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 2010

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

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.

SUMMARY

- The main business of China Information Technology Development Limited and its subsidiaries (the "Group") in 2010 was 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 for the year ended 31 December 2010 amounted to approximately HK$122,098,000 representing an increase of 12.5% from last year (2009: approximately HK$108,571,000).

- Loss attributable to shareholders of the Company for the year ended 31 December 2010 amounted to approximately HK$29,189,000 (2009: approximately HK$57,396,000).

- The Board does not recommend the payment of any dividend in respect of the year (2009: 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 2010 together with the comparative audited figures for the year ended 31 December 2009 as follow:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	**2010**	2009
		HK$'000	*HK$'000*
REVENUE	*4*	**122,098**	108,571
Cost of sales and services		**(66,259)**	(64,727)
Gross profit		**55,839**	43,844
Other income and gains, net	*4*	**5,047**	5,631
Selling and distribution costs		**(17,508)**	(19,651)
Administrative expenses		**(55,102)**	(75,325)
Other expenses		**(3,341)**	(2,951)
Finance costs	*6*	**(6,462)**	(3,701)
Share of results of an associate		**–**	–
LOSS BEFORE TAX	*5*	**(21,527)**	(52,153)
Income tax	*7*	**(5,004)**	(4,093)
LOSS FOR THE YEAR		**(26,531)**	(56,246)
Attributable to:			
Shareholders of the Company		**(29,189)**	(57,396)
Non-controlling interests		**2,658**	1,150
		(26,531)	(56,246)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*8*		
– Basic and diluted		**HK(0.45) cents**	HK(0.88) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(26,531)**	(56,246)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX OF NIL		
– Exchange differences on translation of foreign operations	**4,751**	576
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(21,780)**	(55,670)
Attributable to:		
Shareholders of the Company	**(25,057)**	(56,861)
Non-controlling interests	**3,277**	1,191
	(21,780)	(55,670)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	**31 December 2010** **HK$'000**	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
NON-CURRENT ASSETS				
Equipment		**13,624**	15,055	18,033
Goodwill		**34,000**	34,000	34,000
Other intangible assets		**1,076**	2,475	2,798
Investments in an associate		**–**	20,000	20,000
Total non-current assets		**48,700**	71,530	74,831
CURRENT ASSETS				
Inventories		**1,295**	18,142	7,169
Amounts due from contract customers	*10*	**33,700**	16,690	13,511
Trade receivables	*11*	**10,538**	16,820	17,570
Prepayments, deposits and other receivables		**21,444**	15,666	32,430
Cash and bank balances		**134,826**	131,197	156,164
		201,803	198,515	226,844
Investments in an associate held for sale		**20,000**	–	–
Total current assets		**221,803**	198,515	226,844
CURRENT LIABILITIES				
Trade payables	*12*	**5,937**	5,568	7,003
Amounts due to contract customers	*10*	**19,276**	16,925	12,161
Other payables and accruals		**28,023**	25,893	26,410
Income tax payables		**23,196**	21,978	20,578
Convertible bonds		**–**	80,292	–
Total current liabilities		**76,432**	150,656	66,152
NET CURRENT ASSETS		**145,371**	47,859	160,692
TOTAL ASSETS LESS CURRENT LIABILITIES		**194,071**	119,389	235,523
NON-CURRENT LIABILITIES				
Convertible bonds		**–**	–	76,591
Promissory notes	*13*	**78,425**	–	–
Deferred tax liability		**1,828**	–	–
Total non-current liabilities		**80,253**	–	76,591
Net assets		**113,818**	119,389	158,932
EQUITY				
Equity attributable to shareholders of the Company				
Issued capital		**64,949**	64,949	64,949
Reserves		**31,366**	40,214	80,948
		96,315	105,163	145,897
Non-controlling interests		**17,503**	14,226	13,035
Total equity		**113,818**	119,389	158,932

