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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)

**MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF
100% EQUITY INTEREST IN TARGET COMPANY**

THE DISPOSAL

On 2 August 2019 (after trading hours), the Vendor, a direct wholly-owned subsidiary of the Company, the Purchaser and the Purchaser's Guarantor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 100% of the issued share capital of the Target Company and the Sale Loan at the Consideration of RMB260,000,000 (equivalent to approximately HK\$295,874,000) in cash.

Upon Completion, the Target Group will cease to be subsidiaries of the Company and the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the relevant percentage ratios under the GEM Listing Rules in respect of the transactions contemplated under the Agreement exceed 25% but are below 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal and the transactions contemplated thereunder.

The Circular containing, among others, (i) details of the Disposal and the transactions contemplated thereunder; (ii) other information as required under the GEM Listing Rules; and (iii) a notice of the EGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 23 August 2019. If additional time is required for the Company to prepare and finalize certain information to be included in the Circular, further announcement will be made by the Company as and when appropriate.

Completion is conditional upon the satisfaction of the conditions set out in the section headed “Conditions Precedent” in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

THE DISPOSAL

The Board announces that, on 2 August 2019 (after trading hours), the Vendor, a direct wholly-owned subsidiary of the Company, the Purchaser and the Purchaser’s Guarantor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 100% of the issued share capital of the Target Company and the Sale Loan at the Consideration of RMB260,000,000 (equivalent to approximately HK\$295,874,000) in cash.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date: 2 August 2019 (after trading hours)

Parties: the Vendor;
the Purchaser; and
the Purchaser’s Guarantor.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Purchaser and the Purchaser’s Guarantor and their respective ultimate beneficial owners are Independent Third Parties.

Assets to be disposed

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell:

- (i) the Sale Shares, representing 100% of the entire issued share capital in Target Company; and
- (ii) the Sale Loan.

The Sale Shares and the Sale Loan shall be acquired by the Purchaser free from all encumbrances as at the Completion Date together with all rights attached thereto including all dividends and distributions declared, made or paid after the execution of the Agreement. As at 30 June 2019, based on the unaudited account of the Target Company, the Sale Loan amounted to RMB126,710,000 (equivalent to approximately HK\$144,194,000).

Consideration

Pursuant to the terms of the Agreement, the Consideration of RMB260,000,000 (equivalent to approximately HK\$295,874,000) shall be payable by the Purchaser to the Vendor or its nominees in cash in the following manner:

- (1) a deposit in the sum of RMB13,000,000 (equivalent to approximately HK\$14,794,000) (the “**Deposit**”) shall be paid by the Purchaser to the Vendor upon the signing of the Agreement. The Deposit shall be treated as part of the Consideration at Completion; and
- (2) a sum of RMB247,000,000 (equivalent to approximately HK\$281,080,000) shall be paid by the Purchaser to the Vendor upon the Completion Date.

The Consideration was determined after arm’s length negotiations between the Parties, with reference to (i) the financial position of the Target Group, (ii) valuation of the PRC Property with a valuation date at 30 June 2019 as appraised by an independent property valuer and (iii) the information set out under the section headed “REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS” below. The Directors consider that the Consideration is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Conditions Precedent

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

- (1) the Purchaser being reasonably satisfied with the results of the due diligence on the assets, liabilities, operation and business aspects of the Target Group;
- (2) 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;
- (3) all necessary consents and approvals in relation to the Disposal having been obtained by the Vendor;
- (4) all necessary consents and approvals in relation to the Disposal having been obtained by the Purchaser; and
- (5) the warranties given by the Vendor remaining true, accurate and not misleading and that no events have occurred that would result in any breach of any of such warranties or other provisions of the Agreement by the Vendor.

The Vendor shall use its best endeavors to procure the fulfillment of conditions (1), (2), (3) and (5). The Purchaser shall use its best endeavors to procure the fulfillment of condition (4). The Vendor shall procure to provide or submit the documents and information to the Purchaser, the Stock Exchange and the SFC or other relevant regulatory authorities under the requirements of the GEM Listing Rules, the Takeover Code or other applicable rules, code or law, whether or not in relation to the Disposal and other announcement, circular or other documents.

The Purchaser may waive conditions (1) and (5) at any time before the Long Stop Date by notice in writing to the Vendor, such waiver can be given by the Purchaser on the basis of any condition. Conditions (2), (3) and (4) are not waivable. If the above conditions precedent have not been fulfilled on or before the Long Stop Date, the Agreement shall be terminated (other than clauses relating to confidentiality, notice, legal validity, governing law and jurisdiction and process agent) and the Vendor shall thereby within 10 business days refund the Deposit in full to the Purchaser without interest. Save in respect of any antecedent breaches, the Parties shall not be responsible for any liabilities and obligations.

