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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)

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY
TWO (2) EXISTING SHARES HELD ON THE RECORD DATE ON
A NON-UNDERWRITTEN BASIS; AND
(II) PLACING OF PLACING SHARES UNDER SPECIFIC MANDATE**

Financial Adviser to the Company



INCUC Corporate Finance Limited

Placing Agent



Grand China Securities Limited

(I) PROPOSED RIGHTS ISSUE

The Board proposes to conduct the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price of HK\$0.15 per Rights Share, to raise up to approximately HK\$25.74 million before expenses by way of issuing up to 171,570,664 Rights Shares (assuming there is no change in the total number of Shares in issue from the date of this announcement up to and including the Record Date). Assuming no change in the issued share capital of the Company on or before the Record Date, the 171,570,664 Rights Shares to be issued pursuant to the terms of the Rights Issue represents 50.0% of the total number of issued Shares and approximately 33.3% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue (assuming all the Rights Shares will be taken up by the Qualifying Shareholders and/or placed pursuant to the Placing Agreement). The Rights Issue is not underwritten and is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholder(s) (if any).

Subject to the fulfillment and/or waiver (where applicable) of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares, and 105,398,666 Rights Shares are committed to be subscribed subject, however, to any Scaling-down vis-a-vis the MGO Obligation. Any Rights Shares which remain unsold after the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

The estimated net proceeds from the Rights Issue after deducting the estimated expenses in relation to the Rights Issue will range from a minimum of approximately HK\$14.93 million to a maximum of approximately HK\$24.71 million (assuming there is no change in the number of Shares in issue from the date of this announcement up to and including the Record Date and only Mr. Zhang, Corporate Advisory, Mr. Tang and Valuable Fortune subscribe for the Rights Shares under the Irrevocable Undertakings). Details of the use of proceeds are set out in the section headed “Reasons for and Benefits of the Rights Issue and the Placing and Use of Proceeds” in this announcement.

The Irrevocable Undertakings and Optionholders’ Undertakings

As at the date of this announcement, Mr. Zhang, Corporate Advisory, Mr. Tang and Valuable Fortune are interested in 37,849,332 Shares, 7,592,000 Shares, 23,356,000 Shares and 20,000,000 Shares, representing approximately 11.03%, 2.21%, 6.81% and 5.83% of the issued Shares, respectively. Pursuant to the Irrevocable Undertakings, (i) Mr. Zhang has undertaken to the Company that he will subscribe for 79,924,666 Rights Shares, which comprises (a) 18,924,666 Rights Shares, representing his full entitlement under the Rights Issue and (b) 61,000,000 Rights Shares by way of excess application; (ii) each of Corporate Advisory, Mr. Tang and Valuable Fortune has undertaken to the Company that each of them will subscribe for 3,796,000 Rights Shares, 11,678,000 Rights Shares and 10,000,000 Rights Shares respectively, which comprise the full acceptance of their provisional entitlement held by each of them; and (iii) each of Mr. Zhang, Corporate Advisory, Mr. Tang and Valuable Fortune will not dispose of 37,849,332 Shares, 7,592,000 Shares, 23,356,000 Shares and 20,000,000 Shares, representing their respective shareholding in the Company. Such Shares will remain beneficially owned by them up to and including the date on which completion of the Rights Issue takes place or the date on which the Company announces that the Rights issue will not proceed, whichever is earlier.

As at the date of this announcement, each of the holders of the Share Options has signed the Optionholder’s Undertakings not to exercise the Share Options (or any part thereof) granted to him/her from the date of the Optionholder’s Undertakings to the close of business on the Record Date (both dates inclusive).

Save for the Irrevocable Undertakings, the Company has not received any information or irrevocable undertaking from any other Shareholders of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue as at the date of this announcement.

(II) PLACING OF PLACING SHARES UNDER SPECIFIC MANDATE

On 5 January 2022 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company conditionally appointed the Placing Agent and the Placing Agent conditionally agreed to act as the Placing Agent for the Company to procure, on a best effort basis, Places to subscribe for the Placing Shares (i.e., the Untaken Shares and the ES Unsold Rights Shares) on the terms and subject to the conditions set out in the Placing Agreement. **Under the terms of the Placing Agreement, if all the Rights Shares have already been fully taken up in the Rights Issue whether through the PAL(s) and/or EAF(s), the Placing will not proceed.**

WARNING OF THE RISKS OF DEALING IN THE SHARES, AND THE NIL-PAID RIGHTS

The Rights Issue will proceed on a non-underwritten basis and there are no requirements under the laws of Cayman Islands and the Company's constitutional documents for a minimum level of subscription. Subject to the fulfilment and/or waiver of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level, and 105,398,666 Rights Shares are committed to be subscribed subject, however, to any Scaling-down vis-a-vis the MGO Obligation.

Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing are conditional upon, among others, conditions set out in the section headed "Conditions of the Rights Issue" and "Conditions of the Placing" in this announcement, respectively. Accordingly, if any of the applicable conditions are not fulfilled (or where applicable, waived), the Rights Issue and/or the Placing will not proceed.

Any Shareholder or other person dealing in the Shares or in the Nil-Paid Rights from the date of this announcement up to the date on which all the conditions to which the Rights Issue and the Placing are fulfilled will accordingly bear the risk that the Rights Issue and/or the Placing may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

GEM LISTING RULES IMPLICATIONS

The Rights Issue

As the Company has not conducted any rights issue or open offer within the 12-month period prior to the date of this announcement and the Rights Issue will not increase the issued share capital or market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the Shareholders' approval under Rule 10.29(1) of the GEM Listing Rules.

The Placing

The Placing Shares will be issued under the Specific Mandate, which is subject to the Shareholders' approval at the EGM.

GENERAL

A circular containing, among other things, (i) further details of the Placing; and (ii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Monday, 31 January 2022.

