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 2008

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.

SUMMARY

– The main business of China Information Technology Development Limited and its subsidiaries (the "Group") in 2008 was the development and sale of computer software, sales of hardware, the provision of system integration and related support services and the provision of internet, mobile and telecommunication value-added services in the PRC.

– Revenue for the year ended 31 December 2008 amounted to approximately HK$93,657,000 representing a decrease of 31.0% from last year (2007: approximately HK$135,814,000).

– Loss attributable to equity holders for the year ended 31 December 2008 amounted to approximately HK$1,212,313,000 (2007: profit of approximately HK$16,310,000).

– The Board does not recommend the payment of any dividend in respect of the year (2007: Nil).

The board of directors ("the Board") of China Information Technology Development Limited (the "Company") is pleased to present the consolidated results (the "Consolidated Results") of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008 together with the comparative audited figures for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	**2008**	2007
		HK$'000	*HK$'000*
REVENUE	*3*	**93,657**	135,814
Cost of sales and services		**(68,969)**	(49,963)
Gross profit		**24,688**	85,851
Other income and gains	*3*	**49,805**	5,956
Selling and distribution costs		**(34,894)**	(10,681)
Administrative expenses		**(98,359)**	(57,917)
Other expenses		**(86,854)**	(481)
Impairment of goodwill		**(1,040,952)**	–
Finance costs	*5*	**(3,319)**	(2,728)
PROFIT/(LOSS) BEFORE TAX	*4*	**(1,189,885)**	20,000
Tax	*6*	**(26,981)**	(3,947)
PROFIT/(LOSS) FOR THE YEAR		**(1,216,866)**	16,053
Attributable to:			
Equity holders of the Company		**(1,212,313)**	16,310
Minority interests		**(4,553)**	(257)
		(1,216,866)	16,053
DIVIDEND		**–**	–
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
– Basic and diluted		**HK(18.80) cents**	HK0.33 cents

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	**2008** **HK$'000**	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**18,033**	15,370
Goodwill		**34,000**	1,142,481
Other intangible assets		**2,798**	5,322
Prepayments in purchases of intangible assets		**–**	26,887
Interests in an associate		**20,000**	–
Total non-current assets		**74,831**	1,190,060
CURRENT ASSETS			
Inventories		**7,169**	3,001
Trade receivables	*9*	**31,081**	96,480
Prepayments, deposits and other receivables		**32,430**	40,709
Financial assets designated at fair value through profit or loss		**–**	8,547
Cash and cash equivalents		**156,164**	235,808
Total current assets		**226,844**	384,545
CURRENT LIABILITIES			
Trade payables	*10*	**7,003**	6,045
Other payables and accruals		**37,366**	23,867
Due to shareholders		**1,205**	68,816
Tax payable		**20,578**	9,163
Total current liabilities		**66,152**	107,891
NET CURRENT ASSETS		**160,692**	276,654
TOTAL ASSETS LESS CURRENT LIABILITIES		**235,523**	1,466,714
NON-CURRENT LIABILITIES			
Convertible bonds		**76,591**	177,493
Net assets		**158,932**	1,289,221
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**64,949**	62,339
Reserves		**80,948**	1,214,080
		145,897	1,276,419
Minority interests		**13,035**	12,802
Total equity		**158,932**	1,289,221

