



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)



2023
FIRST QUARTERLY REPORT

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

This report will be available on the Company’s website <http://www.citd.com.hk> and will remain on the “Latest Listed Company Information” page on the Stock Exchange website at <http://www.hkexnews.hk> for at least 7 days from the date of its posting.

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CORPORATE INFORMATION

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Mr. Wong King Shiu, Daniel
(*Chairman and Chief Executive Officer*)
Mr. Chang Ki Sum Clark

NON-EXECUTIVE DIRECTOR

Hon. Li Sai Wing, *MH*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Ms. Lam Mei Wai Michelle

COMPLIANCE OFFICER

Mr. Chang Ki Sum Clark

AUTHORISED REPRESENTATIVES

Mr. Chang Ki Sum Clark
Ms. Lam Mei Wai Michelle

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

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GEM STOCK CODE

8178

WEB-SITE ADDRESS

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SUMMARY

- Turnover for the three months ended 31 March 2023 (the “Period”) was approximately HK\$32,977,000 representing an increase of 57.9% from the corresponding period in last year (2022: approximately HK\$20,887,000).
- Loss attributable to owners of the Company for the three months ended 31 March 2023 amounted to approximately HK\$3,027,000 (2022: loss of approximately HK\$3,880,000). The loss for the Period is mainly due to the research and development expenses for smart retail cloud platform and network security of IoT cloud platform of approximately HK\$2,180,000 and the increase in legal and professional fees for publication of the circulars and announcement in relation to the corporate actions during the Period.
- Loss per share attributable to owners of the Company for the three months ended 31 March 2023 was approximately HK\$5.88 (2022: loss of approximately HK\$11.31 (restated)).
- The Board of Directors of the Company (the “Board”) does not recommend the payment of an interim dividend for the three months ended 31 March 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the three months ended 31 March 2023, the Group has continued to develop steadily, preparing ourselves to face the challenges ahead while grabbing the golden opportunities for the sustainable growth of the Group. The Group had continued to dedicate its effort in developing innovative and advanced technology especially in fields like AI and cloud technologies while cautiously controlled and allocated our resources efficiently and took appropriate corporate actions according to the market conditions.

During the Period, the Group persistently strived to improve the financial position of the Company while persevere in developing the existing businesses of the Group. The Company had grabbed various opportunities to collaborate with other calibers in the industry to extend our client network as well as to enhance the Group’s existing IT solutions services and to create synergy with the integration of various artificial intelligence self-developed by the Group through the collaborations.

Rights Issue on the basis of one (1) Rights Share for every two (2) Existing Shares held on the record date on a non-underwritten basis (“Rights Issue”); and proposed placing of Placing Shares under Specific Mandate (“Placing Under Specific Mandate”)

On 5 January 2022, the Board of Directors proposed to conduct the Rights Issue on the basis of one (1) rights share (“Rights Share(s)”) for every two (2) existing Shares held on the record date of 8 March 2022 at the subscription price of HK\$0.15 per Rights Share, to raise up to approximately HK\$25.74 million before expenses by way of issuing up to 171,570,664 ordinary shares at an aggregated nominal value of HK\$1,715,706.64. The net price per Rights Shares is approximately HK\$0.144 per Rights Share and the closing price on 5 January 2022, being the date on which the terms of the Rights Issue was fixed, was HK\$0.230 per Share.

The Company and Grand China Securities Limited (“Grand China”) entered into the placing agreement (“Rights Issue Placing Agreement”), pursuant to which the Company conditionally appointed Grand China as the placing agent and Grand China conditionally agreed to act as the placing agent for the Company to procure, on a best effort basis, places to subscribe for the placing shares (i.e., the unsubscribed Rights Share(s) not taken up by the qualifying shareholder(s) or renouncee(s) or transferee(s) of the Nil-Paid Rights under PAL(s) and the Rights Share(s) which would otherwise has/have been provisionally allotted to the excluded shareholder(s) in nil-paid form that has/have not been sold by the Company) on the terms and subject to the conditions set out in the Rights Issue Placing Agreement on 5 January 2022. Under the terms of the Rights Issue Placing Agreement, if all the Rights Shares have already been fully taken up in the Rights Issue whether through the PAL(s) and/or EAF(s), the Placing under Specific Mandate will not proceed.

The said Placing under Specific Mandate was approved by the Shareholders in the extraordinary general meeting (“EGM”) on 24 February 2022.

There were a total of 16 valid acceptances and applications received for a total of 203,244,024 Rights Shares, comprising (a) 9 valid acceptances of provisional allotments under the PALs in respect of 115,027,076 Rights Shares; and (b) 7 valid applications for excess Rights Shares under the EAFs in respect of 88,216,948 Rights Shares, representing approximately 118.46% of the total number of 171,570,664 Rights Shares available for subscription under the Rights Issue.

Based on the above results, the Rights Issue was over-subscribed by 31,673,360 Rights Shares, representing approximately 18.46% of the total number of 171,570,664 Rights Shares offered under the Rights Issue.

Under the terms of the Rights Issue Placing Agreement, based on the Rights Issue result on 23 March 2022, as all the Rights Shares were taken up in the Rights Issue through the PAL(s) and EAF(s), the Placing will not proceed and the obligations of the Placing Agents under the Rights Issue Placing Agreement have been fully discharged.

Subsequently, on completion of the Rights Issue which took place on 11 April 2022, 115,027,076 Rights Shares were allotted and issued under valid acceptances of PALs and 56,543,588 Rights Shares were allotted and issued under valid application of EAFs, representing the total number of 171,570,664 Rights Shares available for subscription under the Rights Issue.

