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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)

**DISCLOSEABLE TRANSACTION IN RELATION TO
THE ACQUISITION OF 19% EQUITY INTEREST
IN THE TARGET COMPANY**

THE ACQUISITION

The Board hereby announces that on 28 August 2019 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered in the Acquisition Agreement. Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Capital, which shall represent 19% of the equity interest of the Target Company, and the Sale Loan at the consideration of RMB66,341,000 (equivalent to approximately HK\$72,842,000) which shall be satisfied by the issue of the Promissory Note by the Purchaser to the Vendor or its nominee(s).

GEM LISTING RULES IMPLICATION

As the relevant percentage ratio (as defined in the GEM Listing Rules) in respect of the transaction(s) contemplated under the Acquisition Agreement exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements but is exempted from Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

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The Acquisition Agreement

Date: 28 August 2019 (after trading hours of the Stock Exchange)

Parties: (i) the Purchaser

(ii) the Vendor

As at the date of this announcement, the Vendor is beneficially interested in 280,272,000 Shares (representing approximately 4.90% of the total issued share capital of the Company).

Save as disclosed above, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendor, the Target Company, and their ultimate beneficial owner(s) are Independent Third Parties.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Capital, representing 19% of the equity interest of the Target Company, and the Sale Loan.

Consideration

The Consideration for the Acquisition shall be RMB66,341,000 (equivalent to approximately HK\$72,842,000), which shall be settled by way of issuing the Promissory Note by the Purchaser to the Vendor or its nominee(s) on Completion.

Basis of the Consideration

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms, without limitation, with reference to (i) 19% of the net asset value of the Target Company of approximately RMB15,142,000 (equivalent to approximately HK\$16,626,000) as at 30 June 2019; and (ii) book value of Sale Loan.

The Directors (including the independent non-executive Directors) consider the Consideration is fair and reasonable and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

The Promissory Note

The principal terms of the Promissory Note are set out as follows:

Issuer:	The Purchaser
Principal amount:	RMB66,341,000 (equivalent to approximately HK\$72,842,000)
Maturity:	The first anniversary date of the date of issue of the Promissory Note (the “ Maturity Date ”)
Interest:	10% per annum on the outstanding principal amount of the Promissory Note, payable on the Maturity Date
Transferability:	The Promissory Note shall be freely transferrable or assignable by the Vendor to any persons (other than connected persons as defined in the GEM Listing Rules) provided that the Vendor shall serve a prior written notice to the Purchaser of not less than five (5) Business Days
Early repayment:	The Purchaser may pre-pay the Promissory Note without penalty. The Purchaser could, at its option, early repay the Promissory Note thereon in whole or in part by giving a prior five (5) Business Days' written notice to the Vendor and the amount of each early repayment shall not be less than RMB1 million

Conditions precedent

Completion of the Acquisition Agreement is conditional upon the fulfillment (or as appropriate, waiver) of the following conditions, inter alia:

- (i) the Purchaser being satisfied with the results of the due diligence review on the Target Company to be conducted by the Purchaser;
- (ii) the Purchaser having obtained of a PRC legal opinion issued by a qualified PRC lawyer, whose content and form are in accordance with the form and substance satisfactory to the Purchaser, and whose substance includes but is not limited to the legality of the transaction under the Acquisition Agreement; and
- (iii) the mortgage guarantee of the Target Property having been fully discharged and released.

None of conditions above can be waived by the parties to the Acquisition Agreement. As at the date of this announcement, all of the above conditions precedent have been fulfilled.

Completion

Subject to the fulfilment (or as appropriate, waiver) of the conditions precedent stated in the Acquisition Agreement on or before the Long Stop Date, the Completion shall take place on the Completion Date.

Upon Completion, the Target Company will be owned as to 61%, 19%, 15% and 5% by the Vendor, the Purchaser, Mr. Deng Ge Lun* (鄧歌倫) and Mr. Lin Wei Hui* (林衛輝) respectively. As such, the Company will indirectly hold 19% equity interest of the Target Company and the financial results of the Target Company will not be consolidated into the financial statements of the Group.

INFORMATION OF THE PURCHASER

The Purchaser is an investment holding company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

INFORMATION OF THE TARGET COMPANY AND THE TARGET PROPERTY

The Target Company is a company established under the laws of the PRC with limited liability and is principally engaged in business services. The principal asset of the Target Company is the Target Property. As at the date of this announcement, the Target Company is owned as to 80%, 15% and 5% by the Vendor, Mr. Deng Ge Lun* (鄧歌倫) and Mr. Lin Wei Hui* (林衛輝) respectively.

