from technologies and product customization, investment, development and implementation, to operation and maintenance in the field of renewable energy, energy saving and management. Pursuant to the Memorandum of Understanding, with the excellent data science products and the blooming cooperation ecology of DataCube, the Parties shall cooperate closely in product research and development and market exploration in areas including Smart City, predictive analysis development and healthcare and epidemic prevention products (the “Cooperation”).

The recent outbreak of novel coronavirus and its suspected spread in certain building in Hong Kong, have proved the importance of an advanced building system in epidemic prevention, the concept of “Epidemic Prevention Building” and the centralised disinfection system, have therefore gained much spotlight in epidemic prevention. The Smart Building Epidemic Prevention Solution upgraded and released by the Counterparty helps to build up and enhance the self-epidemic prevention capability of the buildings by integrating Smart Internet of Things (IoT) with the centralised disinfection system. Meanwhile, specializing in data science and marketing, DataCube shall provide advanced IoT-based machine learning modelling technology and develop predictive analytics modules to strengthen the building maintenance, energy saving and epidemic prevention capabilities of their Building Operating System.

Together with our knowledge in data science and our team of seasoned and professional data scientists and engineers, we believe that not only can the Cooperation bring synergy effect and create business values for both Parties, it allows us to reinforce our technology and knowledge in smart building management system. We believe that the Cooperation enables us to establish our competitive edge and reputation in smart building management which is increasingly important in epidemic prevention and public health.

Equipped with advanced data science, AI and Smart technology, DataCube has also entered into memorandum of understandings and strategic cooperation agreements with various corporations including public transportation and real estates companies. Whilst launching the smart building epidemic prevention solution jointly in the above Cooperation, as an Advanced Technology Partner of Huawei Cloud, DataCube shall also introduce the same to the Smart Campus solution of Huawei Cloud. With the vision to jointly promote the concept of “Epidemic Prevention Building” to Greater China and international markets with our business partners, we shall continue to contribute the value of data science in the establishment of Smart City as well as healthcare and epidemic prevention areas.

On the other hand, as an epidemic prevention measure, many companies and even the government departments have decided to implement “work from home” arrangement to minimize the risk of spreading of novel coronavirus in wider community. Another subsidiary of the Company, Macro Systems Limited (“Macro”), which has been awarded and certified by more than 120 international organisations and obtained certificates, including ISO 27001 & ISO 20000, provides secure and reliable Virtual Desktop Infrastructure (“VDI”) and delivers end-users mobility and access to virtual desktop anytime and anywhere. Our VDI ensures high security level to prevent data leakage while enhancing efficient resource sharing and flexible development. Our clientele range from various industries from banking, consumer goods, food & beverage, hotel and tourism, manufacturing and construction, property developers to public sectors of the Hong Kong Government and non-governmental organizations. As a result, the demand for remote desktop service shoots up due to the “work from home” arrangement, the number of clients for the VDI services, especially from the banking, finance and insurance sector has increased significantly and we believe that it will have positive impact on the business of the Company.

During the Period, we also kick-started the negotiation with property developer for various project ideas and collaborations to improve their operation and efficiency. For instance, we started discussion to install a smart system with machine models to automatically analyze the possibility of unethical order stealing of the property agents in the company to help prevent unjust enrichment.

Through these corporations, our client spectrum is further broadened, covering public transportation and energy services companies to retail and healthcare companies as well as financial institutes and banks etc. By understanding more of the needs of different industries, our professional team of data scientists shall continue to develop tailored products and systems that cater to various industries and businesses, providing affordable yet secure and advanced technology to strengthen the business of our customers.

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

Macro Group

Established in 1997, Macro Systems Limited is a reputable company in providing diverse IT platform, digital solution and business consulting service. Holding a vision of “We Make IT Smart”, Macro assists worldwide corporate clients to thrive for business success and perform digital transformation by its comprehensive solution and service portfolio. Over the past 23 years, Macro is committed to serving corporate clients with excellent quality which well recognized by the ISO/IEC 27001 international standard and more than 120 global certificates and partnerships.