Details of the Rights Issue and the proposed Placing under Specific Mandate are set forth in the announcements dated 5 January 2022, 30 March 2022 and 12 April 2022, the circular dated 25 January 2022 and the prospectus dated 9 March 2022.

The estimated net proceeds from the Rights Issue and the Placing after deducting the estimated expenses in relation to the Rights Issue are up to approximately HK\$24,710,000, of which (i) approximately HK\$23,000,000 is intended for research and development expenses for fine tuning the smart logistics and the CRM system; and (ii) the remaining amount is intended for general working capital, including but not limited to rental and salaries expenses and other administrative expenses for daily operation of the Group.

As at 31 March 2023, the Group used (i) approximately HK\$17,093,000 for research and development (“R&D”) and related staff expenses on smart logistics and the CRM system and (ii) approximately HK\$1,710,000 for general working capital as intended. The remaining net proceeds of approximately HK\$5,907,000 were kept in the bank of the Group, which is intended to be used on research and development of smart logistics and the CRM system as disclosed in the prospectus for the Rights Issue dated 9 March 2022 (the “Prospectus”). The restrictive measures imposed in 2022 to combat COVID-19 had caused delay to the R&D plans. Currently, the Group is in optimization stage of the AI products and is conducting proof of concepts for the products. The Group expects that the remaining net proceeds to be fully utilized on or before the third quarter of 2023, rather than by the first quarter of 2023 as disclosed in the Prospectus.

Share Swap Agreement involving the issue of Shares Under the General Mandate

On 12 October 2022, the Company entered into a non-legally binding memorandum of understanding (“MOU”) with Marvion Holdings Limited (the “Swap Shareholder”), pursuant to which the Company would swap shares up to 4.9% of the enlarged share capital of Company in exchange for shares of the Swap Shareholder and/or shares of its parent company.

On 25 October 2022, the Company entered into the share swap agreement (the “Share Swap Agreement”) with Bonanza Goldfields Corp. (“Bonanza”), a company incorporated in the State of Nevada, the USA of which the issued shares are traded in the OTC. Pursuant the Share Swap Agreement, the Company will swap its 26,520,387 Shares (each share at HK\$0.135) (the “CITD Shares”) for a total of 218,574,618 Shares of Bonanza (each share at US\$0.0021) to be allotted and issued by Bonanza. The total consideration for the transaction is approximately HK\$3,580,252 (equivalent to approximately US\$459,007). The CITD Shares will be allotted and issued under the general mandate granted to the Board in the annual general meeting held on 30 June 2022 (the “Share Swap”).

The entering into of the Share Swap Agreement will allow the Company and Bonanza to become strategic alliance with a shareholding stake in each other, which will allow the Company and Bonanza to share their experience and expertise in artificial intelligence, blockchain and DOT with each other.

As application of the metaverse and virtual reality, both premised on artificial intelligence technologies, have become increasingly known and popular with many companies and institutions seeking to adopt and leverage these technologies, the Company considers that there would be an ever increasing demand for Bonanza’s services and the Company sees much growth potential in the value of BONZ Shares. The Share Swap Agreement represents an investment opportunity of the Company to invest in Bonanza without cash outflow and will enhance the cooperation between the Company and Bonanza.

The Share Swap has been completed on 17 April 2023. The Company had allotted and issued 2,652,038 CITD Shares, representing approximately 4.29% of the issued share capital of the Company immediately upon completion of the Share Swap, to Marvion Group Limited (“Marvion”), a wholly-owned subsidiary of Bonanza, at the agreed price of HK\$1.35 per CITD Share. The CITD shares were allotted and issued to Marvion upon the share consolidation of the CITD shares becoming effective on 5 December 2022, on the basis of 10 existing shares for 1 consolidated share. Simultaneously, Bonanza has allotted and issued 218,574,618 BONZ Shares to the Company, representing approximately 0.15% of the enlarged issued share capital of Bonanza immediately upon completion of the Share Swap, at the subscription price of US\$0.0021 (equivalent to approximately HK\$0.01638) per BONZ Share.

Details of the MOU and Share Swap Agreement are set out in the announcements dated 20 October 2022, 25 October 2022, 26 October 2022 and 17 April 2023 respectively.

Major Transaction in Relation to Proposed Disposal of the Entire Equity Interest in the Target Company and Assignment of the Sale Loan

On 3 March 2023, Soar High Investment Holding Limited, an independent third party (as defined by GEM Listing Rules) as Purchaser (the “Purchaser”) and Gorgeous Ocean Global Limited, a direct wholly-owned subsidiary of the Company as Vendor (the “Vendor”), entered into a disposal agreement (the “Disposal Agreement”), pursuant to which, the Vendor has conditionally agreed to sell the entire issued share capital of Rosy Ridge Investments Limited (the “Target Company”) and to assign the sale loan owing or incurred by the Target Company and its subsidiaries and Guangzhou Dehuang Investment Company Limited (廣州市德煌投資有限公司) to the Group (“Sale Loan”) to the Purchaser, and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company and take up the assignment of the Sale Loan at the consideration of HK\$28,000,000. Upon Completion, the Group will cease to hold any interest in the Target Company (the “Proposed Disposal”).

As one or more of the relevant applicable percentage ratios in respect of the Disposal Agreement and the transactions contemplated thereunder is more than 25% but less than 75%, the Disposal Agreement and the transactions contemplated thereunder constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is accordingly subject to the notification, announcement and Shareholders’ approval requirements set out under Chapter 19 of the GEM Listing Rules.

The said Proposed Disposal was approved by Shareholders in the EGM on 28 April 2023.

