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 2011

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 2011 included the development and sale of computer software and hardware, the provision of system integration and related support services and the provision of Internet, mobile and telecommunication value-added services in Mainland China, the People's Republic of China (the "PRC").

– Revenue from continuing operations for the year ended 31 December 2011 amounted to approximately HK$90,337,000 representing a decrease of 23.7% from last year (2010: approximately HK$118,374,000).

– Loss for the year was significantly reduced to approximately HK$2,822,000 (2010: approximately HK$26,531,000)

– The Board does not recommend the payment of any dividend in respect of the year (2010: 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 2011, together with the comparative figures for the year ended 31 December 2010, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
CONTINUING OPERATIONS			
REVENUE	*3*	**90,337**	118,374
Cost of sales and services		**(60,323)**	(63,966)
Gross profit		**30,014**	54,408
Other income and gains, net	*3*	**5,638**	4,800
Selling and distribution costs		**(14,643)**	(16,080)
Administrative expenses		**(39,868)**	(45,445)
Loss on deemed disposal of interest in a subsidiary		**(2,941)**	–
Other expenses		**(3,738)**	(3,357)
Finance costs	*4*	**(2,704)**	(6,462)
Share of result of an associate		**–**	–
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**(28,242)**	(12,136)
Income tax	*6*	**(2,620)**	(5,004)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(30,862)**	(17,140)
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	*7*	**28,040**	(9,391)
LOSS FOR THE YEAR		**(2,822)**	(26,531)
Attributable to:			
Shareholders of the Company		**(1,284)**	(29,189)
Non-controlling interests		**(1,538)**	2,658
		(2,822)	(26,531)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*8*		
Basic and diluted			
– For loss for the year		**HK(0.02) cents**	HK(0.45) cents
– For loss from continuing operations		**HK(0.46) cents**	HK(0.32) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(2,822)**	(26,531)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	**4,880**	4,751
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 OF NIL	**(6,892)**	4,751
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(9,714)**	(21,780)
Attributable to:		
Shareholders of the Company	**(8,993)**	(25,057)
Non-controlling interests	**(721)**	3,277
	(9,714)	(21,780)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Equipment		**8,903**	13,624
Goodwill		**34,000**	34,000
Other intangible assets		**915**	1,076
Investment in an associate		**–**	–
Total non-current assets		**43,818**	48,700
CURRENT ASSETS			
Inventories		**3,040**	1,295
Amounts due from contract customers		**6,220**	33,700
Trade receivables	*10*	**17,785**	10,538
Prepayments, deposits and other receivables		**28,108**	21,444
Restricted cash		**7,339**	–
Cash and cash equivalents		**133,821**	134,826
		196,313	201,803
Investments in an associate held for sale		**–**	20,000
Total current assets		**196,313**	221,803
CURRENT LIABILITIES			
Trade payables	*11*	**4,931**	5,937
Amounts due to contract customers		**21,349**	19,276
Other payables and accruals		**12,284**	28,023
Income tax payables		**12,689**	23,196
Promissory notes		**81,129**	–
Total current liabilities		**132,382**	76,432
NET CURRENT ASSETS		**63,931**	145,371
TOTAL ASSETS LESS CURRENT LIABILITIES		**107,749**	194,071
NON-CURRENT LIABILITIES			
Promissory notes		**–**	78,425
Deferred tax liability		**–**	1,828
Total non-current liabilities		**–**	80,253
Net assets		**107,749**	113,818
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		**64,949**	64,949
Reserves		**24,572**	31,366
		89,521	96,315
Non-controlling interests		**18,228**	17,503
Total equity		**107,749**	113,818

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Attributable to shareholders of the Company										
	Issued capital	Share premium account	Share option reserve	Capital reserve	Convertible bond equity reserve	Exchange fluctuation reserve	PRC reserve funds	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	64,949	1,176,781	48,110	–	10,411	25,135	22,338	(1,242,561)	105,163	14,226	119,389
Profit/(loss) for the year	–	–	–	–	–	–	–	(29,189)	(29,189)	2,658	(26,531)
Other comprehensive income/(loss) for the year											
– Exchange differences on translation of foreign operations	–	–	–	–	–	4,132	–	–	4,132	619	4,751
Total comprehensive income/(loss) for the year	–	–	–	–	–	4,132	–	(29,189)	(25,057)	3,277	(21,780)
Issue of promissory notes	–	–	–	8,329	–	–	–	–	8,329	–	8,329
Cancellation of convertible bonds	–	–	–	–	(10,411)	–	–	10,411	–	–	–
Equity-settled share option arrangements	–	–	7,880	–	–	–	–	–	7,880	–	7,880
Transfer of share option reserve upon the forfeiture of share options	–	–	(11,293)	–	–	–	–	11,293	–	–	–
Transfer to reserves	–	–	–	–	–	–	3,340	(3,340)	–	–	–
At 31 December 2010 and 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 reserves	**–**	**–**	**–**	**–**	**–**	**–**	**955**	**(955)**	**–**	**–**	**–**
At 31 December 2011	**64,949**	**1,176,781***	**22,440***	**8,329***	**–***	**21,558***	**12,059***	**(1,216,595)***	**89,521**	**18,228**	**107,749**

