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 2013

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This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

SUMMARY

- The main businesses of China Information Technology Development Limited and its subsidiaries (the "Group") in 2013 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 2013 amounted to approximately HK$59,923,000 representing an increase of 6.2% from last year (2012: approximately HK$56,414,000).

- Loss for the year was approximately HK$9,709,000 (2012: approximately HK$7,983,000).

- The Board does not recommend the payment of dividend in respect of the year (2012: 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 2013, together with the comparative figures for the year ended 31 December 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	2 & 3	**59,923**	56,414
Cost of sales and services		**(33,132)**	(26,831)
Gross profit		**26,791**	29,583
Other income and gains, net	3	**3,425**	1,530
Selling and distribution expenses		**(7,950)**	(7,894)
Administrative expenses		**(26,610)**	(27,279)
Other expenses		**(9,928)**	(1,502)
Fair value loss on financial assets at fair value through profit or loss		**(763)**	–
Impairment of goodwill	10	**(3,000)**	–
Finance costs	4	**(800)**	(1,130)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	5	**(18,835)**	(6,692)
Income tax expenses	6	**(118)**	(1,160)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(18,953)**	(7,852)
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	8	**9,244**	(131)
LOSS FOR THE YEAR		**(9,709)**	(7,983)

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Attributable to:			
Owners of the Company			
Loss from continuing operations		**(18,843)**	(7,897)
Profit/(Loss) from a discontinued operation		**9,777**	(89)
		(9,066)	(7,986)
Non-controlling interests			
(Loss)/profit from continuing operations		**(110)**	45
Loss from a discontinued operation		**(533)**	(42)
		(643)	3
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*7*		
Basic and diluted			
– For loss for the year		**HK(1.01) cents**	HK(1.08) cents
– For loss from continuing operations		**HK(2.10) cents**	HK(1.07) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
LOSS FOR THE YEAR		**(9,709)**	(7,983)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**2,704**	781
Reclassification adjustment for cumulative amount of exchange differences upon disposal of a subsidiary	*8(d)*	**(7,494)**	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX		**(4,790)**	781
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(14,499)**	(7,202)
Attributable to:			
Owners of the Company		**(13,937)**	(7,300)
Non-controlling interests		**(562)**	98
		(14,499)	(7,202)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,220**	8,538
Goodwill	10	**12,000**	34,000
Other intangible assets		**592**	753
Investment in an associate		**3,587**	–
Held-to-maturity investment		**3,293**	–
Total non-current assets		**23,692**	43,291
CURRENT ASSETS			
Inventories		**280**	50
Amounts due from contract customers		**5,317**	9,098
Trade receivables	11	**3,453**	5,039
Prepayments, deposits and other receivables		**6,408**	24,017
Due from an associate		**45**	–
Held-to-maturity investment		**12,692**	–
Financial assets at fair value through profit and loss		**17,818**	–
Cash and cash equivalents		**73,961**	156,335
Total current assets		**119,974**	194,539
CURRENT LIABILITIES			
Trade payables	12	**3,780**	4,078
Amounts due to contract customers		**2,754**	20,990
Other payables and accruals		**6,907**	14,900
Income tax payables		**9,394**	13,093
Long term and other loans – amounts due within one year		**1,269**	10,656
Total current liabilities		**24,104**	63,717
NET CURRENT ASSETS		**95,870**	130,822
TOTAL ASSETS LESS CURRENT LIABILITIES		**119,562**	174,113

	Notes	**2013**	2012
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Long term loans – amounts due after one year		**–**	21,312
Total non-current liabilities		**–**	21,312
NET ASSETS		**119,562**	152,801
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**89,849**	89,849
Reserves		**30,689**	44,626
		120,538	134,475
Non-controlling interests		**(976)**	18,326
TOTAL EQUITY		**119,562**	152,801