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	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 2009	64,949	1,176,781	42,931	–	10,411	24,600	22,338	(1,196,113)	145,897	13,035	158,932
Profit/(loss) for the year	–	–	–	–	–	–	–	(57,396)	(57,396)	1,150	(56,246)
Other comprehensive income for the year - Exchange differences on translation of foreign operations	–	–	–	–	–	535	–	–	535	41	576
Total comprehensive income/(loss) for the year	–	–	–	–	–	535	–	(57,396)	(56,861)	1,191	(55,670)
Equity-settled share option arrangements	–	–	16,127	–	–	–	–	–	16,127	–	16,127
Transfer of share option reserve upon the forfeiture of share options	–	–	(10,948)	–	–	–	–	10,948	–	–	–
At 31 December 2009 and 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 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	64,949	1,176,781*	44,697*	8,329*	–*	29,267*	25,678*	(1,253,386)*	96,315	17,503	113,818

* *These reserve accounts comprise the consolidated reserves of HK$31,366,000 (2009: HK$40,214,000) in the consolidated statement of financial position.*

NOTES:

1. BASIS OF PRESENTATION

The Group and the Company incurred losses of HK$26,531,000 and HK$56,009,000 for the year ended 31 December 2010, respectively, and the Group had net cash flows used in operating activities of HK$6,418,000 for the year.

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

(a) the Group and the Company will control and tighten up administrative expenses;

(b) the Group will realise 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. Accordingly, these financial statements have been prepared on the going concern basis.

Should the Group and the Company be unable to achieve the above and continue in business as going concerns, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the 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

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. 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.

Losses within a subsidiary are 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.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC) -Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments 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*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and amendments to HKFRS 8, HKAS 1, HKAS 7, HKAS 36 and HKAS 38 included in *Improvements to HKFRSs 2009,* the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limit to HKAS *7 Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that segment assets and liabilities need only to be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- HKAS 1 *Presentation of Financial Statements*: States that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 36 *Impairment of Assets*: Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in HKFRS 8 before aggregation for financial reporting purposes.

- HKAS 38 *Intangible Assets*: Clarifies that (i) if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of assets as a single asset provided that the individual assets have similar useful lives; and (ii) the valuation techniques presented in the standard for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

2.3 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 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* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC) -Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC) -Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

Further information about those changes that are expected to significantly affect the Group is as follows:

(a) HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

(b) HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

(c) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

- HKFRS 3 *Business Combinations:* Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements:* Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

- HKAS 27 *Consolidated and Separate Financial Statements:* Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

3. 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; 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 related company, promissory notes, convertible bonds, 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.

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

Reportable operating segment information

Group

	Software development and system integration		Internet, mobile and telecommunication		In-house developed products		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**118,060**	105,924	**3,724**	1,599	**314**	1,048	**122,098**	108,571
Intersegment sales	**20,628**	1,296	**–**	–	**–**	–	**20,628**	1,296
Other income and gains	**2,360**	1,189	**84**	3,199	**–**	–	**2,444**	4,388
	141,048	108,409	**3,808**	4,798	**314**	1,048	**145,170**	114,255
Reconciliation:								
Elimination of intersegment sales							**(20,628)**	(1,296)
Bank interest income							**1,587**	1,141
Unallocated gains							**1,016**	102
Revenue, other income and gains, net							**127,145**	114,202
Segment results	**11,360**	3,238	**(9,554)**	(21,951)	**(2,487)**	(2,063)	**(681)**	(20,776)
Reconciliation:								
Elimination of intersegment results							**1,343**	(333)
Bank interest income							**1,587**	1,141
Unallocated gains							**1,016**	102
Corporate and other unallocated expenses							**(18,330)**	(28,586)
Finance costs							**(6,462)**	(3,701)
Loss before tax							**(21,527)**	(52,153)

