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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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 higher 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.

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 document misleading.

SUMMARY

– The main businesses of China Information Technology Development Limited and its subsidiaries (the "Group") in 2012 included the development and sale of computer software and hardware, the provision of system integration and related support services in Mainland China, the People's Republic of China (the "PRC").

– Revenue from continuing operations for the year ended 31 December 2012 amounted to approximately HK$107,605,000 representing an increase of 19.1% from last year (2011: approximately HK$90,337,000).

– Loss for the year was approximately HK$7,983,000 (2011: approximately HK$2,822,000)

– The Board does not recommend the payment of dividend in respect of the year (2011: Nil).

The board of directors (the "Board") of China Information Technology Development Limited (the "Company") presents the consolidated results (the "Consolidated Results") of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CONTINUING OPERATIONS			
REVENUE	3	**107,605**	90,337
Cost of sales and services		**(64,592)**	(60,323)
Gross profit		**43,013**	30,014
Other income and gains, net	3	**4,947**	5,638
Selling and distribution expenses		**(15,223)**	(14,643)
Administrative expenses		**(36,857)**	(39,868)
Loss on deemed disposal of interest in a subsidiary		**–**	(2,941)
Other expenses		**(1,538)**	(3,738)
Finance costs	4	**(1,130)**	(2,704)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	5	**(6,788)**	(28,242)
Income tax expenses	6	**(1,195)**	(2,620)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(7,983)**	(30,862)
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation		**–**	28,040
LOSS FOR THE YEAR		**(7,983)**	(2,822)
Attributable to:			
Owners of the Company			
Loss from continuing operations		**(7,986)**	(29,752)
Profit from a discontinued operation		**–**	28,468
		(7,986)	(1,284)
Non-controlling interests			
Profit/(loss) from continuing operations		**3**	(1,110)
Loss from a discontinued operation		**–**	(428)
		3	(1,538)

	Notes	2012	2011 (Restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*7*		
Basic and diluted			
– For loss for the year		**HK(1.08) cents**	HK(0.20) cents
– For loss from continuing operations		**HK(1.08) cents**	HK(4.58) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(7,983)**	(2,822)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	**781**	4,880
Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries	**–**	(11,772)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	**781**	(6,892)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(7,202)**	(9,714)
Attributable to:		
Owners of the Company	**(7,300)**	(8,993)
Non-controlling interests	**98**	(721)
	(7,202)	(9,714)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**8,538**	8,903
Goodwill		**34,000**	34,000
Other intangible assets		**753**	915
Investment in an associate		**–**	–
Total non-current assets		**43,291**	43,818
CURRENT ASSETS			
Inventories		**50**	3,040
Amounts due from contract customers		**9,098**	6,220
Trade receivables	*9*	**5,039**	17,785
Prepayments, deposits and other receivables		**24,017**	28,108
Restricted cash		**–**	7,339
Cash and cash equivalents		**156,335**	133,821
Total current assets		**194,539**	196,313
CURRENT LIABILITIES			
Trade payables	*10*	**4,078**	4,931
Amounts due to contract customers		**20,990**	21,349
Other payables and accruals		**14,900**	12,284
Income tax payables		**13,093**	12,689
Long term loans - amounts due within one year		**10,656**	–
Promissory notes		**–**	81,129
Total current liabilities		**63,717**	132,382
NET CURRENT ASSETS		**130,822**	63,931
TOTAL ASSETS LESS CURRENT LIABILITIES		**174,113**	107,749

	2012	2011
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Long term loans – amounts due after one year	**21,312**	–
Deferred tax liability	**–**	–
Total non-current liabilities	**21,312**	–
NET ASSETS	**152,801**	107,749
EQUITY		
Equity attributable to owners of the Company		
Share capital	**89,849**	64,949
Reserves	**44,626**	24,572
	134,475	89,521
Non-controlling interests	**18,326**	18,228
TOTAL EQUITY	**152,801**	107,749

