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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 THE DISPOSAL OF 21% EQUITY INTEREST IN
FAITHFUL ASIA GROUP LIMITED**

Financial Advisor to the Company



INCUC Corporate Finance Limited

THE DISPOSAL

The Board is pleased to announce that on 26 September 2017 (after trading hours), the Vendor has entered into the Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to acquire the Sale Shares at the Consideration of HK\$43,050,000. Upon completion of the Disposal, the Disposal Group will cease to be classified as an associate but available-for-sale financial assets of the Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Disposal exceeds 25% but all the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Disposal are lower than 75%, the Disposal constitutes a major transaction for the Company pursuant to Rule 19.06 of the GEM Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

GENERAL

A circular containing, among other things, (i) further information relating to the Disposal; (ii) a notice convening the EGM; and (iii) other information as required to be disclosed under the GEM Listing Rules, will be despatched to the Shareholders on or before 19 October 2017.

Completion of the Disposal is subject to the fulfilment of the various conditions and the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the securities of the Company.

THE DISPOSAL

The Board is pleased to announce that on 26 September 2017 (after trading hours), the Vendor has entered into the Agreement with the Purchaser, pursuant to which the Vendor conditionally agreed to dispose of, and the Purchaser conditionally agreed to acquire the Sale Shares at a consideration of HK\$43,050,000. Upon completion of the Disposal, the Disposal Group will cease to be classified as an associate but available-for-sale financial assets of the Company. The principal terms of the Agreement are set out below.

THE AGREEMENT

Date: 26 September 2017 (after trading hours)

Vendor: Rosy Depot Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company

Purchaser: Double Luck Limited, a company incorporated in the British Virgin Islands with limited liability

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its associates are Independent Third Parties as at the date of this announcement.

Assets to be disposed of

Pursuant to the Agreement, the Vendor has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to acquire, the Sale Shares. The Disposal Company is owned as to 40% by the Vendor and as to 60% in aggregate by two Independent Third Parties as at the date of the Agreement.

Basis of Consideration

The Consideration shall be HK\$43,050,000, which shall be satisfied by the Purchaser to the Vendor in cash upon Completion.

The Consideration was determined based on arm's length negotiation between the Vendor and the Purchaser, with reference to (i) the financial information of the Disposal Group set out under the section headed "FINANCIAL SUMMARY OF THE DISPOSAL GROUP" below; (ii) the historical acquisition cost of the 40% equity interest in the Disposal Company under the Previous Acquisition at a consideration of HK\$80,000,000 (details of the Previous Acquisition are disclosed in the Company's announcement dated 20 April 2015); and (iii) the information set out under the section headed "REASONS FOR AND BENEFIT OF THE DISPOSAL AND USE OF PROCEEDS" below.

Conditions Precedent

Completion shall be conditional upon:

- (1) the passing by the Shareholders at the EGM to be convened and held of ordinary resolution(s) to approve the Agreement and the transactions contemplated thereunder in accordance with the GEM Listing Rules and the applicable laws and regulations;
- (2) all necessary consents, authorizations, licences and approvals required to be obtained on the part of the Vendor and/or the Company in respect of the Agreement and the transactions contemplated thereunder having been obtained;
- (3) the Purchaser's warranties under the Agreement remain true and accurate in all respects; and
- (4) the Vendor's warranties under the Agreement remain true and accurate in all respects.

The Purchaser may at any time before Completion by writing to the Vendor waive the condition (4) set out above, whereas the Vendor may at any time before Completion by writing to the Purchaser waive the condition (3) set out above. If the Conditions Precedent set out above have not been satisfied on or before the Long Stop Date, the Agreement shall cease and determine, and thereafter neither party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms hereof.

Completion shall take place on the Completion Date after the fulfillment (or waiver as the case may be) of all the conditions precedent above.

INFORMATION ON THE DISPOSAL GROUP

The Disposal Company is a company with limited liability incorporated in the British Virgin Islands on 18 March 2014 and is principally engaged in investment holding. The Disposal Company is owned as to 40% by the Vendor and 60% in aggregate by two Independent Third Parties as at the date of the Agreement.