Group

	Software development and system integration		Internet, mobile and telecommunication		In-house developed products		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**232,199**	212,538	**4,914**	25,211	**1,810**	3,398	**238,923**	241,147
Reconciliation:								
Corporate and other unallocated assets							**31,580**	28,898
Total assets							**270,503**	270,045
Segment liabilities	**(40,652)**	(34,425)	**(2,910)**	(4,798)	**(1,485)**	(1,643)	**(45,047)**	(40,866)
Reconciliation:								
Corporate and other unallocated liabilities							**(111,638)**	(109,790)
Total liabilities							**(156,685)**	(150,656)
Other segment information:								
Depreciation on:								
Segment assets	**3,190**	2,955	**805**	841	**126**	259	**4,121**	4,055
Corporate and other unallocated assets							**263**	264
							4,384	4,319
Amortisation of other intangible assets on:								
Segment assets	**–**	–	**–**	–	**–**	–	**–**	–
Corporate and other unallocated assets							**188**	323
							188	323
Impairment of equipment	**–**	–	**–**	–	**14**	–	**14**	–
Impairment of inventories	**306**	–	**–**	–	**211**	–	**517**	–
Impairment of amounts due from contract customers	**750**	–	**–**	–	**–**	–	**750**	–
Impairment of trade receivables	**408**	–	**–**	–	**636**	–	**1,044**	–
Impairment of prepayments, deposits and other receivables, net	**147**	–	**39**	421	**266**	–	**452**	421
Investments in an associate							**–**	20,000
Investments in an associate held for sale							**20,000**	–
Capital expenditure* on:								
Segment assets	**1,065**	2,921	**1,513**	914	**–**	1	**2,578**	3,836
Corporate and other unallocated assets							**11**	–
							2,589	3,836

* *Capital expenditure consists of additions to equipment.*

Geographical information

Geographic 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 2010, the Group had transactions with one (2009: two) single external customer of the software development and system integration segment which contributed over 10% of the Group's total revenue for the year. The revenue derived from sale transactions with the one (2009: two) single external customer of the software development and system integration segment for the year ended 31 December 2010 amounted to HK$46,616,000 (2009: HK$15,134,000 and HK$11,702,000, respectively).

4. 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; (4) the service income received from the provision of Internet, mobile and telecommunication valued-added services, net of business tax; and (5) 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 is as follows:

	2010 *HK$'000*	2009 *HK$'000*
Revenue		
Provision of software development and system integration services	**36,487**	25,159
Sale of computer hardware	**37,971**	21,260
Provision of technical support and maintenance services	**43,602**	59,505
Provision of Internet, mobile and telecommunication value-added services	**3,724**	1,599
Sale and lease of in-house developed products	**314**	1,048
	122,098	108,571

	2010 *HK$'000*	2009 *HK$'000*
Other income		
Bank interest income	**1,587**	1,141
Government grants*	**2,119**	1,189
Income received from sales agents	**38**	3,199
Consultancy income	**257**	–
Others	**310**	102
	4,311	5,631
Gains, net		
Gain on disposal of a golf club membership	**664**	–
Foreign exchange differences, net	**72**	–
	736	–
Other income and gains, net	**5,047**	5,631

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

5. LOSS BEFORE TAX

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

	2010	2009
	HK$'000	*HK$'000*
Cost of inventories sold	**28,421**	16,960
Cost of services provided	**37,838**	47,767
Depreciation	**4,384**	4,319
Amortisation of other intangible assets*	**188**	323
Minimum lease payments under operating leases in respect of land and buildings	**8,435**	10,775
Auditors' remuneration	**980**	950
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**41,766**	39,243
Equity-settled share option expense	**7,880**	16,127
Pension scheme contributions	**4,856**	3,659
	54,502	59,029
Loss on disposal of items of equipment	**54**	1,734
Impairment of equipment**	**14**	–
Impairment of inventories**	**517**	–
Impairment of amounts due from contract customers**	**750**	–
Impairment of trade receivables**	**1,044**	–
Impairment of prepayments, deposits and other receivables, net**	**452**	421
Foreign exchange differences, net	**(72)**	640

* *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. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Imputed interest on convertible bonds	**2,016**	3,701
Imputed interest on promissory notes	**4,446**	–
	6,462	3,701

7. INCOME TAX

No provision for Hong Kong profits tax has been made for the year ended 31 December 2010 as the Group did not generate any assessable profits arising in Hong Kong during the year (2009: 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.