Macro provides enterprises with the end-to-end product set. The completed IT platform, from IT Infrastructure, Cloud-ready to the Hybrid cloud platform, offers a stable and reliable foundation to support clients’ business development. On top of it, Macro expands clients’ workspace securely by the user-friendly Virtual Desktop Infrastructure (“VDI”) solution. It successfully enables end-users to access their office desktop anywhere, anytime and maintain corporate data security and high productivity, especially in the recent circumstance that many enterprises and even the Hong Kong government department office announced the special work arrangement due to the coronavirus outbreak. In addition to the product and solution, Macro further completes the business scope by its reputable IT managed service brand, PrimeServe series, to deliver all products and solutions to clients in an easy and hassle-free manner that the quality is well proven by ISO/IEC 20000 international recognition.

During the three months ended 31 March 2020, to achieve the corporate vision, Macro allied with various top-class industry elites to continuously push the enterprise market’s digital transformation in Hong Kong. The effort is well affirmed by the sales and quality awards and partnerships title issued by various world-class partners. We are certified by Nutanix as their “Nutanix Certified Sales Expert” and gained “Master Partner”, the highest tier of partnership in the Nutanix Partner Program. Besides, Macro is rewarded “Gold Partner” in Sangfor Technology Channel Partner.

Acting swiftly and flexibly with the changes in market, amid the COVID-19 outbreak, Macro transformed our traditional workshop to online webinars. During the period ended 31 March 2020, we had organized 3 webinars together with reputable vendors like Nutanix and Sangfor to promote VDI solution. To stay committed with our valued customers and strengthen the Company reputation with the aim to share our knowledge especially in this difficult time as well as to promote our webinar 's content to a wider segment, we have rebuilt our YouTube Channel "Macro Channel". We also aligned with vendors to launch flash sales programme to help clients quickly deploy suitable remote work solutions. In February 2020, Macro partnered with Nutanix to launch VDI solution sales programme. We also partnered with Sangfor to launch VDA solution sales programme which further expedited the remote work solution deployment by virtual Apps. These cooperation allowed Macro to extend its business network with different partners who can create synergy to our business. More importantly, we gradually established our brand name in the sector and created positive impact on business developments during this dynamic market period.

During the three months ended 31 March 2020, to allow our customers to experience the business agility we bring, the Group continued to set up a brand-new, scenario driven business agility zone at our solution centre in Tsimshatsui. This experience zone that allows clients to have a first-angle experience of how bank front line staff can work securely and smartly and perform seamless and agile work from office to anywhere by virtual workspace. We believe the experience zone can successfully strengthen clients' confidence in deploying virtual workspace solution and facilitate the related business project progress.

During the period ended 31 March 2020, Macro Group has contributed a revenue of approximately HK\$12,568,000 to the Group. This encouraging result motivates the Directors and the Company to continue developing the business of Macro Group.

DataCube

DataCube Research Centre, founded in 2017, is dedicated to promote data modelling, big data analysis as well as developing related technologies to expedite the adoption and drive the evolution of artificial intelligence and business intelligence ("BI") and across different industries and regions, so as to provide the technological platform and all related resources to drive the development of Smart Cities in Asia. Its services include machine learning model, visualization analytic dashboard, data engineering services (Data cleaning/ETL/API integration), pre-setting hardware and cloud services. DataCube is here to help companies discover emerging trends and hidden insights, and adjust business strategies in an agile and intelligent manner.

AI Book, is an innovative automated machine learning platform developed by DataCube. It embeds AI technologies such as deep learning, machine learning screening combing and analyzing data through four states. The automatic predictive power based on Internet of Things of AI Book, helps our client to solve complicated business problem and discover the root cause through self-service analytics for optimizing strategy. The AI Book analysis result will then be displayed on the BI Canvas platform. BI Canvas of DataCube is a self-service business intelligence platform, providing a variety of visual charts to help companies understand business value and trends from the data gathered with AI Book. The massive data are transformed into various charts and line graphs in real time mode. It is clear and easy to understand and helps decision makers to spot out business value and hidden trends, quickly response to the market and adjust business deployment.