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

		Attributable to owners of the Company									
	Notes	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 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 and 1 January 2013		89,849	1,204,135*	–*	8,329*	22,244*	12,569*	(1,202,651)*	134,475	18,326	152,801
Loss for the year		–	–	–	–	–	–	(9,066)	(9,066)	(643)	(9,709)
Other comprehensive income for the year:											
– Exchange differences on translation of foreign operations		–	–	–	–	2,623	–	–	2,623	81	2,704
– Reclassification adjustment for cumulative amount of exchange differences upon disposal of a subsidiary	8(d)	–	–	–	–	(7,494)	–	–	(7,494)	–	(7,494)
Total comprehensive loss for the year		–	–	–	–	(4,871)	–	(9,066)	(13,937)	(562)	(14,499)
Disposal of a subsidiary		–	–	–	–	–	(5,782)	5,782	–	(18,740)	(18,740)
Transfer to PRC reserve funds		–	–	–	–	–	1,039	(1,039)	–	–	–
Transfer of capital reserve		–	–	–	(8,329)	–	–	8,329	–	–	–
At 31 December 2013		**89,849**	**1,204,135***	**–**	**–**	**17,373***	**7,826***	**(1,198,645)***	**120,538**	**(976)**	**119,562**

* *These reserve accounts comprise the consolidated reserves of HK$30,689,000 (2012: HK$44,626,000) 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 the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss which are carried at their fair values. 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 made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 statement of profit or loss and consolidated statement of profit or loss and other 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.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). 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.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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 2013. 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 except as stated below.

a. Amendments to HKAS 1"Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group's subsidiaries and associates in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

c. HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

New and revised HKFRS and interpretations that have been issued but are not yet effective for the financial year beginning on 1 January 2013 and have not been early adopted are:

- Amendment to HKFRS 10, HKFRS 12 and HKAS 27 (2011) "Investment Entities" [1]
- Amendment to HKAS 32 "Offsetting Financial Assets and Financial Liabilities" [1]
- Amendment to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" [1]
- Amendment to HKAS 39 "Novation of Derivatives and Continuation of Hedge Accounting [1]
- HK(IFRIC) – Int 21 "Levies" [1]
- HKFRS 9 "Financial Instruments" [5]
- Amendments to HKAS 19 "Defined Benefit Plans: Employee Contributions" [3]
- HKFRS 14 "Regulatory Deferral Accounts" [4]
- HKFRS 9 "Hedge Accounting" and Amendment to HKFRS 9, HKFRS 7 and HKAS 39 [5]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 January 2015
[3] Effective for annual periods beginning on or after 1 July 2014
[4] Effective for annual periods beginning on or after 1 January 2016
[5] To be determined

In the Meantime, there are Annual Improvement to HKFRSs 2010-2012 Cycle on HKFRS 2, 3, 8 and 13 and HKAS 16, 24 and 38 for annual periods beginning on or after 1 July 2014 and Annual Improvement to HKFRSs 2011-2013 Cycle on HKFRS 1, 3 and 13 and HKAS 40 for annual periods beginning on or after 1 July 2014.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two 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; and

(b) 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, 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

