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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: 08178)

**MAJOR TRANSACTION
IN RELATION TO
DISPOSAL OF THE ENTIRE EQUITY
INTEREST IN THE TARGET COMPANY
AND ASSIGNMENT OF THE SALE LOAN**

Financial Adviser to the Company



INCU Corporate Finance Limited

THE DISPOSAL

On 3 March 2023 (after trading hours), the Purchaser and the Vendor, a direct wholly-owned subsidiary of the Company, entered into the Disposal Agreement, pursuant to which, the Vendor has conditionally agreed to sell the entire issued share capital of the Target Company and to assign the Sale Loan to the Purchaser, and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company and take up the assignment of the Sale Loan at the consideration of HK\$28,000,000.

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company. Upon Completion, the Group will cease to hold any interest in the Target Company.

GEM LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios in respect of the Disposal Agreement and the transactions contemplated thereunder is more than 25% but less than 75%, the Disposal Agreement and the transactions contemplated thereunder constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is accordingly subject to the notification, announcement and Shareholders' approval requirements set out under Chapter 19 of the GEM Listing Rules.

As (i) Mr. Zhang Rong (“**Mr. Zhang**”), being the substantial shareholder of the Company, holds 11,623,499 Shares, representing approximately 22.58% of the issued share capital of the Company, (ii) Mr. Zhang is the sole shareholder of Corporate Advisory Limited (“**Corporate Advisory**”) and Corporate Advisory holds 1,138,800 Shares, representing approximately 2.21% of the issued share capital of the Company; and (iii) Mr. Zhang has approximately 20.25% interest in the issued share capital of Dehuang, Mr. Zhang and Corporate Advisory shall abstain from the voting in favour of the resolution to approve the Disposal Agreement and the transactions contemplated thereunder at EGM.

GENERAL

A circular containing, among other things, (i) further details of the Disposal; (ii) the valuation reports of the Target Company and the Property; and (iii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 24 March 2023.

Completion is subject to the fulfilment of certain conditions precedent, and, therefore may or may not take place. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

THE DISPOSAL

On 3 March 2023 (after trading hours), the Purchaser and the Vendor, a direct wholly-owned subsidiary of the Company, entered into the Disposal Agreement, pursuant to which, the Vendor has conditionally agreed to sell the entire issued share capital of the Target Company and to assign the Sale Loan to the Purchaser (or its nominee), and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company and take up the assignment of the Sale Loan at the consideration of HK\$28,000,000.

Set out below are the key terms of the Disposal Agreement:

Date

3 March 2023 (after trading hours)

Parties

- (1) the Purchaser; and
- (2) the Vendor

Assets to be disposal of

Pursuant to the Disposal Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of the Target Company, and the Purchaser has conditionally agreed to take up the assignment of the Sale Loan. The Sale Loan represents the entire sum of loan(s), interests and indebtedness owing by the Target Group and Dehuang to the Group as at the date of Completion.

Consideration

The consideration of the disposal of the Target Company is HK\$28,000,000. The Purchaser shall pay the consideration to the Vendor in cash or via bank transfer under the following payment schedule:

- (i) a sum of HK\$2,000,000 as non-refundable deposit is payable by the Purchaser to the Vendor's designated accounts upon the signing of the Disposal Agreement; and
- (ii) the remaining balance of HK\$26,000,000 is payable by the Purchaser to the Vendor's designated account upon Completion.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, (i) the preliminary appraised value of 100% net asset value of the Target Company, which amounts to net liabilities of approximately HK\$21.18 million as at 31 December 2022 based on the preliminary valuation under cost approach conducted by the Valuer; (ii) the outstanding amount of Sale Loan of approximately HK\$42.87 million as at 31 December 2022; and (iii) other factors as set out in the section headed "Reasons for and benefits of the Disposal" in this announcement.

