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 2009

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 2009 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 2009 amounted to approximately HK$108,571,000 representing an increase of 15.9% from last year (2008: approximately HK$93,657,000).

- Loss attributable to owners for the year ended 31 December 2009 amounted to approximately HK$57,396,000 (2008: approximately HK$1,212,313,000).

- The Board does not recommend the payment of any dividend in respect of the year (2008: 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 2009 together with the comparative audited figures for the year ended 31 December 2008.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	**2009**	2008
		HK$'000	*HK$'000*
REVENUE	*3*	**108,571**	93,657
Cost of sales and services		**(64,727)**	(68,969)
Gross profit		**43,844**	24,688
Other income and gains	*3*	**5,631**	49,805
Selling and distribution costs		**(19,651)**	(34,894)
Administrative expenses		**(75,325)**	(98,359)
Other expenses		**(2,951)**	(86,854)
Impairment of goodwill		**–**	(1,040,952)
Finance costs	*5*	**(3,701)**	(3,319)
LOSS BEFORE TAX	*4*	**(52,153)**	(1,189,885)
Income tax expense	*6*	**(4,093)**	(26,981)
LOSS FOR THE YEAR		**(56,246)**	(1,216,866)
Attributable to:			
Owners of the Company		**(57,396)**	(1,212,313)
Minority interests		**1,150**	(4,553)
		(56,246)	(1,216,866)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*7*		
– Basic and diluted		**HK(0.88) cents**	HK(18.80) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009	2008
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(56,246)**	(1,216,866)
Exchange differences on translation of foreign operations	**576**	14,141
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**576**	14,141
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(55,670)**	(1,202,725)
Attributable to:		
Owners of the company	**(56,861)**	(1,198,906)
Minority interests	**1,191**	(3,819)
	(55,670)	(1,202,725)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	**2009**	2008
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**15,055**	18,033
Goodwill		**34,000**	34,000
Other intangible assets		**2,475**	2,798
Interests in an associate		**20,000**	20,000
Total non-current assets		**71,530**	74,831
CURRENT ASSETS			
Inventories		**18,142**	7,169
Trade receivables	*9*	**33,510**	31,081
Prepayments, deposits and other receivables		**15,666**	32,430
Cash and cash equivalents		**131,197**	156,164
Total current assets		**198,515**	226,844
CURRENT LIABILITIES			
Trade payables	*10*	**5,568**	7,003
Other payables and accruals		**41,622**	37,366
Due to shareholders		**1,196**	1,205
Tax payable		**21,978**	20,578
Convertible bonds		**80,292**	–
Total current liabilities		**150,656**	66,152
NET CURRENT ASSETS		**47,859**	160,692
TOTAL ASSETS LESS CURRENT LIABILITIES		**119,389**	235,523
NON-CURRENT LIABILITIES			
Convertible bonds		**–**	76,591
Net assets		**119,389**	158,932
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**64,949**	64,949
Reserves		**40,214**	80,948
		105,163	145,897
Minority interests		**14,226**	13,035
Total equity		**119,389**	158,932

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	Attributable to owners 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 2008	62,339	1,128,172	25,345	23,770	19,103	11,193	6,497	1,276,419	12,802	1,289,221
Loss for the year	–	–	–	–	–	–	(1,212,313)	(1,212,313)	(4,553)	(1,216,866)
Other comprehensive income	–	–	–	–	–	13,407	–	13,407	734	14,141
Total comprehensive income for the year	–	–	–	–	–	13,407	(1,212,313)	(1,198,906)	(3,819)	(1,202,725)
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 and 1 January 2009	64,949	1,176,781*	10,411*	42,931*	22,338*	24,600*	(1,196,113)*	145,897	13,035	158,932
Loss for the year	–	–	–	–	–	–	(57,396)	(57,396)	1,150	(56,246)
Other comprehensive income	–	–	–	–	–	535	–	535	41	576
Total comprehensive income for the year	–	–	–	–	–	535	(57,396)	(56,861)	1,191	(55,670)
Reversal of share option expense	–	–	–	(10,948)	–	–	10,948	–	–	–
Equity-settled share option arrangements	–	–	–	16,127	–	–	–	16,127	–	16,127
At 31 December 2009	64,949	1,176,781*	10,411*	48,110*	22,338*	25,135*	(1,242,561)*	105,163	14,226	119,389

* *These reserve accounts comprise the consolidated reserves of HK$40,214,000 (2008: HK$80,948,000) in the consolidated statement of financial position.*

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. 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 2009, the Company had net current liabilities of HK$94,135,000 inclusive of convertible bonds with a carrying amount of HK$80,292,000 (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 its 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") in the prior year

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 amounts due from subsidiaries of approximately HK$1,110,466,000 in its separate financial statements for the year ended 31 December 2008.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009. 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.

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 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. Except for in certain cases, giving rise to new and revised HKFRSs has had no significant effect on these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments – Disclosure of information about segment assets*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* *Included in Improvements to HKFRSs 2009 (as issued in May 2009).*

1.4 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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. 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 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments 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.

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 from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's loss before tax from continuing operations except that interest income, finance costs, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

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.