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company									
	Share Capital *HK$'000*	**Share premium account** *HK$'000*	**Share option reserve** *HK$'000*	**capital reserve** *HK$'000*	**Foreign currency translation reserve** *HK$'000*	**PRC reserve funds** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
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 year	–	–	–	–	–	–	(1,284)	(1,284)	(1,538)	(2,822)
Other comprehensive income/ (loss) for the year:										
– Exchange differences on translation of foreign operations	–	–	–	–	4,063	–	–	4,063	817	4,880
– Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries	–	–	–	–	(11,772)	–	–	(11,772)	–	(11,772)
Total comprehensive loss for the year	–	–	–	–	(7,709)	–	(1,284)	(8,993)	(721)	(9,714)
Disposal of a subsidiary	–	–	–	–	–	(14,574)	14,574	–	(20)	(20)
Deconsolidation of a subsidiary	–	–	–	–	–	–	–	–	1,466	1,466
Equity-settled share option arrangements	–	–	2,199	–	–	–	–	2,199	–	2,199
Transfer of share option reserve upon forfeiture of share options	–	–	(24,456)	–	–	–	24,456	–	–	–
Transfer to PRC reserve funds	–	–	–	–	–	955	(955)	–	–	–
At 31 December 2011 and 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 year	–	–	–	–	–	–	(7,986)	(7,986)	3	(7,983)
Other comprehensive income for the year:										
– Exchange differences on translation of foreign operations	–	–	–	–	686	–	–	686	95	781
Total comprehensive income/ (loss) for the year	–	–	–	–	686	–	(7,986)	(7,300)	98	(7,202)
Issue of new shares	24,900	28,920	–	–	–	–	–	53,820	–	53,820
Transaction costs attributable to issue of new shares	–	(1,566)	–	–	–	–	–	(1,566)	–	(1,566)
Transfer of share option reserve upon forfeiture of share options	–	–	(22,440)	–	–	–	22,440	–	–	–
Transfer to PRC reserve funds	–	–	–	–	–	510	(510)	–	–	–
At 31 December 2012	**89,849**	**1,204,135***	**–***	**8,329***	**22,244***	**12,569***	**(1,202,651)***	**134,475**	**18,326**	**152,801**

* *These reserve accounts comprise the consolidated reserves of HK$44,626,000 (2011: HK$24,572,000) in the consolidated statement of financial position.*

*NO*TES:

1.1 BASIS OF PREPARATION

These financial statements have been 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 (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits/accumulated losses, as appropriate.

1.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

New and revised HKFRS and interpretations mandatory for the first time for the financial year beginning on 1 January 2012 are:

- HKFRS 1 (Amendments) "First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters" is effective for annual periods beginning on or after 1 July 2011.

- HKFRS 7 (Amendments) "Disclosures – Transfers of Financial Assets" is effective for annual periods beginning on or after 1 July 2011, which increases the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

- HKAS 12 (Amendments) "Deferred Tax: Recovery of Underlying Assets" is effective for annual periods beginning on or after 1 January 2012. It provides an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset.

New and revised HKFRSs and interpretations that have been issued but are not yet effective for the financial year beginning on 1 January 2012 and have not been early adopted are:

• HKAS 1 (Amendment)	"Presentation of Items of Other Comprehensive Income" [1]
• HKAS 19 (2011)	"Employee Benefits" [2]
• HKAS 27 (2011)	"Separate Financial Statements" [2]
• HKAS 28 (2011)	"Investments in Associates and Joint Ventures" [2]
• HKAS 32 (Amendments)	"Offsetting Financial Assets and Financial Liabilities" [3]
• HKFRS 1 (Amendments)	"Government Loans" [2]
• HKFRS 7 (Amendments)	"Disclosures – Offsetting Financial Assets and Financial Liabilities" [2]
• HKFRS 9	"Financial Instruments" [4]
• HKFRS 10	"Consolidated Financial Statements" [2]
• HKFRS 11	"Joint Arrangements" [2]
• HKFRS 12	"Disclosure of Interest in Other Entities" [2]
• HKFRS 13	"Fair Value Measurement" [2]
• HK(IFRIC)-Int 20	"Stripping Costs in the Production Phase of a Surface Mine" [2]
• Amendments to HKFRS 9 and HKFRS 7	"Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures" [4]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