Subject to the fulfillment of certain conditions of the Rights Issue including the approval of the Placing by the Shareholders at the EGM, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders on Wednesday, 9 March 2022. The Company will despatch the Prospectus to the Excluded Shareholders for their information only but the Company will not send the PAL and EAF to the Excluded Shareholders.

(I) PROPOSED RIGHTS ISSUE

The Board proposes to conduct the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date. Set out below are the details of the Rights Issue statistics.

Issue statistics

Basis of the Rights Issue	: One (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	: HK\$0.15 per Rights Share
Net price per Rights Share (i.e., Subscription Price less cost and expenses incurred in the Rights Issue)	: Approximately HK\$0.144 per Rights Share
Number of Shares in issue as at the date of this announcement	: 343,141,329 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	: Up to 171,570,664 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Total number of Shares in issue upon completion of the Rights Issue	: Up to 514,711,993 Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Undertaking Rights Shares	: 105,398,666 Rights Shares, being the aggregate number of Rights Shares undertaken to be subscribed by Mr. Zhang, Corporate Advisory, Mr. Tang and Valuable Fortune under the Irrevocable Undertakings
Aggregate nominal value of the Rights Shares	: Up to approximately HK\$1,715,706.64 (assuming no change in the number of Shares in issue on or before the Record Date)
Gross proceeds from the proposed Rights Issue	: From approximately HK\$15.81 million to approximately HK\$25.74 million
Right of excess applications	: Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

Assuming no change in the issued share capital of the Company on or before the Record Date, the 171,570,664 Rights Shares to be issued pursuant to the terms of the Rights Issue represents 50.0% of the total number of issued Shares and approximately 33.3% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue (assuming all the Rights Shares will be taken up by the Qualifying Shareholders and/or placed pursuant to the Placing Agreement).

As at the date of this announcement, there are (i) 23,100,000 outstanding Share Options, which are exercisable during the period from 13 May 2021 to 12 May 2031 at the exercise price of HK\$0.245 each. Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

The Subscription Price

The Subscription Price of HK\$0.15 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application of excess Rights Shares, or where a transferee of the Nil-Paid Rights applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 34.78% to the closing price of HK\$0.230 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 34.78% to the average closing price of HK\$0.230 per Share as quoted on the Stock Exchange on the Last Trading Day for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 36.97% to the average closing price of HK\$0.238 per Share as quoted on the Stock Exchange on the Last Trading Day for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 26.11% to the theoretical ex-rights price of approximately HK\$0.203 per Share based on the closing price of HK\$0.230 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (v) a theoretical dilution effect of approximately 11.74% represented by the theoretical diluted price of approximately HK\$0.203 per Share to the benchmarked price of HK\$0.230 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price of HK\$0.230 per Share on the Last Trading Day and the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days prior to the Last Trading Day of HK\$0.230 per Share); and
- (vi) a discount of approximately 88.00% to the unaudited consolidated net asset value of the Company of approximately HK\$1.25 per Share (based on the latest published unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$430,044,000 as at 30 June 2021 as disclosed in the interim report of the Company for the six months ended 30 June 2021 and 343,141,329 Shares in issue as at the date of this announcement).

The theoretical diluted price, the benchmarked price and theoretical dilution effect for the Rights Issue are approximately HK\$0.203 per Share, HK\$0.230 per Share and 11.74%, respectively. The Rights Issue will not result in a theoretical dilution effect of 25% or more on its own. As such the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

The Subscription Price was determined with reference to, among others, the market price of the Shares under the prevailing market conditions and the reasons and benefits of Rights Issue as discussed in the section headed “Reasons for and Benefits of the Rights Issue and the Placing and Use of Proceeds” in this announcement. The Board considers that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue will be conditional upon:

- (i) the passing by the Shareholders at the EGM of ordinary resolution(s) to approve the Placing;
- (ii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;

- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Posting Date;
- (iv) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms by no later than the first day of their dealings;
- (v) compliance with the requirements under the applicable laws and regulations of Hong Kong; and
- (vi) there shall not have occurred and be continuing any of the following:
 - (a) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Company in any material respect affect the success of the Rights Issue (such success being the taking up of the Rights Shares by the Shareholders or the transferees of the Nil-Paid Rights) or otherwise in the absolute opinion of the Company makes it inexpedient or inadvisable or inappropriate for the Company to proceed with the Rights Issue; or
 - (b) any event of force majeure including, without limiting the generality thereof, any act of God, war, fire, flood, explosion, epidemic, terrorism, which in any material respect adversely affect the business or the financial or trading position or prospects of the Company and its subsidiaries considered as a whole or the Rights Issue; or
 - (c) any other material adverse change in relation to the business or the financial or trading position or prospects of the Company and its subsidiaries considered as a whole occurs, whether or not of the same kind with any of the foregoing; or
 - (d) any suspension in the trading of the securities generally or the Company's securities on the Stock Exchange for a period of more than 30 consecutive trading days occurs, excluding any halt or suspension in connection with the clearance of the announcement or circular or prospectus of the Company for the Rights Issue or other announcements or circulars in connection with the Rights Issue.

Save for condition (vi) which can be waived (conditionally or unconditionally) by the Company, none of the above conditions can be waived. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business and not be an Excluded Shareholder on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 1 March 2022.

It is expected that the last day of dealings in the Shares on a cum-rights basis is Friday, 25 February 2022, and the Shares will be dealt with on an ex-rights basis from Monday, 28 February 2022.