	2010	2009
	HK$'000	*HK$'000*
Current – PRC:		
Hong Kong	**–**	–
Mainland China	**3,065**	4,093
Underprovision in prior years	**160**	–
Deferred	**1,779**	–
Total tax charge for the year	**5,004**	4,093

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 (2009: 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 2010 and 2009 as the impact of the share options and convertible bonds outstanding during these years had either no diluting effect or an anti-dilutive 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 2010 (2009: Nil).

10. AMOUNTS DUE FROM/TO CONTRACT CUSTOMERS

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000* (Restated)	1 January 2009 *HK$'000* (Restated)
Gross amounts due from contract customers	**34,470**	16,690	13,511
Less: Impairment	**(770)**	–	–
	33,700	16,690	13,511
Amounts due to contract customers	**(19,276)**	(16,925)	(12,161)
	14,424	(235)	1,350
Contract costs incurred plus recognised profits less recognised losses to date	**92,160**	68,438	76,188
Less: Progress billings	**(76,966)**	(68,673)	(74,838)
Less: Impairment	**(770)**	–	–
	14,424	(235)	1,350

11. TRADE RECEIVABLES

The Group has granted credit terms to its customers, ranging from 30 to 90 days. In certain cases, the Group would request payment in advance from the customers. 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:

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000* (Restated)	1 January 2009 *HK$'000* (Restated)
Within 1 month	**6,245**	10,875	3,761
1 to 2 months	**1,067**	545	962
2 to 3 months	**316**	1,918	333
Over 3 months	**2,910**	3,482	12,514
	10,538	16,820	17,570

12. TRADE PAYABLES

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

	2010	2009
	HK$'000	*HK$'000*
Within 1 month	**2,151**	2,182
1 to 2 months	**439**	167
2 to 3 months	**242**	39
Over 3 months	**3,105**	3,180
	5,937	5,568

13. PROMISSORY NOTES

On 28 May 2010, the Company entered into an undertaking agreement with each of the convertible bond holders (the "Bondholders"), pursuant to which, the Company cancelled the then outstanding First Convertible Bonds and Second Convertible Bonds with aggregate principal amounts of HK$18,324,000 and HK$63,936,000 respectively; and issued three promissory notes with an aggregate principal amount of HK$82,260,000 to the Bondholders on the same date. The promissory notes are unsecured, interest-free and would mature on 28 May 2011. Since the Bondholders are shareholders of the Company, for accounting purposes, the benefit of the interest-free promissory notes of HK$8,329,000, representing the difference between the aggregate principal amount and the initial fair value of the promissory notes of HK$73,931,000, as estimated by the directors of the Company with reference to the present value of all future cash payments of the promissory notes prior to their maturity date of 28 May 2011 discounted using the then prevailing market rate of interest for similar loans of 11%, was accounted for as deemed capital contributions from certain shareholders of the Company and recognised in the capital reserve at the inception of the promissory notes.

Subsequently, pursuant to an extension confirmation entered into between the Company and each of the Bondholders on 22 November 2010, the maturity date of the promissory notes was extended to 28 May 2012 with all other terms remain unchanged. Accordingly, the promissory notes are recognised as non-current liabilities as at 31 December 2010. In the opinion of the directors, this alteration did not constitute a substantial modification of the terms of the promissory notes and hence was not accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

14. CONTINGENT LIABILITIES

(a) Termination of Mingsuo's business

In June 2009, the Group ceased the corporate information enquiry services of Mingsuo Internet Platform (the "Mingsuo Business") which was operated by Huayuan Run Tong (Beijing) Sci-Tech Co., Ltd. ("Run Tong"). A total of RMB2,686 (equivalent to approximately HK$3,200) was refunded during the year ended 31 December 2010 to certain customers who previously purchased from Run Tong certain prepaid cards. However, 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 2010 and 2009. 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《政府信息公開條件》(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. As such, Run Tong and the Group would potentially be exposed to the risk of being sued for the violation of the Regulations.

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 of Run Tong and the Group of being involved in a lawsuit due to the violation of the Regulation is remote.

Accordingly, in the opinion of the directors, the potential risk of being claimed against the violation of the Regulation is remote.