Details of the Proposed Disposal and the Disposal Agreement are set out in the announcements dated 3 March 2023 and 28 April 2023 and the circular dated 31 March 2023.

Memorandum of Understanding with Autostereoscopic 3D Limited

On 10 March 2023, the Company entered into a non-legally binding Memorandum of Understanding (the “MOU”) with Autostereoscopic 3D Limited (the “3DT”). The MOU would be an expression of agreement between the Company and 3DT on the collaboration. In this connection, it is recognized that the combination of the use of proprietary Artificial Intelligence (“AI”) technologies and big data database held by the Company will proliferate the 3D autostereoscopic technologies currently owned by 3DT.

The MOU is at-will and may be modified by mutual consent of authorized officials from the Company and 3DT. The MOU shall become effective upon signature by the authorized officials from the Company and 3DT and will remain in effect until modified or terminated by any one of the parties by mutual consent. In the absence of mutual agreement by the authorized officials from the Company and 3DT, the MOU shall end within one (1) year from the date of signing of the MOU, unless formal agreement is to be entered into between the parties which shall then supersede the MOU.

Details of the MOU and the collaboration are set out in the announcement dated 10 March 2023.

Placing of New Shares Under General Mandate

On 14 March 2023, the Company and Grand China Securities Limited (the “Placing Agent”), entered into the placing agreement (“Placing Agreement”), pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, of up to 7,642,000 placing shares (“Placing Share(s)”), to not less than six placees who and whose ultimate beneficial owners shall be independent third parties at the Placing Price of HK\$1.93 per Placing Share (“Placing”).

The Directors consider that the Placing Agreement is entered into upon normal commercial terms following arm’s length negotiations between the Company and the Placing Agent and the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Subsequent to the Period, on 4 April 2023, all the conditions set out in the Placing Agreement have been fulfilled. The Placing was completed on 4 April 2023 in accordance with the terms of the Placing Agreement. An aggregate of 7,642,000 Placing Shares, representing approximately 12.93% of the issued share capital of the Company immediately after completion of the Placing, have been successfully placed to not less than six Placees at the Placing Price of HK\$1.93 per Placing Share.

The net proceeds from the Placing (after deduction of commission and other expenses of the Placing) were approximately HK\$14.34 million. The Company intends to apply (i) approximately HK\$7.6 million of the net proceeds to support the development of the IT infrastructure solutions business; (ii) approximately HK\$3.4 million to repay the loan from a shareholder; and (iii) the remaining net proceeds shall be used for general working capital purpose of the Group.

Details of the Placing and Placing Agreement are set out in the announcements dated 14 March 2023 and 4 April 2023.

Advance to Entity

On 31 December 2021, the Company and Guangzhou Deyong Technology Investment Co., Ltd. (廣州市德永科技投資有限公司) (“Deyong”) entered into supplemental agreements with Guangzhou Dehuang Investment Company Limited (廣州市德煌投資有限公司) to extend the maturity dates of the remaining principal amount of loans in the amounts of approximately HK\$7,876,000 and HK\$50,136,000 by one year to 15 October 2023 and 2 September 2023, respectively. The extensions constituted advance to entity under the GEM Listing Rules. Further details are set out in the Company’s announcement dated 21 October 2022. The aforementioned loans were assigned to the Purchaser upon approval by the Shareholders in the EGM held on 28 April 2023. Further details of the assignment are set out above in the section headed ‘Major Transaction in Relation to Proposed Disposal of the Entire Equity Interest in the Target Company and Assignment of the Sale Loan’.

Macro Systems

During the Period, Macro Systems Limited (“Macro Systems”) allied with various top-class industry elites to continuously promote enterprise market’s digital transformation in Hong Kong. Macro Systems has continued to be the “Nutanix Certified Sales Expert” and gained “Master Partner”, the highest tier of partnership in the Nutanix Partner Program. Besides, Macro Systems has been the “Gold Partner” in Sangfor Technology Channel Partner, IBM PartnerWorld Program “Silver Partner” as well as “VMware Partner Connect Program – Advanced Partner”. These awards and partnerships issued by various world-class partners are solid affirmation of our high quality services.

Various industries are facing difficulties in the IT market in Hong Kong, such as the lack of professional talents and resources, while most enterprises have high requirements for IT efficiency and performance. Demand for professional IT talents grew. Enterprises are eager to adopt advanced technology, yet there is lack of talents with relevant skills and knowledge in the market. In March 2023, Macro Systems adopted grMail, a product of Green Radar (Hong Kong) Limited (“Green Radar”), a member of Edvance International Holdings Limited (Stock Code: 1410), a leading cybersecurity and innovative technology company headquartered in Hong Kong, and jointly provided enterprise customers with the most suitable and comprehensive email security solutions. Combining with Green Radar’s unique and targeted technology, Macro Systems can better help clients to actively deal with cyber attacks and protect important information, reducing the cost of enterprises dealing with related problems.

Meanwhile, we continued to utilise our scenario driven business agility zone at our experience centre in Tsimshatsui to allow our customers to experience the business transformation we bring with secured intelligence and technology. It allows clients to have a first-hand experience of smart office with high speed connection at any location. Not only does it help business to be performed in a seamless and agile way from office to anywhere by virtual workspace, it helps business to save energy and improve environment. We believe the experience zone can successfully strengthen our clients' confidence in deploying virtual workspace solution and facilitate the related business project progress.

