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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Information Technology Development Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to the Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

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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)**

### **PLACING OF PLACING SHARES UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial adviser to the Company**



**INCU Corporate Finance Limited**

**Placing Agent**



**Grand China Securities Limited**

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Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A notice convening the EGM of the Company to be held at Unit 3308, 33/F., Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Hong Kong on Thursday, 24 February 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours (i.e. Tuesday, 22 February 2022 at 11:00 a.m.) before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

#### **PRECAUTIONARY MEASURES FOR THE EGM**

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- (1) compulsory body temperature screening/checks;
- (2) wearing of surgical face mask; and
- (3) no provision of refreshments or drinks.

Attendees who do not comply with the precautionary measures referred to in (1) and (2) above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

25 January 2022

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## PRECAUTIONARY MEASURES FOR THE EGM

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In view of the ongoing COVID-19 pandemic and recent guidelines for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect the Shareholders, staff and other stakeholders who attend the EGM from the risk of infection:

- (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee. Any person with a body temperature of 37.3 degrees Celsius or higher may be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) the Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the EGM at all times, and to maintain a safe distance between seats (please bring your own mask);
- (iii) no refreshment will be served at the EGM;
- (iv) no souvenirs will be distributed at the EGM; and
- (v) no guest will be allowed to enter the EGM venue if he/she is wearing quarantine wristband issued by the Government of Hong Kong.

Any person who does not comply with above requirements may be denied entry into the EGM venue or be required to leave the EGM venue. To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of other attendees at the EGM. In our case, denied entry to the EGM venue also means that person will not be allowed to attend the EGM. In the interest of all stakeholders' health and safety and in accordance with recent guidelines for prevention and control of the spread of COVID-19, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, the Shareholders may complete the proxy forms and appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The proxy forms were despatched to the Shareholders together with this circular, and can otherwise be downloaded from the websites of the Company or the Stock Exchange. If you are not a registered Shareholder (i.e. if your Shares are held via banks, brokers, custodians or Hong Kong Securities Clearing Company Limited), you should consult directly with your banks, brokers or custodians (as the case may be) to assist you in the appointment of proxy.

Subject to the development of COVID-19 pandemic, the Company may implement further precautionary measures and may issue further announcements on such measures as appropriate.

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Announcement”	the announcement of the Company dated 5 January 2022 in relation to, among other things, the proposed Rights Issue and Placing
“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
“Company”	China Information Technology Development Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (Stock Code: 8178)
“Completion Date of the Placing”	Monday, 11 April 2022 or such later date as the Company may announce
“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 Latest Practicable Date and is wholly-owned by Mr. Zhang
“Director(s)”	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

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Placing (including the Specific Mandate)
“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
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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”

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## DEFINITIONS

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“Last Trading Day”	5 January 2022, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of the Announcement
“Latest Practicable Date”	20 January 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 23 March 2022, being the last time for acceptance of and payment for 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 Latest Practicable Date
“Mr. Zhang”	Mr. Zhang Rong, a Substantial Shareholder holding in an aggregate of 45,441,332 Shares as at the Latest Practicable Date, 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)

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## DEFINITIONS

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“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”	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 between 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 Price”	HK\$0.15 per Placing Share
“Placing Share(s)”	the Untaken Shares and the ES Unsold Rights Shares



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## DEFINITIONS

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“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 circular, 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

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## DEFINITIONS

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“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
“Scheme Mandate Limit”	the maximum number of Shares which may be allotted and issued upon exercise of all options to be granted by the Board under the Share Option Scheme and any other share option scheme(s) of the Company to subscribe up to 10% of the Shares in issue as at the date of adoption of the Share Option Scheme and thereafter, if refreshed, the total number of Shares which may be allotted and issued upon exercise of all options to be granted shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders of the refreshed limit
“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)

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## DEFINITIONS

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“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 it 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 renounee(s) or transferee(s) of Nil-Paid Rights under PAL(s) or EAF(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 Latest Practicable Date and is wholly-owned by Mr. Lee Yat Lung Andrew
“%”	per cent.

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## EXPECTED TIMETABLE

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The expected timetable for the implementation of the Rights Issue and the Placing is set out below:

<b>Event(s)</b>	<b>Time and date</b>
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

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## EXPECTED TIMETABLE

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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 Nil-Paid Rights . . . . .	Friday, 11 March 2022
Latest time for splitting 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

All times and dates specified in this circular refer to the Hong Kong times and dates. This timetable is indicative only and any subsequent changes to the expected timetable will be announced by the Company as and when appropriate.