During the year ended 31 December 2019, DataCube has kicked off to partner with various powerful vertical software partners with the vision to develop AI+ predictive modules jointly for improving the existing and new projects. We had projects with a well-known leading energy AIOT, Energy saving management contract provider for product research and development and market exploration in areas including Smart City, predictive analysis development and healthcare and epidemic prevention products. Currently, the product has been developed. It will generate more benefits on the data centers of “New Infrastructure” (which consumes huge amount of energy) when the product is finalized and matured. At the same time, it contributes to the reduction of carbon emission and environmental protection of the society.

We also entered into memorandum of understandings and strategic cooperation agreements with various corporations including public transportation and real estates companies. End of last year, DataCube signed an MOU with a reputable public transportation corporation in Hong Kong. Aiming for incident prediction and maintenance, we had achieved some actual progress on the project. Meanwhile, we had made consent with Huawei that we shall jointly cooperate, to take the abovementioned corporation as application scenarios, to improve the development of the abovementioned intelligent solutions, and create opportunities for entering the Chinese mass transportation market. Apart from that, DataCube, as an Advanced Technology Partner of Huawei Cloud, shall also introduce the same to the Smart Campus solution of Huawei Cloud.

Besides, in 2019, DataCube had participated in China Hi-Tech Fair, one of the largest technology expo and presented to over 500,000 visitors from all over the world, the latest technology and products DataCube offered.

Outlook and Prospect

What happened in the first few months of 2020 painted despair on the canvas of the year 2020. With the global outbreak of COVID-19, the socio-economic sentiment in general remains pessimistic. Yet, it also brought golden opportunities for those who persistently prepare themselves in these gloomy times. We believe that we are one of those who are well-equipped to turn the risk we face to opportunities of digital transformation.

Subsequent to the reporting period, the Group had also entered into another pilot project agreement (“Agreement”) with a corporation which is engaged in the development and sale of properties, property investment, hotel operations and other property development related services globally. Pursuant to the Agreement, the Group shall assist to install a smart system with machine models to automatically analyze the possibility of unethical order stealing of the property agents. It helps to save the unnecessary cost for commission to freeriding property agents and hence enhance efficiency for reviewing orders and management for potential risk of unjust enrichments.

Amid of pandemic, having the mission to bring business agility to our clients, our VDI solution enables our client to continue their operations anywhere, anytime when “work from home” is practicing in many offices in Hong Kong and even government departments. Recently, the demand for remote desktop service shoots up due to the “work from home” arrangement, the number of clients for the VDI solution, especially from the banking, finance and insurance sector has increased significantly and we believe that it will have positive impact on the business of the Company. The pandemic had turned client’s attitude and reliance towards digital transformation, in the future, we shall continue to improve and provide our event in webinar format. To provide our clients the most updated information and to catch up with the trend of digital transformation in a quick and safe manner, we are preparing for webinars focusing on Cloud and VDI in the coming months.

Leveraging the membership of Hong Kong Smart City Consortium of CITD, we shall cement our brand name in the market and contribute to the establishment of Smart City in both Hong Kong and China by organizing various webinar or workshops to keep our client update with the latest knowledge. We shall also participate in large-scale exhibitions and events, like the Cloud Expo 2020 later this year to increase brand awareness, hence further expand our business footprints. Encouraged by the Nutanix Master Partner we achieved earlier in 2020, to enhance our competitiveness, we shall continue to strive for partnerships and recognitions.

Meanwhile, to allow our customers to experience the business agility we bring, the Group shall continue to promote our brand-new, scenario driven business agility zone at our solution centre in Tsimshatsui and shall start inviting clients to experience the services we provide.