In the meantime, there are amendments relating to Transition Guidance on HKFRSs10, 11 and 12 effective for annual periods beginning on or after 1 January 2013; amendments relating to Investment Entities on HKFRSs 10, 12 and HKAS 27 (2011) for annual periods beginning on or after 1 January 2014; and Annual Improvement to HKFRSs 2009-2011 Cycle on HKFRS1 and HKASs1, 16, 32 and 34 for annual periods beginning on or after 1 January 2013.

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

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the software development and system integration segment engages in (i) the sale of computer hardware; (ii) the provision of software development services; (iii) the provision of system integration services; and (iv) the provision of technical support and maintenance services;

(b) the Internet, mobile and telecommunication segment engages in the provision of Internet, mobile and telecommunication value-added services (discontinued during the year ended 31 December 2011); and

(c) the in-house developed products segment engages in the lease of in-house developed computer hardware.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax, except that interest income, finance costs, dividend income, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investments in an associate, amounts due from related companies and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude long term loans, promissory notes, income tax payables, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Reportable Operating Segment Information

Group

	Continuing operations						Discontinued operation			
	Software development and system integration		In-house developed products		Total		Internet, mobile and telecommunication		Group	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**107,180**	89,838	**425**	499	**107,605**	90,337	**–**	4,521	**107,605**	94,858
Intersegment sales	**–**	2,405	**–**	–	**–**	2,405	**–**	–	**–**	2,405
Other income and gains, net	**130**	1,864	**–**	388	**130**	2,252	**–**	977	**130**	3,229
	107,310	94,107	**425**	887	**107,735**	94,994	**–**	5,498	**107,735**	100,492
Reconciliation:										
Elimination of intersegment sales					**–**	(2,405)	**–**	–	**–**	(2,405)
Bank interest income					**3,451**	1,838	**–**	5	**3,451**	1,843
Investment income from held-to-maturity investments					**–**	1,521	**–**	–	**–**	1,521
Unallocated gains					**1,366**	27	**–**	98	**1,366**	125
Revenue, other income and gains, net					**112,552**	95,975	**–**	5,601	**112,552**	101,576
Segment profit/(loss)	**477**	(10,579)	**92**	633	**569**	(9,946)	**–**	(1,244)	**569**	(11,190)
Reconciliation:										
Elimination of intersegment results					**–**	(2,405)				
Bank interest income					**3,451**	1,838				
Investment income from held-to-maturity investments					**–**	1,521				
Unallocated gains					**1,366**	27				
Loss on deemed disposal of interest in a subsidiary					**–**	(2,941)				
Corporate and other unallocated expenses					**(11,044)**	(13,632)				
Finance costs					**(1,130)**	(2,704)				
Loss before tax from continuing operations					**(6,788)**	(28,242)				
Segment assets	**211,992**	203,049	**875**	766	**212,867**	203,815	**–**	–	**212,867**	203,815
Reconciliation:										
Corporate and other unallocated assets					**24,963**	36,316	**–**	–	**24,963**	36,316
Total assets					**237,830**	240,131	**–**	–	**237,830**	240,131
Segment liabilities	**(37,965)**	(35,677)	**(579)**	(570)	**(38,544)**	(36,247)	**–**	–	**(38,544)**	(36,247)
Reconciliation:										
Corporate and other unallocated liabilities					**(46,485)**	(96,135)	**–**	–	**(46,485)**	(96,135)
Total liabilities					**(85,029)**	(132,382)	**–**	–	**(85,029)**	(132,382)

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the non-current assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of these financial statements.

Information about major customers

During the year ended 31 December 2012, the Group had transactions with four (2011: four) external customers of the software development and system integration segment who each contributed over 10% of the Group's total revenue for the year.