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Wong King Shiu, Daniel

*(Chairman and Chief Executive Officer)*

Mr. Chang Ki Sum Clark

*Independent non-executive Directors:*

Mr. Hung Hing Man

Mr. Wong Hoi Kuen

Dr. Chen Shengrong

*Head Office and Principal place of business*

*in Hong Kong:*

Unit 3308, 33/F.

Millennium City 6

392 Kwun Tong Road

Kwun Tong

Hong Kong

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

25 January 2022

*To the Shareholders of the Company*

Dear Sir or Madam,

**PLACING OF PLACING SHARES UNDER SPECIFIC MANDATE  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcement in relation to, among other things, the Rights Issue and the Placing. The purpose of this circular is to provide you among other things, details of the Placing and the notice of the EGM to be convened.

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## LETTER FROM THE BOARD

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### PROPOSED RIGHTS ISSUE

Reference is made to the Announcement. The Rights Issue is proposed to be conducted under the basis of one (1) Rights Share for every two (2) Shares held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price (i.e. HK\$0.15 per Rights Share). The number of Rights Shares to be issued pursuant to the Rights Issue will be up to 171,570,664 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date). Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment.

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 Placees on a best effort basis pursuant to the Placing Agreement. 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 the minimum subscription level in respect of the Rights Issue.

### The Irrevocable Undertakings

As at the Latest Practicable Date, 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 comprise (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 from the date of the Irrevocable Undertakings to the close of business on the Record Date (both dates inclusive).

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## LETTER FROM THE BOARD

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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 Latest Practicable Date.

### **The Optionholder's Undertakings**

On 5 January 2022, 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).

Please refer to the Announcement for further details in relation to the Rights Issue.

### **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) 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 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 on a best effort basis only.



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## LETTER FROM THE BOARD

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### 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 Placées procured by it.

Placing price : The placing price of each of the Placing Share (as the case maybe) shall be same as the Subscription Price (i.e. HK\$0.15 per Placing Share)

Net price per Placing Share (i.e., Subscription Price less cost and expenses incurred in the Rights Issue and Placing) : Approximately HK\$0.144 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.

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## LETTER FROM THE BOARD

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- 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) 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 or renouncee(s) or transferee(s) of the Nil-Paid Rights 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 Latest Practicable Date 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 44.44% to the closing price of HK\$0.270 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) 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;

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## LETTER FROM THE BOARD

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- (iii) 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;
- (iv) 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;
- (v) 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;
- (vi) 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 (5) consecutive trading days prior to the Last Trading Day of HK\$0.230 per Share); and
- (vii) 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 Latest Practicable Date).

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 opportunity for potential investors to invest in the Company so as to enable the Company to raise sufficient funds.

The Placing Price shall be same as the Subscription Price and 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 and the Placing as discussed in the section headed “Reasons for and Benefits of the Rights Issue and the Placing and Use of Proceeds” below.

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## LETTER FROM THE BOARD

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In determining the Subscription Price, which represents a discount of approximately 34.78% to the closing price of HK\$0.230 per Share on the Last Trading Day, the Directors have considered, among other things as mentioned above, market price of the Shares traded on the Stock Exchange in the past six months prior to and including the Last Trading Day (the “**Relevant Period**”), as a benchmark to reflect the prevailing market conditions and recent market sentiment. During the Relevant Period, the Shares were traded on the Stock Exchange with closing price ranges between the lowest closing price of HK\$0.230 per Share on 23 December 2021, 28 December 2021, 29 December 2021, 30 December 2021, 3 January 2022 and 5 January 2022 (i.e. the Last Trading Day) and the highest closing price of HK\$0.420 per Share on 5 July 2020 and 6 July 2020, with an average closing price during the Relevant Period of approximately HK\$0.289 per Share. The daily closing price per Share during the Relevant Period demonstrates a downward trend. Despite the fact that the Subscription Price represents a significant discount to the average closing price of the Shares during the Relevant Period, the 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 is fair and reasonable. Therefore, the Directors consider a reasonable discount to the theoretical closing price of Shares on the Last Trading Day would attract Shareholders to participate in the Rights Issue.