The HK Subsidiary is wholly-owned by the Disposal Company as at the date of the Agreement and is primarily focused on business intelligence, facilities management, financial technology solutions consulting and implementation. It is also engaged in IT outsourcing and secondment assignments on business intelligence, IT cloud infrastructure, networking, application programming, mobile solution and technical support services.

Since the completion of the Previous Acquisition in 2015, the results of the Disposal Group have been accounted for as an associate company and its financial statements have not been consolidated in the consolidated financial statements of the Company. Details of the Previous Acquisition are disclosed in the Company's announcement dated 20 April 2015.

FINANCIAL SUMMARY OF THE DISPOSAL GROUP

Set out below is the unaudited consolidated financial information of the Disposal Group for the two years ended 30 April 2016 and 2017 in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 30 April 2016	For the year ended 30 April 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Approximately</i>	<i>Approximately</i>
	(unaudited)	(unaudited)
Revenue	14,306	9,122
Profit before taxation	9,751	5,275
Profit after taxation	8,161	4,405

The unaudited net asset value of the Disposal Group as at 30 June 2017 was approximately HK\$12.3 million, and 21% of which (being the subject of the transaction) amounted to approximately HK\$2.6 million.

REASONS FOR AND BENEFIT OF THE DISPOSAL AND USE OF PROCEEDS

The principal business of the Group comprises (i) development and sale of computer software and hardware; (ii) the provision of system integration and related support services; (iii) provision of IT infrastructure solutions and maintenance services; and (iv) money lending and securities trading.

As disclosed under the section headed "FINANCIAL SUMMARY OF THE DISPOSAL GROUP" above, it is noted that the revenue and profit after taxation of the Disposal Group have been decreasing. Therefore, the Directors consider that the Disposal represents a good opportunity for the Group to reduce its investment risk and to realise part of its investment at a reasonable return.

As stated in the Company's announcement dated 30 December 2016, the Company has subscribed 84% equity interest of Macro China Holding Limited ("Macro"). Since the completion of the subscription, Macro has become a non-wholly owned subsidiary of the Company and its assets, liabilities and financial results have been consolidated into the Group's accounts since then. A segment profit of approximately HK\$1.8 million from Macro and its subsidiaries (the "Macro Group") were disclosed in the Company's interim report for the six months ended 30 June 2017 under the IT solutions and maintenance segment. The Macro 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 Directors are of the view that there is certain overlapping area in the businesses of the Macro Group and the Disposal Group including but not limited to the provision of business analytics and data modelling for government and enterprise grade clients. The Directors are minded to reallocate the financial resources from the investment in the Disposal Group to the Macro Group as it is believed that a more centralised investment in subsidiaries rather than associates would optimise the operational efficiency and investment return of the Group. The Directors will closely monitor the performance of the Disposal Group and will reconsider the investment strategy in the Disposal Group as the Board considers appropriate.

Furthermore, the Consideration represents (i) a premium of approximately 33.1% over the Company's carrying value of the Sale Shares as of 30 June 2017 (including goodwill recorded under the Previous Acquisition and accumulated impairment loss as at 30 June 2017) (i.e. approximately HK\$32.3 million) and (ii) a premium of 2.5% over the prior acquisition cost of the Sale Shares under the Previous Acquisition (i.e. HK\$42 million).

In view of the above-mentioned facts, the Directors consider that the terms of the Disposal are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

The net cash proceeds from the Disposal, after deducting the estimated expenses in relation to the Disposal, will amount to approximately HK\$42.0 million. Subject to the Completion taking place, it is currently intended that the proceeds of the Disposal will be allocated for investment opportunities in Hong Kong and/or the PRC in respect of information technology industry when opportunities arise and/or for general working capital for the Group's existing businesses. The intended use of proceeds is subject to actual circumstances and decision of the Board when concrete details of proposed uses are put forward for consideration. As at the date of this announcement, the Group has not identified any specific potential targets for investment and has not entered into any agreement in relation to any potential new projects.

FINANCIAL EFFECTS OF THE DISPOSAL

The Disposal Group have been accounted for as an associate company and its financial results have not been consolidated in the Group's financial statements since the completion of Previous Acquisition. Upon completion of the Disposal, the Disposal Group will cease to be classified as an associate company but available-for-sale financial assets of the Company.

