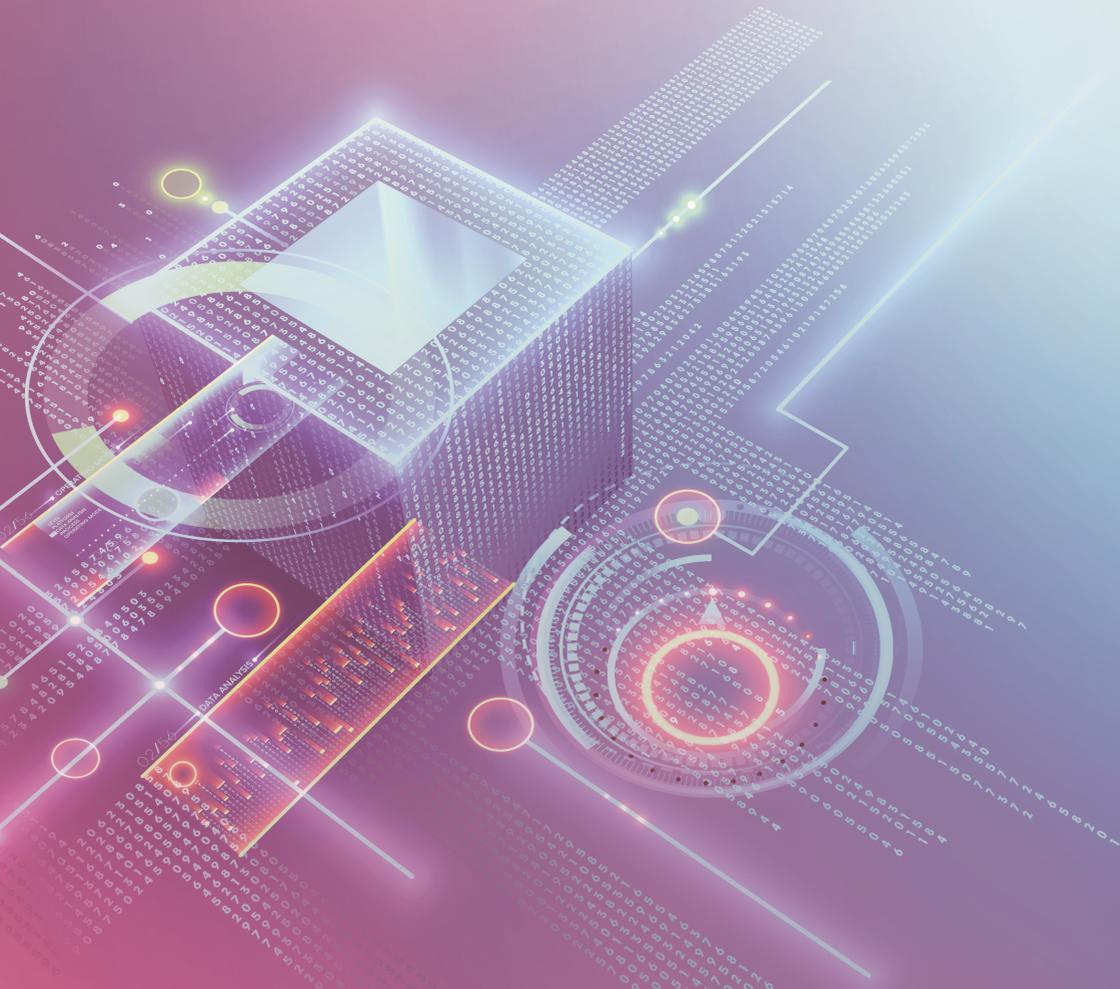




中國信息科技發展有限公司  
China Information Technology Development Limited  
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code : 8178)



2020

THIRD QUARTERLY REPORT

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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

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

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Millennium City 6  
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### **REGISTERED OFFICE**

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Cayman Islands

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

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Cayman Islands

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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Services Limited  
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### **GEM STOCK CODE**

8178

### **WEB-SITE ADDRESS**

[www.citd.com.hk](http://www.citd.com.hk)

## SUMMARY

- Turnover for the nine months ended 30 September 2020 (the “Reporting Period”) was approximately HK\$40,267,000, representing a decrease of 2.77% from the corresponding period in last year (2019: approximately HK\$41,413,000).
- Loss attributable to owners of the Company for the nine months ended 30 September 2020 amounted to approximately HK\$14,762,000 (2019: approximately HK\$63,644,000). The decrease in loss was mainly attributed to the fair value loss on the investment properties of approximately HK\$35,286,000 in 2019 and the control of expenditure implemented during the Reporting Period.
- Loss per share attributable to owners of the Company for the nine months ended 30 September 2020 was HK0.26 cents (2019: Loss per share of HK1.11 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 2020 (2019: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