At the same time, the Directors were also aware of the fact that the Subscription Price represents a discount of approximately 88.00% to the unaudited consolidated net asset value per Share 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 Latest Practicable Date). During the Relevant Period, the Shares were traded at a discount to the unaudited consolidated net asset value per Share ranging from approximately 66.4% to 81.6% (the “**NAV Discount Range**”). Considering the level of closing price of the Shares and the Shares had been consistently traded at a substantial discount to the unaudited consolidated net asset value per Share during the Relevant Period, the Directors were of the view that, when determining the Subscription Price, it would be more appropriate to make reference to the prevailing market price of the Shares which reflected the fair market value of the Shares traded on the Stock Exchange, instead of making reference to the net asset value per Share. Although the Subscription Price represents a discount of approximately 88.00% to the unaudited consolidated net asset value per Share as at 30 June 2021, which is slightly out of the NAV Discount Range, the Board considers that, if the Subscription Price was made with reference to the consolidated net asset value per Share, the willingness of the Shareholders to participate in the Rights Issue would be significantly reduced, which would not be favourable to the long term development of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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As the Rights Issue will proceed on a non-underwritten basis, the discount of the Subscription Price provides the Qualifying Shareholders an incentive to participate in the proposed Rights Issue, such that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the Nil-Paid Rights in the market; and (ii) the Qualifying Shareholders are provided with an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the recent market price of the Shares.

After considering the factors as discussed above and the reasons for and benefits of the Rights Issue and the Placing as discussed in the section headed “Reasons for and Benefits of the Rights Issue and the Placing and Use of Proceeds” below, the Directors are of the view that the Subscription Price represents a reasonable discount to the trading price of the Shares which incentivises Shareholders to participate in the proposed Rights Issue.

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, having balanced the interests of the Company, the Shareholders and the 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;

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## LETTER FROM THE BOARD

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- (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. As at the Latest Practicable Date, none of the conditions above has been fulfilled.

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 and the Placing Agent shall use their respective reasonable endeavours to procure the fulfilment of the conditions and if any of 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 prior to such termination.

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

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## LETTER FROM THE BOARD

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### 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 ten (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

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## LETTER FROM THE BOARD

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- (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” above, 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 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 the Placing Agreement, including the placing commission, are normal commercial terms. Given that the Placing 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.



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## LETTER FROM THE BOARD

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### 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 Latest Practicable Date, 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 Latest Practicable Date, (ii) immediately upon completion of the Rights Issue, assuming all the Qualifying Shareholders take up their respective allotment of Rights Shares in full; (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.

## LETTER FROM THE BOARD

	(i) At the Latest Practicable Date		(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 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>

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## LETTER FROM THE BOARD

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*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, a 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**

As at the Latest Practicable Date, the number of Share Options outstanding is 23,100,000. 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. Based on the preliminary calculation by the Company, the number of Shares to be issued upon exercise of the Share Options upon the completion of the Rights Issue will possibly be adjusted to 26,080,645 Shares in accordance with Rule 23.03(13) of the GEM Listing Rules in relation to the adjustment to the terms of the Share Option Scheme and the note thereto. Pursuant to the poll results of the extraordinary general meeting of the Company held on 5 November 2021, an ordinary resolution to approve the refreshment of the Scheme Mandate Limit to up to 10% of the Shares in issue as at 5 November 2021 was passed. Accordingly, the Scheme Mandate Limit was refreshed to 34,314,132 Shares. The number of Shares to be issued upon exercise of the Share Options under the Share Option Scheme after the aforementioned adjustment pursuant to the Rights Issue is within the Scheme Mandate Limit. 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 Latest Practicable Date, 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.

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## LETTER FROM THE BOARD

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

The Company is an investment holding company. The Group principally engages in the provision of IT infrastructure solutions and maintenance services (“**IT Solutions Business**”), money lending services and securities trading services.

As the Internet of things (“**IoT**”) and artificial intelligence (“**AI**”) technology have become vital tools for real-time operations management, enterprises are depending on these technologies to improve efficiency. According to the latest Worldwide Artificial Intelligence Spending Guide published by the 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%. For example, smart logistics which uses IoT in logistics system, automatizes manual work and decisions with accurate assumption abilities. It manages all the logistics problems with a better use of logistics sources to accelerate circulation of information. It also utilizes mobile intelligence technology with the help of sensors to distribute information on goods. Smart logistics also increases business efficiency and reliability while reducing business costs. With accurate solutions, smart logistics helps prevent unnecessary wastage and contributes to sustainability in the long run. The Company is of the view that there is a huge potential market especially in the PRC and Asia Pacific regions and strong growth is expected to continue.