Guarantee

The Purchaser's Guarantor has agreed to guarantee to the Vendor the due and punctual performance by the Purchaser of the Guaranteed Obligations. In the event that the Purchaser defaults in the performance of any Guaranteed Obligation, the Purchaser's Guarantor has agreed to perform (or to procure the performance of) and satisfy (or procure the satisfaction of) such Guaranteed Obligations so that the same benefits are conferred on the Vendor as it would have received if such Guaranteed Obligation had been duly performed and satisfied by the Purchaser. The Guaranteed Obligations of the Purchaser's Guarantor shall be of a continuing nature and shall not be released or waived, as long as the Purchaser has not fully discharged any of the Guaranteed Obligations.

Completion

Upon fulfilment or waiver (as the case may be) of all the conditions set out in the subsection headed "Conditions Precedent" above, Completion shall take place at or before 4 p.m. on the Completion Date.

If as a result of the default by the Vendor, the parties shall fail to complete the Disposal in accordance with the terms of the Agreement after all the conditions precedent have been satisfied (or waived, as the case may be), the Vendor shall, within 7 days after receiving the written notice from the Purchaser for the refund of the Deposit, refund the Deposit to the Purchaser as liquidated damages and the Purchaser shall then have no further claims including specific performance against the Vendor save for any antecedent breaches of the terms thereof.

If as a result of the default by the Purchaser, the parties shall fail to complete the Disposal in accordance with the terms of the Agreement after all the conditions precedent have been satisfied (or waived, as the case may be), the Vendor shall be entitled to forfeit the Deposit in full and final settlement of any liabilities or obligations of the Purchaser towards the Vendor and the Vendor shall then have no further claims including specific performance against the Purchaser save for any antecedent breaches of the terms thereof.

If as a result of any force majeure event(s) or any reasons other than the default by either of the Purchaser or the Vendor, the Parties shall fail to complete the Disposal in accordance with the terms of the Agreement after all the conditions precedent have been satisfied (or waived, as the case may be), the Vendor shall, within 7 days after receiving the written notice from the Purchaser for the refund of the Deposit, refund the Deposit to the Purchaser and the Vendor shall then have no further claims including specific performance against each other save for any antecedent breaches of the terms thereof.

Upon Completion, the Vendor shall deliver or cause to be delivered to the Purchaser, amongst other closing deliverables, a confirmation letter from the Mortgagee Bank that the Bank Borrowing has been fully repaid and the Mortgage been discharged on or before the Completion Date.

INFORMATION ON THE TARGET GROUP

The Target Company is a limited liability company incorporated under the laws of the British Virgin Islands in which the Company owns 100% interest through the Vendor. The Target Company is an investment holding company and its principal asset is a 100% equity interest in the WFOE.

WFOE is a company established in the PRC with limited liability on 11 May 2005 with a registered and paid up capital of US\$13,000,000 which is wholly owned by the Target Company. The business scope of WFOE is assets acquisition, management and consultancy services (other than those that are restricted or prohibited to operate by the PRC). The principal asset of WFOE is the PRC Properties which comprise eleven units located at No. 123 Lujing Road, Tianhe District, Guangzhou City, the PRC with an aggregate gross floor area of 10,518.74 square meters.

Financial Information of the Target Group

Set out below are the unaudited consolidated financial information of the Target Company as prepared in accordance with Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2017 and 31 December 2018:

	For the year ended 31 December 2018 HK\$'000 Approximately (unaudited)	For the year ended 31 December 2017 HK\$'000 Approximately (unaudited)
Revenue	—	—
(Loss)/profit before tax	(48,146)	1,319
(Loss)/profit after tax	(48,146)	1,319

The adjusted unaudited consolidated net asset value of the Target Group as at 30 June 2019 amounted to approximately HK\$259,010,000 on exclusion of the balance of the Sale Loan as at 30 June 2019 as a liability of the Target Group. The entire balance of the Sale Loan as of Completion will be assigned to the Purchaser upon Completion.

INFORMATION ON THE PARTIES

The Purchaser is a company incorporated in the British Virgin Islands and is principally engaged in investment holding.

The Purchaser's Guarantor is a company incorporated in PRC with limited liability and is principally engaged in investment in properties.