DataCube

During the Period, DataCube Research Centre Limited ("DataCube"), has kick-started the cooperation with a public transportation company. It has also continued to promote data modelling and big data analysis, as well as developing related technologies to expedite the adoption and drive the evolution of AI and business intelligence across different industries and regions with its unique advanced core technologies of the AI Book, AI Manager and BI Canvas. As such, DataCube provides the technological platforms and all related resources to drive the development of smart cities in Asia. Currently, the AI Book and BI Canvas developed by DataCube serve clients in the PRC. AI Book is a learning platform that analyzes and generates meaningful and accurate data through deep learning and machine learning technologies. The BI Canvas then clearly presents the analysis generated by the AI Book through various charts and tables. Such platforms help clients and their IT teams to explore potential opportunities and provide insights for developing their businesses and improving their operational efficiency. The AI Book and BI Canvas cover various industries such as the education and retailing industries. By providing services to its customers via the AI Book and BI Canvas, the Group gains a better understanding about the unique needs of each industry. In order to customise its data empowerment platforms to specific industries, the Group, together with the research team of DataCube, have dedicated tremendous efforts and resources to develop the AI Booster solution services.

The smart logistics and customer relationships management system (the “CRM system”), one of the branches of the AI Booster solution services, is a simplified AI solution targeting small to medium-sized enterprises without AI specialists. It is an end-to-end ecosystem that provides leading-edge solutions for model development, deployment, monitoring and evolution.

According to the data collected by DataCube, the smart logistics and CRM system of the AI Booster solution services help customers of the Group to select the optimal transportation by providing real-time information sharing so that on-time delivery can be achieved. It can also monitor exceptional changes of the business while providing more personalised recommendation to the customers. The algorithms and data management technologies used in the AI Book and BI Canvas can create synergy for the development of AI Booster and the smart logistics and CRM system, allowing the Group to seamlessly streamline its entire data process and leverage cutting-edge AI technologies. Therefore, the Company has been injecting resources in research and development on its AI technology in the smart logistics and CRM system to transform enormously complex data with automated machine learning platforms and augmented analytics into useful insights which enables the Group to provide timely services to its customers. The system shall also provide automated sales and customer service interactions and other logistics management services.

During the Period, bearing the objective to provide the most advanced but user-friendly technology that can help clients to manage their business at ease, the Company has persistently put effort and injected resources in refining the CRM system. The system is considered to be part of the IT Solutions Business of the Group. The Group had started to launch “Retail Booster”, the CRM System tailored for retail industry during the reporting period. “Retail Booster” provides comprehensive and secured AI system that is easy to install and use even without professional IT knowledge. Through the machine learning algorithm of thousands of people, the historical member behavioral data is exhibited, and relevant models of “Retail Boosters” are launched, including the “estimated member repurchase rate”, “new member retention estimation” and “product recommendation” for customers’ data analysis which further helps reducing marketing expenses and increasing sales. The “Retail Booster” is currently under promotion and trial campaign.

The Group is negotiating with various interested parties and it is on the shelf of Alibaba Cloud and AIBooster has participated in the Smart Government Innovation Lab of HKSAR to help government departments and industry to provide effective predictive analytics solutions, from data management to data analytics, and progressively use data to solve business problems. It is anticipated the “Retail Booster” and our AI products will contribute to the Group’s revenue in due course.

During the Period, Macro Systems and DataCube had contributed a revenue of approximately HK\$12,586,000 and approximately HK\$15,248,000 respectively to the Group while DataCube continues to negotiate with different business partners for potential projects and focused on the R&D of the AI Booster branches. The Directors and the Company shall continue to develop the businesses of Macro Systems and DataCube. Macro Systems and DataCube shall continue to ally with each other and look for collaborations to create synergy to the Group's business performance.

Money Lending Business

The Group carries out its money lending business through its wholly-owned subsidiary, Value Creation Finance Limited ("Value Creation Finance"). It is a money lender licensed in Hong Kong under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong) and primarily targets individual and corporate borrowers in Hong Kong who require financing to meet their personal financial needs or their capital needs.

During the Period, Value Creation Finance had not entered into any new loan agreements as the Company has intended to wind down its money lending business when the current loan receivable are collected in order to focus on other businesses of the Group. Assets proof from the borrowers, such as securities and bank statements and checks on their employment status are regularly obtained and conducted to monitor their abilities to repay the loans. Proof of repayment is also obtained from the borrowers to ensure due loan repayment. In the event there is material deterioration in the borrowers' financial circumstances, the Group may require repayment from the borrowers. As last resort, the Group may appoint an external debt collection service provider or take appropriate legal actions for debts which have become overdue. Loans services were provided to individual and corporate in Hong Kong, all of which are independent of and not connected to the Company and its connected persons.

The Company has in place internal control procedures in relation to its money lending business, including but not limited to conducting prudent credit assessment procedures. During the customer due diligence process, the Company would gather personal information and financial background information to facilitate the review and assessment. The Directors shall cautiously determine the approval of the loan application taking into account the customer due diligence results, credit risk assessment, and loan terms etc. Other factors including the borrower's credit history with Value Creation Finance, credit and other business risks of the loan, general market conditions and Value Creation Finance's market and financial positions will also be considered. The finance department of the Group is facilitating the Company to keep track of the repayment and outstanding balance computation.

During the Period, the segment's revenue was approximately HK\$841,000 (2022: HK\$917,000). The Group has implemented effective credit control procedures and there were no delinquent loans as at the date of this report.

FUTURE PROSPECT

Although the Aftermath of COVID-19 is still lingering the negative sentiment is gradually alleviated with the relaxation of anti-COVID measures in Hong Kong and China and revival of global business activities. The Group anticipates that the global market is poised to slowly recover.