Subject to the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date and will despatch the Prospectus only (without the PAL and the EAF) to the Excluded Shareholders for their information only.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 2 March 2022 to Tuesday, 8 March 2022 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Shares will be registered during the above book closure periods.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of one (1) Rights Share for every two (2) Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). If a Qualifying Shareholder does not take up his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Rights of the Overseas Shareholders (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the applicable securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Board will comply with Rule 17.41(1) of the GEM Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant overseas regulatory bod(ies) or stock exchange(s) in such place(s), no provisional allotment of the Nil-Paid Rights or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders. The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the Nil-Paid Rights commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, will be paid pro rata (but rounded down to the nearest cent) to the relevant Excluded Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. Accordingly, the Overseas Shareholders should exercise caution when dealing in the Shares.

Application for the excess Rights Shares

Qualifying Shareholders shall be entitled to apply, by way of excess application, for (i) the Rights Shares representing the entitlement of the Excluded Shareholders and which cannot be sold at a net premium; (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or otherwise not subscribed for by transferees of the Nil-Paid Rights; and (iii) the Scale-down PAL Shares (if any) and the Scale-down EAF Shares (if any). Applications for the excess Rights Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for.

The Board will allocate the excess Rights Shares at its discretion, but on a fair and equitable basis as far as practicable on the following principles:

- (i) no preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result;
- (ii) subject to availability of the excess Rights Shares, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro rata basis based on the number of excess Rights Shares applied for by them. No reference will be made to Rights Shares subscribed through PALs, or the number of Shares held by the Qualifying Shareholders; and
- (iii) pursuant to Rule 10.31(3)(b) of the GEM Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by the Controlling Shareholder or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders’ applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

If the aggregate number of Rights Shares underlying the Untaken Shares is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any excess application may have been made with the intention to abuse the mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Board.

Beneficial owners of Shares whose shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the beneficial owners of Shares whose Shares are registered in name of nominee companies should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually and are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For those beneficial owners of Shares whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for completion of the relevant registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 1 March 2022.

Pursuant to the Irrevocable Undertakings, Mr. Zhang has indicated that it will subscribe for 61,000,000 Rights Shares by way of excess application. Please refer to the section headed “The Irrevocable Undertakings” below for more details.

Taxation

The Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Excluded Shareholders (if any) as regards their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It is emphasized that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Wednesday, 13 April 2022, to those entitled thereto by ordinary post, at their own risk, to their registered addresses.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Wednesday, 13 April 2022, by ordinary post to the applicants, at their own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot and will not accept application for any fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number). Fractional entitlements to any Rights Shares will be disregarded and will be aggregated and allocated to satisfy excess applications (if any) and/or disposed of in such manner as the Directors in their absolute discretion deem appropriate and for the benefit and interests of the Company and more particularly described in the paragraph headed “Application for excess Rights Shares”.

The Irrevocable Undertakings

As at the date of this announcement, Mr. Zhang, Corporate Advisory, Mr. Tang and Valuable Fortune are interested in 37,849,332 Shares, 7,592,000 Shares, 23,356,000 Shares and 20,000,000 Shares, representing approximately 11.03%, 2.21%, 6.81% and 5.83% of the issued Shares, respectively. Pursuant to the Irrevocable Undertakings, (i) Mr. Zhang has undertaken to the Company that he will subscribe for 79,924,666 Rights Shares, which comprises (a) 18,924,666 Rights Shares, representing his full entitlement under the Rights Issue and (b) 61,000,000 Rights Shares by way of excess application; (ii) each of Corporate Advisory, Mr. Tang and Valuable Fortune has undertaken to the Company that each of them will subscribe for 3,796,000 Rights Shares, 11,678,000 Rights Shares and 10,000,000 Rights Shares respectively, which comprise the full acceptance of their provisional entitlement held by each of them; and (iii) each of Mr. Zhang, Corporate Advisory, Mr. Tang and Valuable Fortune will not dispose of 37,849,332 Shares, 7,592,000 Shares, 23,356,000 Shares and 20,000,000 Shares, representing their respective shareholding in the Company. Such Shares will remain beneficially owned by each of them up to and including the date on which completion of the Rights Issue takes place or the date on which the Company announces that the Rights issue will not proceed, whichever is earlier.

Save for the Irrevocable Undertakings, the Company has not received any information or irrevocable undertaking from any other Shareholders of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue as at the date of this announcement.

The Optionholder's Undertakings

As at the date of this announcement, each of the holders of the Share Options has signed the Optionholder's Undertakings not to exercise the Share Options (or any part thereof) granted to him/her from the date of the Optionholder's Undertakings to the close of business on the Record Date (both dates inclusive).

The Rights Issue on a non-underwritten basis

As the Rights Issue will proceed on a non-underwritten basis, a Shareholder who applies to take up all or part of its entitlement under PAL or apply for excess Rights Shares under EAF or by transferees of the Nil-Paid Rights may unwittingly incur an MGO Obligation, unless a waiver from the Executive (as defined in the Takeovers Code) has been obtained. Accordingly, the Rights Issue will be made on the term that the Company will, pursuant to Rule 10.26(2) of the GEM Listing Rules, provide for Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the applications of any Shareholder for its entitlement under the PAL or for excess Rights Shares under the EAF or by transferees of the Nil-Paid Rights can be scaled down to a level which does not trigger an MGO Obligation. Any subscription monies for the Scale-down PAL Shares or Scale-down EAF Shares will be refunded to the applicants, and the Scale-down PAL Shares or Scale-down EAF Shares will be made available for subscription by other Qualifying Shareholders through EAF(s).