A summary of revenue earned from each of these major external customers is set out below:

	2012	2011
	HK$'000	*HK$'000*
Customer 1	**23,853**	17,154
Customer 2	**22,596**	11,841
Customer 3	**12,324**	11,304
Customer 4	**10,596**	10,168
	69,369	50,467

3. REVENUE, OTHER INCOME AND GAINS

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 year.

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

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Provision of software development and system integration services	**13,950**	21,233
Sale of computer hardware	**9,903**	8,452
Provision of technical support and maintenance services	**83,327**	60,153
Provision of internet, mobile and telecommunication value-added services	**–**	4,521
Lease of in-house developed products	**425**	499
	107,605	94,858
Representing:		
Continuing operations	**107,605**	90,337
Discontinued operation	**–**	4,521
	107,605	94,858
Other income		
Bank interest income	**3,451**	1,843
Investment income from held-to-maturity investments	**–**	1,521
Government grants*	**130**	1,363
Construction income	**–**	219
Reversal of impairment provision on trade receivables	**1,105**	–
Reversal of impairment provision on other receivables	**125**	–
Gain on disposal of an associate	**6**	–
Others	**130**	1,772
Other income and gains, net	**4,947**	6,718
Representing:		
Continuing operations	**4,947**	5,638
Discontinued operation	**–**	1,080
	4,947	6,718

* *The government grants represented a government subsidy and value-added tax refunds, which impose no restriction on usage.*

4. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Imputed interest on promissory notes	**1,130**	2,704

No finance costs were incurred by the discontinued operation for the years ended 31 December 2012 and 2011.

5. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

The Group's loss before tax from continuing operations is arrived at after charging:

	2012	2011
	HK$'000	*HK$'000*
Cost of inventories sold	**9,228**	9,478
Cost of services provided	**55,364**	50,845
Depreciation***	**2,423**	3,589
Amortisation of other intangible assets*	**162**	161
Minimum lease payments under operating leases in respect of land and buildings	**5,947**	6,774
Auditors' remuneration	**400**	920
Employee benefit expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	**48,496**	47,593
Equity-settled share option expense	**–**	2,199
Pension scheme contributions	**5,470**	3,275
	53,966	53,067
Loss on disposal of items of property, plant and equipment**	**87**	64
Impairment of inventories**	**–**	68
Impairment of amounts due from contract customers**	**–**	1,304
Impairment of trade receivables**	**850**	1,665
Foreign exchange differences, net	**5**	128

* *The amortisation of other intangible assets is included in "Administrative expenses" of the consolidated income statement.*

** *These items are included in "Other expenses" of the consolidated income statement.*

*** *No depreciation for the year ended 31 December 2012 (2011: HK$510,000) was related to the discontinued operation.*

6. INCOME TAX EXPENSES

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2012 as the Group did not generate any assessable profits arising in Hong Kong during the year (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 year 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.

	2012	2011
	HK$'000	*HK$'000*
Current:		
Hong Kong	**–**	–
Mainland China	**1,138**	11,228
Underprovision/(overprovision) in prior years	**57**	(6,780)
Deferred tax	**–**	(1,828)
Total income tax expenses for the year from continuing operations	**1,195**	2,620

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year and loss for the year from continuing operations attributable to owners of the Company of approximately HK$7,986,000 (2011: HK$1,284,000) and HK$7,986,000 (2011: HK$29,752,000), respectively, and the weighted average number of 736,151,839 (2011: 649,490,636) ordinary shares (adjusted for the effects of share consolidation) in issue during the year.

The weighted average number of ordinary shares for the purposes of calculating basis loss per share for the year ended 31 December 2011 have been restated for the effect of the share consolidation in August 2012.

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

8. DIVIDEND

The Board does do not recommend the payment of dividend for the year ended 31 December 2012 (2011: Nil).