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Attributable to equity holders of the Company									
	Issued capital	Share premium account	Equity component of convertible bonds	Share option reserve	PRC reserve funds	Exchange fluctuation reserve	Retained profits/ (accumulated losses)	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	38,426	337,250	–	–	3,343	3,738	(252,730)	130,027	10,366	140,393
Exchange realignment	–	–	–	–	–	7,455	–	7,455	917	8,372
Total income and expense for the year recognised directly in equity	–	–	–	–	–	7,455	–	7,455	917	8,372
Profit for the year	–	–	–	–	–	–	16,310	16,310	(257)	16,053
Transfer to PRC reserve funds	–	–	–	–	15,760	–	(15,760)	–	–	–
Acquisition of subsidiaries	15,600	879,988	25,345	–	–	–	–	920,933	1,776	922,709
Issue of shares	8,313	175,632	–	(394)	–	–	–	183,551	–	183,551
Share issue expenses	–	(6,021)	–	–	–	–	–	(6,021)	–	(6,021)
Equity-settled share option arrangements	–	–	–	24,164	–	–	–	24,164	–	24,164
Transfer of accumulated losses	–	(258,677)	–	–	–	–	258,677	–	–	–
At 31 December 2007 and 1 January 2008	62,339	1,128,172*	25,345*	23,770*	19,103*	11,193*	6,497*	1,276,419	12,802	1,289,221
Exchange realignment	–	–	–	–	–	13,407	–	13,407	734	14,141
Total income and expense for the year recognised directly in equity	–	–	–	–	–	13,407	–	13,407	734	14,141
Loss for the year	–	–	–	–	–	–	(1,212,313)	(1,212,313)	(4,553)	(1,216,866)
Transfer to PRC reserve funds	–	–	–	–	3,235	–	(3,235)	–	–	–
Adjustment on contingent consideration	–	–	(8,586)	–	–	–	–	(8,586)	–	(8,586)
Reversal of share option expense	–	–	–	(12,938)	–	–	12,938	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	3,138	3,138
Capital contribution from a minority shareholder	–	–	–	–	–	–	–	–	2,487	2,487
Deemed disposal of a partial interest in a subsidiary	–	–	–	–	–	–	–	–	(1,573)	(1,573)
Conversion of convertible bonds	2,610	48,609	(6,348)	–	–	–	–	44,871	–	44,871
Equity-settled share option arrangements	–	–	–	32,099	–	–	–	32,099	–	32,099
At 31 December 2008	64,949	1,176,781*	10,411*	42,931*	22,338*	24,600*	(1,196,113)*	145,897	13,035	158,932

* *These reserve accounts comprise the reserves of HK$80,948,000 (2007: HK$1,214,080,000) in the consolidated balance sheet.*

NOTES:

1.1 BASIS OF PRESENTATION

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 the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the financial assets designated at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 BASIS OF PREPARATION

Going Concern

As at 31 December 2008, the Company had net current liabilities of HK$12,541,000 and non-current liabilities in respect of convertible bonds of HK$76,591,000 (principal amount of HK$82,260,000) which will mature on 28 May 2010.

In order to improve the financial and current liquidity position of the Group, and otherwise to sustain the Group and the Company as a going concern, the directors of the Company have been taking the following measures:

(a) the Company has obtained the consent from a bondholder who holds outstanding convertible bonds with a principal amount of HK$63,937,000 to not to request repayment of the bonds before 28 May 2011;

(b) the Group will realise certain assets to improve the liquidity and meet the Group's future working capital and financial requirements; and

(c) the Group will repatriate funds from the Company's subsidiaries to the Company.

Provided that these measures are successful and can effectively improve the liquidity position of the Group and the Company, the directors are satisfied that the Group and the Company will have sufficient financial resources to meet their financial obligations as they fall due in the foreseeable future.

Should the Group or the Company be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the financial statements.

Doubtful transactions of Huayuan Run Tong (Beijing) Sci-Tech Co., Ltd. ("Run Tong")

On 18 September 2007, the Group acquired 100% interest in Full Trump International Limited ("Full Trump"), which in turn holds 100% interest in Run Tong whose principal activity is the provision of online corporate information enquiry services to the public through its Mingsuo business. In the course of auditing the financial statements for the year ended 31 December 2008, the auditors identified certain unusual transactions relating to Run Tong. In response, the Company appointed an independent professional firm to carry out an investigation into the revenue recording system of Run Tong for the period from May to December 2008 and the investigation period was later extended to cover the period from January to April 2008. The result of the investigation, announced by the Company on 19 May 2009, revealed that there were: (1) doubtful or questionable genuineness as to certain transaction records in Run Tong's systems; (2) doubtful or questionable genuineness as to certain transactions of Run Tong; (3) doubtful or questionable genuineness as to certain assets of Run Tong; (4) agents, suppliers and customers which might be controlled by Run Tong; and (5) agents and suppliers of Run Tong whose dealings with Run Tong could not be fully explained. Taking into account the result of the investigation, the directors considered that the Group's revenue, deferred income and certain assets in respect of Run Tong were overstated and consequently, the Company made the following adjustments to the Group's consolidated financial statements for the year ended 31 December 2008:

- reversal of revenue for the year of HK$135,151,000 and outstanding deferred income of HK$13,379,000; and a corresponding elimination of outstanding trade receivables of HK$105,596,000 and reclassification of receipts by Run Tong arising from purported sales of prepaid service cards included in revenue to other income for the year of HK$44,079,000;

- provisions for impairment of intangible assets, prepayments and trade receivables of approximately HK$39,934,000, HK$27,958,000 and HK$7,325,000 respectively; and

- provision for impairment of goodwill arising from the acquisition of Full Trump of approximately HK$995,940,000.

The Company also made provision for investment cost in subsidiaries and amount due from subsidiaries of approximately HK$1,110,466,000 in its separate financial statement for the year ended 31 December 2008.

Basis of consolidation

The consolidated financial statements include the Group for the year ended 31 December 2008. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

1.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

1.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs and* HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 1 (Revised)	*First-time adoption of Hong Kong Financial Reporting Standards*[2]
HKFRS 1 Amendments	Amendments to HKFRS1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemptions from comparative HKFRS7 Disclosures for First-time Adopters*[2]
HKFRS 1 Amendments	Amendments to HKFRS1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*[7]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 2 Amendments	Amendments to HKFRS *2 Share-based Payment – Group Cash – settled Share-based Payment Transactions*[7]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*[1]
HKFRS 8	*Operating Segments*[1]
HKFRS 9	*Financial Instruments*[11]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 18 Amendment	Amendments to Appendix HKAS 18 *Reveuue – Determining whether an entity is acting as a principal or as an agent*[7]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 24 (Revised)	*Related Party Disclosures*[10]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]
HKAS 32 and HKAS 1 and Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and* HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[1]

HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[8]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendment to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives*[5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 *Prepayments of a Minimum Funding Requirement*[10]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[4]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers*[6]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[9]
HK Interpretation 4 (Revised in December 2009)	*Lease – Determination of the length of lease term in respect of Hong Kong land leases*[7]

Improvements to HKFRSs (October 2008)

The HKICPA has issued *Improvements to HKFRSs 2008** in October 2008 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

Improvements to HKFRSs (May 2009)

Improvements to HKFRSs 2009 was issued by the HKICPA in May 2009. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 38 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods beginning on or after 30 June 2009
6 Apply prospectively to transfers of assets from customers received on or after 1 July 2009
7 Effective for annual periods beginning on or after 1 January 2010
8 Effective for annual periods beginning on or after 1 February 2010
9 Effective for annual periods beginning on or after 1 July 2010
10 Effective for annual periods beginning on or after 1 January 2011
11 Effective for annual periods beginning on or after 1 January 2013

* Improvements to HKFRSs 2008 contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

2. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the software development and system integration segment engages in (i) the provision of software development services; (ii) the provision of system integration services; and (iii) 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;

(c) the in-house developed products segment engages in the sale and leasing of in-house developed computer hardware; and

(d) the corporate segment comprises corporate income and expense items.

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.

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007. No further geographical segment information is presented as the Group's customers and operations are located in Mainland China.