The first nine months ended 30 September 2020 was by no means an easy start with the global outbreak of the novel coronavirus (“COVID-19”) pandemic and increasing tensions between China and the United States. The volatile economic conditions in addition to the local socio-political instability had created an unprecedentedly challenging environment for businesses. Many corporates had adopted a cautious approach on their budgets and delayed their projects and investments with the consideration of slowing down of the global economy. Nevertheless, it accelerated the change of consumption patterns and business model from traditional to new digital and mobile models. The importance of technology has boosted drastically during this pandemic. The various measures implemented in different countries like full lockdowns, travelling restrictions and working-from-home arrangements, gave rise to technologies like artificial intelligence (“AI”), internet of things (IoT) and cloud technology etc, which 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 of and operation of the business in the PRC properties as acquired in the acquisition of Joyunited Investments Limited on 7 April 2016 (“PRC Properties”), the Company would have approximately HK\$69 million for the general working capital and approximately HK\$88 million for the projects that 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 30 September 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, 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 Group.

Aiming to provide our clients with business agility for their sustainable business development, during the nine months ended 30 September 2020, the Group had continued to improve ourselves to deliver affordable but high quality services and products to our clients.

During the nine months ended 30 September 2020, DataCube has cooperated 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, for an integrated platform 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 (“Cooperation”). 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 etc.

The recent outbreak of COVID-19 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 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.

Whilst developing the smart building epidemic prevention solution 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 in healthcare and epidemic prevention areas.

During the Reporting Period, we also had negotiations with property developer for various project ideas and collaborations to improve their operation and efficiency. For instance, we started the 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 clients.

In view of the uncertain business environment, the Group had taken action to maintain sufficient resources for business operations and development during the Reporting Period. In relation to the acquisition of 19% equity interest in 廣州市德煌投資有限公司 (Guangzhou Dehuang Investment Company Limited\*), a company incorporated in the PRC with limited liability (“Guangzhou Dehuang”) in August 2019, of which the consideration of RMB66,341,000 (equivalent to approximately HK\$72,842,000) should initially be satisfied by the promissory note issued on 3 September 2019 on the first anniversary, Guangzhou Deyong (the “Promissory Note”), 廣州市德永科技投資有限公司 (Guangzhou Deyong Technology Investment Limited\*), an indirect wholly-owned subsidiary of the Company, has agreed with the vendor, an Independent Third Party, to extend the repayment date of the Promissory Note to the second anniversary of the date of Promissory Note.

### **Macro Group**

As a reputable company in providing diverse IT platform, digital solution and business consulting service, Macro Systems Limited (“Macro”) upholds the vision of “We Make IT Smart”, and persistently 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”) solutions. Our VDI ensures high security level to prevent data leakage while enhancing efficient resource sharing and flexible development. 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. 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. 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 Group. 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.

\* For identification purposes only

During the nine months ended 30 September 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.

In September 2020, We have participated as a silver sponsor and a virtual exhibitor in the annual largest exhibition of the technology industry, the Cloud Expo Asia HK 2020 to increase brand awareness, hence further expand our business footprints. We showcased our Generation-Z Workspace Solution in the exhibition and introduced how it builds an intelligent workspace to provide a seamless and smart work from home experience.

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 30 September 2020, we had organized various webinars together with reputable vendors like Nutanix and Veeam to promote VDI solution as well as AI technology and algorithm. To stay committed with our valued customers and strengthen the Company's reputation with the aim to share our knowledge especially in this difficult time and furthermore, to promote our webinar's content to a wider segment, we have rebuilt our YouTube Channel "Macro Channel".

By leveraging various technologies, we believe that these transformed marketing activities can benefit our reputation and sales.

Besides of these marketing activities, we also worked 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 the VDI solution sales programme. We also partnered with Sangfor to launch virtual desktop assess (VDA) solution sales programme which further expedited the remote work solution deployment by virtual apps. Out of our existing virtual workspace solution, Macro partnered with Hitachi Vantara to launch a sales programme for Hitachi Content Platform (HCP) product. The cooperation and promotion of associated solutions of digital workspace allowed Macro to extend its business network with different partners who can create synergy and positive impact on our business and brand name in the sector during this dynamic market period.