Such scaling-down of applications of Rights Shares shall operate on a fair and equitable basis under the following principles: (a) EAF(s) should be scaled down before PAL(s); (b) where the scale-down is necessitated by the exceeding of shareholding by a group of Qualifying Shareholders acting in concert (the "**Affected Group(s) of Shareholders**") rather than an individual Qualifying Shareholder, the allocations of EAF(s) and PAL(s) to members of the Affected Group of Shareholders should be made by reference to the number of Shares held by the affected applicants on the Record Date; and (c) the allocations of EAF(s) and PAL(s) to different Affected Groups of Shareholders and/or affected individual Qualifying Shareholders should be made by reference to the number of Shares held by the affected applicant(s) and/or affected group(s) of applicant(s) on the Record Date.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares, and 105,398,666 Rights Shares are committed to be subscribed subject, however, to any Scaling-down vis-a-vis the MGO Obligation. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or holders of the Nil-Paid Rights together with the ES Unsold Rights Shares will be placed to independent Placers on a best effort basis pursuant to the Placing. Any Untaken Shares and ES Unsold Rights Shares which are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

The legal advisers of the Company have confirmed that there are no requirements under the laws of Cayman Islands and the Company's constitutional documents regarding minimum subscription levels in respect of the Rights Issue.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be in board lots of 10,000 Rights Shares, which are registered in the register of members of the Company, and subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

PLACING OF PLACING SHARES UNDER SPECIFIC MANDATE

The Placing

On 5 January 2022 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company conditionally appointed the Placing Agent and the Placing Agent conditionally agreed to act as the Placing Agent for the Company to procure, on a best effort basis, Placees to subscribe for the Placing Shares (i.e. the Untaken Shares and the ES Unsold Rights Shares) on the terms and subject to the conditions set out in the Placing Agreement. **Under the terms of the Placing Agreement, if all the Rights Shares have already been fully taken up in the Rights Issue through the PAL(s) and/or EAF(s), the Placing will not proceed.**

The Company had approached a few brokerage companies (including the Placing Agent) to explore their interest in participating in the underwriting of the Rights Issue. None of the brokerage companies indicated their willingness, nor were they responsive, in participating in the underwriting of the Rights Issue mainly due to the lack of interest in the secondary fundraising activity and the recent downward trend of the market price, save and except for the Placing Agent which expressed interest in acting as a placing agent and on a best effort basis only.

Placing Agreement

The principal terms of the Placing Agreement are summarised below:

Placing Agent : Grand China Securities Limited

The Placing Agent confirms that it and its ultimate beneficial owner(s) are Independent Third Parties.

Placing commission and expenses : 1.5% of the gross proceeds from the subscription of the Placing Shares actually placed by the Placing Agent under the Placing Agreement in which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company on the Completion Date of the Placing. The Company will reimburse the Placing Agent for the out-of-pocket expenses properly and reasonably incurred by it in relation to the Placing and the Company's SFC transaction levy and Stock Exchange trading fee, if any, as may be payable in respect of the subscription of the Placing Shares by the Placees procured by it.

- Placing price : The placing price of each of the Placing Share (as the case maybe) shall be the Subscription Price (i.e. HK\$0.15 per Placing Share).
- Placing Period : The Placing Period shall commence on Thursday, 31 March 2022, and end on the Placing End Date (i.e., Friday, 8 April 2022 under timetable) or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Placing.
- Placees : The Placing Agent shall ensure that the Placing Shares are placed only to institutional, corporate or individual investors who and whose ultimate beneficial owner(s) shall be (i) the Independent Third Parties; (ii) such that no placee shall become a Substantial Shareholder immediately following the Placing; and (iii) such that the Placing will not have any implications under the Takeovers Code and no Shareholder will be under an MGO Obligation as a result of the Placing.
- Ranking : The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue as at the date of allotment and issue of the Placing Shares.

Placing Shares

The number of Placing Shares shall be equivalent to the number of Untaken Shares and ES Unsold Rights Shares, being the difference between (i) the total number of Rights Shares available for subscription as at the Record Date; and (ii) the total number of Rights Shares taken up by Qualifying Shareholders whether under the PAL(s) or EAF(s).

Excluding the Rights Shares which Mr. Zhang, Corporate Advisory, Mr. Tang and Valuable Fortune will take up in accordance with the Irrevocable Undertakings, and assuming (i) there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date; and (ii) no Qualifying Shareholder subscribes for any Rights Shares, the maximum number of Placing Shares will be 66,171,998 Shares, representing approximately 19.28% of the total number of issued Shares and approximately 12.86% of the total number of issued Shares as enlarged by the issue of the Placing Shares.

Placing Price

For the avoidance of doubt, the Placing will proceed only if the Rights Shares are not fully subscribed and validly taken up. The placing price of HK\$0.15 per Placing Share shall be same as the Subscription Price and represents:

- (i) a discount of approximately 34.78% to the closing price of HK\$0.230 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 34.78% to the average closing price of HK\$0.230 per Share as quoted on the Stock Exchange on the Last Trading Day for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 36.97% to the average closing price of HK\$0.238 per Share as quoted on the Stock Exchange on the Last Trading Day for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 26.11% to the theoretical ex-rights price of approximately HK\$0.203 per Share based on the closing price of HK\$0.230 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a theoretical dilution effect of approximately 11.74% represented by the theoretical diluted price of approximately HK\$0.203 per Share to the benchmarked price of HK\$0.230 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price of HK\$0.230 per Share on the Last Trading Day and the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days prior to the Last Trading Day of HK\$0.230 per Share); and
- (vi) a discount of approximately 88.00% to the unaudited consolidated net asset value of the Company of approximately HK\$1.25 per Share (based on the latest published unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$430,044,000 as at 30 June 2021 as disclosed in the interim report of the Company for the six months ended 30 June 2021 and 343,141,329 Shares in issue as at the date of this announcement).