Business segments

	Software development and system integration		Internet, mobile and telecommunication		In-house developed products		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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	**89,403**	102,698	**1,534**	29,369	**2,720**	3,747	**–**	–	**93,657**	135,814
Intersegment sales	**5,081**	–	**–**	–	**–**	–	**(5,081)**	–	**–**	–
Other income and gains	**860**	2,256	**44,079**	–	**212**	108	**–**	–	**45,151**	2,364
Total	**95,344**	104,954	**45,613**	29,369	**2,932**	3,855	**(5,081)**	–	**138,808**	138,178
Segment results	**(24,111)**	35,194	**(72,495)**	25,714	**(3,033)**	(4,616)	**89**	–	**(99,550)**	56,292
Bank interest income and unallocated gains									**4,654**	3,592
Unallocated corporate expenses, net									**(50,718)**	(37,156)
Impairment of goodwill									**(1,040,952)**	–
Finance costs									**(3,319)**	(2,728)
Profit/(loss) before tax									**(1,189,885)**	20,000
Tax									**(26,981)**	(3,947)
Profit/(loss) for the year									**(1,216,866)**	16,053

	Software development and system integration		Internet, mobile and telecommunication		In-house developed products		Corporate		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities										
Segment assets	**202,630**	233,440	**62,874**	100,176	**4,975**	16,824	**5,586**	149,666	**276,065**	500,106
Unallocated assets									**25,610**	1,074,499
Total assets									**301,675**	1,574,605
Segment liabilities	**(29,311)**	(43,404)	**(5,751)**	(49,169)	**(1,735)**	(1,831)	**(6,384)**	(2,419)	**(43,181)**	(96,823)
Unallocated liabilities									**(99,562)**	(188,561)
Total liabilities									**(142,743)**	(285,384)
Other segment information:										
Depreciation	**3,427**	1,478	**36**	126	**261**	324	**220**	126	**3,944**	2,054
Amortisation of other intangible assets	**57**	52	**4,680**	–	**295**	983	**323**	108	**5,355**	1,143
Impairment of trade receivables	**7,605**	151	**2,237**	–	**130**	285	**–**	–	**9,972**	436
Impairment of prepayments	**–**	–	**27,958**	–	**–**	–	**–**	–	**27,958**	–
Impairment of other intangible assets	**–**	–	**44,586**	–	**–**	–	**–**	–	**44,586**	–
Capital expenditure	**4,865**	6,192	**46,103**	–	**10**	287	**731**	3,466	**51,709**	9,945

3. REVENUE, OTHER INCOME AND GAINS

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

	2008	2007
	HK$'000	*HK$'000*
Revenue		
Sale of in-house developed products	**2,720**	3,747
Provision of software development and system integration services	**54,186**	81,229
Provision of technical support and maintenance services	**35,217**	21,469
Provision of internet, mobile and telecommunication value-added services	**1,534**	29,369
	93,657	135,814

	2008	2007
	HK$'000	*HK$'000*
Other income and gains		
Bank interest income	**2,696**	3,587
PRC tax subsidy	**1,072**	2,364
Gain on deemed disposal of a subsidiary	**1,573**	–
Income received from sales agents	**44,079**	–
Gain on disposal of items of property, plant and equipment	**20**	–
Others	**365**	5
	49,805	5,956

4. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold	**28,382**	2,381
Cost of services provided	**40,587**	47,582
Depreciation	**3,944**	2,054
Amortisation of other intangible assets	**5,355**	1,143
Rental payments under operating leases in respect of land and buildings	**10,528**	4,511
Auditors' remuneration	**4,535**	2,207
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**40,076**	24,944
Equity-settled share option expense	**32,099**	24,164
Pension scheme contributions	**3,433**	1,498
	75,608	50,606
Foreign exchange differences, net	**13**	14
Impairment of trade receivables*	**9,972**	436
Impairment of prepayments*	**27,958**	–
Impairment of goodwill	**1,040,952**	–
Impairment of other intangible assets*	**44,586**	–
Loss on disposal of items of property, plant and equipment*	**–**	27

* *The amounts are included in "Other expenses" on the face of the consolidated income statement.*

5. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on loans from the holding company	**–**	136
Interest on bank overdraft	**101**	–
Interest on convertible bonds	**3,218**	2,592
	3,319	2,728

6. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2007: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

In accordance with the relevant tax rules and regulations of the PRC, certain of the Company's PRC subsidiaries enjoy income tax exemptions and reductions. Certain PRC subsidiaries are subject to income tax rates ranging from 0% to 25%.