For illustrative purpose, based on the Company's carrying value of the Sale Shares as at 30 June 2017 (including goodwill recorded under the Previous Acquisition and accumulated impairment loss as at 30 June 2017) of approximately HK\$32.3 million and the Consideration, it is estimated that the Group will record a gain on the Disposal of approximately HK\$9.7 million, net of estimated transaction costs and taxation.

It should be noted that the actual gain or loss on the Disposal to be recorded by the Group will depend on the carrying value of the Disposal Group recorded on the Group's financial statements at the Completion Date and therefore may be different from the amount mentioned above.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Disposal exceeds 25% but all the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Disposal are lower than 75%, the Disposal constitutes a major transaction for the Company pursuant to Rule 19.06 of the GEM Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

GENERAL

The Circular containing, among other things, (i) further information relating to the Disposal; (ii) a notice convening the EGM; and (iii) other information as required to be disclosed under the GEM Listing Rules, will be despatched to the Shareholders on or before 19 October 2017.

Completion of the Disposal is subject to the fulfilment of the various conditions and the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to 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:

“Agreement”	the conditional agreement dated 26 September 2017 entered into between the Vendor and the Purchaser relating to the Disposal
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, a Sunday or a public holiday) on which licensed banks in Hong Kong are open for normal business throughout their normal business hours

“Circular”	the circular to be issued by the Company in accordance with the GEM Listing Rules in respect of the Agreement and the transactions contemplated thereunder
“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”	completion of the Disposal in accordance with the terms and conditions of the Agreement
“Completion Date”	the date falling within three (3) Business Days on which the Conditions Precedent shall be fulfilled and/or satisfied as may be notified by the Purchaser to the Vendor in writing and in any event not later than 20 December 2017 (or such later date as the parties to the Agreement shall agree in writing)
“Conditions Precedent”	the conditions precedent to the completion of the Disposal
“connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Consideration”	HK\$43,050,000, being the consideration for the sale and purchase of the Sale Shares
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Agreement
“Disposal Company”	Faithful Asia Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Disposal Group”	the Disposal Company and the HK Subsidiary
“EGM”	the extraordinary general meeting of the Company to be convened for, among others, considering and, if thought fit, approving, the Agreement and the transactions contemplated thereunder

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK Subsidiary”	G A InfoMart Limited (灝域創科集團有限公司), a company incorporated in Hong Kong with limited liability on 29 January 2015 and is wholly-owned by the Disposal Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	independent third party(ies) who is(are) not connected with the Company and its connected persons (as defined in the GEM Listing Rules)
“Long Stop Date”	30 November 2017 (or such other date as the parties to the Agreement may agree in writing)
“PRC”	The People’s Republic of China, which for the purpose of the Agreement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Acquisition”	the acquisition of 40% equity interest of the Disposal Company pursuant to the prior acquisition agreement. Details of the Previous Acquisition are disclosed in the Company’s announcement dated 20 April 2015
“Purchaser”	Double Luck Limited, a company incorporated in the British Virgin Islands with limited liability and is an Independent Third Party
“Sale Shares”	21 ordinary shares of US\$1.00 each in the issued share capital of the Disposal Company, representing 21% of the existing issued share capital of the Disposal Company

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Rosy Depot Limited, a wholly-owned subsidiary of the Company
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

By order of the Board
China Information Technology Development Limited
Tse Chi Wai
Executive Director and Company Secretary

Hong Kong, 26 September 2017

As at the date of this announcement, the Board comprises Mr. Wong Kui Shing, Danny (Chairman and Chief Executive Officer), Mr. Tse Chi Wai, Mr. Wong King Shiu, Daniel, Mr. Chan Kai Leung, Ms. Wu Jingjing and Mr. Takashi Togo as executive Directors; Mr. Wong Chi Yung as non-executive Director; Mr. Hung Hing Man, Mr. Wong Hoi Kuen, Mr. May Tai Keung, Nicholas, and Dr. Chen Shengrong as independent non-executive Directors.

This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM”) 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 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