While the outlook is shadowed by uncertainty, the Group's prudent development strategy, together with the efforts made during the Period shall put us in a good position to identify new revenue and business streams amid a challenging environment. We shall continue to focus on the development of our existing businesses in information technology related areas. To keep pace with the technological advancement and the market trends, the Company shall continue to dedicate more resources on R&D of the IoT, AI, cloud and other technologies so as to provide updated and high quality services and products to clients that can improve their business efficiency. R&D of such advanced technologies like our "Retail Booster" and other AI Booster branches requires capital as well as seasoned experts. The Company shall continue to inject necessary resources to strengthen our research and development team and the promotion of our AI products and services.

Apart from the aforementioned in this competitive technology industry, the Company shall stay attentive to market trends and potential IT trends like blockchain and virtual reality, which are all based on artificial intelligence technologies and have become increasingly known and popular with many companies and institutions seeking to adopt and leverage these technologies. Nevertheless, the AI development is vast and elusive, it will be difficult and costly, if not impossible, for a company to put in efforts in all AI aspects. The Group believes that collaboration with companies of different expertise would help bring synergies to our business and enables us to broaden our client base without significantly affecting the cashflow. Looking forward, we shall look for different potential cooperations and projects especially on AI or other related IT services to create long term benefits to the Company. Endowed with the ability and knowledge to meet the rising demand for IT services in all businesses and different aspects in life, the Group is ready to overcome any hurdles ahead and cautiously emerge even stronger. We are optimistic that the Group will deliver even greater sustainable value to our clients and shareholders in the future.

Employees

The total number of full-time employees hired by the Group maintained at 64 as of 31 March 2023 (2022: 71 employees). Total expenses on employee benefits amounted to approximately HK\$5,284,000 for the three months ended 31 March 2023 (2022: approximately HK\$4,975,000). The management believes the salaries offered by the Group to its employees are competitive.

Financial review

For the three months ended 31 March 2023, the Group recorded a revenue of approximately HK\$32,977,000, an increase of 57.9% from approximately HK\$20,887,000 in the corresponding period of last year. The increase is mainly due to the increase of revenue in IT solutions and maintenance business. The revenue in IT solutions and maintenance segment increased from approximately HK\$16,856,000 to approximately HK\$29,665,000 for the Period.

The Group had a total cost of sales and services of approximately HK\$24,227,000 for the first quarter of year 2023, an increase of 74.0% compared with approximately HK\$13,922,000 for the same period of 2022. The increase is mainly due to the increase in number of projects during the Period and in line with the growth of IT solutions and maintenance business.

The gross profit of the Group for the first quarter of year 2023 was approximately HK\$8,750,000, compared with approximately HK\$6,965,000 for the corresponding period of last year. The increase is mainly due to the increase in projects in IT solutions and maintenance business.

Selling and distribution expenses for the Period were approximately HK\$2,368,000, representing a decrease of HK\$2,174,000 as compared to approximately HK\$4,542,000 for the corresponding period last year. The selling and distribution expenses were attributable to the research and development expenses for smart retail cloud platform and network security of IoT cloud platform of approximately HK\$2,180,000 during the Period (2022: approximately HK\$4,320,000).

Administrative expenses for the Period were approximately HK\$8,376,000, representing an increase of 40.1% as compared to approximately HK\$5,978,000 for the corresponding period last year. The increase is mainly due to the increase in staff cost and legal and professional fees for publication of the circulars and announcements in relation to the corporate actions of the Company during the Period.

The Group recorded a market-to-market loss on held-for-sale investment securities of approximately HK\$339,000 for the Period (2022: approximately HK\$68,000).

Finance costs of the Group for the three months ended 31 March 2023 were approximately HK\$2,677,000, a decrease of approximately HK\$110,000, compared to approximately HK\$2,787,000 for the same period in 2022.

The Group recorded a loss attributable to owners of the Company of approximately HK\$3,027,000 for the three months ended 31 March 2023 (2022: loss of approximately HK\$3,880,000).

The Board of directors (the “Directors”) of the Company announces the unaudited results of the Company and its subsidiaries for the three months ended 31 March 2023, together with the unaudited comparative figures for the corresponding period of year 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended	
		31 March	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest revenue		841	917
Other revenue		32,136	19,970
Total revenue	3	32,977	20,887
Cost of sales and services		(24,227)	(13,922)
Gross profit		8,750	6,965
Other income and gains	3	1,929	2,547
Selling and distribution expenses		(2,368)	(4,542)
Administrative expenses		(8,376)	(5,978)
Fair value loss on investment at fair value through profit or loss		(339)	(68)
Finance costs	4	(2,677)	(2,787)
LOSS BEFORE TAX	5	(3,081)	(3,863)
Income tax credit	6	3	–
LOSS FOR THE PERIOD		(3,078)	(3,863)
Attributable to:			
Owners of the Company		(3,027)	(3,880)
Non-controlling interests		(51)	17
		(3,078)	(3,863)
			(restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	7	(HK\$5.88)	(HK\$11.31)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 31 March	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(3,078)	(3,863)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX EXPENSES		
Exchange differences on translation of foreign operations	1,710	387
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(1,368)	(3,476)
Attributable to:		
Owners of the Company	(1,305)	(3,486)
Non-controlling interests	(63)	10
	(1,368)	(3,476)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated financial information is prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The accounting policies and basis of preparation used in preparing the unaudited consolidated results are consistent with those used in the Company’s audited consolidated financial statements for the year ended 31 December 2022.

Basis of consolidation

The condensed consolidated financial statements included the condensed financial statements of the Company and its subsidiaries for the three months ended 31 March 2023. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2. Operating segment information

The Group has four reportable segments as follows:

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

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The following table presents revenue and (loss)/profit for the Group's business segments for the three months ended 31 March 2023 and 2022.