	2008	2007
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	–
Current – Elsewhere		
Charge for the year	**26,997**	4,290
Overprovision in prior years	**(16)**	(343)
Total tax charge for the year	**26,981**	3,947

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of HK$1,212,313,000 (2007: profit of HK$16,310,000) and the weighted average number of 6,447,127,679 (2007: 4,924,518,420) ordinary shares in issue during the year.

A diluted earnings/(loss) per share amount for the year ended 31 December 2008 and 2007 are the same as basic earnings/(loss) per share, as the average share price of the Company for the years ended 31 December 2008 and 2007 are lower than the exercise price of the share options outstanding during these years and the convertible bonds outstanding during these years had an anti-dilutive effect on the basic earnings/(loss) per share for these years.

8. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2008 (2007: Nil).

9. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 1 month	**11,313**	44,170
1 to 2 months	**2,160**	13,256
2 to 3 months	**1,665**	19,079
Over 3 months	**15,943**	19,975
	31,081	96,480

10. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 1 month	**2,425**	3,356
1 to 2 months	**106**	528
2 to 3 months	**90**	296
Over 3 months	**4,382**	1,865
	7,003	6,045

11. CONTINGENT LIABILITIES

(a) Cessation of Mingsuo's business

In June 2009, the Group ceased the corporate information enquiry services of Mingsuo business which was operated by Run Tong. The management is not able to ascertain the number of outstanding Mingsuo prepaid cards in issue, the unutilised stored values and their expiry dates. Accordingly, the management is not able to ascertain the Group's liabilities in respect of the services not yet provided for unutilised cards sold up to 31 December 2008. However, in the opinion of the directors, the possibility of the Group being claimed by the customers holding unutilised cards is low.

(b) Violation of the PRC law

On 25 April 2008, the PRC government imposed a new law 《政府信息公開條例》 (the "Regulation") which governs the uses of open government information since 1 May 2008. Run Tong maintained the operation of the Mingsuo Internet Platform for providing the search services on companies which were registered with the Beijing Administration for Industry and Commerce ("BAIC") after May 2008.

The management engaged an external legal counsel to make an assessment and opinion on whether the operation of the Mingsuo Internet Platform after May 2008 would violate the Regulation. According to the legal counsel, the risk for Run Tong and the Group of being sued due to violation of the Regulation is remote.

In the opinion of directors, the potential risk of being claimed against the violation of the Regulation was remote.

12. POST BALANCE SHEET EVENT

On 17 March 2010, the Group entered into a sale and purchase agreement with Beijing Development (Hong Kong) Limited, the substantial shareholder of the Company, to dispose of its Golf Country Club Corporate Membership for a cash consideration of HK$1,875,000. This transaction is scheduled to be completed in May 2010 and is expected to result in a gain on disposal before tax of approximately HK$664,000.

EXTRACT FROM INDEPENDENT AUDITORS' REPORT

Basis for disclaimer of opinion

(a) Transactions, adjustments and related party disclosures relating to Huayuan Run Tong (Beijing) Sci-Tech Co., Ltd. ("Run Tong")

As further explained in note 2.2 to the financial statements, the Group's consolidated financial statements include the financial statements of Run Tong, a wholly-owned subsidiary whose principal activity is the provision of online corporate information enquiry services to the public through its Mingsuo business. In the course of auditing the financial statements for the year ended 31 December 2008, we identified certain unusual transactions relating to Run Tong. In response, the Company appointed an independent professional firm to carry out an investigation into the revenue recording system of Run Tong for the period from May to December 2008 and the investigation period was later extended to cover the period from January to April 2008. The result of the investigation, announced by the Company on 19 May 2009, revealed that there were: (1) doubtful or questionable genuineness as to certain transaction records in Run Tong's systems; (2) doubtful or questionable genuineness as to certain transactions of Run Tong; (3) doubtful or questionable genuineness as to certain assets of Run Tong; (4) agents, suppliers and customers which might be controlled by Run Tong; and (5) agents and suppliers of Run Tong whose dealings with Run Tong could not be fully explained.