	Continuing operations						Discontinued operation			
	Software development and system integration		In-house developed products		Total		Software development and system integration		Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	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	59,923	55,989	–	425	59,923	56,414	1,013	51,191	60,936	107,605
Other income and gains, net	759	–	–	–	759	–	–	130	759	130
	60,682	55,989	–	425	60,682	56,414	1,013	51,321	61,695	107,735
Reconciliation:										
Bank interest income					1,420	1,263	7	2,188	1,427	3,451
Investment income from held-to-maturity investments					60	–	–	–	60	–
Investment income from financial assets at fair value through profit or loss					743	–	–	–	743	–
Gain on deemed disposal of interest in a subsidiary					45	–	–	–	45	–
Unallocated gains					398	267	–	1,099	398	1,366
Revenue, other income and gains, net					63,348	57,944	1,020	54,608	64,368	112,552
Segment profit/(loss)	2,909	3,849	(216)	92	2,693	3,941	(1,673)	(3,372)	1,020	569
Reconciliation:										
Bank interest income					1,420	1,263	7	2,188	1,427	3,451
Investment income from held-to-maturity investments					60	–	–	–	60	–
Investment income from financial assets at fair value through profit or loss					743	–	–	–	743	–
Unallocated gains					398	267	–	1,099	398	1,366
Gain on deemed disposal of interest in a subsidiary					45	–	–	–	45	–
Gain on disposal of a subsidiary					–	–	10,910	–	10,910	–
Corporate and other unallocated expenses					(19,631)	(11,033)	–	(11)	(19,631)	(11,044)
Fair value loss on financial assets at fair value through profit or loss					(763)	–	–	–	(763)	–
Finance costs					(800)	(1,130)	–	–	(800)	(1,130)
Impairment of goodwill					(3,000)	–	–	–	(3,000)	–
(Loss)/profit before tax					(18,835)	(6,692)	9,244	(96)	(9,591)	(6,788)
Segment assets	100,565	117,074	675	875	101,240	117,949	–	94,918	101,240	212,867
Reconciliation:										
Corporate and other unallocated assets					42,426	24,963	–	–	42,426	24,963
Total assets					143,666	142,912	–	94,918	143,666	237,830

	Continuing operations						Discontinued operation			
	Software development and system integration		In-house developed products		Total		Software development and system integration		Group	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment liabilities	**(12,701)**	(13,072)	**(591)**	(579)	**(13,292)**	(13,651)	**–**	(24,893)	**(13,292)**	(38,544)
Reconciliation:										
Corporate and other unallocated liabilities					**(10,812)**	(46,485)	**–**	–	**(10,812)**	(46,485)
Total liabilities					**(24,104)**	(60,136)	**–**	(24,893)	**(24,104)**	(85,029)

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 2013, the Group from continuing operations had transactions with two (2012: two) 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:

	2013	2012
	HK$'000	*HK$'000*
Customer 1	**27,282**	23,853
Customer 2	**7,183**	10,596
	34,465	34,449

3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which also includes 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 and discontinued operation is as follows:

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Provision of software development and system integration services	**17,711**	13,950
Sale of computer hardware	**3,277**	9,903
Provision of technical support and maintenance services	**39,948**	83,327
Lease of in-house developed products	**–**	425
	60,936	107,605
Representing:		
Continuing operations	**59,923**	56,414
Discontinued operation *(note 8(a))*	**1,013**	51,191
	60,936	107,605
Other income		
Bank interest income	**1,427**	3,451
Investment income from held-to-maturity investments	**60**	–
Investment income from financial assets at fair value through profit or loss	**743**	–
Government grants	**–**	130
Reversal of impairment provision on trade receivables	**–**	1,105
Reversal of impairment provision on other receivables	**–**	125
Gain on disposal of an associate	**–**	6
Gain on deemed disposal of a subsidiary	**45**	–
Tax refund	**759**	–
Others	**398**	130
Other income and gains, net	**3,432**	4,947
Representing:		
Continuing operations	**3,425**	1,530
Discontinued operation *(note 8(a))*	**7**	3,417
	3,432	4,947

4. FINANCE COSTS

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

	2013	2012
	HK$'000	*HK$'000*
Interest on other loans	**70**	–
Interest on long term loan	**730**	–
Imputed interest on promissory notes	**–**	1,130
	800	1,130

No finance costs were incurred by the discontinued operation for the years ended 31 December 2013 and 2012.

5. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold	**6,243**	4,674
Cost of services provided	**26,889**	22,157
Depreciation***	**1,262**	2,423
Amortisation of other intangible assets*	**161**	162
Minimum lease payments under operating leases in respect of land and buildings	**4,539**	3,971
Auditors' remuneration	**400**	400
Employee benefit expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	**34,584**	28,255
Pension schemes contributions	**4,137**	3,213
	38,721	31,468
Loss on disposal of items of property, plant and equipment**	**–**	50
Impairment of other receivables**	**9,563**	–
Impairment of trade receivables**	**315**	850
Impairment of goodwill	**3,000**	–
Foreign exchange differences, net	**(13)**	1

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

** *These items are included in "Other expenses" of the consolidated statement of profit or loss.*

*** *Depreciation of HK$84,000 for the year ended 31 December 2013 (2012: HK$1,163,000) 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 2013 as the Group did not generate any assessable profits arising in Hong Kong during the year (2012: 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.

	2013	2012
	HK$'000	*HK$'000*
Current:		
Hong Kong	**–**	–
Mainland China	**564**	1,138
(Overprovision)/underprovision in prior years	**(446)**	57
Total income tax expenses for the year	**118**	1,195
Representing:		
Continuing operations	**118**	1,160
Discontinued operation	**–**	35
	118	1,195

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$9,066,000 (2012: HK$7,986,000) and HK$18,843,000 (2012: HK$7,897,000), respectively, and the weighted average number of 898,490,636 (2012: 736,151,839) ordinary shares in issue during the year.

No diluted loss per share is presented for the year ended 31 December 2013 as there were no dilutive potential ordinary shares outstanding for the year.

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

8. DISCONTINUED OPERATION

On 15 November 2012, the Company entered into a sale and purchase agreement (the "Disposal") with QIFA Holdings 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. 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 Sanxing Information Technology Co. ("Sanxing"). Sanxing mainly 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 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.

(a) The results of the discontinued operation dealt with in the consolidated financial statements for the years ended 31 December 2013 and 2012 are summarised as follows:

	2013	2012
	HK$'000	*HK$'000*
Revenue	**1,013**	51,191
Cost of goods sold	**(1,139)**	(37,761)
Gross (loss)/profit	**(126)**	13,430
Other income	**7**	3,417
Selling and distribution expenses	**(697)**	(7,329)
Administrative expenses	**(850)**	(9,614)
Loss before tax	**(1,666)**	(96)
Income tax expenses	**–**	(35)
Loss for the year	**(1,666)**	(131)
Gain on disposal of a subsidiary, net of income tax *(note (d))*	**10,910**	–
Profit/(loss) for the year from the discontinued operation	**9,244**	(131)

(b) The net cash flows of the discontinued operation dealt with in the consolidated financial statements for the years ended 31 December 2013 and 2012 are as follows:

	2013	2012
	HK$'000	*HK$'000*
Operating activities	**9,495**	15,358
Investing activities	**(84)**	(1)
Net cash inflow attributable to the discontinued operation	**9,411**	15,357

(c) Earnings/(loss) per share from the discontinued operation:

	2013	2012
	HK cents	*HK cents*
Basic and diluted	**1.09**	(0.01)

The calculations of the basic and diluted earnings per share from the discontinued operation are based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Profit/(loss) for the year from the discontinued operation attributable to owners of the Company	**9,777**	(89)
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings per share calculation	**898,490,636**	736,151,839

(d) A gain on disposal of Astoria of HK$10,910,000 was recognised upon the completion, being calculated as follows:

	2013
	HK$'000
Net assets disposed of:	
Goodwill	19,000
Property, plant and equipment	3,415
Inventories	46
Amounts due from contract customers	5,072
Trade receivables	123
Prepayments, deposits and other receivables	17,788
Cash and bank balances	67,564
Amounts due to contract customers	(17,241)
Trade payables	(113)
Other payables and accruals	(15,303)
Tax payables	(2,787)
Non-controlling interests	(18,740)
	58,824
Exchange fluctuation reserve realised	(7,494)
Gain on disposal of a subsidiary	10,910
	62,240
Satisfied by cash	62,240

9. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

10. GOODWILL

	Cost	Accumulated impairment	Net carrying amount
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2012, 31 December 2012, and 1 January 2013	289,770	(255,770)	34,000
Disposal of subsidiaries *(note 8(d))*	(23,541)	4,541	(19,000)
Impairment during the year recognised in profit or loss	–	(3,000)	(3,000)
At 31 December 2013	266,229	(254,229)	12,000

Impairment testing of goodwill

The net carrying amount of goodwill as at 31 December 2013 acquired through acquisitions has been allocated to the following cash-generating units of the Group for impairment testing, which is summarised as follows:

	Net carrying amount	
	2013	2012
	HK$'000	*HK$'000*
Astoria Innovations Limited and its subsidiaries (the "Astoria Group")	**–**	19,000
Wisdom Elite Holdings Limited and its subsidiaries (the "Wisdom Elite Group")	**12,000**	15,000
	12,000	34,000

The recoverable amount of the cash-generating unit of the Wisdom Elite Group are determined based on a value-in-use calculation. To calculate this, cash flow projection is based on financial budget covering a five-year period approved by management. The discount rate used for the value-in-use calculation is 16% (2012: 16%). Management determined the budgeted gross margin based on past performances and the average sales growth rate of 3% (2012: 3%) is comparable with the forecast of the information technology market in Mainland China.

At 31 December 2013, before impairment testing, goodwill of HK$15,000,000 was allocated to Wisdom Elite Group. Due to changes in market condition, the Group has revised its cash flow forecasts for these cash generating units. The goodwill allocated to Wisdom Elite Group has therefore been reduced to its recoverable amount of HK$12,000,000 through recognition of an impairment loss against goodwill of HK$3,000,000 during the year.

Key assumptions used in the value-in-use calculation

The following describes each key assumption adopted by management in the preparation of the cash flow projection for the purpose of impairment testing of goodwill:

(i) Budgeted turnover – Budgeted turnover is based on the expected growth rate of the information technology market in which the assessed entity operates and the expected market share of the assessed entity.

(ii) Budgeted gross margin – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, and adjusted for the expected market development.

(iii) Discount rate – The discount rates used are before tax and reflect specific risks relating to the relevant units.

(iv) Raw materials/labour price inflation – The basis used to determine the value assigned to raw materials/labour price inflation is the forecast price indices during the budget year in the Mainland China.

(v) Operating expenses – The bases used to determine the value assigned are staff head counts and price inflation. The value assigned to the key assumption reflects past experience and management's commitment to maintain its operating expenses to an acceptable level.

As disclosed in note 8 to the financial statements, the Company disposed of its entire issued share capital in the Astoria Group at the consideration of HK$62.24 million pursuant to a sale and purchase agreement on 15 November 2012. This disposal was completed on 4 February 2013. As at 31 December 2012, the Directors considered that the consideration of HK$62.24 million exceeded the sum of the share of net assets to be disposed of and the goodwill of HK$19 million. Therefore, no additional impairment provision is considered necessary for the goodwill of the Astoria Group as at 31 December 2012.

11. 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:

	2013	2012
	HK$'000	*HK$'000*
Within 1 month	**1,401**	1,515
1 to 2 months	**339**	1,236
2 to 3 months	**–**	–
Over 3 months	**1,713**	2,288
	3,453	5,039

12. 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:

	2013	2012
	HK$'000	*HK$'000*
Within 1 month	**2,044**	1,479
1 to 2 months	**–**	–
2 to 3 months	**–**	–
Over 3 months	**1,736**	2,599
	3,780	4,078

13. SHARE CAPITAL

	Nominal value per share	**Number of shares**	**Amount**
	HK$		*HK$'000*
Authorised:			
At 31 December 2012, 1 January 2013 and 31 December 2013	0.10	1,000,000,000	100,000
Issued and fully paid:			
At 31 December 2012, 1 January 2013 and 31 December 2013	0.10	898,490,636	89,849

14. OPERATING LEASE COMMITMENTS

The Group leases an office equipment and certain of its office properties under operating lease arrangements, with the leases negotiated for terms ranging from one to two years (2012: one to two years).