Reporting segment information

	Three months ended 31 March									
	IT solutions and maintenance		Money lending		Securities investments		Rental of properties		Total	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	29,665	16,856	841	917	-	-	2,471	3,114	32,977	20,887
Segment (loss)/profit	(1,253)	(5,999)	795	869	(349)	(160)	2,404	2,927	1,597	(2,363)
Reconciliation:										
Bank and other interest income									1,894	1,839
Unallocated gains									-	666
Corporate and other unallocated expenses									(3,895)	(1,218)
Finance costs									(2,677)	(2,787)
Loss before tax									(3,081)	(3,863)
Income tax credit									3	-
Loss for the period									(3,078)	(3,863)

Geographical information

	Revenue 2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Hong Kong	30,290	17,773
PRC except Hong Kong	2,687	3,114
Consolidated total	32,977	20,887

In presenting the geographical information, revenue is based on the locations of the customers.

3. Revenue, other income and gains

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

	Three months ended 31 March 2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue		
Sale of computer hardware and software	8,361	2,211
Provision of technical support and maintenance services	21,304	14,645
Revenue from contracts with customers	29,665	16,856
Rental income	2,471	3,114
Loans interest income	841	917
	32,977	20,887
Disaggregation of revenue from contracts with customers:		
Geographical markets		
Hong Kong	29,449	16,856
PRC except Hong Kong	216	-
	29,665	16,856
Major products/services		
Sale of computer hardware and software	8,361	2,211
Provision of technical support and maintenance services	21,304	14,645
Total	29,665	16,856

	Three months ended	
	31 March	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Timing of revenue recognition		
At a point in time	8,361	2,211
Over time	21,304	14,645
Total	29,665	16,856
Other income and gains		
Other interest income	1,894	1,839
Others	35	708
	1,929	2,547

4. Finance costs

	Three months ended	
	31 March	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	485	170
Interest on other loans	28	88
Lease interest	62	16
Imputed Interest on promissory notes	2,102	2,513
	2,677	2,787

5. Loss before tax

Loss before tax was arrived at after charging the following:

	Three months ended	
	31 March	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	251	400
Amortisation of other intangible assets	216	216

6. Income tax credit

No provision for Hong Kong Profits Tax has been made for the three months ended 31 March 2023 as the Group has accumulated tax losses brought forward from previous year (2022: Nil).

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both periods. No provision for PRC Enterprise Income Tax has been made for the three months ended 31 March 2023 as the company’s subsidiaries in PRC incurred tax losses during the period (2022: Nil).

7. Loss per share for the period attributable to owners of the Company

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

	Three months ended 31 March	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Loss for the purpose of calculating basic and diluted loss per share	3,027	3,880

(b) Weighted average number of ordinary shares:

	Three months ended 31 March	
	2023 (Unaudited)	2022 (Unaudited) (restated)
Total number of ordinary shares in issue at the end of the period	51,471,199	34,314,132
Weighted average number of ordinary shares in issue during the period	51,471,199	34,314,132

No adjustment has been made to the basic loss per share amounts presented for the periods ended 31 March 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

8. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2023 (2022: Nil).

9. Reserves

	Attributable to owners of the Company							Total equity (Unaudited) HK\$'000	
	Share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Investment revaluation reserve (Unaudited) HK\$'000	Total (Unaudited) HK\$'000		Non- controlling interests (Unaudited) HK\$'000
At 1 January 2022	3,431	135,041	2,892	12,856	189,218	15,421	358,859	(4,597)	354,262
Loss for the period	-	-	-	-	(3,880)	-	(3,880)	17	(3,863)
Other comprehensive (loss)/income	-	-	-	-	-	-	-	-	-
- Exchange differences on translation of foreign operations	-	-	-	394	-	-	394	(7)	387
Total comprehensive loss for the period	-	-	-	394	(3,880)	-	(3,486)	10	(3,476)
At 31 March 2022	3,431	135,041	2,892	13,250	185,338	15,421	355,373	(4,587)	350,786
At 1 January 2023	5,147	158,186	4,064	(7,607)	106,923	17,308	284,021	(7,830)	276,191
Loss for the period	-	-	-	-	(3,027)	-	(3,027)	(51)	(3,078)
Other comprehensive (loss)/income	-	-	-	-	-	-	-	-	-
- Exchange differences on translation of foreign operations	-	-	-	1,722	-	-	1,722	(12)	1,710
Total comprehensive income/(loss) for the period	-	-	-	1,722	(3,027)	-	(1,305)	(63)	(1,368)
Lapsed of share options	-	-	(38)	-	38	-	-	-	-
At 31 March 2023	5,147	158,186	4,026	(5,885)	103,934	17,308	282,716	(7,893)	274,823

GENERAL INFORMATION

Directors' service contracts

At 31 March 2023, 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 2023.

Competing interests

The Directors confirm that none of the Directors and their respective close associates had any business or interest in business which competes or may compete, either directly or indirectly, with the business of the Group or had any other conflicts of interest with the Group during the Period.

Directors' interests and short positions in shares and underlying shares

At 31 March 2023, 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:

Long positions in ordinary shares of the Company:

Name of Directors	Capacity	Nature of Interest		Percentage of the Company's issued share capital (approximately) (Note a)
		Registered Shareholder	Underlying Interest	
Executive Directors				
WONG King Shiu, Daniel	Beneficial owner	363,550	—	0.59%
			343,000 (note b)	0.56%
CHANG Ki Sum Clark	Beneficial owner	—	340,374	0.55%
Independent Non-Executive Directors				
HUNG Hing Man	Beneficial owner	—	34,000 (note c)	0.05%
WONG Hoi Kuen	Beneficial owner	—	34,000 (note c)	0.05%
CHEN Shengrong	Beneficial owner	—	34,000 (note c)	0.05%

Notes:

- (a) The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the date of this report, which was 61,765,237 Shares.
- (b) Mr. Wong King Shiu, Daniel was granted 3,430,000 share options on 16 June 2022 (prior to consolidation of the shares of the Company on the basis of 10 existing shares into 1 consolidated shares).
- (c) The directors were each granted 340,000 share options on 16 June 2022 (prior to consolidation of the shares of the Company on the basis of 10 existing shares into 1 consolidated shares).