The Company is an investment holding company. The Group is principally engaged in the provision of system integration and related support services, provision of IT infrastructure solutions and maintenance services, money lending and securities trading. The Company is continuing to streamline its business structure by disposing the business with less prospects.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Target Group will cease to be subsidiaries of the Company and the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Company.

After deducting the estimated expenses attributable to the Disposal of approximately HK\$1,035,000, it is estimated that the Group will record a gain of approximately HK\$1,974,000 from the Disposal, being the difference between (i) the net proceeds of RMB259,090,000 (equivalent to approximately HK\$294,839,000); (ii) the adjusted unaudited consolidated net asset value of the Target Group as at 30 June 2019 (i.e. approximately HK\$259,010,000) on excluding the Sale Loan as a liability of the Target Group; and (iii) settlement of the Bank Borrowing of RMB29,750,000 (equivalent to approximately HK\$33,855,000). Shareholders should note that the actual amount of the gain or loss on the Disposal to be recognised in the consolidated financial statements of the Company depends on the consolidated net asset/net liability value of the Target Group as at the date of Completion and therefore may be different from the amount mentioned above.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

It has always been the Company's business strategy to make appropriate business decisions and adjustments according to the market conditions to create greater value for the Group and the Shareholders.

The development and the urge for Smart Cities has been on an upsurge in the PRC in recent years. According to a research report entitled "Super Smart Cities: Happier Society with Higher Quality" issued by an international audit firm, in 2018 there were about 1,000 established or establishing Smart Cities in the world. PRC, having approximately 500 of them, ranked first in the number of Smart Cities, outnumbering the other places in the world. With the increasing urban population in China, it demands more efficient ways to manage the city, same to the management of corporate businesses, and intelligence technology provides a solution to it. As a matter of fact, according to the research report, Guangdong province is one of the core Smart Cities development areas in terms of smart technology penetration and innovation, with the support of outstanding technological capacities of Shenzhen and the smart strategy of Guangzhou.

The general economic landscape is changing with the high penetration of technology and Internet of Things. In view of the supportive PRC government policies to the development of Smart Cities, together with the popularity of artificial intelligence ("AI") and business intelligence ("BI") in China, there exists a huge potential in the development and exploration in this area and contribution to the building of Smart Cities in China and in Hong Kong. In 2018, the Group started to transform from a system integrator to a Marketing AI integrated solution provider, providing complete services of AI and BI reporting tools to our clients in PRC and Hong Kong. In anticipation to the potential of Smart Cities development, AI and BI comprise data gathering, storage and knowledge management. It will not be possible if any one of these factors is lacking. The Group has demonstrated a seamless and complete system of AI and BI reporting tools for all three elements of data gathering, storage and knowledge management.

With the evolving trend of big data, envisioning the importance of data storage, in 2018 the Group made three important moves to implement its business strategy to tap on the business opportunities arising from the trend. Firstly, it acquired a total of 10% equity interests of a company incorporated in PRC which is principally engaged in operation of data center in the strategic position of Guangdong, PRC. Secondly, the Group had made enormous efforts on its subsidiary, DataCube Research Centre Limited and built the Group as an integrated AI and BI solution provider, with a complete system and services for data gathering, storage and knowledge management. Thirdly, the Company disposed of the entire share capital of a subsidiary which owns a property situated in Hong Kong so that it could liquidate more resources for the development of our IT business.

The Disposal is in the furtherance and implementation of the foregoing long-term business strategy of the Company. The Target Group was acquired by the Company in April 2016. The Group originally intended to refurbish the PRC Properties and occupy the same as the Group's headquarters in the PRC at the time of the acquisition of Target Group. As such, the Target Group recorded no revenue but interest expenses attributable to the Bank Borrowing during the two financial years ended 31 December 2017 and 2018 as disclosed in the subsection headed "Financial Information of the Target Group" above. With the new business opportunities emerging from the big data trend, the Disposal represents the Company's attempt to deploy valuable financial resources released from the Disposal and originally planned internal use of the PRC Properties to the development of data centre in Guangzhou with an aim to optimize the operational efficiency and investment return of the Group.

With the development of Guangdong-Hong Kong-Macao Greater Bay Area, the Group shall seek for opportunities for investment that can tie up and give synergies to the existing businesses of the Company in strategic locations where the Group can set up its headquarters and take advantage to expand its client base and reputation in the PRC and further excel and become a comprehensive AI and BI solutions provider.