As stated above, the Rights Issue and the Placing are part and parcel of the overall fundraising plan of the Company. In particular, the Directors considered that priority would be given to the Qualifying Shareholders to subscribe for the Rights Shares from their provisional allotments and excess applications under the Rights Issue. Should the Qualifying Shareholders not participate in the Rights Issue and there remains any Untaken Shares, the Placing provides an equal opportunity for potential investors to invest in the Company so as to enable the Company to raise sufficient funds. The Directors are also of

the view that if the placing price is set higher than the Subscription Price, it would adversely affect the results of the Placing as investors could otherwise acquire the Shares in the open market before the Record Date and participate in the Rights Issue at the Subscription Price. Therefore, although the placing price represents a discount of 34.78% to the benchmarked price of HK\$0.230 per Share (as defined under Rule 10.44A of the GEM Listing Rules), having balanced the interests of the Company, the Shareholders and investors who would like to participate in the Group's future development, the Directors consider that the terms of the Placing, including the placing price and the placing commission, are on normal commercial terms, fair and reasonable and the Placing is in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing

The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon the following conditions being fulfilled:

- (i) the passing by the Shareholders of all the necessary resolutions to be approved at the EGM for the transactions contemplated under the Placing Agreement (including the Specific Mandate);
- (ii) the grant by the Listing Committee of the Stock Exchange of the approval for the listing of, and permission to deal in, the Placing Shares and such approval not having been withdrawn or revoked;
- (iii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion of the Placing, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated at the time of completion of the Placing;
- (iv) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;
- (v) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events; and
- (vi) the Rights Issue becoming unconditional.

Other than the conditions (iii), (iv) and (v) set out above, none of the above conditions of the Placing is capable of being waived in whole or in part by the Placing Agent or the Company.

The timetable of the Placing is driven by the timetable of the Rights Issue. Under the terms of the Placing Agreement, the Placing Period shall commence on Thursday, 31 March 2022, or such other date as the Company may announce. The Placing Period shall end on Friday, 8 April 2022, or such other date as the Company may announce.

The long stop date for the fulfilment of conditions of the Placing Agreement shall be 5:00 p.m. on Monday, 11 April 2022 (being the next Business Day after the Placing End Date) or such later date as may be announced by the Company. The Company shall use its reasonable endeavours to procure the fulfilment of the conditions and if the said conditions are not fulfilled on or before the Placing Long Stop Date, the Placing Agreement will lapse and become null and void and the Company and the Placing Agent shall be released from all obligations under the Placing Agreement, save the liabilities for any antecedent breaches thereof.

If all the Rights Shares are already fully taken up in the Rights Issue through valid applications by PAL(s) and/or EAF (s), the Placing will not proceed.

Termination

The Parties may by mutual written agreement terminate the Placing Agreement.

The Placing Agent may also terminate the Placing Agreement without any liability to the Company, by notice in writing given to the Company at any time prior to 10:00 a.m. on the Completion Date of the Placing upon the occurrence of any of the following events:

- (a) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a material change in, or which may result in a material change in the political, economic, fiscal, financial, regulatory or stock market conditions in Hong Kong or any other jurisdiction relevant to the Group and which in the Placing Agent's reasonable opinion would adversely affect the success of the Placing;
- (b) the imposition of any moratorium, suspension (for more than 10 trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would affect the success of the Placing;

- (c) the introduction of any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may materially and adversely affect the business or financial prospects of the Group and/or the success of the Placing;
- (d) any material litigation or claim being instigated against any member of the Group, which has or may have a material effect on the business or financial position of the Group and which in the Placing Agent's absolute opinion would affect the success of the Placing;
- (e) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
- (f) any material breach of any of the representations and warranties comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Completion Date of the Placing which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect or there has been a material breach by the Company of any other provision of the Placing Agreement.

Application for listing

The Company will apply to the Stock Exchange for the approval for the listing of, and permission to deal in, the Placing Shares.

Status of the Placing Shares

The Placing Shares, when issued and fully paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank *pari passu* in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of issue of the Placing Shares.

Completion of the Placing

Subject to the fulfilment of conditions of the Placing as set out in the section headed “Placing of Placing Shares under Specific Mandate — Conditions of the Placing” of this announcement, the completion of the Placing is expected to take place on the Completion Date of the Placing.

The engagement between the Company and the Placing Agent of the Placing Shares was determined after arm’s length negotiation between the Placing Agent and the Company and is on normal commercial terms after considering (i) the prevailing market conditions; (ii) the funding requirements of the Group as detailed in the section headed “Reasons for and Benefits of the Rights Issue and the Placing and Use of Proceeds”; and (iii) the Subscription Price. In particular, the Directors, taking into account the range of placing commission for recent rights issues conducted by issuers listed on the Stock Exchange, consider that the terms of Placing Agreement, including the placing commission, are normal commercial terms. Given that the Placing for the Placing Shares will allow the Company to raise the shortfall of funds required where possible after the Rights Issue, the Directors consider that the Placing Agreement is fair and reasonable and in the interests of the Company and its shareholders as a whole.

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the possible changes in the shareholding structure of the Company arising from the Rights Issue which are for illustrative purpose only.

As at the date of this announcement, the Company has 343,141,329 Shares in issue. Set out below is the shareholding structure of the Company, assuming there is no change in the issued share capital of the Company before completion of the Rights Issue other than the allotment and issue of the Rights Shares pursuant to the Rights Issue, (i) as at the date of this announcement, (ii) immediately upon completion of the Rights Issue, assuming all the Qualifying Shareholders take up their respective allotment of Rights Shares in full; and (iii) immediately upon completion of the Rights Issue, assuming nil acceptance by the Qualifying Shareholders other than those to be taken up under the Shareholder’s Irrevocable Undertakings and no Untaken Shares and ES Unsold Rights Shares are placed to the Places; and (iv) immediately upon completion of the Rights Issue, assuming nil acceptance by the Qualifying Shareholders other than those to be taken up under the Shareholder’s Irrevocable Undertakings and all the Untaken Shares and ES Unsold Rights Shares are fully placed to the Places.

