



**中國信息科技發展有限公司**

**China Information Technology Development Limited**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8178)**

**FIRST QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE THREE MONTHS ENDED 31 MARCH 2012**

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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*This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.*

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

The board of Directors (the “Board”) of the Company announces the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2012, together with the unaudited comparative figures for the corresponding period of year 2011, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2012</b>	<b>2011</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>Notes</i>		
<b>CONTINUING OPERATIONS</b>			
REVENUE	3	<b>8,093</b>	14,905
Cost of sales and services		<u>(5,421)</u>	<u>(10,012)</u>
Gross profit		<b>2,672</b>	4,893
Other income and gains	3	<b>339</b>	668
Selling and distribution costs		<b>(2,879)</b>	(3,446)
Administrative expenses		<b>(7,206)</b>	(8,994)
Finance costs	4	<b>(689)</b>	(658)
Share of result of an associate		<u>–</u>	<u>–</u>
<b>LOSS BEFORE TAX</b>			
FROM CONTINUING OPERATIONS	5	<b>(7,763)</b>	(7,537)
Income tax	6	<u>(73)</u>	<u>(207)</u>
<b>LOSS FOR THE PERIOD</b>			
FROM CONTINUING OPERATIONS		<b>(7,836)</b>	(7,744)
<b>DISCONTINUED OPERATION</b>			
Loss for the period from discontinued operation	7	<u>–</u>	<u>(2,921)</u>
<b>LOSS FOR THE PERIOD</b>			
		<u><b>(7,836)</b></u>	<u>(10,665)</u>
<b>ATTRIBUTABLE TO:</b>			
Shareholders of the Company		<b>(8,029)</b>	(9,416)
Non-controlling interests		<u><b>193</b></u>	<u>(1,249)</u>
		<u><b>(7,836)</b></u>	<u>(10,665)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO</b>			
<b>    SHAREHOLDERS OF THE COMPANY</b>			
Basic and diluted	8		
– For loss for the period		<u><b>HK(0.12) cents</b></u>	<u>HK(0.14) cents</u>
– For loss from continuing operations		<u><b>HK(0.12) cents</b></u>	<u>HK(0.13) cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended	
	31 March	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<u>(7,836)</u>	<u>(10,665)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX OF NIL		
Exchange differences on translation of foreign operations	<u>758</u>	<u>1,516</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(7,078)</u>	<u>(9,149)</u>
Attributable to:		
Shareholders of the Company	(7,378)	(8,083)
Non-controlling interests	<u>300</u>	<u>(1,066)</u>
	<u><b>(7,078)</b></u>	<u><b>(9,149)</b></u>

## **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 Hong Kong Companies Ordinance.

The accounting policies and basis of preparation used in preparing the unaudited consolidated results are consistent with those used in the Company’s audited financial statements for the year ended 31 December 2011.

#### **Basis of consolidation**

The consolidated financial statements included the financial statements of the Company and its subsidiaries for the three months ended 31 March 2012. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

### **2. OPERATING SEGMENT INFORMATION**

The following table presents revenue and profit/(loss) for the Group’s business segments for the three months ended 31 March 2012 and 2011. No further geographical segment information is presented as the majority of the Group’s customers and business operations are located in Mainland China.

## Reporting segment information

	Three months ended 31 March																
	Continuing operations								Discontinued operation								
	Software development and system integration		Technical support and maintenance services		In-house developed products		Total		Software development and system integration		Internet, mobile and telecommunication		Total		Group		
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	
<b>Segment revenue:</b>																	
Sales to external customers	2,952	6,132	4,837	8,773	304	-	8,093	14,905	-	623	-	1,267	-	1,890	8,093	16,795	
Other income and gains, net	-	290	-	-	-	-	-	290	-	-	-	-	-	-	-	290	
	<u>2,952</u>	<u>6,422</u>	<u>4,837</u>	<u>8,773</u>	<u>304</u>	<u>-</u>	<u>8,093</u>	<u>15,195</u>	<u>-</u>	<u>623</u>	<u>-</u>	<u>1,267</u>	<u>-</u>	<u>1,890</u>	<u>8,093</u>	<u>17,085</u>	
<b>Reconciliation:</b>																	
Bank interest income							317	378						-	5	317	383
Unallocated gains							22	-						-	-	22	-
Revenue, other income and gains, net							<u>8,432</u>	<u>15,573</u>						<u>-</u>	<u>1,895</u>	<u>8,432</u>	<u>17,468</u>
<b>Segment results</b>	<b>(1,603)</b>	<b>(1,567)</b>	<b>(2,626)</b>	<b>(2,241)</b>	<b>(840)</b>	<b>(148)</b>	<b>(5,069)</b>	<b>(3,956)</b>	<b>-</b>	<b>(2,021)</b>	<b>-</b>	<b>(905)</b>	<b>-</b>	<b>(2,926)</b>	<b>(5,069)</b>	<b>(6,882)</b>	
<b>Reconciliation:</b>																	
Bank interest income							317	378						-	5	317	383
Unallocated gains							22	-						-	-	22	-
Corporate and other unallocated expenses							(2,344)	(3,301)						-	-	(2,344)	(3,301)
Finance costs							(689)	(658)						-	-	(689)	(658)
Loss before tax							<u>(7,763)</u>	<u>(7,537)</u>						<u>-</u>	<u>(2,921)</u>	<u>(7,763)</u>	<u>(10,458)</u>