At the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within one year	**3,047**	4,041
In the second to fifth years, inclusive	**2,684**	703
	5,731	4,744

At the end of reporting period, the Company did not have any significant operating lease commitments (2012: Nil).

15. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2013
	HK$'000
Partnership interest	
Contracted but not provided for	31,018

The Company, Bloom Faith Holdings Limited and 深圳市乾惕投資有限公司 ("the Vendors"), independent third parties, have entered into an agreement on 6 September 2013, pursuant to which the Company conditionally agreed to purchase and the Vendors conditionally agreed to sell 21.45% partnership interest in 上海瑞鴻九坊投資合夥企業, for the consideration of RMB25,000,000 (equivalent to approximately HK$31,518,000) before 31 December 2013. During the year ended 31 December 2013, deposit of HK$500,000 was paid to the Vendors.

The Vendors and the Company entered into a supplemental agreement on 30 December 2013 whereby the parties mutually agreed to extend the long stop date of the agreement from 31 December 2013 to 31 March 2014.

16. OTHER COMMITMENT

Pursuant to an agreement signed between the Company, China Luck and a third party shareholder of China Luck, the Company and the third party shareholder of China Luck agreed to lend US$800,000 (equivalent to approximately HK$6,240,000) and US$1,200,000 (equivalent to approximately HK$9,360,000) to China Luck respectively for acquiring a subsidiary and an available-for-sale financial asset. The Company lent US$ 460,000 (equivalent to approximately HK$3,587,000) to China Luck during the year. Commitment of US$340,000 (equivalent to approximately HK$2,653,000) is outstanding as at 31 December 2013.

17. EVENTS AFTER THE REPORTING PERIOD

Pursuant to an ordinary resolution passed at the extraordinary general meeting on 27 January 2014, the authorised share capital of the Company was increased from HK$100 million to HK$400 million by creation of an additional 3,000 million new shares of HK$0.10 each.

Subsequently, pursuant to an ordinary resolution passed in the same extraordinary meeting, 1,796,981,272 new shares were issued as an open offer at HK$0.11 each and raised a gross proceeds of approximately HK$197.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In January 2013, China Information Technology Development Limited (the "Company") disposed its equity interests in Astoria Innovations Limited ("Astoria") and hence Beijing Enterprises Sanxing Information Technology Co., Limited ("Sanxing") at a consideration of RMB50 million (equivalent to HK$62.24 million) and recognized a gain on disposal of approximately HK$10.91 million from the transaction. More details on background of the disposal had been disclosed in the relevant circular of the Company dated 21 December 2012.

In May 2013, the Company repaid all the outstanding long term loans amounted to HK$31,968,000 to reduce interest expense for the future.

In June 2013, the Company acquired certain bonds with a total nominal value of USD2,800,000 at a total consideration of USD2,825,390 (equivalent to approximately HKD21,784,000 and HK$21,981,000 respectively). Their respective maturities range from 2015 to 2023. The coupon rates are from 3.625% to 9.75% per annum and bond interests are paid semi-annually. More details on the bonds acquired had been disclosed in the relevant announcement of the Company dated 4 June 2013.

In September 2013, the Company, Bloom Faith Holdings Limited and Shenzhen Qian Ti Investment Limited have entered into an agreement, pursuant to which the Company had conditionally agreed to purchase 21.45% of the partnership interest in the Shanghai Rui Hung Jiu Fong Investment Partnership Enterprise ("Jiu Fong"), for the consideration of RMB25,000,000 (equivalent to approximately HK$31,518,000). As at the date of this announcement, the transaction has yet to be completed. Move details on the acquisition had been disclosed in the relevant announcement of the Company dated 6 September 2013.