	(i) At the date of this announcement		(ii) Immediately upon completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders)		(iii) Immediately upon completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders other than those to be taken up under the Shareholder's Irrevocable Undertakings and no Untaken Shares and ES Unsold Rights Shares are placed to the Placees)		(iv) Immediately upon completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders other than those to be taken up under the Shareholder's Irrevocable Undertakings and all the Untaken Shares and ES Unsold Rights Shares are fully placed to the Placees)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. Zhang Rong	37,849,332	11.03	56,773,998	11.03	117,773,998	26.26	117,773,998	22.88
Corporate Advisory Limited (Note 1)	7,592,000	2.21	11,388,000	2.21	11,388,000	2.54	11,388,000	2.21
	45,441,332	13.24	68,161,998	13.24	129,161,998	28.80	129,161,998	25.09
Mr. Lam Shu Chung	25,342,000	7.39	38,013,000	7.39	25,342,000	5.65	25,342,000	4.92
Mr. Tang Keung	23,356,000	6.81	35,034,000	6.81	35,034,000	7.81	35,034,000	6.81
Valuable Fortune Limited (Note 2)	20,000,000	5.83	30,000,000	5.83	30,000,000	6.69	30,000,000	5.83
Mr. Wong Kui Shing, Danny	833,333	0.24	1,249,999	0.24	833,333	0.19	833,333	0.16
Discover Wide Investments Limited (Note 3)	16,832,143	4.91	25,248,214	4.91	16,832,143	3.75	16,832,143	3.27
	17,665,476	5.15	26,498,213	5.15	17,665,476	3.94	17,665,476	3.43
Placees (Note 4)	—	—	—	—	—	—	66,171,998	12.86
Other Public Shareholders	211,336,521	61.58	317,004,782	61.58	211,336,521	47.11	211,336,521	41.06
	<u>343,141,329</u>	<u>100.00</u>	<u>514,711,993</u>	<u>100.00</u>	<u>448,536,995</u>	<u>100.00</u>	<u>514,711,993</u>	<u>100.00</u>

Notes:

1. The 7,592,000 Shares are held by Corporate Advisory Limited, which is wholly-owned by Mr. Zhang.
2. The 20,000,000 Shares are held by Valuable Fortune which is wholly-owned by Mr. Lee Yat Lung Andrew.
3. The 16,832,143 Shares are held by Discover Wide Investments Limited, which is wholly-owned by Mr. Wong Kui Shing, Danny, the former Director.
4. Pursuant to terms and conditions of the Placing Agreement, the Placing Shares will be placed by the Placing Agent (i) only to institutional, corporate or individual investors who and whose ultimate beneficial owner(s) shall be Independent Third Parties; (ii) such that no Placee shall become a Substantial Shareholder immediately following the Placing; and (iii) such that the Placing will not have any implications under the Takeovers Code and no Shareholder will be under any MGO Obligation as a result of the Placing.

POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS UNDER THE SHARE OPTION SCHEME

The Rights Issue may lead to adjustments to the exercise price and/or the number of Shares to be issued upon exercise of the Share Options under the Share Option Scheme. The Company will notify the holders of such Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

Save for the foregoing, as at the date of this announcement, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND THE PLACING AND USE OF PROCEEDS

The Company is an investment holding company. The Group is principally engaged in the provision of IT infrastructure solutions and maintenance services, money lending and securities trading.

As mentioned in the quarterly report of the Company for the nine months ended 30 September 2021, the Group has continued to develop steadily, preparing ourselves to face the challenges ahead while grabbing the golden opportunities for the sustainable growth of the Group. The Group had continued to dedicate its effort and resources in developing innovative and advanced technology especially in fields like artificial intelligence (“AI”) and cloud technologies while cautiously controlled and efficiently allocated our other resources and took appropriate corporate actions according to the market conditions.

Internet of things (“**IoT**”) and AI technology have become a vital tool for companies by which they can manage their operations in real-time. Enterprises are depending on these technologies to improve efficiency. According to the latest Worldwide Artificial Intelligence Spending Guide published by International Data Corporation (IDC), the global spending on AI technology is forecasted to increase from US\$85.3 billion in 2021 to more than US\$204 billion in 2025, with a compound annual growth rate of 24.5%. Smart logistics, for example, is the use of IoT in logistics system, automatizing manual work and decisions with accurate assumption abilities. It manages all the logistic problems from logistic sources and also circulates information faster than its conventional ways. It also enables mobile intelligence technology with the help of sensors to distribute information on goods. It increases business efficiency and reliability and reduces business costs. With the accurate solutions, smart logistics can help prevent unnecessary waste of resources which in turn contribute to sustainability in the long run. The Company is of the view that there is a huge potential market especially in China and Asia Pacific areas and this strong growth is expected to continue. Therefore, the Company has been injecting resources in research and development on its AI technology in smart logistics and customer relationships management system (the “**CRM system**”) to transform enormous complex data with automated machine learning platform and augmented analytics into useful insights to its clients and assist them to provide timely services to their customers. The system shall also provide automated sales and customer service interactions and other logistic management services. The system is expected to launch in second half of 2022.

With the objective to secure and expand market share in the advanced AI and other IT technologies, the continuous support to accelerate the research and development of its AI systems and persistent modification of its systems and platforms are inevitable. The Group spent approximately HK\$2 million per month in the research and development, including its in-house research and development team with experienced data scientists and engineers. As at 30 November 2021, the bank and cash balances of the Group was approximately HK\$8.0 million, which can only support for research and development for about three months.

The estimated net proceeds from the Rights Issue and the Placing after deducting the estimated expenses in relation to the Rights Issue are up to approximately HK\$24.71 million, of which (i) approximately HK\$23.00 million is intended for research and development expenses of the development and fine tuning of the smart logistics and the CRM system; and (ii) the remaining amount is intended for general working capital. The Company expects that the net proceeds will be fully utilised in the first quarter of 2023. The Company may finance the upcoming expenses of the continuous development and fine tuning of the smart logistics and the CRM system through other fund raising activities, including debt or equity financing. As at the date of this announcement, the Board does not have any financing plan for the next stage development of the smart logistics and the CRM system.