Taking into account the result of the investigation, the directors considered that the Group's revenue, deferred income and certain assets in respect of Run Tong were overstated and consequently, the Company made adjustments to eliminate unsubstantiated revenue, deferred income and trade receivables, reclassify receipts arising from purported sales to other income and write off or impair other intangible assets, prepayments, trade receivables and goodwill in relation to Run

Tong for the year ended 31 December 2008 as detailed in note 2.2 to the financial statements. These adjustments in aggregate increased the consolidated loss for the year by approximately HK$1,162,229,000.

In consequence to the above investigation which covered the period from January to December 2008, and as we could not rely on Run Tong's systems nor perform other sufficient satisfactory audit procedures to ascertain the completeness, existence and accuracy of the transactions asserted to have been undertaken by Run Tong nor to verify the relationship with certain parties as revealed in the investigation, we were unable to obtain sufficient evidence as to the appropriateness of the adjustments (as detailed in note 2.2 to the financial statements) and related disclosures, the adequacy of the related party disclosures in note 36 to the financial statements, and as to whether any of the findings of the investigation might have any material effect on the opening balances, and prior period corresponding amounts and note disclosures.

(b) Validity and accuracy of receipts

As further explained in note 2.2 to the financial statements, included in the Group's other income for the year ended 31 December 2008 were receipts by Run Tong arising from purported sales of prepaid service cards of approximately HK$44,079,000. As little information was available to us with respect to these receipts, we were unable to perform any satisfactory audit procedures to ascertain the existence, appropriateness, validity and nature of this income.

Disclaimer of opinion: disclaimer on the view given by the financial statements

Because of the significance of the matters described in the "Basis for disclaimer of opinion" section, we do not express an opinion on the financial statements of the Group as to whether they give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2008 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without expressing a qualified opinion in respect of the going concern assumption, we draw attention to note 2.2 to the financial statements which indicates that the Company had net current liabilities of HK$12,541,000 and non-current liabilities in respect of convertible bonds of HK$76,591,000 (principal amount of HK$82,260,000) as at 31 December 2008. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to repay the outstanding convertible bonds, if not converted, at the maturity date and to continue as a going concern.

As further explained in note 2.2 to the financial statements, the directors of the Company have been taking measures to improve the financial and current liquidity position of the Group, including to obtain consent from a holder of convertible bonds not to request repayment before 28 May 2011. The financial statements of the Group and the Company have been prepared on a going concern basis, the validity of which depends upon the Company's ability to realise the assets to meet the Group's and Company's future working capital and financial requirements and to timely repatriate funds from the Company's subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the financial year ended 31 December 2008, unusual transaction data was found in the revenue recording system of Mingsuo internet platform. The Group promptly established a special committee and appointed an independent professional adviser to investigate into the matter. After careful consideration on the investigation results, the revenue and net assets value of the Group were adjusted down by approximately HK$149 million and HK$1,177 million respectively. In view of the results of the investigation, the directors of the Company have made tremendous efforts to improve the Company's account reporting system, and to enable the Group to resume its normal operations. The directors of the Company believe that the operations of the Group's other subsidiaries have been normal and healthy, and the Group as a whole can maintain sufficient level of operations pursuant to GEM Rule 17.26.

The board of directors is looking forward to a successful resumption of trading of the Company's share on GEM after its satisfactory fulfillment of regulatory requirements.

Financial review

Revenue

The Group's revenue for 2008 amounted to HK$93,657,000, decreased by 31.0% from HK$135,814,000 in 2007. This was mainly due to the adjustments made to the accounts of the Mingsuo system. Revenue from provision of technical support and maintenance services increase by 64.0% from the previous year to HK$35,217,000.

Cost of sales and services

The Group had a total cost of sales and services of HK$68,969,000 for 2008, which increased by 38.0% compared with HK$49,963,000 in 2007. The increase was primarily due to the consolidation of the full year results of the internet, mobile and telecommunication businesses. The cost of sales for internet, mobile and telecommunication business was mainly the amortisation of other intangible assets used in these businesses and the salaries paid to the technical staff involved.