Assisting our clients to manage their data and technical matters, we help lay a healthy root for their business to flourish with the data efficiently transmitted, accurately analyzed and insightfully predicted. Business strategy and decisions with higher productivity and cost effectiveness can be easily attained without compromising quality. In this ever-changing world, especially in the world of IT, we believe that what we built during the first quarter in 2020 not only will create business agility for our clients, but also to the business of the Group. Working together with our clients as well as our business partner, the Group believes that we shall bear fruits for our sustainable business in the years to come.

Employees

The total number of full-time employees hired by the Group maintained at 65 as of 31 March 2020 (2019: 59 employees). Total expenses on employee benefits amounted to approximately HK\$6,287,000 for the three months ended 31 March 2020 (2019: approximately HK\$7,387,000). The management believes the salaries offered by the Group to its employees are competitive.

Financial review

For the three months ended 31 March 2020, the Group recorded a revenue of approximately HK\$16,115,000, a decrease of 5.4% from approximately HK\$17,041,000 in the corresponding period of last year. The decrease is mainly due to the slowing down of projects caused by the outbreak of COVID-19 pandemic for the Period.

The Group had a total cost of sales and services of approximately HK\$9,525,000 for the first quarter of year 2020, a decrease of 16.9% compared with approximately HK\$11,459,000 for the same period of year 2019. The decrease is in line with the other revenue which was affected by the outbreak of COVID-19 pandemic.

The gross profit of the Group for the first quarter of year 2020 was approximately HK\$6,590,000, compared with approximately HK\$5,582,000 for the corresponding period of last year.

The Group's selling and distribution expenses for the first quarter of year 2020 was approximately HK\$181,000, which decreased by 77.0% compared with approximately HK\$786,000 for the corresponding period of year 2019. The decrease was mainly due to the temporary closure of offices in the PRC due to the COVID-19 pandemic.

Administrative expenses for the Period were approximately HK\$7,039,000, representing a decrease of 0.6% as compared to approximately HK\$7,080,000 for the corresponding period last year.

The Group recorded a mark-to-market loss on held-for-sale investment securities of approximately HK\$5,328,000 for the period (2019: a gain of approximately HK\$7,265,000).

Finance costs of the Group for the three months ended 31 March 2020 were approximately HK\$2,920,000, an increase approximately HK\$2,006,000, comparing to approximately HK\$914,000 for the same period in 2019. The increase is mainly due to the interest on promissory notes issued for acquiring 19% equity interest of Guangzhou Dehuang Investment Company Limited on September 2019.

The Group recorded a loss attributable to owners of the Company of approximately HK\$8,417,000 for the three months ended 31 March 2020 (2019: profit of approximately HK\$4,438,000).

EVENTS AFTER THE REPORTING PERIOD

On 6 April 2020, the Company has granted an aggregate of 42,192,000 share options (the "Options") to the grantees (the "Grantees") of the Company, to subscribe, in aggregate, for up to 42,192,000 ordinary shares (each a "Share") of HK\$0.1 each in the share capital of the Company subject to acceptance of the Grantees, with an exercise price of HK\$0.1 per Share, under the share option scheme (the "Share Option Scheme") adopted by the Company on 2 August 2012. Among the total of 42,192,000 Options, 22,176,000 Options were granted to the employees of the Company and the remaining 20,016,000 Options were granted to the consultant of the Company. The Company believes that human resources are of utmost importance to the success of a business and we believe that the grant of Options can provide incentives for the employees and consultants of the Group to work towards the goal of the Company. Details of the grant of Options are set out in the announcement dated 6 April 2020 and the section headed "Share Options" under "General Information" in this report.