### 3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents (1) an appropriate proportion of contract revenue from the provision of software development and system integration services, net of value-added tax, business tax and government surcharges; (2) the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for returns and trade discounts; (3) an appropriate proportion of contract revenue from the provision of the technical support and maintenance services, net of business tax and government surcharges; and (4) the rental income received and receivable from the lease of in-house developed products during the period.

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

	Three months ended 31 March	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Revenue</b>		
Provision of software development and system integration services	2,952	6,132
Provision of technical support and maintenance services	4,837	8,773
Lease of in-house developed products	304	—
	<u>8,093</u>	<u>14,905</u>

	Three months ended 31 March	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Other income and gains</b>		
Bank interest income	317	378
PRC tax subsidies	—	290
Others	22	—
	<u>339</u>	<u>668</u>

### 4. FINANCE COSTS

	Three months ended 31 March	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Imputed interest on promissory notes	<u>689</u>	<u>658</u>

## 5. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

Loss before tax from continuing operations was arrived at after charging the following:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation	<b>549</b>	743
Amortisation of other intangible assets	<b>40</b>	40

## 6. INCOME TAX

No provision for Hong Kong profits tax has been made for the period ended 31 March 2012 as the Group did not generate any assessable profits arising in Hong Kong during the period (2011: 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 High-New Technology Enterprises in Mainland China.

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong	–	–
Current – PRC	<b>73</b>	207
Total tax charge for the period	<b>73</b>	207

## 7. DISCONTINUED OPERATION

On 30 June 2011, Proud Stars Limited (“Proud Stars”, a wholly-owned subsidiary of the Company) entered into a sale and purchase agreement and a supplementary agreement thereto with a third party, pursuant to which, the third party purchased the entire equity interest in Full Trump International Limited (“Full Trump”) for cash consideration of RMB100,000 (equivalent to approximately HK\$121,000), and adjusted by certain contingent considerations and the consolidated net operating result of Full Trump and its subsidiaries for the period from 1 January 2011 to the completion date of transaction. The transaction was completed on 25 October 2011 and the consideration for the transaction was determined to be RMB5,831,000 (equivalent to approximately HK\$7,131,000).

The Group's Internet, mobile and telecommunication related operation, being a major separate reportable operating segment of the Group, was solely undertaken by Full Trump and its subsidiaries. Accordingly, the Internet, mobile and telecommunication related operation of the Group was discontinued upon the completion of the disposal transaction.

## 8. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the unaudited loss for the three months ended 31 March 2012 and loss for the period from continuing operations attributable to shareholders of the Company of approximately HK\$8,029,000 (2011: HK\$9,416,000) and HK\$8,029,000 (2011: HK\$8,736,000), respectively, and the weighted average number of 6,494,906,368 (2011: 6,494,906,368 ) ordinary shares in issue during the period.

In respect of the diluted loss per share amounts, no adjustment has been made to the basic loss per share amounts presented for the periods ended 31 March 2012 and 2011 as the impact of the share options outstanding during these periods had no diluting effect on the basic loss per share amounts presented.

## 9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (2011: Nil).

## 10. RESERVES

	Attributable to shareholders of the Company							Non-controlling interests	Total equity	
	Issued capital	Share premium account	Share option reserve	Capital reserve	Exchange fluctuation reserve	PRC reserve funds	Accumulated losses			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2011	64,949	1,176,781	44,697	8,329	29,267	25,678	(1,253,386)	96,315	17,503	113,818
Loss for the period	-	-	-	-	-	-	(9,416)	(9,416)	(1,249)	(10,665)
Other comprehensive income -Exchange differences on translation of foreign operations	-	-	-	-	1,333	-	-	1,333	183	1,516
Total comprehensive income/(loss) for the period	-	-	-	-	1,333	-	(9,416)	(8,083)	(1,066)	(9,149)
Equity-settled share option arrangements	-	-	529	-	-	-	-	529	-	529
Transfer of share option reserve upon the forfeiture of share options	-	-	(14,150)	-	-	-	14,150	-	-	-
At 31 March 2011	<u>64,949</u>	<u>1,176,781</u>	<u>31,076</u>	<u>8,329</u>	<u>30,600</u>	<u>25,678</u>	<u>(1,248,652)</u>	<u>88,761</u>	<u>16,437</u>	<u>105,198</u>
At 1 January 2012	64,949	1,176,781	22,440	8,329	21,558	12,059	(1,216,595)	89,521	18,228	107,749
(Loss)/profit for the period	-	-	-	-	-	-	(8,029)	(8,029)	193	(7,836)
Other comprehensive income- Exchange differences on translation of foreign operations	-	-	-	-	651	-	-	651	107	758
Total comprehensive income/(loss) for the period	-	-	-	-	651	-	(8,029)	(7,378)	300	(7,078)
Transfer of share option reserve upon the forfeiture of share options	-	-	(4,426)	-	-	-	4,426	-	-	-
Transfer to reserves	-	-	-	-	-	510	(510)	-	-	-
At 31 March 2012	<u>64,949</u>	<u>1,176,781</u>	<u>18,014</u>	<u>8,329</u>	<u>22,209</u>	<u>12,569</u>	<u>(1,220,708)</u>	<u>82,143</u>	<u>18,528</u>	<u>100,671</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business review**