In December 2013, China Luck International Limited, an associated company of the Group, acquired a 7.254% equity interest in Sterile Doctor LLC ("SD") a company incorporated in Denton, Texas, the United State of America at a consideration of USD2 million. SD focuses on the development and sales of environmental friendly sterilization technology products.

In March 2014, the Company issued 1,796,981,000 offer shares of HK$0.11 each by way of an open offer on the basis of two offer shares for every one share held on the record date and raised a gross proceeds of approximately HK$197.7 million. More details on the open offer had been disclosed in the relevant circular of the Company dated 10 January 2014 and the prospectus of the Company dated 12 February 2014.

Other than the above, during the period under review, revenue from provision of information technology related services to authorities of the Beijing Municipal Government remained as staple income of the Group.

Outlook and Prospect

Total revenue of the Company and its subsidiaries (collectively the "Group") shrinked in 2013 subsequent to the disposal of Astoria and hence Sanxing. Nonetheless, the Group will continue to focus on the development of information technology related services in the People's Republic of China (the "PRC") via the remaining operations of the Group, namely, Beijing Enterprises VST Software Technology Co. Ltd. ("VST") and Shanghai Pantosoft Company Ltd. ("Pantosoft") and to launch into new businesses with promising prospects.

VST is principally engaged in the provision of system integration and related services including system set up, system upgrading, and long-term maintenance to the systems in social insurance and land resources of the relevant authorities of the Beijing Municipal Government. VST secured lesser than expected revenue from Beijing state owned land resources as a result of change in IT service tender methods by the latter. The revenue from its key income drivers, namely, provision of integrated information services to Beijing social insurances, is expected to maintain stable in 2014.

Pantosoft is principally engaged in the development of educational software as well as digital education campus in the PRC. In 2013, Pantosoft launched a new product, e-campus (數字化校園) and is gradually gaining acceptance by the market. The Group is committed to expand the sales network of Pantosoft to enable it to further promote its e-campus product to new schools and generate additional income.

Mainland China's economic growth is expected to slowdown in 2014 as compared to 2013. The Group faces more intensified competition in areas of e-government and e-educational administration businesses. The Group will strive to maintain the stability of operation in 2014.

Among other plans, which have been more fully discussed in the Company's circular dated 10 January 2014, the Company intends to apply approximately HK$181 million on investments in certain IT projects in 2014, namely:–

(1) City emergency management ("CEM") system in the areas of automated air and water pollution level monitoring;

(2) Automated control and monitoring system for new steel refining technology;

(3) Medical related information technology system ("MRS"); and

(4) Other medium to small size projects of electronic business platforms.

The Group looks forward to increase its operation scale with the above listed potential investments and to benefit therefrom.

Financial review

The followings are the financial reviews on continuing operations.

Revenue

The Group's revenue from continuing operations for 2013 amounted to HK$59,923,000, increased by 6.2% from HK$56,414,000 in 2012. The increase in revenue as compared to the same period of the year 2012 was mainly due to the increase in sales revenue of e-campus application by Pantosoft amounted to approximately HK$4.1 million.

Cost of sales and services

The Group had a total cost of sales and services from continuing operations of HK$33,132,000 for 2013, which increased by 23.5% compared with HK$26,831,000 in 2012. The increase was a result of the general increase in costs and especially staff costs.

Gross profit

The gross profit of the Group from continuing operations in 2013 amounted to HK$26,791,000 which decreased by HK$2,792,000 compared with HK$29,583,000 in 2012. The gross profit margin was 44.7% compared with 52.4% in 2012. The decrease of gross profit margin was mainly attributable to increase in staff costs.