15. EVENT AFTER THE REPORTING PERIOD

On 4 March 2011, the Company entered into a master services agreement (the "Agreement") with B E Information Technology Group Limited ("B E Information", a subsidiary of Beijing Development (Hong Kong) Limited and a connected person of the Group as defined under the GEM Listing Rules), pursuant to which, the Group will provide information technology related services, on a non-exclusive basis, to B E Information and its subsidiaries for the period from 4 March 2011 to 31 December 2012 with an annual cap of HK$10 million for each of the years ending 31 December 2011 and 2012. The transactions constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules. Further details of the Agreement are set out in the Company's announcement dated 7 March 2011.

16. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform to the current year's presentation, and a third statement of financial position as at 1 January 2009 has been presented.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In year 2010, the Group's operation was on a steady increase. The Group continued to strengthen its internal control and accounting reporting systems. The Group submitted a resumption of share trading proposal to the Stock Exchange and is now waiting for the reply from the Stock Exchange.

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

Financial review

Revenue

The Group's revenue for 2010 amounted to HK$122,098,000, increased by 12.5% from HK$108,571,000 in 2009. This was mainly due to the increase in turnover of software development and system integration and sale of computer hardware.

Cost of sales and services

The Group had a total cost of sales and services of HK$66,259,000 for 2010, which increased by 2.4% compared with HK$64,727,000 in 2009. The increase was primarily due to the increase of salaries paid to the technical staff involved.

Gross profit

The gross profit of the Group in 2010 amounted to HK$55,839,000 which increased by HK$11,995,000 compared with HK$43,844,000 in 2009. The gross profit margin was 45.7% compared with 40.4% in 2009. The increase was mainly attributed to increase in turnover of software development and system integration and the sale of computer hardware both of which bore a higher gross margin.

Other income and gains

During the financial year ended 31 December 2010, the Group generated other incomes which comprised of: (i) income received from the sales agents amounted to HK$38,000; (ii) bank interest income amounted to HK$1,587,000; and (iii) government grants amounted to HK$2,119,000; (iv) gain on disposal of a golf club membership amounted to HK$664,000, and (v) others in an aggregate amount of HK$639,000.

Selling and distribution costs

The Group's selling and distribution costs in 2010 amounted to HK$17,508,000, which decreased by 10.9% compared with HK$19,651,000 in 2009. The decrease was mainly due to the decrease of staff costs.

Administrative expenses

Administrative expenses of the Group in 2010 were HK$55,102,000, decreased by 26.8% comparing to HK$75,325,000 in 2009. The decrease was mainly due to the Group had implemented certain effective enforcement of cost control measures.

Other expenses

Other expenses of the Group was HK$3,341,000 for 2010 compared to HK$2,951,000 for the previous year. The increase was mainly due to impairment provisions made on trade receivables.

Finance costs

Finance costs of the Group in 2010 were HK$6,462,000, increased by 74.6% comparing to HK$3,701,000 in 2009. The increase was mainly due to the imputed interest on promissory notes.

Income tax expense

The Group's tax expenses in 2010 were HK$5,004,000, compared with HK$4,093,000 in 2009. The increase was mainly attributed to recognition of certain deferred tax liabilities.

Loss attributable to shareholders

The Group's loss attributable to shareholders was HK$29,189,000 for 2010 comparing to loss of HK$57,396,000 in 2009.

Financial Position

Liquidity and financial resource

As at 31 December 2010, cash and bank balances held by the Group increased from HK$131,197,000 to HK$134,826,000. As at 31 December 2010, the Group's total borrowings amounted to HK$78,425,000, represented by interest-free promissory notes issued in replacement of the matured convertible bonds and are repayable by 28 May 2012. The gearing ratio (calculated as total borrowings over total equity) of the Group was 0.69 (2009: 0.67).

For the year ended 31 December 2010, the Group had capital expenditure of HK$2,589,000 (2009: HK$3,836,000).

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 2010, the Group had 617 (2009: 547) 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 2010, 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 2010, 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 2010.

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 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 2010 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, 28 March 2011

As at the date of this announcement, the Board comprises 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.