During the nine months ended 30 September 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 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 30 September 2020, Macro Group has contributed a revenue of approximately HK\$29,704,000 to the Group. This result motivates the Directors and the Company to continue developing the business of Macro Group.

### **DataCube**

During the Reporting Period, DataCube Research Centre has continued 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 period ended 30 September 2020, 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 Alot, 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 and we believe that it will help 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 shall contribute 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. DataCube had discussions with companies in transportation industry for projects aiming for accident prediction and maintenance, which can help to enhance their reliability and safety of their services. 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, the Group had also entered into another pilot project 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 project, 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.

## **Outlook and Prospect**

The outbreak of COVID-19 during the first half of 2020 devastated the world economy. Worse still, the geopolitical uncertainty including the intensified relationship between China and the United States, the US presidential election and the local social chaos had made the economy of Hong Kong and the rest of the world under severe strain. Their negative impacts have begun to reveal in the second half of 2020. Some even project that the world economy will experience the worst downturn since the Great Depression. As a response to the difficult business environment, many companies tend to cancel or postpone their projects in the second half of the year. Nevertheless, in such crisis like no other, it creates opportunities, especially with the reliance on technology during times of containment.

In the meantime, Macro has formulated a strategic event plan to further engage clients and promote the digital workspace blueprint. We will organize monthly webinars, and each theme is a part of the end-to-end digital workspace. Starting from June 2020, the first webinar theme was "Collaboration". We allied with the reputable Japanese brand, Hitachi Vantara, to introduce their content sharing platform, which can generate synergy with Macro's solid virtual desktop solution. Upcoming, Macro will keep partnering with other industry elites to organize webinars in other relevant themes to promote the comprehensive digital workspace structure and raise its solution demand accordingly.

Since the pandemic had awakened the market's adoption of technology, DataCube will utilize this trend to further promote our flagship intelligent products in the next quarters, such as the AI webinar series co-organized with Huawei and Macro in July. In the year to come, we will leverage our research and development footprint in Guangzhou, to continue our sales activities in not only the Hong Kong but the entire Guangdong-Hong Kong-Macau Greater Bay Area market.

We believe the business direction and activities will benefit our sales and market awareness.

Looking ahead, to cope with the potential risk, the Group shall prudently maintain and develop the business of the Group. With the support of national policies in the IT industry and rapid development of technologies like 5G, AI and data center etc, the Group shall deploy its capacity to keep pace with the latest technological advancements and continue to create business agility for our clients and create values for the Company and its shareholders.

## **Employees**

The total number of full-time employees hired by the Group maintained at 78 as of 30 September 2020 (30 September 2019: 75 employees). Total expenses on employee benefits amounted to HK\$14,426,000 of which HK\$745,000 related to equity-settled share-based payment (30 September 2019: approximately HK\$16,592,000 of which HK\$2,664,000 related to equity-settled share-based payment). The management believes the salaries offered by the Group to its employees are competitive.

## Financial review

For the nine months ended 30 September 2020, the Group recorded a revenue of approximately HK\$40,267,000, a decrease of 2.77% from approximately HK\$41,413,000 in the corresponding period in last year. The revenue from contracts with customers decreased from approximately HK\$34,358,000 for the nine months ended 30 September 2019 to approximately HK\$29,704,000 for the same period in 2020. The decrease in revenue was mainly due to the slowing down of projects caused by the outbreak of COVID-19 pandemic for the Reporting Period.

The Group had a total cost of sales and services of approximately HK\$22,482,000 for the first three quarters of 2020, a decrease of 9.38% compared with approximately HK\$24,809,000 in the same period of 2019. The decrease is in line with the decrease in revenue from contracts with customers which was affected by the outbreak of COVID-19 pandemic.

The gross profit of the Group for the nine months ended 30 September 2020 was approximately HK\$17,785,000, compared with approximately HK\$16,604,000 in corresponding period of last year. The increase in gross profit is due to the increase in interest income during the period.

The Group's selling and distribution expenses for the nine months ended 30 September 2020 amounted to approximately HK\$573,000, a decrease of 73.86% compared with approximately HK\$2,192,000 in the corresponding period in 2019. The decrease was mainly due to less promotion activities during the Reporting Period.

Administrative expenses for the period were approximately HK\$23,989,000, a decrease of 43.99% as compared to HK\$42,829,000 for the corresponding period last year. The decrease was mainly due to the recognition of share options granted to employees and consultants related expenses for the amount of approximately HK\$9,628,000 in June 2019 and the control of expenditure implemented during the period.