* *These reserve accounts comprise the consolidated reserves of HK$24,572,000 (2010: HK$31,366,000) in the consolidated statement of financial position.*

NOTES:

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, 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 2011. 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.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial instruments: Presentation – Classification of Rights Issues*
HK (IFRIC)-Int 14 Amendments	Amendments to HK (IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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 – note 7); and

(c) the in-house developed products segment engages in the sale and leasing 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 amount due to a shareholder, 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

	Continuing operations						Discontinued operation			
	Software development and system integration		In-house developed products		Total		Internet, mobile and telecommunication		Group	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	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	**89,838**	118,060	**499**	314	**90,337**	118,374	**4,521**	3,724	**94,858**	122,098
Intersegment sales	**2,405**	20,628	**–**	–	**2,405**	20,628	**–**	–	**2,405**	20,628
Other income and gains, net	**1,864**	2,360	**388**	–	**2,252**	2,360	**977**	84	**3,229**	2,444
	94,107	141,048	**887**	314	**94,994**	141,362	**5,498**	3,808	**100,492**	145,170
Reconciliation:										
Elimination of intersegment sales					**(2,405)**	(20,628)	**–**	–	**(2,405)**	(20,628)
Bank interest income					**1,838**	1,482	**5**	105	**1,843**	1,587
Interest income from held-to maturity investments					**1,521**	–	**–**	–	**1,521**	–
Gain on disposal of interest in a subsidiary					**–**	–	**15,301**	–	**15,301**	–
Unallocated gains					**27**	958	**98**	58	**125**	1,016
Revenue, other income and gains, net					**95,975**	123,174	**20,902**	3,971	**116,877**	127,145
Segment results	**(10,579)**	11,360	**633**	(2,487)	**(9,946)**	8,873	**(1,244)**	(9,554)	**(11,190)**	(681)
Reconciliation:										
Elimination of intersegment results					**(2,405)**	1,343	**–**	–	**(2,405)**	1,343
Bank interest income					**1,838**	1,482	**5**	105	**1,843**	1,587
Interest income from held-to maturity investments					**1,521**	–	**–**	–	**1,521**	–
Gain on disposal of interest in a subsidiary					**–**	–	**15,301**	–	**15,301**	–
Unallocated gains					**27**	958	**98**	58	**125**	1,016
Loss on deemed disposal of interest in a subsidiary					**(2,941)**	–	**–**	–	**(2,941)**	–
Corporate and other unallocated expenses					**(13,632)**	(18,330)	**–**	–	**(13,632)**	(18,330)
Finance costs					**(2,704)**	(6,462)	**–**	–	**(2,704)**	(6,462)
Profit/(Loss) before tax					**(28,242)**	(12,136)	**14,160**	(9,391)	**(14,082)**	(21,527)
Segment assets	**203,049**	232,199	**766**	1,810	**203,815**	234,009	**–**	4,914	**203,815**	238,923
Reconciliation:										
Corporate and other unallocated assets					**36,316**	31,580	**–**	–	**36,316**	31,580
Total assets					**240,131**	265,589	**–**	4,914	**240,131**	270,503
Segment liabilities	**(35,677)**	(40,652)	**(570)**	(1,485)	**(36,247)**	(42,137)	**–**	(2,910)	**(36,247)**	(45,047)
Reconciliation:										
Corporate and other unallocated liabilities					**(96,135)**	(106,380)	**–**	(5,258)	**(96,135)**	(111,638)
Total liabilities					**(132,382)**	(148,517)	**–**	(8,168)	**(132,382)**	(156,685)

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 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 2011, the Group had transactions with four (2010: one) 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:

	2011	2010
	HK$'000	*HK$'000*
Customer 1	**17,154**	–
Customer 2	**11,841**	–
Customer 3	**11,304**	–
Customer 4	**10,168**	46,616
	50,467	46,616

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:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Provision of software development and system integration services	**21,233**	36,487
Sale of computer hardware	**8,452**	37,971
Provision of technical support and maintenance services	**60,153**	43,602
Lease of in-house developed products	**499**	314
	90,337	118,374

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Other income		
Bank interest income	**1,838**	1,482
Interest income from held-to-maturity investments	**1,521**	–
Government grants*	**1,363**	2,119
Construction income	**219**	–
Consultancy income	**–**	257
Others	**697**	206
	5,638	4,064
Gains, net		
Gain on disposal of a golf club membership	**–**	664
Foreign exchange differences, net	**–**	72
	–	736
Other income and gains, net	**5,638**	4,800