Information regarding those reportable segments, together with their related comparative information, is presented below.

2. OPERATING SEGMENT INFORMATION *(continued)*

Reporting segment information

Year ended 31 December 2009 and 31 December 2008

Group

	Software development and system integration		Internet, mobile and telecommunication		In-house developed products		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**105,924**	89,403	**1,599**	1,534	**1,048**	2,720	**108,571**	93,657
Intersegment sales	**1,296**	5,081	**–**	–	**–**	–	**1,296**	5,081
Other income and gains	**1,189**	860	**3,199**	44,079	**–**	212	**4,388**	45,151
	108,409	95,344	**4,798**	45,613	**1,048**	2,932	**114,255**	143,889
Reconciliation:								
Elimination of intersegment sales							**(1,296)**	(5,081)
Revenue							**112,959**	138,808
Segment results	**3,238**	(24,111)	**(21,951)**	(72,495)	**(2,063)**	(3,033)	**(20,776)**	(99,639)
Reconciliation:								
Elimination of intersegment results							**(333)**	89
Interest income							**1,141**	2,696
Unallocated gains							**102**	1,958
Corporate and other unallocated assets							**(28,586)**	(50,718)
Impairment of goodwill							**–**	(1,040,952)
Finance costs							**(3,701)**	(3,319)
Loss before tax							**(52,153)**	(1,189,885)

31 December 2009 and 31 December 2008

Group

	Software development and system integration		Internet, mobile and telecommunication		In-house developed products		Corporate		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**212,538**	202,630	**25,211**	62,874	**3,398**	4,975	**4,093**	5,586	**245,240**	276,065
Reconciliation:										
Unallocated assets									**24,805**	25,610
Total assets									**270,045**	301,675
Segment liabilities	**(34,425)**	(29,311)	**(4,798)**	(5,751)	**(1,643)**	(1,735)	**(5,121)**	(6,384)	**(45,987)**	(43,181)
Reconciliation:										
Unallocated liabilities									**(104,669)**	(99,562)
Total liabilities									**(150,656)**	(142,743)
Other segment information:										
Depreciation	**2,955**	3,427	**841**	36	**259**	261	**264**	220	**4,319**	3,944
Amortisation of other intangible assets	**–**	57	**–**	4,680	**–**	295	**323**	323	**323**	5,355
Impairment of trade receivables	**–**	7,605	**–**	2,237	**–**	130	**–**	–	**–**	9,972
Impairment of prepayments and other receivables	**–**	–	**421**	27,958	**–**	–	**–**	–	**421**	27,958
Impairment of other intangible assets	**–**	–	**–**	44,586	**–**	–	**–**	–	**–**	44,586
Capital expenditure	**2,921**	4,865	**914**	46,103	**1**	10	**–**	731	**3,836**	51,709

3. REVENUE, OTHER INCOME AND GAINS

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

	2009	2008
	HK$'000	*HK$'000*
Revenue		
Sale of in-house developed products	**1,048**	2,720
Provision of software development and system integration services	**46,419**	54,186
Provision of technical support and maintenance services	**59,505**	35,217
Provision of internet, mobile and telecommunication value-added services	**1,599**	1,534
	108,571	93,657

	2009	2008
	HK$'000	*HK$'000*
Other income and gains		
Bank interest income	**1,141**	2,696
PRC tax subsidy	**1,189**	1,072
Gain on deemed disposal of a subsidiary	**–**	1,573
Income received from sales agents	**3,199**	44,079
Gain on disposal of items of property, plant and equipment	**–**	20
Others	**102**	365
	5,631	49,805

4. LOSS BEFORE TAX

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

	2009	2008
	HK$'000	*HK$'000*
Cost of inventories sold	**16,960**	28,382
Cost of services provided	**47,767**	40,587
Depreciation	**4,319**	3,944
Amortisation of other intangible assets	**323**	5,355
Rental payments under operating leases in respect of land and buildings	**10,775**	10,528
Auditors' remuneration	**1,275**	4,535
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**39,243**	40,076
Equity-settled share option expense	**16,126**	32,099
Pension scheme contributions	**3,659**	3,433
	59,028	75,608
Foreign exchange differences, net	**640**	13
Impairment of trade receivables*	**–**	9,972
Impairment of prepayments and other receivables*	**421**	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*	**1,734**	–

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

5. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on bank overdraft	**–**	101
Interest on convertible bonds	**3,701**	3,218
	3,701	3,319

6. INCOME 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 (2008: 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%.

	2009	2008
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	–
Current – Elsewhere		
Charge for the year	**4,093**	26,997
Overprovision in prior years	**–**	(16)
Total tax charge for the year	**4,093**	26,981

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 attributable to owners of the Company of HK$57,396,000 (2008: HK$1,212,313,000) and the weighted average number of 6,494,906,368 (2008: 6,447,127,679) ordinary shares in issue during the year.

A diluted loss per share amount for the year ended 31 December 2009 and 2008 are the same as the basic earnings/(loss) per share, as the average share price of the Company for the years ended 31 December 2009 and 2008 are lower than the exercise price of the share options outstanding during these years and the convertible bonds outstanding during these years had an auti-dilutive effect on the basic loss per share for these years.

8. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2009 (2008: Nil).

9. TRADE RECEIVABLES

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

	2009	2008
	HK$'000	*HK$'000*
Within 1 month	**22,223**	11,313
1 to 2 months	**955**	2,160
2 to 3 months	**2,311**	1,665
Over 3 months	**8,021**	15,943
	33,510	31,081

10. TRADE PAYABLES

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

	2009	2008
	HK$'000	*HK$'000*
Within 1 month	**2,182**	2,425
1 to 2 months	**167**	106
2 to 3 months	**39**	90
Over 3 months	**3,180**	4,382
	5,568	7,003

11. CONTINGENT LIABILITIES

(a) Cessation of Mingsuo 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 sue 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. EVENT AFTER THE REPORTING PERIOD

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 AUDITOR'S REPORT

Basis for qualified opinion

As further explained in note 2.2 to the financial statements, in light of the investigation into the transactions of Huayuan Run Tong (Beijing) Sci-Tech Co., Ltd. ("Run Tong"), a wholly-owned subsidiary, in the prior year, adjustments were made to the Group's revenue, other income, deferred income and certain assets for the year ended 31 December 2008 which in aggregate increased the consolidated loss for the year by approximately HK$1,162,229,000. As explained in our report dated 31 March 2010 on the Group's financial statements for the year ended 31 December 2008, we were unable to obtain sufficient and appropriate audit evidence in respect of (a) certain transactions, adjustments and related party disclosures relating to Run Tong and (b) certain receipts of Run Tong. As a result, we were unable to express an opinion on the Group's financial statements for the year ended 31 December 2008. Any adjustments found to be necessary would not be expected to have a significant impact on the results for the current year.

Qualified opinion on corresponding figures

In our opinion, except for the possible effects on the corresponding figures of the matters described in the basis for qualified opinion paragraph above, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

Emphasis of matter

Without further qualifying our opinion, we draw attention to note 2.2 to the financial statements which indicates that the Company had net current liabilities of HK$94,135,000 inclusive of convertible bonds with a carrying amount of HK$80,292,000 (principal amount of HK$82,260,000) as at 31 December 2009. This indicates 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

In year 2009, 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 of the Group for financial year ended 31 December 2009 were adjusted down by approximately HK$3 million. 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 shares on GEM after its satisfactory fulfillment of regulatory requirements.

Financial review

Revenue

The Group's revenue for 2009 amounted to HK$108,571,000, increased by 15.9% from HK$93,657,000 in 2008. This was mainly due to the increase in provision of technical supports and maintenance services increase by 69.0% from the previous year to HK$59,505,000.

Cost of sales and services

The Group had a total cost of sales and services of HK$64,727,000 for 2009, which decreased by 6.2% compared with HK$68,969,000 in 2008. The decrease was primarily due to the decrease in 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 2009 amounted to HK$43,844,000 which increased by HK$19,156,000 compared with HK$24,688,000 in 2008. The gross profit margin was 40.4% compared with 26.4% in 2008.

Other income and gains

During the financial year ended 31 December 2009, the Group generated other incomes which comprised: (i) income received from the sales agents amounted to HK$3,199,000; (ii) bank interest income amounted to HK$1,141,000; and (iii) PRC tax subsidy and others in aggregate amounted to HK$1,291,000.

Selling and distribution costs

The Group's selling and distribution costs in 2009 amounted to HK$19,651,000, which decreased by 43.7% compared with HK$34,894,000 in 2008. The decrease was mainly due to the promotion expenses incurred for the corporate information enquiry services which amounted to HK$16,775,000 in 2008.

Administrative expenses

Administrative expenses of the Group in 2009 were HK$75,325,000, decreased by 23.4% comparing to HK$98,359,000 in 2008. The decrease was mainly due to the downsizing of Mingsuo operation.

Other expenses

Other expenses of the Group was HK$2,951,000, decreased tremendously comparing to the previous year. The significant decrease 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 in 2008.

Finance costs

Finance costs of the Group in 2009 were HK$3,701,000, increased by 11.5% comparing to HK$3,319,000 in 2008.

Income tax expense

The Group's tax expenses in 2009 were HK$4,093,000, decreased by 84.8% compared with HK$26,981,000 in 2008. The significant decrease was mainly due to the provision of PRC taxation regarding the revenue from Mingsuo system during the financial year ended 31 December 2008.

Loss attributable to owners

The Group's loss attributable to owners was HK$57,396,000 for 2009 comparing to loss of HK$1,212,313,000 in 2008.

Financial Position

Liquidity and financial resource

As at 31 December 2009, cash and bank balances held by the Group decreased from HK$156,164,000 to HK$131,197,000. As at 31 December 2009, the Group's total borrowings amounted to HK$80,292,000, represented by 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 0.67.

For the year ended 31 December 2009, the Group had capital expenditure of HK$3,836,000 (2008: HK$51,709,000).

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 2009, 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 2009, 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 2009.

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 2009 have been reviewed by the audit committee, in the opinion that the preparation of such results was 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.