In March 2012, the Stock Exchange informed the Company that all the resumption conditions were fulfilled. Trading in the Company's shares was resumed on 19 March 2012.

### **Business prospects**

Software development, system integration, technical support and maintenance services still remain as staple income streams for the Group.

The Group is one of the major service providers to the Beijing Municipal Government in the areas of public administration information systems, through its subsidiaries such as Beijing Enterprises Sanxing Information Technology Company Limited and Beijing Enterprises VST Software Technology Company Limited. It currently focuses on providing supports to the systems in social security and social insurance administration, national land resources management, human resource and labor force management, and transient population administration, etc. From its services to the Beijing Municipal Government, the Group generates stable revenue of maintenance services and technical support services. The Beijing Municipal Government is supposed to expand the coverage of social security and social insurance, to improve its human resource management services, and to strengthen societal stability. All these efforts will lead to improving and upgrading the existing information systems in future. These factors will also provide financial opportunities to the Group in its focus areas such as system construction, development, integration and maintenance.

Shanghai Pantosoft Company Limited, one of the Group's subsidiaries, has positioned itself as one of the leaders in the occupational education information technology development in PRC. It currently attracts a stable service income from occupational schools, technical colleges and other educational institutes. It is expected to be able to obtain a speedy growth in its revenue in the future with its new business development into the areas of computer aided automobile repair solutions, automobile automation and simulation and simulation based training tools in banking and international business, etc.

### **Employees**

The total number of full-time employees hired by the Group maintained at 462 as of 31 March 2012. (2011: 566 employees). Excluding the expenses on share options, the total expenses on employee benefits amounted to HK\$10,084,000 for the three months ended 31 March 2012 (2011: HK\$10,961,000). The management believes the salaries offered by the Group to its employees are competitive.

### **Financial review**

The Group has taken initiative to streamline its existing business and has completed the disposal of its interests in Full Trump International Limited and its subsidiaries during 2011.

For the three months ended 31 March 2012, the Company and its subsidiaries (collectively the “Group”) recorded revenue of HK\$8,093,000, a decrease of 45.7% from HK\$14,905,000 in the corresponding period last year from continuing operations. The decrease in revenue as compared to the same period of the year 2011 was mainly due to decrease in revenue recognized from sale of system integration projects as well as a reduction in revenue from provision of maintenance services during the period as compared to the same period in 2011. The Group had a total cost of sales and services from continuing operations of HK\$5,421,000 for the first quarter of year 2012, a decrease of 45.9% compared with HK\$10,012,000 in the same period of year 2011. The gross profit of the Group for the first quarter of year 2012 was HK\$2,672,000, representing a decrease of HK\$2,221,000 compared with HK\$4,893,000 in corresponding period last year. The gross profit margin slightly increased from 32.8% for the first quarter of 2011 to 33.0% for the first quarter of year 2012.

During the financial period ended 31 March 2012, the Group generated other income and gains from continuing operations of HK\$339,000 which comprised: (i) bank interest income amounted to HK\$317,000; and (ii) other income amounted to HK\$22,000.

The Group’s selling and distribution costs from continuing operations for the first quarter of year 2012 was HK\$2,879,000, which decreased by 16.5% compared with HK\$3,446,000 in the corresponding period of year 2011. The decrease was mainly due to a reduction in sales conference expenses.

Administrative expenses from continuing operations for the period were HK\$7,206,000, a decrease of 19.9% as compared to HK\$8,994,000 for the corresponding period last year. The decrease was mainly attributable to reduction in bonus payments and office rental expenses.

Finance costs of the Group for the first quarter of year 2012 were HK\$689,000, an increase of 4.7% comparing to HK\$658,000 in same period of year 2011. All the finance costs were attributed to the imputed interest on promissory notes during the period.