The Board has considered other fund-raising alternatives before resolving to the proposed Rights Issue, including but not limited to debt financing, placing and open offer. The Board noted that bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders. As for placing of new Shares, taking into account that it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, it was not considered by the Board to be the most suitable fund-raising method for the Company. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market unlike a rights issue, which would allow Shareholders to have more flexibility in dealing with the Shares and the nil paid rights attaching thereto.

In view of the above, the Board considers that it is in the interests of the Company and the Shareholders as a whole to proceed with the Rights Issue to provide existing Shareholders the opportunity to participate in the enlarged capital base of the Company followed by the Placing for the Placing Shares to raise the fund required.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

Save as disclosed below, the Company has not conducted any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
30 July 2021 (as supplemented by announcement dated 1 August 2021)	Placing of new Shares under general mandate	HK\$13,700,000	General working capital of the Group	Utilised in full as intended
25 May 2021	Placing of new Shares under general mandate	HK\$4,700,000	General working capital of the Group	Utilised in full as intended

EXPECTED TIMETABLE

The expected timetable for the Rights Issue and the Placing is set out below. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

Event	Date (Hong Kong time)
Expected despatch date of the Circular, proxy form and the notice of the EGM	Monday, 31 January 2022
Latest time for lodging transfer of shares to qualify for attendance and voting at the EGM	4:30 p.m. on Thursday, 17 February 2022
Closure of register of members (both days inclusive)	Friday, 18 February 2022 — Thursday, 24 February 2022
Latest time for lodging proxy forms for the EGM	11:00 a.m. on Tuesday, 22 February 2022
Record date for attendance and voting at the EGM	Thursday, 24 February 2022
Expected time and date of the EGM to approve the Placing	11:00 a.m. on Thursday, 24 February 2022
Announcement of the poll results of the EGM	Thursday, 24 February 2022
Register of members re-opens	Friday, 25 February 2022
Last day of dealings in the Shares on cum-rights basis relating to the Rights Issue	Friday, 25 February 2022
First day of dealings in the Shares on ex-rights basis relating to the Rights Issue	Monday, 28 February 2022
Latest time for the Shareholders to lodge transfer of Shares to qualify for the Rights Issue	4:30 p.m. on Tuesday, 1 March 2022
Closure of register of members for the Rights Issue (both days inclusive)	Wednesday, 2 March 2022 — Tuesday, 8 March 2022
Record date for the Rights Issue	Tuesday, 8 March 2022

Event	Date (Hong Kong time)
Register of members of the Company re-opens	Wednesday, 9 March 2022
Despatch of Prospectus, PAL and EAF	Wednesday, 9 March 2022
First day of dealings in the Nil-Paid Rights	Friday, 11 March 2022
Latest time for splitting the Nil-Paid Rights	4:30 p.m. on Tuesday, 15 March 2022
Last day of dealing in Nil-Paid Rights	Friday, 18 March 2022
Latest Time for Acceptance of and payment for the Rights Shares and application of excess Rights Shares	4:00 p.m. on Wednesday, 23 March 2022
Announcement of the number of the Placing Shares subject to the Placing	Wednesday, 30 March 2022
Commencement of the Placing Period (if there are any Placing Shares available)	Thursday, 31 March 2022
Placing End Date for placing the Placing Shares (if applicable)	Friday, 8 April 2022
Rights Issue Settlement Date and the Completion Date of the Placing	Monday, 11 April 2022
Announcement of results of the Rights Issue, the application for excess Rights Shares and the Placing	Tuesday, 12 April 2022
Despatch of certificates for fully-paid Rights Shares and refund cheques in relation to wholly or partially unsuccessful applications for excess Rights Shares	Wednesday, 13 April 2022
Commencement of dealings in fully-paid Rights Shares and Placing Shares	Thursday, 14 April 2022

EFFECT OF BAD WEATHER OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning or Extreme Conditions:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 23 March 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 23 March 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Wednesday, 23 March 2022, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND RIGHTS SHARES

The Rights Issue will proceed on a non-underwritten basis and there are no requirement under the laws of Cayman Islands and the Company’s constitutional documents for a minimum level of subscription. Subject to the fulfilment and/or waiver of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level, and 105,398,666 Rights Shares are committed to be subscribed subject, however, to any Scaling-down vis-a-vis the MGO Obligation.

Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing are conditional upon, among others, conditions set out in the section headed “Conditions of the Rights Issue” and “Conditions of the Placing” in this announcement, respectively. Accordingly, if any of the applicable conditions are not fulfilled (or where applicable, waived), the Rights Issue and/or the Placing will not proceed.

Any Shareholder or other person dealing in the Shares or in the Nil-Paid Rights from the date of this announcement up to the date on which all the conditions to which the Rights Issue and the Placing are fulfilled will accordingly bear the risk that the Rights Issue and/or the Placing may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

GEM LISTING RULES IMPLICATIONS

The Rights Issue

As the Company has not conducted any rights issue or open offer within the 12-month period prior to the date of this announcement and the Rights Issue will not increase the issued share capital or market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the Shareholders' approval under Rule 10.29(1) of the GEM Listing Rules.

The Placing

The Placing Shares will be issued under the Specific Mandate, which is subject to the Shareholders' approval at the EGM.

GENERAL

A circular containing, among other things, (i) further details of the Placing; and (ii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Monday, 31 January 2022.

Subject to the fulfillment of certain conditions of the Rights Issue including the approval of the Placing, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders on Wednesday, 9 March 2022. The Company will despatch the Prospectus to the Excluded Shareholders for their information only but the Company will not send the PAL and EAF to the Excluded Shareholders.