The Group is engaged in IT Solutions Business, including providing integrated marketing AI solutions, big data analytics, system integration services and data storage to clients across different industries in the PRC and Hong Kong, through two subsidiaries, namely DataCube Research Centre Limited (“**DataCube**”) and Macro Systems Limited. With reference to the quarterly report of the Company for the nine months ended 30 September 2021, the Group has continued to develop steadily, preparing for the challenges ahead while harnessing the golden opportunities for the sustainable growth of the Group. While cautiously controlling and efficiently allocating its resources, the Group has continued to dedicate its effort and resources in its IT Solutions Business, in particular, developing innovative and advanced technology in AI and cloud technologies and has taken appropriate actions to address the market conditions. During the nine months ended 30 September 2021, DataCube has continued to promote data modelling and big data analysis, as well as developing related technologies to expedite the adoption and drive the evolution of AI and business intelligence (“**BI**”) across different industries and regions with its unique advanced core technologies of the AI Book, AI Manager and BI Canvas platforms. As such, DataCube provides the technological platforms and all related resources to drive the development of smart cities in Asia. Currently, the AI Book and BI Canvas developed by DataCube serve clients in the PRC. The AI Book is a learning platform that analyzes and generates meaningful and accurate data through deep learning and machine learning technologies. The BI Canvas then clearly presents the analyses

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## LETTER FROM THE BOARD

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generated by the AI Book through various charts and tables. Such platforms help clients and their IT teams to explore potential opportunities and provide insights for developing their businesses and improving their operational efficiency. The AI Book and BI Canvas cover various industries like the education and retailing industries. By providing services to its customers via the AI Book and BI Canvas, the Group gains a better understanding about the unique needs of each industry. In order to customise its data empowerment platforms to specific industries, the Group, together with the research team of DataCube, have dedicated tremendous efforts and resources to develop the AI Booster solution services.

The smart logistics and customer relationships management system (the “**CRM system**”), one of the branches of the AI Booster solution services, is a simplified AI solution targeting small to medium-sized enterprises without AI specialists. It is an end-to-end ecosystem that provides leading-edge solutions for model development, deployment, monitoring and evolution. According to the data collected by DataCube, the smart logistics and CRM system of the AI Booster solution services help customers of the Group to select the optimal transportation by providing real-time information sharing so that on-time delivery can be achieved. It can also monitor exceptional changes of the business while providing more personalised recommendation to the customers. The algorithms and data management technologies used in the AI Book and BI Canvas can create synergy for the development of AI Booster and the smart logistics and CRM system, allowing the Group to seamlessly streamline its entire data process and leverage cutting-edge AI technologies. Therefore, the Company has been injecting resources in research and development on its AI technology in the smart logistics and CRM system to transform enormously complex data with automated machine learning platforms and augmented analytics into useful insights which enables the Group to provide timely services to its customers. The system shall also provide automated sales and customer service interactions and other logistics management services. The system is considered to be part of the IT Solutions Business of the Group and is expected to launch in the second half of 2022.

With the objective to secure and expand market share in advanced AI and other IT technologies, the continuous support to accelerate the research and development of its AI systems and constant modification of its systems and platforms are inevitable. The Group has spent approximately HK\$2 million per month in 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 million, which can only support its research and development team 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 million is intended for research and development expenses for

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## LETTER FROM THE BOARD

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fine tuning the smart logistics and the CRM system; and (ii) the remaining amount is intended for general working capital, including but not limited to rental and salaries expenses and other administrative expenses for daily operation of the Group. The Company expects the net proceeds to be fully utilised in the first quarter of 2023. The Group estimates the budget for the entire research and development and commercialisation of the smart logistics and the CRM system to be approximately HK\$30 million. The Company may finance the future expenses of the development, fine tuning and marketing of the smart logistics and the CRM system through other fund-raising activities, including debt or equity financing. As at the Latest Practicable Date, 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 the creditors' priority 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, that offers Qualifying Shareholders the opportunity to participate, it does not allow the free trading of rights entitlements in the open market, which would allow the Shareholders to have more flexibility in dealing with the Shares and the Nil-Paid Rights attaching thereto.