Gross profit

The gross profit of the Group in 2008 amounted to HK$24,688,000 which decreased by HK$61,163,000 compared with HK$85,851,000 in 2007. The gross profit margin was 26.4% compared with 63.2% in 2007.

Other income and gains

During the financial year ended 31 December 2008, the Group generated other income and gains which comprised: (i) income received from sales agents amounted to HK$44,079,000; (ii) bank interest income amounted to HK$2,696,000; (iii) gain on deemed disposal of a subsidiary; (iv) PRC tax subsidy; and (v) gain on disposal of items of property, plant and equipment and others in aggregate amounted to HK$3,030,000.

Selling and distribution costs

The Group's selling and distribution costs in 2008 amounted to HK$34,894,000, which increased by 226.7% compared with HK$10,681,000 in 2007. The increase was mainly due to the promotion expenses incurred for the corporate information enquiry services which amounted to HK$16,775,000.

Administrative expenses

Administrative expenses of the Group in 2008 were HK$98,359,000, increased by 69.8% comparing to HK$57,917,000 in 2007. The increase was mainly due to the consolidation of full year results of the internet, mobile and telecommunication businesses and additional professional fee incurred regarding the investigation and finalisation of the audited figures of Mingsuo operations.

Other expenses

Other expenses of the Group was HK$86,854,000, increased tremendously comparing to the previous year. The significant increase was mainly due to the provision of impairment on other intangible assets and prepayment for the acquisition of other intangible assets from the suppliers and provision of impairment on trade receivables.

Finance costs

Finance costs of the Group in 2008 were HK$3,319,000, increased by 21.7% comparing to HK$2,728,000 in 2007. It was mainly attributable to the full year interest expenses on the convertible bonds.

Tax

The Group's tax expenses in 2008 were HK$26,981,000, increased by 583.6% compared with HK$3,947,000 in 2007. The significant increase was mainly due to the provision of PRC taxation regarding the revenue from Mingsuo system, which had reverted during the financial year ended 31 December 2008.

Loss attributable to equity holders

The Group's loss attributable to equity holders was HK$1,212,313,000 for 2008 comparing to a profit of HK$16,310,000 in 2007.

Financial Position

Liquidity and financial resource

As at 31 December 2008, cash and bank balances held by the Group decreased from HK$235,808,000 to HK$156,164,000. As at 31 December 2008, the Group's total borrowings amounted to HK$76,591,000, representing the convertible bonds issued as consideration for acquisition of Run Tong Group in 2007. The gearing ratio (calculated as total borrowings over total equity) of the Group was 0.48.

For the year ended 31 December 2008, the Group had capital expenditure of HK$51,709,000 (2007: HK$9,945,000).

Exposures to exchange rate fluctuation and hedging activities

As the Group carried out its operations in China, and substantially all of its 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.

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

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

During the year under review, none of the Directors nor the management shareholders (as defined in the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the financial year ended 31 December 2008, 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 2008.

AUDIT COMMITTEE

As required by the GEM Listing Rules, the Company has established an audit committee with written terms of reference, which deal clearly with its authority and duties. 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 four independent non-executive directors, namely Ms. Ma Yuhua, Ms. Liang Yeping, Dr. Zhou Chunsheng and Dr. Sun Guofu.

The Group's consolidated results for the year ended 31 December 2008 have been reviewed by the audit committee, in the opinion that the preparation of such results were complied with the applicable accounting standards.

By order of the Board
China Information Technology Development Limited
Zhang Honghai
Chairman

Hong Kong, 31 March 2010

As at the date of this announcement, the Board comprises Mr. Zhang Honghai (Chairman) as non-executive director, Mr. Hu Zhuoer (Chief Executive Officer) and Dr. Yu Xiaoyang as executive directors, Ms. Ma Yuhua, Ms. Liang Yeping, Dr. Zhou Chunsheng and Dr. Sun Guofu as independent non-executive directors.

This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purposes of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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.