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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Circular”	the circular to be despatched to the Shareholders giving details of the Placing and containing the notice of the EGM
“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 Date of the Placing”	means Monday, 11 April 2022 or such later date as the Company may announce
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Corporate Advisory”	Corporate Advisory Limited, a company incorporated in the British Virgin Islands, which is the legal and beneficial owner of 7,592,000 Shares as at the date of this announcement and is wholly-owned by Mr. Zhang

“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for the excess Rights Shares
“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 Placing
“ES Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Extreme Conditions”	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“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)
“Irrevocable Undertakings”	the irrevocable undertakings executed by Mr. Zhang, Corporate Advisory, Mr. Tang and Valuable Fortune in favour of the Company, the principal terms of which are disclosed in the section headed “The Irrevocable Undertakings” in this announcement
“Last Trading Day”	5 January 2022, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of this announcement
“Latest Lodging Date”	4:30 p.m. on Tuesday, 1 March 2022 or such other date as the Company may agree, being the latest day for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 23 March 2022, being the last time for acceptance and payment of the Rights Shares, or such other date as the Company may determine
“Listing Committee”	has the same meaning ascribed to it under the GEM Listing Rules
“MGO Obligation”	the obligation to make a mandatory general offer under the Takeovers Code
“Mr. Tang”	Mr. Tang Keung, a Shareholder holding 23,356,000 Shares as at the date of this announcement
“Mr. Zhang”	Mr. Zhang Rong, a Substantial Shareholder holding in an aggregate of 45,441,332 Shares as at the date of this announcement, comprising 37,849,332 held by Mr. Zhang and 7,592,000 Shares directly held by Corporate Advisory, a company wholly-owned by Mr. Zhang
“Nil-Paid Rights”	rights to subscribe for Rights Shares (in the form of Rights Shares in nil-paid form) before the Subscription Price is paid

“Optionholder’s Undertaking(s)”	the undertaking(s) executed on 5 January 2022 by the holders of the Share Options, whereby each of such Share Option holders irrevocably undertake, represent and warrant to the Company that he/she will not exercise such Share Options held by him/her for the period from the date of such undertaking to the close of business on the Record Date (both dates inclusive)
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) for the Rights Issue
“Placee”	means any individual, corporate, or institutional, who is not a connected person of the Company (as defined in the GEM Listing Rules) and whose ultimate beneficial owner(s) are Independent Third Party(ies), procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the terms and conditions under the Placing Agreement
“Placing”	placing of the Placing Shares by the Placing Agent on a best efforts basis to investors who are Independent Third Parties
“Placing Agent”	Grand China Securities Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on business in Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the SFO
“Placing Agreement”	the placing agreement dated 5 January 2022 and entered into among the Company and the Placing Agent in relation to the Placing
“Placing End Date”	Friday, 8 April 2022
“Placing Long Stop Date”	5:00 p.m. on Monday, 11 April 2022
“Placing Period”	the period from Thursday, 31 March 2022 up to 4:00 p.m. on the Placing End Date, being the period during which the Placing Agent will seek to effect the Placing
“Placing Share(s)”	the Untaken Shares and the ES Unsold Rights Shares

“Posting Date”	Wednesday, 9 March 2022 or such other day as the Company may determine, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Excluded Shareholders (as the case may be)
“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
“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders (and the Excluded Shareholder(s) for information only) on the Posting Date in connection with the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Qualifying Shareholders”	Shareholder(s), whose names appear on the register of members of the Company as at the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Tuesday, 8 March 2022, or on such other date as the Company may determine, being the date by reference to which entitlements to the Rights Issue will be determined
“Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s branch share registrar and transfer office in Hong Kong
“Rights Issue”	the proposed issue of up to 171,570,664 Rights Shares at the Subscription Price on the basis of one (1) Rights Share for every two (2) Shares held at the close of business on the Record Date payable in full on acceptance
“Rights Share(s)”	the new Share(s) to be allotted and issued under the Rights Issue
“Scaling-down”	the scale-down mechanisms of the Rights Issue as determined by the Company to which any application for the Rights Shares, whether under the PALs or EAFs, or transferees of the Nil-Paid Rights shall be subject to ensure that no application for the Rights Shares or the allotment thereof by the Company shall be at such level which may trigger any MGO Obligation

“Scale-down EAF Shares”	such number of Rights Shares applied for as excess application under the EAF(s) which would, if allotted by the Company, result in the incurring of an MGO Obligation on the part of the applicant
“Scale-down PAL Shares”	such number of Rights Shares applied for under the PAL(s) which would, if allotted by the Company, result in the incurring of an MGO Obligation on the part of the applicant
“Settlement Date”	the date being the second Business Day following (but excluding) the Latest Time for Acceptance or such later date as the Company may agree
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option(s)”	the total of 23,100,000 outstanding share options to subscribe for 23,100,000 Shares granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 2 August 2012
“Share(s)”	the ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to allot, issue and deal with the Placing Shares to be proposed for approval as an ordinary resolution of the Shareholders at the EGM, which, if granted, shall expire three months from the date of the EGM
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price in respect of each Rights Share, being HK\$0.15
“Substantial Shareholder(s)”	has the meaning as ascribed to this term under the GEM Listing Rules

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Untaken Shares”	the number of unsubscribed Rights Share(s) not taken up by the Qualifying Shareholder(s) or renouncee(s) or transferee(s) of the Nil-Paid Rights under PAL(s)
“Valuable Fortune”	Valuable Fortune Limited, a company incorporated in the British Virgin Islands, which is the legal and beneficial owner of 20,000,000 Shares as at the date of this announcement and is wholly-owned by Mr. Lee Yat Lung Andrew
“%”	per cent.

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

Hong Kong, 5 January 2022

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; 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.