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 2020, together with the unaudited comparative figures for the corresponding period of year 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended	
		31 March 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest revenue		3,547	3,018
Other revenue		12,568	14,023
Total revenue	3	16,115	17,041
Cost of sales and services		(9,525)	(11,459)
Gross profit		6,590	5,582
Other income and gains	3	133	80
Selling and distribution expenses		(181)	(786)
Administrative expenses		(7,039)	(7,080)
Fair value gain on investment at fair value through profit or loss		(5,328)	7,265
Finance costs	4	(2,920)	(914)
(LOSS)/PROFIT BEFORE TAX	5	(8,745)	4,147
Income tax expenses	6	—	—
(LOSS)/PROFIT FOR THE PERIOD		(8,745)	4,147
Attributable to:			
Owners of the Company		(8,417)	4,438
Non-controlling interests		(328)	(291)
		(8,745)	4,147
(LOSS)/PROFIT PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	7	(HK0.15 cents)	HK0.08 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 31 March	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
(LOSS)/PROFIT FOR THE PERIOD	(8,745)	4,147
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF INCOME TAX EXPENSES		
Exchange differences on translation of foreign operations	(1,816)	4,070
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(10,561)	8,217
Attributable to:		
Owners of the Company	(10,252)	8,526
Non-controlling interests	(309)	(309)
	(10,561)	8,217

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 2019.

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 2020. 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 three reportable segments as follows:

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

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 2020 and 2019.

Reporting segment information

	Three months ended 31 March							
	IT solutions and maintenance		Money lending		Securities investments		Total	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	14,129	14,023	1,986	3,018	—	—	16,115	17,041
Segment profit/(loss)	1,249	(1,817)	1,940	2,977	(5,331)	7,263	(2,142)	8,423
Reconciliation:								
Bank interest income							9	—
Unallocated gains							10	—
Corporate and other unallocated expenses							(3,702)	(3,362)
Finance costs							(2,920)	(914)
(Loss)/profit before tax							(8,745)	4,147
Income tax expenses							—	—
(Loss)/profit for the period							(8,745)	4,147

Geographical information

	Revenue 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Hong Kong	14,400	17,017
PRC except Hong Kong	1,715	24
Consolidated total	16,115	17,041

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 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue		
Sale of computer hardware and software	10,514	10,823
Provision of technical support and maintenance services	2,054	3,200
Revenue from contracts with customers	12,568	14,023
Loans interest income	3,547	3,018
	16,115	17,041
Disaggregation of revenue from contracts with customers:		
Geographical markets		
Hong Kong	14,400	17,017
PRC except Hong Kong	1,715	24
	16,115	17,041
Major products/services		
Sale of computer hardware and software	10,514	10,823
Provision of technical support and maintenance services	2,054	3,200
Total	12,568	14,023

	Three months ended	
	31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Timing of revenue recognition		
At a point in time	10,514	10,823
Over time	2,054	3,200
Total	12,568	14,023
Other income and gains		
Bank interest income	9	—
Others	124	80
	133	80

4. Finance costs

	Three months ended	
	31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	385	532
Interest on other loans	315	382
Lease interest	75	—
Imputed Interest on promissory notes	2,145	—
	2,920	914

5. (Loss)/profit before tax

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

	Three months ended	
	31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	455	338
Amortisation of other intangible assets	196	196

6. Income tax expenses

No provision for Hong Kong Profits Tax has been made for the three months ended 31 March 2020 as the Group has accumulated tax losses brought forward from previous year (2019: 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 Enterprise Income Tax has been made for the three months ended 31 March 2020 as the company's subsidiaries in PRC incurred tax losses during the period (2019: Nil).

No provision for Japan corporate income tax has been made for the three months ended 31 March 2020 since the Group did not generate any assessable profits arising in Japan during the period (2019: Nil). Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. (Loss)/profit per share for the period attributable to owners of the Company

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

	Three months ended 31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/profit for the purpose of calculating basic and diluted (loss)/profit per share	(8,745)	4,438

(b) Weighted average number of ordinary shares:

	Three months ended 31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total number of ordinary shares in issue at the end of the period	5,722,159,908	5,712,151,908
Weighted average number of ordinary shares in issue during the period	5,722,159,908	5,712,151,908

No adjustment has been made to the basic (loss)/profit per share amounts presented for the periods ended 31 March 2020 and 2019 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 2020 (2019: Nil).