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

During the first three quarters of 2020, the Group recorded a net loss of approximately HK\$3,420,000 from trading of marketable securities as compared to a net gain of approximately HK\$1,577,000 for 2019.

The Group's loss attributable to owners of the Company was approximately HK\$14,762,000 for the nine months ended 30 September 2020 (2019: approximately HK\$63,644,000).

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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest revenue		3,497	1,982	10,563	7,055
Other revenue		7,845	9,066	29,704	34,358
Revenue	4	11,342	11,048	40,267	41,413
Cost of sales and services		(6,457)	(5,481)	(22,482)	(24,809)
Gross profit		4,885	5,567	17,785	16,604
Other income and gains, net	4	2,244	344	2,672	460
Selling and distribution expenses		(222)	(572)	(573)	(2,192)
Administrative expenses		(8,045)	(13,383)	(23,989)	(42,829)
Fair value gain/(loss) on investments at fair value through profit or loss, net		2,818	(2,254)	(3,420)	1,577
Change in fair value of investment properties		—	—	—	(35,286)
Finance costs	5	(2,181)	(1,344)	(7,970)	(3,190)
<b>LOSS BEFORE TAX</b>	6	<b>(501)</b>	<b>(11,642)</b>	<b>(15,495)</b>	<b>(64,856)</b>
Income tax expense	7	—	—	—	—
<b>LOSS FOR THE PERIOD</b>		<b>(501)</b>	<b>(11,642)</b>	<b>(15,495)</b>	<b>(64,856)</b>
<b>Attributable to:</b>					
Owners of the Company		(332)	(11,618)	(14,762)	(63,644)
Non-controlling interests		(169)	(24)	(733)	(1,212)
		(501)	(11,642)	(15,495)	(64,856)
Basic and diluted loss per share	8	HK(0.01) cents	HK(0.20) cents	HK(0.26) cents	HK(1.11) cents

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b>(501)</b>	(11,642)	<b>(15,495)</b>	(64,856)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX</b>				
— Exchange differences on translation of foreign operations	<b>9,325</b>	(4,357)	<b>5,330</b>	(3,797)
— Gain on disposal of an equity investment at fair value through other comprehensive income	—	8,672	—	8,672
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>8,824</b>	(7,327)	<b>(10,165)</b>	(59,981)
<b>ATTRIBUTABLE TO:</b>				
Owners of the Company	<b>8,992</b>	(7,360)	<b>(9,452)</b>	(58,807)
Non-controlling interests	<b>(168)</b>	33	<b>(713)</b>	(1,174)
	<b>8,824</b>	(7,327)	<b>(10,165)</b>	(59,981)

# 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 2019.

## 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 2020. HKFRSs comprise HKFRSs; HKASs and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior period.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

### 3. Operating segment information

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 following table presents revenue and loss for the Group’s operating segments for the nine months ended 30 September 2020 and 2019 respectively.

#### Reporting segment information

	Nine months ended 30 September							
	IT solutions and maintenance		Money lending		Securities investments		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	
<b>Segment revenue:</b>								
Sales to external customers	34,461	34,358	5,806	7,055	—	—	40,267	41,413
<b>Segment profit/(loss)</b>	<b>2,483</b>	<b>(2,286)</b>	<b>5,668</b>	<b>6,919</b>	<b>(3,374)</b>	<b>1,801</b>	<b>4,777</b>	<b>6,434</b>
<b>Reconciliation:</b>								
Bank interest income							55	4
Change in fair value of investment properties							—	(35,286)
Unallocated gains							438	—
Corporate and other unallocated expenses							(12,795)	(32,818)
Finance costs							(7,970)	(3,190)
Loss before tax							(15,495)	(64,856)

## 4. Revenue, other income and gains

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

	Three months ended 30 September		Nine months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
<b>Revenue</b>				
Sale of computer hardware and software	5,972	7,379	24,439	27,322
Provision of technical support and maintenance services	1,873	1,687	5,265	7,036
Revenue from contracts with customers	7,845	9,066	29,704	34,358
Loans interest income	3,497	1,982	10,563	7,055
	11,342	11,048	40,267	41,413
Disaggregation of revenue from contracts with customers:				
<b>Geographical markets</b>				
Hong Kong	7,798	9,013	29,355	34,103
PRC except Hong Kong	47	53	349	255
	7,845	9,066	29,704	34,358
<b>Major products/services</b>				
Sale of computer hardware and software	5,972	7,379	24,439	27,322
Provision of technical support and maintenance services	1,873	1,687	5,265	7,036
Total	7,845	9,066	29,704	34,358
<b>Timing of revenue recognition</b>				
At a point in time	5,972	7,379	24,439	27,322
Over time	1,873	1,687	5,265	7,036
Total	7,845	9,066	29,704	34,358
<b>Other income and gains</b>				
Bank interest income	34	3	55	4
Dividend income	164	243	164	243
Government grant	1,067	—	1,310	—
Others	979	98	1,143	213
	2,244	344	2,672	460