The Group’s loss attributable to shareholders of the Company was HK\$8,029,000 for the period ended 31 March 2012.

## **GENERAL INFORMATION**

### **Directors’ service contracts**

At 31 March 2012, 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 2012.

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

At 31 March 2012, the interests and short positions of the Directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

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

Nil

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

Nil

Save as disclosed above, as at 31 March 2012, none of the directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above and in the section "Share option scheme" below, at no time during the three months ended 31 March 2012 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 31 March 2012, 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:***

<b>Name</b>	<b>Notes</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
Beijing Development (Hong Kong) Limited	(a)	Through controlled corporations	1,895,513,445	29.18%
Beijing Enterprises Holdings Limited	(b)	Through controlled corporations	1,895,513,445	29.18%
Beijing Enterprises Group Company Limited	(c)	Through controlled corporations	1,895,513,445	29.18%
Carford Holdings Limited		Directly beneficially owned	560,000,000	8.62%
Getwin Investment Limited		Directly beneficially owned	560,000,000	8.62%
Mr. Xia Xiaoman	(d)	Through controlled corporations	1,120,000,000	17.24%

*Notes:*

- (a) Beijing Development (Hong Kong) Limited was deemed to be interested in the 1,895,513,445 shares by virtue of its controlling interests in its wholly owned subsidiaries, Prime Technology Group Limited and E-Tron Limited.
- (b) Beijing Enterprises Holdings Limited was deemed to be interested in the 1,895,513,445 shares by virtue of its controlling interests in Beijing Development (Hong Kong) Limited.
- (c) Beijing Enterprises Group Company Limited was deemed to be interested in the 1,895,513,445 shares by virtue of its controlling interests in Beijing Enterprises Investments Limited and Beijing Enterprises Holdings Limited.
- (d) Mr. Xia Xiaoman was deemed to be interested in the 1,120,000,000 shares by virtue of his controlling interests in Carford Holdings Limited and Getwin Investment Limited.

Save as disclosed above, as at 31 March 2012, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## Share option scheme

The following share options were outstanding under the Share Option Scheme during the three months ended 31 March 2012:

Name or category of participant	Notes	Number of Share Options		
		At 1 January 2012	Forfeited during the period	At 31 March 2012
Directors		–	–	–
Other employees	(a)	42,400,000	(100,000)	42,300,000
Advisers and consultants	(a)	4,000,000	–	4,000,000
Total		<u>46,400,000</u>	<u>(100,000)</u>	<u>46,300,000</u>

### Notes:

a. These options were granted on 13 September 2007 at an exercise price of HK\$0.79\* per share. The options may be exercised at any time commencing on 13 March 2008 and, if not otherwise exercised, will lapse on 12 September 2012. The exercise of the option is subject to an annual cap of 25% of the share options granted. Subject to the approval of the Share Option Committee and the Remuneration Committee, executive directors and independent non-executive directors are entitled to exercise all the share options within three months from the date of termination of their employment.

\* The exercise price of these share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

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

During the three months ended 31 March 2012, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of Company's listed securities.

## Competing interests

During the period under review, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company are 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 2012, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

## **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 A4.1 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 Provision.

## **Code of conduct regarding securities transactions by directors**

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.68 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the directors during the three months ended 31 March 2012.

## **Audit committee**

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

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

The audit committee comprises three members, including Mr. Ng Kwok Fai (audit committee chairman), Dr. Sun Guofu and Mr. Chen Zhongfa. All of them are independent non-executive directors.

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2012 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**

On 23 March 2012, the Company has set up a nomination committee which is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitable qualified to become Board members and selecting or making recommendations to the board on the selection

of individuals nominated for directorships, assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment, re-appointment and succession of director. The nomination committee currently has three members, with Mr. Cheu Zhongfa being the chairman and Dr. Sun Guofu and Mr. Hu Zhuoer being the members. A majority of the nomination committee are independent non-executive directors of the Company.

### **Remuneration committee**

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

During the period under review, members of the remuneration committee are Mr. Ng Kwok Fai (remuneration committee chairman), Dr. Sun Guofu and Mr. Chen Zhongfa. All the remuneration committee members are independent non-executive directors.

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

The remuneration committee meets regularly to determine the policy for the remuneration of directors and assess the performance of executive directors and certain senior management of the Company.

### **Internal control**

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

By Order of the Board  
**China Information Technology Development Limited**  
**Hu Zhuoer**  
*Executive Director and Chief Executive Officer*

Hong Kong, 10 May 2012

*As at the date of this announcement, the Board comprises Mr. Hu Zhuoer (Chief Executive Officer) and Mr. Tse Chi Wai as Executive Directors; and Mr. Ng Kwok Fai, Dr. Sun Guofu and Mr. Chen Zhongfa as Independent Non-executive Directors.*