9. Reserves

	Attributable to owners of the Company							
	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 losses (Unaudited) HK\$'000	Investment revaluation reserve (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2019	571,215	107,108	81,250	(9,469)	(305,388)	2,471	(708)	446,479
Profit/(loss) for the period	—	—	—	—	4,438	—	(291)	4,147
Other comprehensive income/(loss)	—	—	—	—	—	—	—	—
— Exchange differences on translation of foreign operations	—	—	—	4,088	—	—	(18)	4,070
Total comprehensive income for the period	—	—	—	4,088	4,438	—	(309)	8,217
At 31 March 2019	571,215	107,108	81,250	(5,381)	(300,950)	2,471	(1,017)	454,696
At 1 January 2020	572,216	107,551	90,434	(15,053)	(375,164)	(3,687)	(1,748)	374,549
Loss for the period	—	—	—	—	(8,417)	—	(328)	(8,745)
Other comprehensive (loss)/income	—	—	—	—	—	—	—	—
— Exchange differences on translation of foreign operations	—	—	—	(1,835)	—	—	19	(1,816)
Total comprehensive income for the period	—	—	—	(1,835)	(8,417)	—	(309)	(10,561)
Lapsed of share options	—	—	(35,031)	—	35,031	—	—	—
At 31 March 2020	572,216	107,551	55,403	(16,888)	(348,550)	(3,687)	(2,057)	363,988

GENERAL INFORMATION

Directors' service contracts

At 31 March 2020, 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 2020.

Directors' interests and short positions in shares and underlying shares

At 31 March 2020, 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 Kui Shing, Danny	Through controlled corporation	403,971,449	—	7.03%
	Beneficially owned	147,816,000	5,688,000	2.67%
Mr. Wong King Shiu, Daniel	Beneficially owned	10,008,000	57,000,000	1.17%

Notes:

- (a) The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the date of this report, which was 5,744,191,908 Shares.
- (b) The 403,971,449 Shares are held by Discover Wide Investments Limited ("Discover Wide"), which is wholly-owned by Mr. Wong Kui Shing, Danny. Pursuant to the Division 7 and 8 of Part XV of the SFO, Mr. Wong is deemed to have an interest in all shares in which Discover Wide has, or deemed to have an interest.

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 2020 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

On 11 April 2017, the Company granted a total of 571,200,000 Options with rights to subscribe for 571,200,000 ordinary shares of HK\$0.1 each in the share capital of the Company under the Share Option Scheme.

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

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

Subsequent to the Period, on 6 April 2020, the Company granted a total of 42,192,000 Options with rights to subscribe 42,192,000 ordinary shares of HK\$0.1 each in the share in the share capital of the Company under the Share Option Scheme.

As at 31 March 2020, details of the Options granted and remain effective are as follows:

Name of Grantees	Position held with the Company	Date of Grant	Exercise period	Number of share options			Exercise price per share
				Outstanding as at 1 January 2020	Lapsed during period	Outstanding as at 31 March 2020	
Directors							
Mr. Wong King Shiu, Daniel	Executive Director	27 September 2017	27 September 2017 - 26 September 2027	57,000,000	—	57,000,000	HK\$0.130
Mr. Wong Kui Shing, Danny	Executive Director	11 April 2017	11 April 2017 - 10 April 2027	5,688,000	—	5,688,000	HK\$0.153
Mr. Chan Kai Leung	Executive Director	27 September 2017	27 September 2017 - 26 September 2027	5,016,000	—	5,016,000	HK\$0.130
Mr. Hung Hing Man	Independent non-executive Director	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	—	2,016,000	HK\$0.153
Dr. Chen Shengrong	Independent non-executive Director	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	—	2,016,000	HK\$0.153
Mr. Wong Hoi Kuen	Independent non-executive Director	27 September 2017	27 September 2017 - 26 September 2027	2,016,000	—	2,016,000	HK\$0.130
Former Directors							
Ms. Wu Jingjing	Executive Director (currently vice president of Business Development Department of the Company)	11 April 2017	11 April 2017 - 10 April 2027	2,016,000	—	2,016,000	HK\$0.153
Mr. Tse Chi Wai	Executive Director (currently consultant of the Company)	11 April 2017	11 April 2017 - 10 April 2027	57,000,000	—	57,000,000	HK\$0.153
Mr. Takashi Togo	Executive Director (currently consultant of the Company)	11 April 2017	11 April 2017 - 10 April 2027	57,000,000	—	57,000,000	HK\$0.153
Mr. Wong Chi Yung	Non-executive Director (currently consultant of the Company)	11 April 2017	11 April 2017 - 10 April 2027	33,000,000	—	33,000,000	HK\$0.153
Sub-total				222,768,000	—	222,768,000	

Name of Grantees	Capacity	Date of Grant	Exercise period	Number of share options			Exercise price per share	
				Outstanding as at 1 January 2020	Lapsed during the period	Cancelled during the period		Outstanding as at 31 March 2020
Other employees								
		11 April 2017	11 April 2017-10 April 2027	232,968,000	—	(232,968,000)	—	HK\$0.154
		27 September 2017	27 September 2017-26 September 2027	334,680,000	—	—	334,680,000	HK\$0.130
		21 June 2019	21 June 2019-20 June 2029	60,048,000	(10,008,000)	—	50,040,000	HK\$0.100
Consultants								
Star Rich Consultants Limited	Business Consultant	11 April 2017	11 April 2017-10 April 2027	52,992,000	—	(52,992,000)	—	HK\$0.154
Lam Wai Hung	Business Consultant	11 April 2017	11 April 2017-10 April 2027	30,000,000	—	(30,000,000)	—	HK\$0.154
Li Hi Choi	Consultant — Marketing	11 April 2017	11 April 2017-10 April 2027	30,000,000	—	(30,000,000)	—	HK\$0.154
Wong Ka Ching	Consultant — Corporate Finance Advisory	11 April 2017	11 April 2017-10 April 2027	30,000,000	—	(30,000,000)	—	HK\$0.154
Tam Tsz Yeung, Alan	Consultant — Software Development	11 April 2017	11 April 2017-10 April 2027	30,000,000	—	(30,000,000)	—	HK\$0.154
Gain Rich Consultants Limited	Business Consultant	27 September 2017	27 September 2017-26 September 2027	57,000,000	—	—	57,000,000	HK\$0.130
Choi Kam Yan Simon	Consultant — Investment	27 September 2017	27 September 2017-26 September 2027	57,000,000	—	—	57,000,000	HK\$0.130
Cheng Shing Tak	Consultant — Big Data Business	27 September 2017	27 September 2017-26 September 2027	57,000,000	(57,000,000)	—	—	HK\$0.130
Chan Wing Chung	Business Consultant (Japan)	21 June 2019	21 June 2019-20 June 2029	30,000,000	—	—	30,000,000	HK\$0.100
Leung Po Ting, Doris	Business Consultant (Japan)	21 June 2019	21 June 2019-20 June 2029	30,000,000	—	—	30,000,000	HK\$0.100
Chan King Wai	Business Consultant (Japan)	21 June 2019	21 June 2019-20 June 2029	30,000,000	—	—	30,000,000	HK\$0.100
Strategist Digital Limited	Marketing — Consultants	21 June 2019	21 June 2019-20 June 2029	30,000,000	—	—	30,000,000	HK\$0.100
Lam Wai Hung	Business Consultant	21 June 2019	21 June 2019-20 June 2029	27,000,000	—	—	27,000,000	HK\$0.100
Total				1,341,456,000	(67,008,000)	(405,960,000)	868,488,000	

The Company aims to motivate the employees and consultants to work towards the business objectives for sustainable development of the Company. The consultants on above table with Options granted are engaged for provision of advice in various operations of the company, including marketing, webcast business in Japan, Artificial Intelligence and other IT developments etc. Some of them shall introduce potential investors and projects to the Company. As the IT and AI market trends are ever-changing, the consultants shall provide us the updated advice and bring potential projects for the benefits of sustainable development of the Company.