## 5. Finance costs

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loan	327	455	1,063	1,489
Interest on other loans	313	828	973	1,575
Lease interest	65	61	206	126
Imputed interest on promissory notes	1,476	—	5,728	—
	<b>2,181</b>	1,344	<b>7,970</b>	3,190

## 6. Loss before tax

Loss before tax was arrived at after charging the following:

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of other intangible assets	196	196	587	587
Change in fair value of investment properties	—	—	—	35,286
Depreciation on property, plant and equipment	450	357	1,355	1,044
Depreciation on right-of-use assets	720	1,040	2,223	3,180
Directors' remuneration	1,056	657	1,956	2,874
Equity-settled share-based payments to employees	—	—	745	2,664
Equity-settled share-based payment to consultants	—	—	671	6,964

## 7. Income tax expense

No provision for Hong Kong Profits Tax has been made for the nine months ended 30 September 2020 as the Group has accumulated tax losses brought forward from previous year (2019: Nil).

The PRC corporate income tax provision in respect of operations in Mainland China is calculated at applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of the PRC, certain of the Company's subsidiaries enjoy income tax reduction by reason that these subsidiaries are certified as New and/or High Technology Enterprises in Mainland China.

No provision of the PRC corporate income tax has been made for the nine months ended 30 September 2020 as the Group did not generate any assessable profits in the PRC during the period (2019: Nil).

No provision for Japan corporate income tax has been made for the nine months ended 30 September 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.

## 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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company	332	11,618	14,762	63,644
	Three months ended 30 September		Nine months ended 30 September	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Weighted average number of ordinary shares for basic and diluted loss per share	5,744,191,908	5,721,072,082	5,735,410,545	5,715,157,974

For the nine months ended 30 September 2020, 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 2020 and 2019.

## 9. Dividend

The Board does not recommend the payment of any interim dividend for the nine months period ended 30 September 2020 (2019: Nil).

## 10. Reserves

	Attributable to owners of the Company								
	Share capital	Share premium account	Share options reserve	Foreign currency translation reserve	Accumulated losses	Investment revaluation reserve	Total	Non-controlling interests	Total equity
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2019, as restated	571,215	107,108	81,250	(9,469)	(305,498)	2,471	447,077	(708)	446,369
Loss for the period	—	—	—	—	(63,644)	—	(63,644)	(1,212)	(64,856)
Other comprehensive (loss)/income									
— Exchange differences on translation of foreign operations	—	—	—	(3,835)	—	—	(3,835)	38	(3,797)
— Gain of disposal of an equity investment at fair value through other comprehensive income	—	—	—	(1,255)	11,130	(1,203)	8,672	—	8,672
Total comprehensive (loss)/income for the period	—	—	—	(5,090)	(52,514)	(1,203)	(58,807)	(1,174)	(59,981)
Equity-settled share-based payment	—	—	9,628	—	—	—	9,628	—	9,628
Exercise of share options	1,001	444	(444)	—	—	—	1,001	—	1,001
At 30 September 2019	572,216	107,552	90,434	(14,559)	(358,012)	1,268	398,899	(1,882)	397,017
At 1 January 2020	<b>572,216</b>	<b>107,551</b>	<b>90,434</b>	<b>(15,053)</b>	<b>(375,164)</b>	<b>(3,687)</b>	<b>376,297</b>	<b>(1,748)</b>	<b>374,549</b>
Loss for the period	—	—	—	—	(14,762)	—	(14,762)	(733)	(15,495)
Other comprehensive (loss)/income									
— Exchange differences on translation of foreign operations	—	—	—	5,310	—	—	5,310	20	5,330
Total comprehensive (loss)/income for the period	—	—	—	5,310	(14,762)	—	(9,452)	(713)	(10,165)
Equity-settled share-based payment	—	—	1,416	—	—	—	1,416	—	1,416
Exercise of share options	2,203	740	(740)	—	—	—	2,203	—	2,203
Lapsed of share options	—	—	(77,378)	—	77,378	—	—	—	—
At 30 September 2020	<b>574,419</b>	<b>108,291</b>	<b>13,732</b>	<b>(9,743)</b>	<b>(312,548)</b>	<b>(3,687)</b>	<b>370,464</b>	<b>(2,461)</b>	<b>368,803</b>

## GENERAL INFORMATION

### Directors' service contracts

At 30 September 2020, none of the Directors had any existing or proposed service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### Directors' interests in contracts

Save as disclosed in the report, none of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the nine months ended 30 September 2020.