Conditions Precedent

Completion shall be subject to and conditional upon fulfilment of the following conditions:

- (i) the Purchaser having completed the due diligence review and was reasonably satisfied with the results thereof;
- (ii) all necessary consents and approvals required to be obtained on the part of the Vendor in accordance with the GEM Listing Rules in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained;
- (iii) the EGM having been duly convened at which resolutions shall have been passed by the Shareholders, by way of poll to approve the Disposal Agreement and the transactions contemplated thereunder in accordance with the GEM Listing Rules;

- (iv) the valuation reports of the fair value of the Target Company and the Property as at 31 December 2022 have been issued by the Valuer;
- (v) all necessary approvals by its shareholders and authorised persons required to be obtained on the part of the Purchaser in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained; and
- (vi) the warranties, representations, undertakings and obligations made by the Vendor under the Disposal Agreement remain true and accurate in all material respects and are not misleading or in breach in any material respect.

Conditions (i) and (vi) are waivable at the sole discretion of the Purchaser. If the above conditions have not been waived (where applicable) or fulfilled on or before the Long Stop Date (or such other date as the parties may agree), the Disposal Agreement shall cease and terminate.

Completion

Completion shall take place on the third Business Day after the date on which all the conditions precedent specified in the Disposal Agreement are fulfilled.

INFORMATION OF THE PARTIES

Vendor

The Vendor is a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company. The Vendor is an investment holding company.

Purchaser

The Purchaser is incorporated in the BVI with limited liability and is principally engaged in investment holding. As at the date of this announcement, the Purchaser is wholly-owned by Mr. Chan Siu Man. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and Mr. Chan Siu Man are Independent Third Parties.

INFORMATION OF TARGET GROUP

The Target Company is incorporated in the BVI with limited liability and an investment holding company. As at the date of this announcement, the Target Company is directly wholly-owned by the Vendor and an indirect wholly-owned subsidiary of the Company.

Set out below is a summary of the key financial data of the Target Group based on the unaudited consolidated management accounts of Target Group for the financial years ended 31 December 2021 and 31 December 2022:

| | For the year ended 31 December 2021 (unaudited) <i>approximately</i> HK\$'000 | For the year ended 31 December 2022 (unaudited) <i>approximately</i> HK\$'000 |
|---------------------|--|--|
| Net loss before tax | 8,285 | 4,132 |
| Net loss after tax | 8,285 | 4,132 |

As at 31 December 2022, the unaudited consolidated net liabilities of Target Group was approximately HK\$21.18 million after the inclusion of the fair value adjustment from the preliminary valuation result of the Target Company and the Property.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. The Group is principally engaged in the provision of information technology (“IT”) infrastructure solutions and maintenance services, money lending, securities trading and rental of properties.

The Target Group holds the equity investment in 19% equity interest of Dehuang, which holds the Property. Due to the outbreak of the COVID-19 pandemic, the cash flow generated from the rental income of the data centre of the Property was adversely affected. According to the annual report of the Company for the year ended 31 December 2021, the fair value of the 19% equity interest of Dehuang decreased from approximately HK\$50.85 million as at 31 December 2020 to HK\$31.38 million as at 31 December 2021. The Group considers that the Disposal would offer an opportunity to realise its investment in the Target Company, and to focus its resources in the further exploration and development of artificial intelligence (“AI”) and cloud technological products and/or investment projects with better prospects or higher growth potential that will best serve the interests of the Company and the Shareholders in the long run.

Taking into account the above, the Directors are of the view that the terms of the Disposal Agreement are on normal commercial terms and fair and reasonable and the Disposal is in the interest of the Company and the Shareholders as a whole.

Following Completion, the Company will continue to operate its existing business, including provision of IT infrastructure solutions and maintenance services, money lending, securities trading and rental of properties.

USE OF PROCEEDS FROM THE DISPOSAL

The net proceeds from the Disposal, after deducting the transaction costs and expenses, will be approximately HK\$27.24 million. The Company intends to apply (i) approximately HK\$20 million for the operation and expansion of the Group's existing business, including the business development of AI and cloud technological products; and (ii) the remaining proceeds for general working capital of the Group.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results, assets and liabilities of the Target Company and its subsidiaries, including the 19% equity investment in Dehuang, will no longer be included in the consolidated financial statements of the Group. Based on the unaudited consolidated financial information of the Target Company as at 31 December 2022 and the net proceeds from the Disposal of approximately HK\$27.24 million, the Company is expected to recognise a gain of approximately HK\$5.55 million from the Disposal. Such estimation is calculated based on the difference between the net proceeds from the Disposal and the carrying value of the Company's interest in the Target Company and the outstanding amount of the Sale Loan as at 31 December 2022. The actual gain on the Disposal may be different from the above and will be determined based on the financial position of the Target Company on the date of Completion and is subject to audit.