The net cash proceeds from the Disposal, after deducting the estimated expenses in relation to the Disposal, will amount to approximately HK\$294,839,000. Subject to Completion taking place, it is currently intended that the proceeds from the Disposal will be used as to (i) RMB29,750,000 (equivalent to approximately HK\$33,855,000) for release of the Bank Borrowing which shall be released on or before Completion pursuant to the Agreement; (ii) HK\$100,000,000 for investment in projects related to data centre or Smart Cities; and (iii) HK\$160,984,000 as general working capital and other future business opportunities of the Group.

Taking into consideration of the aforesaid, the Directors consider that the terms of the Disposal are fair and reasonable and are on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the relevant percentage ratios under the GEM Listing Rules in respect of the transactions contemplated under the Agreement exceed 25% but are below 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and transactions contemplated thereunder.

The Circular containing, among others, (i) details of the Disposal and the transactions contemplated thereunder; (ii) other information as required under the GEM Listing Rules; and (iii) notice of the EGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 23 August 2019. If additional time is required for the Company to prepare and finalize certain information to be included in the Circular, further announcement will be made by the Company as and when appropriate.

Completion is conditional upon the satisfaction of the conditions set out in the section headed "Conditions Precedent" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore 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 otherwise requires:

"Agreement"	the sale and purchase agreement dated 2 August 2019 entered into between the Vendor, the Purchaser and the Purchaser's Guarantor relating to the sale and purchase of the entire issued share capital of the Target Company and the Sale Loan
"Board"	the board of Directors of the Company
"Bank Borrowing"	the bank borrowing owed by the WFOE to the Mortgagee Bank secured by the Mortgage granted by the WFOE in favour of the Mortgagee Bank which amounted to RMB29,750,000 (equivalent to approximately HK\$33,855,000) as of 30 June 2019

“business day”	a day (not being a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks are open for general banking business in Hong Kong
“Circular”	a circular of the Company containing, among other things, (i) further details about the Disposal and the transactions contemplated thereunder; (ii) other information as required under the GEM Listing Rules; and (iii) a notice of the EGM
“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, the Shares of which are listed on the GEM
“Completion”	the completion of the Disposal in accordance with the terms and conditions of the Agreement
“Completion Date”	the third business day following the fulfillment of the Conditions Precedent (or such other date as the Parties to the Agreement may agree in writing)
“Consideration”	the total consideration in the sum of RMB260,000,000 (equivalent to approximately HK\$295,874,000) payable by the Purchaser to the Vendor for the Disposal under the Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan pursuant to the Agreement
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“GEM”	GEM Board of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM

“Guaranteed Obligations”	the respective obligations, undertakings, warranties and indemnities of the Purchaser under or pursuant to the Agreement
“Group”	the Company and its subsidiaries
“Long Stop Date”	31 October 2019 or such later date as the Vendor and the Purchaser may agree
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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)
“Mortgage”	the legal charge granted by the WFOE on the PRC Properties in favour of the Mortgagee Bank to secure the Bank Borrowing
“Mortgagee Bank”	Bank of China Limited, Guangzhou Hai Zhu Branch
“Parties”	the Vendor, the Purchaser and the Purchaser’s Guarantor
“PRC”	the People’s Republic of China
“PRC Properties”	the eleven properties situated at No. 123 Lujing Road, Tianhe District, Guangzhou City, the PRC
“Purchaser”	Winner Sino Corporate Development Limited (中勝企業發展有限公司), a company incorporated in the British Virgin Islands with limited liability
“Purchaser’s Guarantor”	廣州麓湖錦城置業管理有限公司 (Guangzhou Luhu Jincheng Properties Management Limited*), a company incorporated in PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Loan”	any obligation or liabilities incurred or may be incurred or due or which would fall due by the Target Company to the Vendor on or at any time prior to Completion of the Agreement
“Sale Shares”	10 ordinary shares of US\$1.00 each in the share capital of the Target Company, representing 100% of the entire issued share capital of the Target Company
“SFC”	The Securities and Futures Commission
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Joyunited Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Vendor”	Giant Prestige Investments Limited, a company incorporated in the British Virgin Islands with limited liability, and is a wholly-owned subsidiary of the Company

“WFOE”

廣州信豐投資諮詢有限公司 (Guangzhou Xinfeng Investment Consultancy Company Limited*), a wholly foreign owned enterprise established in the PRC and wholly owned by the Target Company

“%”

per cent

* For identification purposes only

In this announcement, translation of RMB into HK\$ is based on the exchange rate of HK\$1:RMB0.878752.

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

Hong Kong, 2 August 2019

As of 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 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.