9. TRADE RECEIVABLES

The Group has granted credit terms to its customers, ranging from 30 to 90 days. In certain cases, the Group would request payment in advance from the customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**1,515**	4,907
1 to 2 months	**1,236**	151
2 to 3 months	**–**	59
Over 3 months	**2,288**	12,668
	5,039	17,785

10. TRADE PAYABLES

The trade payables are non-interest-bearing and normally settled within 30 to 90 days.

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**1,479**	2,488
1 to 2 months	**–**	30
2 to 3 months	**–**	10
Over 3 months	**2,599**	2,403
	4,078	4,931

11. EVENT AFTER THE REPORTING PERIOD

On 15 November 2012, the Company entered into a sale and purchase agreement (the "Disposal") with QIFA Holding Limited ("QIFA"), pursuant to which the Company conditionally agreed to dispose, and QIFA conditionally agreed to acquire the 68% issued share capital of Astoria Innovations Limited ("Astoria") at a consideration of RMB50 million (equivalent to HK$62.24 million). QIFA is a connected person of the Company under the GEM Listing Rules. As such, the Disposal was subject to the independent shareholders' approval requirement under the GEM Listing Rules. On 11 January 2013, the Disposal, as an ordinary resolution, was approved by the independent shareholders in an extraordinary general meeting.

Astoria is an investment holding company which holds 100% registered capital of Beijing Enterprises Sanxing Information Technology Co., Ltd. ("Sanxing") which engages in the provision of system supports to the systems in social security and social insurance administration, human resource and labor force management, and transient population administration to the relevant authorities of the Beijing Municipal Government.

The summarized consolidated financial results for the years ended 31 December 2012 and 2011 and the summarized consolidated financial position as at 31 December 2012 and 2011 of Astoria and Sanxing are as follows:

	2012	2011
	HK$'000	*HK$'000*
Total assets	**96,367**	96,065
Total liabilities	**(36,413)**	(36,307)
Net assets	**59,954**	59,758
Revenue	**51,191**	47,597
Gross profit	**13,430**	11,514
Loss before tax	**96**	2,504
Loss for the year	**131**	4,446

The Disposal was completed on 4 February 2013. Upon completion of the Disposal, Astoria and Sanxing ceased to be subsidiaries of the Company and their results, assets and liabilities and cash flows ceased to be consolidated to the Group since then.

Details of the transactions are set out in the circular issued by the Company on 21 December 2012.

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.

In June and October 2012, the Company placed 1,000,000,000 (prior to share consolidation) and 149,000,000 new shares at HK$0.027 and HK$0.18 per share to certain independent placees and fetched net proceeds of approximately HK$26 million and HK$26 million respectively. The proceeds were applied to settle certain long term loans in the amount of approximately HK$50 million in aggregate. The remaining balance was applied to strengthen the working capital position of the Company.

As approved at the extraordinary general meeting of the Company held on 2 August 2012, every ten shares of HK$0.01 each in the share capital of the Company had been consolidated into one consolidated share of HK$0.1 each effective from 3 August 2012.

On 15 November 2012, the Company entered into a sale and purchase agreement with QIFA, which is an indirectly controlled wholly-owned subsidiary of Beijing Enterprises Group Company Limited, a substantial shareholder of the Company, and therefore is a connected person of the Company. Pursuant to the agreement the Company conditionally agreed to dispose, and QIFA conditionally agreed to acquire the 68% issued share capital of Astoria at a cash consideration of RMB50 million (equivalent to HK$62.24 million). The transaction was completed on 4 February 2013.

For the year ended 31 December 2012, the Group's businesses had been operating normally. Revenue from the core businesses showed an increase year on year while loss before tax from continuing operations decreased.

Financial review

The followings are the financial reviews on continuing operations.

Revenue

The Group's revenue from continuing operations for 2012 amounted to HK$107,605,000, increased by 19.1% from HK$90,337,000 in 2011. The increase in revenue as compared to the same period of the year 2011 was mainly due to the increased sales of the technical support and maintenance services for the year.