GEM LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios in respect of the Disposal Agreement and the transactions contemplated thereunder is more than 25% but less than 75%, the Disposal Agreement and the transactions contemplated thereunder constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is accordingly subject to the notification, announcement and Shareholders' approval requirements set out under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, as (i) Mr. Zhang, being the substantial shareholder of the Company, holds 11,623,499 Shares, representing approximately 22.58% of the issued share capital of the Company; (ii) Mr. Zhang is the sole shareholder of Corporate Advisory and Corporate Advisory holds 1,138,800 Shares, representing approximately 2.21% of the issued share capital of the Company; and (iii) Mr. Zhang has approximately 20.25% interest in the issued share capital of Dehuang, Mr. Zhang and Corporate Advisory shall abstain from the voting in favour of the resolution to approve the Disposal Agreement and the transactions contemplated thereunder at EGM.

GENERAL

A circular containing, among other things, (i) further details of the Disposal; (ii) the valuation reports of the Target Company and the Property; and (iii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 24 March 2023.

Completion is subject to the fulfilment of certain conditions precedent, and, therefore may or may not take place. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

| | |
|----------------------|---|
| “associate(s)” | has the same meaning ascribed to it under the GEM Listing Rules |
| “Board” | the board of Directors |
| “Business Day(s)” | any weekday(s) (other than a Saturday or a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks are generally open for business in Hong Kong |
| “BVI” | the British Virgin Islands |
| “Company” | China Information Technology Development Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM (Stock Code: 8178) |
| “Completion” | completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement |
| “Dehuang” | Guangzhou Dehuang Investment Company Limited (廣州市德煌投資有限公司), a company incorporated in the PRC and indirectly owned as to 19% by the Target Group |
| “Director(s)” | the director(s) of the Company |
| “Disposal Agreement” | the disposal agreement dated 3 March 2023 entered into between the Vendor and Purchaser in relation to disposal of the Target Company and the assignment of Sale Loan |

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|---------------------------------------|--|
| “Disposal” | the disposal of the Target Company and the assignment of Sale Loan under the Disposal Agreement |
| “EGM” | the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, the Disposal Agreement and the transactions contemplated thereunder |
| “GEM” | GEM operated by the Stock Exchange |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | any individual(s) or company(ies) not being the connected persons (as defined under the GEM Listing Rules) of the Company, independent of the Company and its connected persons and not connected with any of them or their respective associate(s) |
| “Long Stop Date” | 3 May 2023 |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Property” | two parcels of land and four buildings with a data centre owned by Dehuang and located in South of Shinan Highway, Nansha District, Guangzhou (廣州市南沙區市南公路南側) |
| “Purchaser” | Soar High Investment Holding Limited, a company incorporated in the BVI with limited liability and an Independent Third Party |
| “Sale Loan” | the entire sum of loan(s), interests and indebtedness owing or incurred by the Target Group and Dehuang to the Group on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion |

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|------------------|---|
| “Share(s)” | the ordinary share(s) with a par value of HK\$0.10 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Rosy Ridge Investments Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Vendor |
| “Target Group” | the Target Company and its subsidiary(ies) |
| “Valuer” | Valor Appraisal & Advisory Limited, the independent valuer |
| “Vendor” | Gorgeous Ocean Global Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company |
| “%” | per cent. |

By order of the Board
China Information Technology Development Limited
Wong King Shiu, Daniel
Chairman and Chief Executive Officer

Hong Kong, 3 March 2023

As at the date of this announcement, the Board comprises Mr. Wong King Shiu, Daniel (Chairman and Chief Executive Officer) and Mr. Chang Ki Sum Clark as executive Directors; Hon. Li Sai Wing, MH as non-executive Director; Mr. Hung Hing Man, Mr. Wong Hoi Kuen and Dr. Chen Shengrong as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited 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 announcement misleading.

This announcement will be available on the Company’s website <http://www.citd.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.