The Target Property consists of two parcels of land and one building with a data centre located in South of Shinan Highway, Nansha District, Guangzhou* (廣州市南沙區市南公路南側). As at the date of this announcement, except for one completed data centre, there are projects for further development in this area. Certain data centres, data racks and commercial properties are under construction on those land and is expected to complete in around third quarter of 2020. Upon completion of the construction, the commercial properties and the data centres will be rented to companies to generate lease income and data racks services will be provided.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the unaudited financial information for the years ended 31 December 2017 and 2018 of the Target Company based on the unaudited management accounts of the Target Company:

	For the year ended	
	31 December	
	2017	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	—	—
Loss before taxation	2,148	2,977
Loss after taxation	2,148	2,977

Based on the unaudited management accounts of the Target Company, the unaudited net asset value of the Target Company as at 30 June 2019 was approximately RMB79,693,000.

The book value of the Sale Loan was approximately RMB51,199,000 as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the development and sale of computer software and hardware, the provision of system integration and related support services in the PRC.

The Group has been actively considering and exploring various opportunities for investment projects and to broaden the scope of investment according to the market conditions with an aim to enhance Shareholders' value. Nansha District where the data centre and data racks are located, is the core area of Guangdong-Hong Kong-Macao Greater Bay Area and the PRC government may plan to develop Nansha District as a comprehensive transportation hub of the Greater Bay Area. The projects for further development of the Target Property has been proposed as the core infrastructure project of Guangzhou Nansha Economic and Technological Development Zone and has been recommended to be granted with the "green channel" so that the process of the project development will be speeded up.

The Board considers the location of the Target Property is a strategic area for the Group to cement and expand its principal business in PRC. The Board considers investment in the Target Property where a data centre and data racks are located, is conducive to the further development of the Group's core business and will also benefit the Group in capturing the vast business opportunities created by the exponential growth of the big data value chain in the PRC. The Target Property allows the Group to step into the PRC market to further develop its business through Macro China Holding Limited and DataCube Research Centre Limited which provide data modelling, big data analysis as well as Artificial Intelligence and Business Intelligence technology to the clients. By acquiring the Target Property, the Group is able to provide more comprehensive and integrated services to its clients all over PRC and Hong Kong and broaden its client base.

The Board considers that the terms and conditions for the Acquisition are on normal commercial terms, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

GEM LISTING RULES IMPLICATION

As the relevant percentage ratio (as defined in the GEM Listing Rules) in respect of the transaction(s) contemplated under the Acquisition Agreement exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements but is exempted from Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Capital by the Purchaser from the Vendor or its nominee(s) pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement entered into between the Purchaser, the Vendor and the Target Company on 28 August 2019 in relation to the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	China Information Technology Development Limited (中國信息科技發展有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Completion Date”	a date falling on or before the thirty (30) Business Days after the fulfillment (or as appropriate, waiver) of the conditions set out in the Acquisition Agreement
“Consideration”	RMB66,341,000 (equivalent to approximately HK\$72,842,000), being the consideration payable by the Purchaser under the Acquisition Agreement
“Director(s)”	director(s) of the Company
“GEM”	GEM Board of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the 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
“Independent Third Party(ies)”	Independent third party(ies) who is (are) not connected with the Company and its connected person(s) (as defined in the GEM Listing Rules)
“Long Stop Date”	15 September 2019 or such other date as the Purchaser and Vendor may agree in writing
“PRC”	the People’s Republic of China and for the sole purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Promissory Note”	the promissory note in the aggregate principal amount of RMB66,341,000 (equivalent to approximately HK\$72,842,000) to be issued by the Purchaser to the Vendor or its nominee(s)
“Purchaser”	廣州市德永科技投資有限公司, (Guangzhou Deyong Technology Investment Limited*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Capital”	registered and paid up capital of RMB16,278,746, representing 19% of the total equity interest of the Target Company
“Sale Loan”	19% obligations, liabilities and debts owing by the Target Company to the shareholders of the Target Company, on or at any time prior to completion of the Acquisition, whether actual contingent or deferred and irrespective of whether the same is due and payable on completion of the Acquisition amounted to RMB51,199,000 (equivalent to approximately HK\$56,216,000)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	廣州市德煌投資有限公司 (Guangzhou Dehuang Investment Company Limited*), a company established in the PRC with limited liability
“Target Property”	two parcels of land and one building with a data centre owned by the Target Company and located in South of Shinan Highway, Nansha District, Guangzhou* (廣州市南沙區市南公路南側)
“Vendor”	Mr. Wen Hongbiao* (溫洪標), an Independent Third Party, who owns 80% equity interest in the Target Company and is beneficially interested in 280,272,000 Shares (representing approximately 4.90% of the total issued share capital of the Company) as at the date of this announcement
“%”	per cent.

* The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

For the purpose of this announcement, unless the context otherwise requires or expressly specified, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of RMB1.00 to HK\$1.098. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi has been, could have been or may be converted at such or any other rate or at all.

By Order of the Board
China Information Technology Development Limited
Wong King Shiu, Daniel
Executive Director

Hong Kong, 28 August 2019

As at the date of this announcement, the Board comprises Mr. Wong Kui Shing, Danny (Chairman and Chief Executive Officer), Mr. Wong King Shiu, Daniel and Mr. Chan Kai Leung as executive Directors; 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 GEM Listing Rules 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.