* *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	
	2011	2010
	HK$'000	*HK$'000*
Imputed interest on convertible bonds	**–**	2,016
Imputed interest on promissory notes	**2,704**	4,446
	2,704	6,462

5. LOSS BEFORE TAX

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

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Cost of inventories sold	**9,478**	28,185
Cost of services provided	**50,845**	35,781
Depreciation	**3,079**	3,579
Amortisation of other intangible assets*	**161**	188
Minimum lease payments under operating leases in respect of land and buildings	**6,163**	7,204
Auditors' remuneration	**920**	980
Employee benefit expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	**43,989**	38,641
Equity-settled share option expense	**2,199**	7,880
Pension scheme contributions	**3,073**	4,535
	49,261	51,056
Loss on disposal of items of equipment	**32**	54
Impairment of equipment**	**–**	14
Impairment of inventories**	**68**	517
Impairment of amounts due from contract customers**	**1,304**	750
Impairment of trade receivables**	**1,665**	1,044
Impairment of prepayments, deposits and other receivables, net**	**–**	413
Foreign exchange differences, net	**128**	(72)

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

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

6. INCOME TAX

No provision for Hong Kong profits tax has been made for the year ended 31 December 2011 as the Group did not generate any assessable profits arising in Hong Kong during the year (2010: 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 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.

	2011	2010
	HK$'000	*HK$'000*
Current – PRC:		
Hong Kong	**–**	–
Mainland China	**9,400**	3,065
Underprovision/(overprovision) in prior years	**(6,780)**	160
Deferred	**–**	1,779
Total tax charge for the year	**2,620**	5,004

7. PROFIT/(LOSS) FOR THE YEAR FROM A DISCONTINUED OPERATION

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

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

The results of the discontinued operation dealt with in the consolidated financial statements for the years ended 31 December 2011 and 2010 are summarised as follows:

	2011	2010
	HK$'000	*HK$'000*
Revenue	**5,601**	3,987
Expenses	**(6,742)**	(13,378)
Loss before tax from the discontinued operation	**(1,141)**	(9,391)
Income tax related to loss before tax of the discontinued operation	**13,880**	–
	12,739	(9,391)
Gain on disposal of the discontinued operation	**15,301**	–
Profit/(loss) for the year from a discontinued operation	**28,040**	(9,391)

8. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to shareholders of the Company and the weighted average number of 6,494,906,368 ordinary shares in issue during 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 years ended 31 December 2011 and 2010 as the impact of the share options outstanding during these years had no diluting effect on the basic loss per share amounts presented.

9. DIVIDEND

The Board does do not recommend the payment of any dividend for the year ended 31 December 2011 (2010: Nil).

10. 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:

	2011	2010
	HK$'000	*HK$'000*
Within 1 month	**4,907**	6,245
1 to 2 months	**151**	1,067
2 to 3 months	**59**	316
Over 3 months	**12,668**	2,910
	17,785	10,538

11. 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:

	2011	2010
	HK$'000	*HK$'000*
Within 1 month	**2,488**	2,151
1 to 2 months	**30**	439
2 to 3 months	**10**	242
Over 3 months	**2,403**	3,105
	4,931	5,937

12. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the following significant events occurred:

a) On 21 February 2012 and 23 February 2012, the Company entered into an agreement with each of the promissory note holders respectively, pursuant to which, the promissory note holders agreed to convert the respective promissory notes with aggregate principle amount of HK$82,260,000 at the maturity date on 28 May 2012 into four unsecured 3.5-year interest-bearing loans (the "Promissory Note Extension Loans"). The Promissory Note Extension Loans bear interest at Hong Kong Prime Rate plus an agreed interest rate in each year, and are payable in 12 quarterly instalments commencing from 31 March 2013.

b) Trading in the shares on the GEM of the Stock Exchange had been suspended since 29 January 2009 at the request of the Company. On 11 May 2009, the Stock Exchange issued a letter informing the Company that resumption conditions were imposed prior to lifting the suspension pursuant Rule 9.10 of the GEM Listing Rules (the "Resumption Conditions"). All the Resumption Conditions have been fulfilled by the Company on 8 March 2012 and the Company resumed its trading of its shares on the GEM on 19 March 2012.

13. COMPARATIVE AMOUNTS

Owing to the disposal of the Group's interests in Full Trump during the year, the Group's Internet, mobile and telecommunication operation was discontinued. Accordingly, certain comparative amounts for the consolidated income statement have been restated to conform to the current year's presentation. In addition, certain comparative amounts have been reclassified to conform to the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During 2011, the Company continued to work actively with the Stock Exchange on its resumption of share trading application. An updated resumption proposal was submitted in August 2011. 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 May 2011, the Group completed its disposal of interest in Business Net (Hong Kong) Limited. ("Business Net") This transaction enabled the Group to realize its investment in Business Net and brought in cash flow of approximately HK$15 million in 2011 which helped further strengthen the cash position of the Group.