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

At 30 September 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	Capacity	Nature of Interest	Percentage of the Company's
		Registered Shareholder	issued share capital (approximate %) (Note a)
Mr. Wong Kui Shing, Danny ("Mr. Danny Wong")	Through controlled corporation (Note (b)) Beneficially owned	403,971,449 137,816,000	7.03% 2.40%
Mr. Wong King Shiu, Daniel	Beneficially owned	10,008,000	0.17%

Notes:

- (a) The percentage is calculated based on the total number of ordinary shares of the Company (the "Shares") 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. Danny Wong is deemed to have an interest in all Shares in which Discover Wide has, or deemed to have an interest.

Save as disclosed above and in the section headed “Share Options”, as at 30 September 2020 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 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## **Directors’ rights to acquire shares or debentures**

Save as disclosed in the sections “Directors’ interests and short positions in shares and underlying shares” and “Share Options”, at no time during the nine months ended 30 September 2020 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 217,056,000 ordinary shares of HK\$0.1 each in the share capital of the Company under the Share Option Scheme.

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 capital of the Company under the Share Option Scheme.

As at 30 September 2020, details for Options granted and remain effective are as follows:-

Batch of Grant (Note)	Name	Title	Exercise price (HK\$)	Date of Grant	Number of share options				
					Outstanding as at 1 January 2020	Lapsed during the period	Cancelled during the period	Exercised during the period	Outstanding as at 30 September 2020
<b>DIRECTORS</b>									
A	WONG Kui Shing, Danny	Executive Director	0.153	11/4/2017	5,688,000	(5,688,000)	—	—	—
A	CHEN Shengrong	Independent non-executive Director ("INED")	0.153	11/4/2017	2,016,000	(2,016,000)	—	—	—
A	HUNG Hing Man	INED	0.153	11/4/2017	2,016,000	(2,016,000)	—	—	—
B	WONG King Shiu, Daniel	Executive Director	0.130	27/9/2017	57,000,000	(57,000,000)	—	—	—
B	CHAN Kai Leung	Executive Director	0.130	27/9/2017	5,016,000	(5,016,000)	—	—	—
B	WONG Hoi Kuen	INED	0.130	27/9/2017	2,016,000	(2,016,000)	—	—	—
<b>FORMER DIRECTORS</b>									
A	TSE Chi Wai	Former Executive Director (Currently a consultant of Company) ("Consultant")	0.153	11/4/2017	57,000,000	—	—	—	57,000,000
A	Takashi TOGO	Former Executive Director (Currently a Consultant)	0.153	11/4/2017	57,000,000	(57,000,000)	—	—	—
A	WU Jingjing	Former Executive Director (Currently a Vice President of the Business Development department)	0.153	11/4/2017	2,016,000	(2,016,000)	—	—	—
A	WONG Chi Yung	Former Non-Executive Director (Currently a Consultant)	0.153	11/4/2017	33,000,000	(33,000,000)	—	—	—
<b>Sub-total:</b>					<b>222,768,000</b>	<b>(165,768,000)</b>	<b>—</b>	<b>—</b>	<b>57,000,000</b>
<b>EMPLOYEES</b>									
A			0.153	11/4/2017	232,968,000	—	(232,968,000)	—	—
B			0.130	27/9/2017	334,680,000	(80,568,000)	(254,112,000)	—	—
C			0.100	21/6/2019	60,048,000	(10,008,000)	—	—	50,040,000
D			0.100	6/4/2020	22,176,000	—	—	(2,016,000)	20,160,000
<b>Sub-total:</b>					<b>649,872,000</b>	<b>(90,576,000)</b>	<b>(487,080,000)</b>	<b>(2,016,000)</b>	<b>70,200,000</b>
<b>CONSULTANTS</b>									
A	Star Rich Consultants Limited	Business Consultant	0.153	11/4/2017	52,992,000	—	(52,992,000)	—	—
A	LAM Wai Hung	Business Consultant	0.153	11/4/2017	30,000,000	—	(30,000,000)	—	—
A	LI Hi Choi	Consultant — Marketing	0.153	11/4/2017	30,000,000	—	(30,000,000)	—	—
A	WONG Ka Ching	Consultant — Corporate Finance Advisory	0.153	11/4/2017	30,000,000	—	(30,000,000)	—	—
A	TAM Tsz Yeung, Alan	Consultant — Software Development	0.153	11/4/2017	30,000,000	—	(30,000,000)	—	—
B	Gain Rich Consultants Limited	Business Consultant	0.130	27/9/2017	57,000,000	(57,000,000)	—	—	—
B	CHOI Kam Yan Simon	Consultant — Investment	0.130	27/9/2017	57,000,000	(57,000,000)	—	—	—
B	CHEUNG Shing Tak	Consultant — Big Data Business	0.130	27/9/2017	57,000,000	(57,000,000)	—	—	—
C	CHAN Wing Chang	Business Consultant (Japan)	0.100	21/6/2019	30,000,000	—	—	—	30,000,000
C	LEUNG Po Ting, Doris	Business Consultant (Japan)	0.100	21/6/2019	30,000,000	—	—	—	30,000,000
C	CHAN King Wai	Business Consultant (Japan)	0.100	21/6/2019	30,000,000	—	—	—	30,000,000
C	Strategist Digital Limited	Marketing — Consultant	0.100	21/6/2019	30,000,000	—	—	—	30,000,000
C	LAM Wai Hung	Business Consultant	0.100	21/6/2019	27,000,000	—	—	—	27,000,000
D	HUANG Guozhen	Consultant — AI Development	0.100	6/4/2020	20,016,000	—	—	(20,016,000)	—
<b>Sub-total:</b>					<b>511,008,000</b>	<b>(171,000,000)</b>	<b>(172,992,000)</b>	<b>(20,016,000)</b>	<b>147,000,000</b>
<b>TOTAL:</b>					<b>1,383,648,000</b>	<b>(427,344,000)</b>	<b>(660,072,000)</b>	<b>(22,032,000)</b>	<b>274,200,000</b>

