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**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)**

## **ANNOUNCEMENT**

Reference is made to the announcement on 6 February 2009 (the “Announcement”) in relation to unusual transaction data recorded in revenue recording systems in Mingsuo identified by the auditors of China Information Technology Development Limited (the “Company”) in the course of auditing the consolidated financial results of the Company for the year ended 31 December 2008 (the “2008 Financial Results”). Capitalized terms used in this announcement shall have the same meanings as defined in the Announcement, unless the context otherwise requires.

### **REPORT ON THE FINDINGS**

As reported in the Announcement, the Board has resolved to establish the Special Committee to investigate into the unusual transaction data recorded in revenue recording systems in Mingsuo between the period from May to December 2008 (the “Matter”). Mingsuo is operated by Huayuan Run Tong (Beijing) Sci-Tech Co. Ltd. (“Run Tong”) which was acquired by the Company in September 2007 (please refer to the circular dated 13 August 2007 of the Company for further details).

The Special Committee has subsequently appointed Ernst & Young Advisory Services Limited (the “Adviser”), a professional advisory firm independent to the Company, to carry out certain investigation relating to the Matter.

While the Adviser was embarking on the investigation, it discovered certain documents and identified certain issues which led to certain level of doubt as to the genuineness of certain transaction records, assets and information relating to Mingsuo, and that certain staff and members of the management team of Run Tong Group may be involved (the “Phase One Findings”).

Upon being informed by the Adviser, the Special Committee had considered the Phase One Findings and immediately reported and recommended to certain members of the Board for immediate actions, including, among other matters, taking prompt and sufficient actions to protect the financial and business assets of Run Tong and to arrange for additional staff to monitor and control the business and financial operations of Run Tong.

The Board accepted the recommendations above and so arranged.

Since the Phase One Findings was preliminary in nature, the Special Committee further involved the Adviser to carry out additional investigation on the Matter, to try to ascertain the genuineness of the Phase One Findings, and to extend the scope of investigation period to include that of January 2008 to April 2008 (the “Additional Matter”).

On 8 May 2009, the Adviser reported their investigation results to the Special Committee which is summarized below (“Phase Two Findings”):

1. doubtful or questionable genuineness as to certain transaction records in Run Tong’s Mingsuo 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. suspicious agents and suppliers of Run Tong.

The Special committee considered the Phase Two Findings, and made recommendations to the Board to take the following additional measures:

- a. taking into account of the Phase Two Findings, liaise with the Auditors for actions to be taken relating to the auditing and finalizing the 2008 Financial Results, including, among other matters, the appropriate treatments on the income and assets of Run Tong and any possible impact on the previously published financial results of the Company;
- b. suspend the authorities and management functions of the suspicious staff of the Company and its subsidiaries (the “Group”) reported in the Phase Two Findings (including Mr. Wang Zhenyu and Mr. Zhang Zhihong) pending investigation results showing that they are not involved;

- c. set up a special task force comprising one Board member and other staff with appropriate expertise to review and evaluate the current business and financial positions of Run Tong, and where possible, make recommendations to the Board for better cost control and utilization of resources, etc.;
- d. consider and where appropriate, appoint an independent professional adviser to conduct a comprehensive evaluation of the business model of Run Tong as compared with the business model at the time of its being acquired in September 2007 by the Company, and where possible, advise whether it is viable for its continuing operation or restructuring; and
- e. the Board should fully review and adopt additional and sufficient internal control measures and corporate governance procedures to minimize the risk of any similar incidents from happening again.

The Board accepted the recommendations above and so arranged.

## **POTENTIAL NEGATIVE IMPACT ON THE COMPANY**

As a result of the uncertainties brought up by the Phase Two Findings relating to Mingsuo, the uncertainties of primary business activities of Run Tong and the possible adverse impact on the 2008 Financial Results and any possible impact on the previously published financial results of the Company, the Board considers that the business and financial positions of the Company may be adversely affected.

The Board is currently still considering the potential impact of the Phase Two Findings and, in addition to adopting the recommendations made by the Special Committee, is looking for any additional actions that may be taken to resolve or address the issues identified in the Phase Two Findings. Further announcement will be made by the Company when appropriate.

## **SUSPENSION OF TRADING AND CONDITIONS IMPOSED BY THE STOCK EXCHANGE**

Trading in the shares of the Company has been suspended from 9:30 a.m., 29 January 2009 pending the release of this announcement regarding price-sensitive information concerning the 2008 Financial Results. The delays in publication of the 2008 Financial Results and the unaudited financial results of the Company for the three months ended 31 March 2009 (the “2009 First Quarterly Financial Results”) constitute breaches of Rules 18.49 and 18.66 of the GEM Listing Rules.

In view of the prolonged suspension of trading in the shares of the Company since 29 January 2009, on 11 May 2009, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) informed the Company that it considered appropriate to impose the following conditions prior to lifting the suspension pursuant to Rule 9.10 of the GEM Listing Rules:

- (i) demonstrate that the market is properly informed of all material information related to the incident relating to the unusual transaction data, including results of the investigation by the Special Committee, and its implication to the Group's operations and financial position;
- (ii) take remedial steps to address issues identified in the investigation by the Special Committee;
- (iii) publish all outstanding financial results required under the GEM Listing Rules and address any concerns that may be raised by the auditors through qualification of their audit report; and
- (iv) demonstrate that the Company has put in place adequate financial reporting system and internal control procedures to enable it to meet its obligations under the GEM Listing Rules.

In respect of condition (iv), the Company is expected to appoint an independent professional firm to perform a review of the Group's internal control system in accordance with established review framework.

Latest information regarding conditions (i) and (ii) are set out in the earlier sections of this announcement. Regarding condition (iii), the Board has been liaising with the Auditors and will endeavour to publish all outstanding financial results as soon as practicable. Regarding condition (iv), in addition to the measures recommended by the Special Committee and adopted by the Board as set out in this announcement, the Board is considering to appoint a suitable independent professional firm to perform a review of the Group's internal control system and, where appropriate, will adopt their recommendations.

Notwithstanding the above, the Board is considering and taking further actions to address and resolve the matters set out in this announcement. The Company will publish further periodic announcements to keep its shareholders informed of developments of the incident and other matters set out above under Rule 17.10 of the GEM Listing Rules.

Trading in the shares of the Company on the Stock Exchange will remain suspended until further notice.

By order of the Board of  
**China Information Technology Development Limited**  
**Ng Weng Sin**  
*Company Secretary*

Hong Kong, 19 May 2009

*As at the date of this announcement, the Board comprises Mr. Zhang Honghai (Chairman), Mr. Wang Zhenyu (Chief Executive Officer), Dr. Yu Xiaoyang and Mr. Zhang Zhihong as Executive Directors; and Ms. Ma Yuhua, Ms. Liang Yeping and Dr. Zhou Chunsheng as Independent Non-executive Directors.*

*This announcement, for which the Directors (excluding Mr. Wang Zhenyu and Mr. Zhang Zhihong who have been suspended of the authorities and management functions since 14 May 2009) 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 (excluding Mr. Wang Zhenyu and Mr. Zhang Zhihong who have been suspended of the authorities and management functions since 14 May 2009), 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.*