Cost of sales and services

The Group had a total cost of sales and services from continuing operations of HK$64,592,000 for 2012, which increased by 7.1% compared with HK$60,323,000 in 2011. The increase was a direct result of the increase in revenue and general increase in cost.

Gross profit

The gross profit of the Group from continuing operations in 2012 amounted to HK$43,013,000 which increased by HK$12,999,000 compared with HK$30,014,000 in 2011. The gross profit margin was 40.0% compared with 33.2% in 2011. Gross margin improved as the Group used its in-house technicians instead of outsourcing for certain projects, which led to a lowering of costs.

Other income and gains, net

During the financial year ended 31 December 2012, the Group generated other income and gains from continuing operations of HK$4,947,000 which comprised: (i) bank interest income amounted to HK$3,451,000; (ii) reversal of impairment provision on trade receivables amounted to HK$1,105,000; (iii) government grants amounted to HK$130,000; and (iv) other miscellaneous items in an aggregate amount of HK$261,000.

Selling and distribution expenses

The Group's selling and distribution costs from continuing operations in 2012 amounted to HK$15,223,000, which increased by 4.0% compared with HK$14,643,000 in 2011. The increase was mainly due to a general increase in staff costs.

Administrative expenses

Administrative expenses of the Group from continuing operations in 2012 were HK$36,857,000, decreased by 7.6% comparing to HK$39,868,000 in 2011. The net decrease was mainly attributable to the decrease in professional service fee charges in relation to resumption of shares.

Other expenses

Other expenses of the Group from continuing operations were HK$1,538,000 for 2012 compared to HK$3,738,000 for the previous year. The decrease was mainly attributed to the decrease in impairment provision on trade receivables.

Finance costs

Finance costs of the Group in 2012 were HK$1,130,000, decreased by 58.2% comparing to HK$2,704,000 in 2011. All the finance costs were attributed to the imputed interest on promissory notes for the years ended 31 December 2012 and 2011.

Income tax expenses

The Group's tax expenses in 2012 were reduced to HK$1,195,000, as compared with HK$2,620,000 for 2011.

Loss attributable to owners

The Group's loss attributable to owners of the Company was HK$7,986,000 for 2012 comparing to loss of HK$1,284,000 for 2011.

Financial Position

Liquidity and financial resource

As at 31 December 2012, cash and bank balances held by the Group increased from HK$141,160,000 as of 31 December 2011 to HK$156,335,000. As at 31 December 2012, the Group's total borrowings amounted to HK$31,968,000 (2011: HK$81,129,000), representing certain interest bearing long term loans repayable in three years commencing 2013. The gearing ratio (calculated as total borrowings over total equity) of the Group was 0.21 (2011: 0.75).

For the year ended 31 December 2012, the Group had capital expenditure of HK$2,331,000 (2011: HK$1,516,000).

Exposures to exchange rate fluctuation and hedging activities

As the Group carried out its operations in China, and substantially all of its related business transactions, assets are denominated in Renminbi, and the liabilities of the Group are denominated in Hong Kong dollar and Renminbi, the foreign exchange risk of the Group was considered minimal and no hedging activities had been conducted.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group had 482 (2011: 525) full-time employees, including directors. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Besides salaries, the Group provides other staff benefits, which include contributions to the statutory mandatory provident fund scheme for its employees in Hong Kong and social insurance for its employees in the PRC.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

COMPETING INTERESTS

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the financial year ended 31 December 2012, the Company had adopted a code of conduct regarding dealings in securities of Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard dealings and its code of conduct regarding dealings in securities of Directors.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE GEM LISTING RULES

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2012.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee comprises three independent non-executive Directors, namely Mr. Ng Kwok Fai, Dr. Sun Guofu and Mr. Chen Zhongfa.

The Group's consolidated results for the year ended 31 December 2012 have been reviewed and approved by the audit committee.

By order of the Board
China Information Technology Development Limited
Hu Zhuoer
Executive Director and Chief Executive officer

Hong Kong, 22 March 2013

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.

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.