Note:

- A: *The Options were granted on 11 April 2017 under Scheme Mandate Limit refreshed on 30 June 2016 with no vesting period. The exercise period is from 11 April 2017 to 10 April 2027. The closing price per Share immediately before the date of grant on 11 April 2017 was HK\$0.145.*
- B: *The Options were granted on 27 September 2017 under Scheme Mandate Limit refreshed on 30 June 2017 with no vesting period. The exercise period is from 27 September 2017 to 26 September 2027. The closing price per Share immediately before the date of grant on 27 September 2017 was HK\$0.130.*
- C: *The Options were granted on 21 June 2019 under Scheme Mandate Limit refreshed on 28 June 2018 with no vesting period. The exercise period is from 21 June 2019 to 20 June 2029. The closing price per Share immediately before the date of grant on 21 June 2019 was HK\$0.091.*
- D: *The Options were granted on 6 April 2020 under Scheme Mandate Limit refreshed on 28 June 2018 with no vesting period. The exercise period is from 6 April 2020 to 5 April 2030. The closing price per Share immediately before the date of grant on 6 April 2020 was HK\$0.071.*

On 7 April 2020, an employee exercised 2,016,000 Options at the exercise price of HK\$0.1. The grant date of the Options was 6 April 2020. The weighted average closing price of shares immediately before the date of exercise by the employee was HK\$0.076 per Share.

On 20 April 2020, a consultant, Huang Guozhen, exercised 20,016,000 Options at the exercise price of HK\$0.1. The grant date of the Options was 6 April 2020. The weighted average closing price of shares immediately before the date of exercise by the consultant was HK\$0.076 per Share.

The Board, especially the executive Directors of the Company are responsible for overseeing the operation of the Company as well as providing leadership for the Company to put forward the business strategy and work towards the business goals of the Company. Meanwhile, the independent non-executive Directors provide independent opinions to the Board as appropriate.

The employees of the Company are responsible for the daily operations of Company's business in various aspects, including but not limited to financial, compliance, human resources, public relations of the Company. Some of the employees are responsible for different projects and businesses of the Company, including but not limited to projects in China and Japan.

The consultants are engaged for providing advice on various company operations, including but not limited to marketing, webcast business in Japan and other IT developments. 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/or 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. Some of the Options to them were granted at premium of the closing prices of Shares on the respective date of grant. The Company believes that this provides motivations for the consultants to create value for the Company without affecting the operating cost of the Company. The number of Options granted to each consultant is determined with reference to the market and the potential benefits and/or income they may bring to the Company with the projects they involved.