Directors' rights to acquire shares or debentures

Save as disclosed in the sections "Directors' interests and short positions in shares and underlying shares" and "Share Options", at no time during the three months ended 31 March 2023 and as at the date of this report were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Share Options

The Company has adopted a share option scheme with effect from 2 August 2012 pursuant to an ordinary resolution passed by the Shareholders (the "2012 Share Options Scheme"). On 13 May 2021, the Company granted a total of 23,900,000 share options with rights to subscribe for 23,900,000 shares of the Company and further granted a total of 16,360,000 share options on 16 June 2022 with rights to subscribe for 16,360,000 shares of the Company.

Purpose of the 2012 Share Options Scheme

The purpose of the 2012 Share Option Scheme is to enable the Company to grant share options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The 2012 Share Option Scheme provides the participants with the opportunity to acquire proprietary interests in the Company and will encourage such participants to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the Shareholders as a whole.

Participants of the Share Option Scheme

The 2012 Share Option Scheme also attracts and retains the best available personnel and to provide additional incentive to an employee, director (including executive director, non-executive director or independent non-executive director), consultant, professional adviser, customer, business partner, joint venture partner, strategic partner or any supplier or provider of goods or services to, the Group, and any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the abovementioned category(ies) of persons.

The basis of eligibility of any participant to the grant of any share option shall be determined by the Board from time to time on the basis of their contribution or potential contribution to the development and growth of the Group. The Board may, at its absolute discretion and on such terms as it may think fit and in accordance with the rules of the 2012 Share Option Scheme, grant share options under the 2012 Share Option Scheme to the eligible participants.

Total number of shares available for issue

The 2012 Share Options Scheme has expired on 1 August 2022 and no more share options may be granted under the Share Option Scheme. The outstanding share options under the 2012 Share Option Scheme would continue to be exercisable. 4,125,149 share options are outstanding and so 4,125,149 shares are available for issue, which represents 8.20% of the issued shares as at the date of this report.

Maximum entitlement of each participant under the scheme

The total number of Shares issued and which may fall to be issued upon exercise of the share options granted under the 2012 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding share options) to each participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issuance of circular by the Company to seek the approval of the Shareholders in general meeting and/or subject to other requirements prescribed under the GEM Listing Rules.

Period within which the option may be exercised by the grantee

The Company granted share options under the 2012 Share Option Scheme in 13 May 2021 and 16 June 2022. The exercise period for the respective share options granted was 10 years from the date of grant, from 13 May 2021 to 12 May 2031 and 16 June 2022 to 15 June 2032.

Vesting Period of Options Granted

There is no vesting period with the share options granted in 13 May 2021 and 16 June 2022.

The Amount Payable on Acceptance of Option

Upon acceptance of the Option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

Basis of Determining the Exercise Price of Options

The subscription price of a Share in respect of any particular share option granted under the 2012 Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

During the period ended 31 March 2023, movements of the options which have been granted under the 2012 Share Option Scheme are set out below:

Name	Title	Exercise price (HK\$)	Date of Grant	Number of share options					Outstanding as at 31 March 2023
				Balance as at 1 January 2023	Granted	Lapsed	Cancelled	Exercised	
SUBSTANTIAL SHAREHOLDER									
ZHANG Rong	Substantial Shareholder	2.19	13/5/2021	25,730	—	—	—	—	25,730
Sub-total:				25,730	—	—	—	—	25,730
DIRECTOR									
WONG King Shiu, Daniel	Executive Director ("ED"), Chairman and Chief Executive Director	1.40	16/6/2022	343,000	—	—	—	—	343,000
CHANG Ki Sum Clark	ED	2.19	13/5/2021	267,374	—	—	—	—	267,374
		1.40	16/6/2022	73,000	—	—	—	—	73,000
HUNG Hing Man	Independent non-executive director ("INED")	1.40	16/6/2022	34,000	—	—	—	—	34,000
WONG Hoi Kuen	INED	1.40	16/6/2022	34,000	—	—	—	—	34,000
CHEN Shengrong	INED	1.40	16/6/2022	34,000	—	—	—	—	34,000
Sub-total:				785,374	—	—	—	—	785,374
EMPLOYEES									
Batch A ¹		2.19	13/5/2021	324,428	—	(33,562)	—	—	324,428
Batch B ¹		2.19	13/5/2021	246,118	—	(61,530)	—	—	184,588
Batch C ¹		2.19	13/5/2021	1,246,255	—	—	—	—	1,246,255
Batch D ¹		1.40	16/6/2022	245,000	—	—	—	—	245,000
Batch E ¹		1.40	16/6/2022	430,000	—	—	—	—	430,000
Batch F ¹		1.40	16/6/2022	343,000	—	—	—	—	343,000
Sub-total:				2,834,801	—	(95,092)	—	—	2,739,709
CONSULTANTS									
WEI Qi	AI consultant	2.19	13/5/2021	237,168	—	—	—	—	237,168
WEI Guokang	Data center construction Consultant	2.19	13/5/2021	237,168	—	—	—	—	237,168
HUANG Jiehuan	Consultant (Algorithm)	1.40	16/6/2022	100,000	—	—	—	—	100,000
Sub-total:				574,336	—	—	—	—	574,336
TOTAL:				4,220,241	—	(95,092)	—	—	4,125,149

