

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 DISPOSAL OF 10% EQUITY INTEREST
IN THE TARGET COMPANY**

THE DISPOSAL

The Board hereby announces that on 19 August 2019 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered in the Disposal Agreement. Pursuant to the Disposal Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Capital, which shall represent 10% of the equity interest of the Target Company at the consideration of RMB20,000,000 (equivalent to approximately HK\$22,260,000) by cash.

LISTING RULES IMPLICATIONS

As the relevant percentage ratio (as defined in the GEM Listing Rules) in respect of the transaction(s) contemplated under the Disposal Agreement exceed 5% but are less than 25%, the Disposal 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.

THE DISPOSAL

The Board hereby announces that on 19 August 2019 (after trading hours), the Purchaser and the Vendor entered into the Disposal Agreement. Pursuant to the Disposal Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Capital, which shall represent 10% of the equity interest of the Target Company, at the consideration of RMB20,000,000 (equivalent to approximately HK\$22,260,000).

The Disposal Agreement

Date: 19 August 2019 (after trading hours of the Stock Exchange)

Parties: (i) the Purchaser
(ii) the Vendor

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

Assets to be disposed of

Pursuant to the Disposal Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Capital, representing 10% of the equity interest of the Target Company.

Consideration

The Consideration for the Disposal shall be RMB20,000,000 (equivalent to approximately HK\$22,260,000), which shall be settled by cash in the following manner:

- (1) a deposit in the sum of RMB10,000,000 (equivalent to approximately HK\$11,130,000) (the "**Deposit**"), being 50% of the Consideration, shall be paid by the Purchaser to the Vendor within seven (7) working days upon the signing of the Disposal Agreement. The Deposit shall be treated as part of the Consideration at Completion; and
- (2) a sum of RMB10,000,000 (equivalent to approximately HK\$11,130,000), being the remaining 50% of the Consideration, shall be paid by the Purchaser to the Vendor within seven (7) working days upon the Completion Date.

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) the financial information of the Target Company set out under the section headed "FINANCIAL INFORMATION OF THE TARGET COMPANY" below; (ii) the historical acquisition cost of the 10% equity interest in the Target Company at a consideration of RMB10,000,000 (equivalent to approximately HK\$12,385,000); and (iii) the information set out under the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS" below.

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.

Conditions Precedent

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

- (i) there being no occurrence of event(s) which has/have material adverse effect on the transactions contemplated under the Disposal Agreement; and
- (ii) all necessary consent and approval required to be obtained in respect of the Disposal Agreement and the transactions contemplated thereunder (including but not limited to the approvals from the board of directors of each party to the Disposal Agreement, the Company and the relevant government authorities) having been obtained.

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 the Vendor shall thereby within five (5) working days refund the Deposit in full to the Purchaser without interest, and thereafter neither party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms hereof.

Completion

Subject to the fulfilment (or as appropriate, waiver) of the conditions precedent stated in the Disposal 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 100% by the Purchaser, the Target Company will cease to be classified as an equity investments at fair value through other comprehensive income of the Company.

INFORMATION ON THE PURCHASER

The Purchaser is a company established under the laws of the PRC and is listed on the Shenzhen Stock Exchange (Stock Code: 002335.SZ). It is principally engaged in developing power supply equipment, uninterruptible power supply (“UPS”) systems and it provides online and offline UPS systems, cloud based products and services, battery management systems, and more. The Purchaser also provides solutions for overseas projects.

INFORMATION OF THE VENDOR

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

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established under the laws of the PRC with limited liability and is principally engaged in provision of data racks services. The principal asset of the Target Company data racks and related equipment. As at the date of this announcement, the Target Company is owned as to 90%, 10% by the Purchaser and the Vendor respectively.

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 in accordance with the accounting principles generally accepted in the PRC:

	For the year ended 31 December	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Revenue	—	10,905
(Loss)/profit before taxation	(1,222)	2,069
(Loss)/profit after taxation	(1,019)	1,570

Based on the unaudited management accounts of the Target Company, the unaudited net asset value of the Target Company as at 31 March 2019 was approximately RMB100,913,000.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

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 Consideration represents (i) a premium of approximately 63.8% over the Company's fair value of the Sale Capital as at 30 June 2019 (i.e. approximately HK\$13,588,000) and (ii) a premium of 79.7% over the prior acquisition cost of the Sale Capital (i.e. approximately HK\$12,385,000).

The net cash proceeds from the Disposal, after deducting the estimated expenses in relation to the Disposal, will amount to approximately HK\$22,160,000. 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 ("IT") 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.

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.

The Group has been persistently implementing its business strategy to tap on the business opportunities in AI and BI technologies. 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.

The Disposal is in the furtherance and implementation of the foregoing long-term business strategy of the Company. The Target Company was acquired by the Company in February 2018. Considering the volatile global economic situation and the negative impact on the economy brought by the recent social unrest in Hong Kong, the Company believes that the Disposal may allow the Company to realise the investment in the Target Company with high return and further liquidate its resources for maintaining our existing businesses while seeking for new business opportunities. 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 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 Board considers that the terms and conditions for the Disposal are on normal commercial terms, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

FINANCIAL IMPACT OF THE DISPOSAL TO THE COMPANY

The Target Company has been accounted for as an equity investment at fair value through other comprehensive income and its financial results have not been consolidated in the Group's financial statements since the completion of its acquisition in February 2018. Upon Completion of the Disposal, the Target Company will cease to be classified as an equity investment at fair value through other comprehensive income of the Company.

After deducting the estimated expenses attributable to the Disposal of approximately HK\$100,000, it is estimated that the Group will record a gain of approximately HK\$8,572,000 from the Disposal, being the difference between (i) the net proceeds of approximately HK\$22,160,000; and (ii) the fair value of the Target Company as at 30 June 2019 of approximately HK\$13,588,000.

The actual gain or loss on the Disposal to be recorded by the Group will depend on the fair value of the Target Company recorded on the Group's financial statements at the Completion Date and therefore may be different from the amount mentioned above.

LISTING RULES IMPLICATIONS

As the relevant percentage ratio (as defined in the GEM Listing Rules) in respect of the transaction(s) contemplated under the Disposal Agreement exceed 5% but are less than 25%, the Disposal 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:

“Board”	the board of Directors
“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 Disposal in accordance with the terms and conditions of the Disposal Agreement
“Completion Date”	a date falling on or before three (3) months after the fulfillment (or as appropriate, waiver) of the conditions set out in the Disposal Agreement
“Consideration”	RMB20,000,000 (equivalent to approximately HK\$22,260,000), being the consideration payable by the Purchaser under the Disposal Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the Disposal of the Sale Capital by the Purchaser from the Vendor or its nominee(s) pursuant to the Disposal Agreement

“Disposal Agreement”	the conditional sale and purchase agreement entered into between the Purchaser, the Vendor and the Target Company on 19 August 2019 in relation to the Disposal
“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”	2 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
“Purchaser”	科華恒盛股份有限公司(Kehua Hengsheng Co Ltd*), a company incorporated in the PRC with limited liability and is listed on the Shenzhen Stock Exchange (Stock Code: 002335.SZ)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Capital”	registered and paid up capital of RMB10,000,000, representing 10% of the total equity interest of the Target Company
“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”	廣州德昇雲計算科技有限公司 (Desheng Cloud Computing Technology Co., Ltd.*), a company incorporated in the PRC with limited liability
“Vendor”	廣州市德永科技投資有限公司, (Guangzhou Deyong Technology Investment Co., Ltd.*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	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\$1.113. 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, 19 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.