Save as disclosed above, none of the outstanding Options were exercised or cancelled or lapsed during the nine months ended 30 September 2020.

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

At 30 September 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:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital (Note a)
Mr. Zhang Rong		Directly beneficially owned	743,720,000 <i>(Registered Shareholder)</i>	12.95%
	(a)	Through controlled corporation	2,400,000 <i>(Beneficial Owner)</i>	0.04%
Discover Wide		Directly beneficially owned	403,971,449 <i>(Registered Shareholder)</i>	7.03%
Mr. Wong Kui Shing, Danny	(b)	Through controlled corporation	403,971,449 <i>(Beneficial Owner)</i>	7.03%
		Beneficially owned	137,816,000 <i>(Registered Shareholder)</i>	2.40%

Notes:

- (a) *The 2,400,000 Shares are held by Corporate Advisory Limited ("Corporate Advisory"), which is wholly-owned by Mr. Zhang Rong. Pursuant to the Division 7 and 8 of Part XV of the SFO, Mr. Zhang is deemed to have an interest in all shares in which Corporate Advisory has, or deemed to have an interest.*
- (b) *Mr. Wong Kui Shing, Danny was deemed to be interested in the 403,971,449 Shares by virtue of his controlling interests in Discover Wide.*
- (c) *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.*

Save as disclosed above, as at 30 September 2020, the Directors are not aware of any interests or short positions in shares and debentures or underlying shares of substantial shareholders of Company and other persons, which will have to be notified to the Company and the Stock Exchange Pursuant to Part XV of the SFO, or which will be required to be recorded pursuant to Section 336 of the SFO.

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

During the nine months ended 30 September 2020, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of Company's listed securities.

## Competing interests

During the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2020, the Company has complied with the codes on Corporate Governance Code (the "Code") as set out in Appendix 15 of the GEM Listing Rules, except for the followings:

#### Code Provision A.2.1

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

Mr. Wong King Shiu, Daniel (“Mr. Daniel Wong”) now serves as both the chairman (the “Chairman”) and the chief executive officer of the Company (the “Chief Executive Officer”), such practice deviates from code provision A.2.1 of the Code. The Board is of the opinion that it is appropriate and in the best interests of the Company for Mr. Daniel Wong to hold both positions as it helps maintain the continuity of the policies and the stability of the operations of the Company.

### **Code 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 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the nine months ended 30 September 2020.

### **Audit Committee**

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

The primary duties of the audit committee of the Company (the “Audit Committee”) include supervising the financial reporting procedure and reviewing the financial statements of the Group, examining and monitoring the internal control and risk management systems adopted by the Group and reviewing the relevant work of the Group’s external auditor.

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

The Group’s unaudited condensed consolidated financial statements for the nine months ended 30 September 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, the GEM Listing Rules and other legal requirements and adequate disclosures have been made.

## **Nomination Committee**

The Company established a nomination committee with written terms of reference in compliance with Code Provisions A.5.1 to A.5.6 of Appendix 15 of the GEM Listing Rules.

The nomination committee of the Company (the “Nomination Committee”) is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company’s corporate strategy, identifying individuals suitable qualified to become Board members and selecting or making recommendations to the board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment, re-appointment and succession of director.

The Nomination Committee comprises three members, including Mr. Hung Hing Man (Nomination Committee chairman), Mr. Wong Hoi Kuen and Dr. Chen Shengrong. All of the Nomination Committee members are independent non-executive Directors of the Company.

## **Remuneration Committee**

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

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

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

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

## **Change in information of Directors**

Pursuant to the Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors subsequent to the date of the interim report of the Company and as at the date of this report are set out in the announcement of the Company dated 15 October 2020 (the "Announcement").

Save as disclosed in the Announcement, as at the date of this report, there is no other changes of the Directors' biographies information.

## **Internal control and risk management**

The Board has the ultimate responsibility to maintain a sound and effective internal control and risk management systems for the Group to safeguard the shareholders' investment and the Group's assets and to ensure strict compliance with relevant laws rules and regulations. The Group has established a risk management framework which consists of the Board, the Audit Committee and the senior management of the Group. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives. The Audit Committee is responsible for reviewing the effectiveness of the internal control and risk management systems and reporting to the Board. The Board, through the Audit Committee, conducts reviews of the effectiveness of such systems at least annually, covering all material controls including financial, operational and compliance controls.

## **Events after the Reporting Period**

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

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

Hong Kong, 9 November 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.*