Note 1:

Batch	Number of Options Granted to each employee	Number of Employees
A	0 to 50,000	18 (5 of the 18 employees resigned and the options granted have been lapsed)
B	50,001 to 100,000	4 (1 of the 4 employees resigned and the options granted have been lapsed)
C	200,001 to 250,000	5
D	0 to 50,000	10
E	50,001 to 100,000	6 (1 of the employees was a grantee of Batch A)
F	200,001 to 343,000	1

Note 2:

The number of outstanding share options and the exercise price were adjusted accordingly upon completion of rights issue on the basis of one rights share for every two existing shares on 11 April 2022 and completion of share consolidation of every ten issued and unissued existing shares be consolidated into one consolidated share on 5 December 2022.

Note 3:

The options have an exercise period of ten years from date of grant. They do not have any vesting period nor performance target.

Note 4:

The closing price of the shares immediately before the date on which the share options were granted i.e. 16 June 2022 was HK\$0.140 (prior to completion of the share consolidation mentioned in Note 2 above).

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

At 31 March 2023, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital (approximately) (Note a)
Mr. ZHANG Rong ("Mr. Zhang")	Beneficial owner	13,069,499 (Registered shareholder)	21.16%
		25,730 (underlying interest)	0.04%
	Through controlled corporation (Note b)	1,138,800 (Registered shareholder)	1.84%
Mr. LAM Shu Chung ("Mr. Lam")	Beneficial owner	3,801,300 (Registered shareholder)	6.15%
Ms. CHOI Hing Lin Lori ("Ms. Choi")	Interest of Spouse (Note c)	3,801,300	6.15%
Mr. TANG Keung	Beneficial owner	3,503,400 (Registered shareholder)	5.67%
Valuable Fortune Limited	Beneficial owner (Note d)	3,000,000 (Registered shareholder)	4.86%

Notes:

- (a) *The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the date of this report, which was 61,765,237.*
- (b) *The 1,138,800 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.*
- (c) *Ms. Choi is the spouse of Mr. Lam, and therefore deemed to have an interest on the Shares in which Mr. Lam has, or deemed to have, an interest.*
- (d) *The 3,000,000 Shares are held by the Valuable Fortune Limited which is wholly-owned by Mr. Lee Yat Lung Andrew (“Mr. Lee”). Pursuant to the Division 7 and 8 of Part XV of the SFO, Mr. Lee is deemed to have an interest in all Shares in which Valuable Fortune Limited has, or deemed to have, an interest.*

Save as disclosed above, as at 31 March 2023, no person, other than the Directors of the Company, whose interests are set out in the section “Directors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares and Debentures” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

During the three months ended 31 March 2023, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

During the three months ended 31 March 2023 and up to the date of this report, 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

The Board believes that corporate governance is essential to enhance the Group’s value and accountability and has adopted various measures to adhere to a high standard of corporate governance to safeguard the interests of shareholders, clients, service vendors, employees and other stakeholders.

During the three months ended 31 March 2023, the Company has complied with the code provision(s) (the “Code Provision(s)”) of Corporate Governance Code (the “Code”) as set out in Appendix 15 of the GEM Listing Rules, except for the following:

Code Provision C.2.1

Code Provision C.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 C.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 of conduct regarding securities transactions by Directors

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have confirmed that they had complied with the required standard of dealings and the Company’s code of conduct regarding securities transactions by the Directors during the three months ended 31 March 2023.

Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules.

The role and functions of the Audit Committee include but not limited to supervising the financial reporting procedure and reviewing the consolidated financial statements of the Group, overseeing the Company’s financial reporting system risk management and internal control systems adopted by the Group and reviewing the relevant work of the Group’s external auditor. The Audit Committee had reviewed this report and confirmed that it complies with the applicable standard, the GEM Listing Rules and other applicable legal requirements and the adequate disclosures have been made. There is no disagreement between the members of the Audit Committee regarding the selection and appointment of external auditors.

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

The Group’s unaudited condensed consolidated financial statements for the three months ended 31 March 2023 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

Changes in information of Directors

Pursuant to the Rule 17.50A(1) of the GEM Listing Rules, there is no change in information of Directors during the three months ended 31 March 2023 and as at the date of this report.

Events after Reporting Period

Adoption of New Share Option Scheme

In view of the expiration of the 2012 Share Option Scheme, on 21 April 2023, the Board proposed to adopt the new share option scheme (“New Share Option Scheme”) in accordance with Chapter 23 of the GEM Listing Rules. The New Share Option Scheme was proposed to be adopted by the Shareholders at the EGM to be held on 15 May 2023.

The purpose of the New Share Option Scheme is to enable the Board to grant Share Options to the eligible participants as incentives or rewards for their contribution or potential contribution to the Group.

A summary of the principal rules and terms of the New Share Option Scheme as well as the details of the New Share Option Scheme and EGM are set out in the circular dated 21 April 2023.

By Order of the Board
China Information Technology Development Limited
Wong King Shiu, Daniel
Chairman and Chief Executive Officer

Hong Kong, 9 May 2023

As at the date of this report, the Board comprises Mr. Wong King Shiu, Daniel (Chairman and Chief Executive Officer) and Mr. Chang Ki Sum Clark as executive Directors; Hon. Li Sai Wing, MH, as non-executive Director; Mr. Hung Hing Man, Mr. Wong Hoi Kuen and Dr. Chen Shengrong as independent non-executive Directors.