In May 2011, the Group's interests in a former subsidiary, Beijing Enterprises EasyCode (Beijing) Technology Co., Ltd ("EasyCode") was diluted pursuant to an injection of capital by an independent third party into EasyCode. Since then EasyCode was accounted for as an associate instead of a subsidiary. The Group also recognized a net loss of approximately HK$2.9 million in relation to the deemed disposal. The Group is intended to dispose of its entire equity interests in EasyCode in 2012.

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

Financial review

Decrease in revenue had led to an increase in loss from continuing operations. Nonetheless, taking into consideration the financial impact of disposal of Full Trump, loss for the year was significantly reduced from HK$26.5 million for 2010 to HK$2.8 million for 2011. The followings are the financial reviews on continuing operations.

Revenue

The Group's revenue from continuing operations for 2011 amounted to HK$90,337,000, decreased by 23.7% from HK$118,374,000 in 2010. The Group's revenue from continuing operations for the fourth quarter of 2011 amounted to HK$37,936,000 as compared to HK$71,388,000 for 2010. The decrease in revenue as compared to the same period of the year 2010 was mainly due to the fact that there was a relatively huge phase of a multi-year project executed in year 2010 which was not recurring in year 2011. The decrease in the turnover of software development and system integration led to a decrease in revenue in 2011.

Cost of sales and services

The Group had a total cost of sales and services from continuing operations of HK$60,323,000 for 2011, which decreased by 5.7% compared with HK$63,966,000 in 2010.

Gross profit

The gross profit of the Group from continuing operations in 2011 amounted to HK$30,014,000 which decreased by HK$24,394,000 compared with HK$54,408,000 in 2010. The gross profit margin was 33.3% compared with 46.0% in 2010. The decrease was mainly attributed to non-recurrence of multi-year project described in the above, which bore a relatively higher gross margin.

Other income and gains

During the financial year ended 31 December 2011, the Group generated other income and gains from continuing operations of HK$5,638,000 which comprised: (i) bank interest income amounted to HK$1,838,000; (ii) interest income from held-to-maturity investments amounted to HK$1,521,000; (iii) government grants amounted to HK$1,363,000; and (iv) others in an aggregate amount of HK$916,000.

Selling and distribution costs

The Group's selling and distribution costs from continuing operations in 2011 amounted to HK$14,643,000, which decreased by 8.9% compared with HK$16,080,000 in 2010.

Administrative expenses

Administrative expenses of the Group from continuing operations in 2011 were HK$39,868,000, decreased by 12.3% comparing to HK$45,445,000 in 2010. The decrease was mainly due to the Group had implemented certain effective enforcement of cost control measures.

Other expenses

Other expenses of the Group from continuing operations were HK$3,738,000 for 2011 compared to HK$3,357,000 for the previous year. The amount mainly comprised the impairment provision on both the trade receivables and the amount due from contract customers.

Finance costs

Finance costs of the Group in 2011 were HK$2,704,000, decreased by 58.2% comparing to HK$6,462,000 in 2010. The decrease was mainly due to the fact that imputed interest on convertible bonds was no longer required in 2011.

Income tax expense

Owing to a write back of over provision for prior years, the Group's tax expenses in 2011 were reduced to HK$2,620,000, as compared with HK$5,004,000 for 2010.

Loss attributable to shareholders

The Group's loss attributable to shareholders of the Company was HK$1,284,000 for 2011 comparing to loss of HK$29,189,000 for 2010.

Financial Position

Liquidity and financial resource

As at 31 December 2011, cash and bank balances held by the Group increased from HK$134,826,000 as of 31 December 2010 to HK$141,160,000 (which includes cash and cash equivalents of HK$133,821,000 and restricted cash of HK$7,339,000). As at 31 December 2011, the Group's total borrowings amounted to HK$81,129,000 (2010: HK$78,425,000), representing the interest-free promissory notes in issue. The gearing ratio (calculated as total borrowings over total equity) of the Group was 0.75 (2010: 0.69).

For the year ended 31 December 2011, the Group had capital expenditure of HK$1,516,000 (2010: HK$2,589,000).

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, 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 2011, the Group had 525 (2010: 617) full-time employees, including directors. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Other benefits include contributions to the statutory mandatory provident fund scheme for its employees in Hong Kong and social insurance for its employees in the PRC, and are paid at appropriate levels.

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

During the year ended 31 December 2011, 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 are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the financial year ended 31 December 2011, 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 2011.

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 2011 have been reviewed by the audit committee.

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

Hong Kong, 23 March 2012

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

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.