Options are granted to them as they are engaged with only options as service fees, the Company believes that it provides motivations for the consultants to create value for the Company without affecting the operating cost of the Company.

All the outstanding Options granted on 11 April 2017 are exercisable during the period from date of grant to 10 April 2027 at an exercise price of HK\$0.153 per share. The closing price per share immediately before the date of grant on 11 April 2017 was HK\$0.145.

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

All outstanding Options granted on 21 June 2019 are exercisable during the period from date of grant to 20 June 2029 at an exercise price of HK\$0.100 per share. The closing price per share immediately before the date of grant on 21 June 2019 was HK\$0.091.

Subsequently, on 6 April 2020, the Company granted a total of 42,192,000 Options at an exercise price of HK\$0.1 with rights to subscribe 42,192,000 ordinary shares of HK\$0.1 each in the share capital of the Company under the Share Option Scheme to some employees and a consultant, Ms. Huang Guozhen. An employee exercised 2,016,000 Options on 7 April 2020 and the consultant, Ms. Huang Guozhen exercised 20,016,000 Options on 20 April 2020.

Save as disclosed above, none of the outstanding Options were exercised or cancelled or lapsed during the three months ended 31 March 2020.

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

At 31 March 2020, 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 <i>(Nature of Interest)</i>	Percentage of the Company's issued share capital <i>(Note (a))</i>
Mr. Zhang Rong	Directly beneficially owned	748,144,000 <i>(Registered Shareholder)</i>	13.02%
Discover Wide Investments Limited	Directly beneficially owned	403,971,449 <i>(Registered Shareholder)</i>	7.03%

Note:

(a) *The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the date of this report, which was 5,744,191,908.*

Save as disclosed above, as at 31 March 2020, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

During the three months ended 31 March 2020, 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 2020 and up to the date of this report, the Directors had an interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to the GEM Listing Rules were as follows:

Name of Director	Name of Company	Nature of Business	Nature of interest
Wong King Shiu, Daniel	Huisheng International Holdings Limited ("Huisheng"), Stock Code: 1340	Money Lending Business	Independent non-executive director of Huisheng
Wong Kui Shing, Danny	TFG International Group Limited ("TFG"), Stock Code: 542	Money Lending Business	Non-executive director of TFG

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 2020 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 2020, 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. 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.

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 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have confirmed that they had 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 2020.

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 of the Company (the “Audit Committee”) include supervising the financial reporting procedure and reviewing the financial statements of the Group, examining and monitoring the internal control 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. 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 2020 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 primary duties of the nomination committee of the Company (the "Nomination Committee") include 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.

As at the date of this report, the Nomination Committee comprises three members, including Mr. Hung Hing Man (Nomination Committee chairman) and Mr. Wong Hoi Kuen 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.

The primary duties of the remuneration committee of the Company (the "Remuneration Committee") include the determination of specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board on the remuneration of non-executive Directors.

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

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

Change in information of Director

The change in information of Director during the three months ended 31 March 2020 and as at the date of this report is set out below:

Mr. Wong Kui Shing, Danny has resigned as the executive director of Tech Pro Technology Development Limited, of which the listing of shares had been cancelled under Rule 6.01A on 2 March 2020.

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.

By Order of the Board

China Information Technology Development Limited
Wong King Shiu, Daniel

Chairman and Chief Executive Officer

Hong Kong, 14 May 2020

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