Other income and gains, net

During the financial year ended 31 December 2013, the Group generated other income and gains from continuing operations of HK$3,425,000 (2012: HK$1,530,000) which comprised: (i) bank interest income amounted to HK$1,420,000 (2012: HK$1,263,000); (ii) investment income from held-to-maturity investments and financial assets at fair value through profit or loss investments amounted to HK$803,000 (2012: HK$nil); (iii) gain on deemed disposal of a subsidiary amounted to HK$45,000 (2012: HK$nil); (iv) tax refund amounted to HK$759,000 (2012: nil) and (v) other miscellaneous items in an aggregate amount of HK$398,000 (2012: HK$267,000).

Selling and distribution expenses

The Group's selling and distribution expenses from continuing operations in 2013 amounted to HK$7,950,000, which slightly increased by 0.7% compared with HK$7,894,000 in 2012.

Administrative expenses

Administrative expenses of the Group from continuing operations in 2013 were HK$26,610,000, decreased by 2.5% comparing to HK$27,279,000 in 2012. The Company no longer incurred professional expenses for resumption of share trading in 2013, which explained the decrease.

Other expenses

Other expenses of the Group from continuing operations were HK$9,928,000 for 2013 compared to HK$1,502,000 for the previous year which comprised: (i) impairment provision on certain other receivables amounted to HK$9,563,000 (2012: HK$nil); (ii) impairment provision on trade receivables amounted to HK$315,000 (2012: HK$850,000) and (iii) other miscellaneons expenses in an aggregate amount of HK$50,000 (2012: HK$602,000).

Finance costs

Finance costs of the Group from continuing operations for 2013 were HK$800,000, a decrease of HK$330,000 comparing to HK$1,130,000 in 2012. The finance costs of HK$730,000 for 2013 were attributed to interest bearing term loans during the year while finance costs for the corresponding period in 2012 were all attributed to the imputed interest on the interest-free promissory notes. The finance costs of HK$70,000 for 2013 were related to certain loans from senior management personnel of a subsidiary which charged an interest rate of 10% per annum.

Income tax expenses

The Group's tax expenses in 2013 amounted to HK$118,000, as compared with tax expenses of HK$1,160,000 for 2012.

Loss attributable to owners

The Group's loss attributable to owners of the Company from continuing operations was HK$18,843,000 for 2013 (2012: HK$7,897,000).

Financial Position

Liquidity and financial resource

As at 31 December 2013, cash and bank balances held by the Group decreased from HK$156,335,000 as of 31 December 2012 to HK$73,961,000. As at 31 December 2013, the Group's total borrowings amounted to HK$1,269,000 (2012: HK$31,968,000). The gearing ratio (calculated as total borrowings over total equity) of the Group was 0.01 (2012: 0.21).

For the year ended 31 December 2013, the Group had capital expenditure of approximately HK$204,000 (2012: HK$2,331,000).

Capital structure

There has been no material change in the capital structure of the Group for the year ended 31 December 2013.

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 and liabilities are denominated in Renminbi, the foreign exchange risk of the Group was considered minimal and no hedging activities had been conducted.

EMPLOYEES AND REMUNERATION POLICIES

The total number of full-time employees hired by the Group maintained at 240 as of 31 December 2013. (2012: 482 employees, out of which 229 was related to Astoria and Sanxing). Total expenses on employee benefits amounted to HK$35,113,000 for the year ended 31 December 2013 (2012: HK$45,436,000). The decrease in both headcounts and staff costs were mainly attributed to the Group ceased to consolidate the Sanxing operation since February 2013. The management believes the remuneration packages offered by the Group to its employees are competitive.

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

During the year ended 31 December 2013, 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 announcement, 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 2013, 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 5.46 to 5.68 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 codes on Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2013 except for the following deviation:

None of the non-executive directors is appointed for a specific term, which constitutes a deviation from Code Provision A4.1 which stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Nonetheless, in accordance with the articles of association of the Company, all non-executive directors are subject to retirement by rotation. The Company considers that there are sufficient measures to ensure the corporate governance standard of the Company is not less exacting than the Code.

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 2013 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, 21 March 2014

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.