As at the Latest Practicable Date, save as disclosed in this letter from the Board, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fund-raising activities which will involve issue of equity securities of the Company; and (ii) has no other plan or intention to carry out any future corporate actions in the next 12 months. However, in the event there is any change to the business environment and/or financial position of the Company due to unforeseeable circumstances, and the Company is required to conduct further fundraising exercises when suitable opportunities arise in order to support future development of the Group, the Company will publish further announcement(s) in compliance with the GEM Listing Rules as and when appropriate.

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 to raise the fund required.

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## LETTER FROM THE BOARD

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### 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 Latest Practicable Date.

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds raised (approximately)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
30 July 2021 (as supplemented by the 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

### WARNING OF THE RISKS OF DEALING IN THE SHARES

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

### EGM

A notice convening the EGM of the Company to be held at Unit 3308, 33/F., Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Hong Kong on Thursday, 24 February 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. At the EGM, an ordinary resolution in respect of the Placing (including the Specific Mandate) will be proposed to the Shareholders.

Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM (i.e. 11:00 a.m. on Tuesday, 22 February 2022 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

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## LETTER FROM THE BOARD

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Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution to be considered and, if thought fit, approved at the EGM will be voted by way of poll by the Shareholders. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has a material interest in the Placing (including the Specific Mandate), accordingly, no Shareholders are required to abstain from voting on the relevant ordinary resolution to be proposed at the EGM.

Subject to the approval of the Placing (including the Specific Mandate) at the EGM, the Prospectus containing further information in relation to the Rights Issue and financial and other information relating to the Group is expected to be despatched by the Company together with the PAL and EAF on or before Wednesday, 9 March 2022. A copy of the Prospectus will also be made available on the websites of the Company (<http://www.citd.com.hk>) and the GEM website (<http://www.hkgem.com>). To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will send copies of the Prospectus to Excluded Shareholders for their information only but will not send the PAL or the EAF to them.

### **Closure of register of members**

The register of members of the Company will be closed from Friday, 18 February 2022 to Thursday, 24 February 2022, both days inclusive, during this period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all share transfers accompanied by the relevant share certificates 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 not later than 4:30 p.m. on Thursday, 17 February 2022, for registration.

### **RESPONSIBILITY STATEMENT**

This circular, 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 circular is



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## LETTER FROM THE BOARD

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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 contained herein or this circular misleading.

### RECOMMENDATION

The Board considers that the Placing (including the Specific Mandate) is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

### MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

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

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of China Information Technology Development Limited (the “**Company**”) will be held at Unit 3308, 33/F., Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Hong Kong on Thursday, 24 February 2022 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolutions of the Company. Words and expressions that are not expressly defined in this notice of EGM shall bear the same meaning as those defined in the circular of the Company dated 25 January 2022 (the “**Circular**”).

### ORDINARY RESOLUTION

1. “**THAT:**

- (a) the placing agreement dated 5 January 2022 (the “**Placing Agreement**”) (a copy of which, signed by the chairman of the Meeting for the purposes of identification, has been produced to the Meeting marked “**A**”) entered into between the Company and Grand China Securities Limited (the “**Placing Agent**”) in relation to the best effort placing (the “**Placing**”) by the Placing Agent of such number of the Shares of the Company as is equivalent to the number of the Shares being the difference between (i) the total number of the Rights Shares available for subscription as at the Record Date of the Rights Issue; and (ii) the total number of Rights Shares taken up by Qualifying Shareholders or renouncee(s) or transferee(s) of Nil-Paid Rights whether under the PAL(s) or EAF(s) during the offer period of Rights Issue (the “**Placing Share(s)**”) at the placing price of HK\$0.15 per Placing Share, and all transactions contemplated under, and all other matters of, and incidental to, and in connection with, the Placing Agreement be and are hereby approved, confirmed and ratified in all respects;
- (b) subject to and conditional upon the satisfaction of all conditions of the Placing Agreement, the Directors be and are hereby granted a specific mandate (the “**Specific Mandate**”) to exercise the powers of the Company to allot and issue the Placing Shares pursuant to the terms and conditions of the Placing Agreement for a period of three-months from the date of the passing of this resolution, such Placing Shares ranking *pari passu* amongst themselves and with all other fully paid Shares in issue as

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at the date of allotment and issue of the Placing Shares in all respects and such Specific Mandate being in addition to and not prejudicing or revoking any other general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the Shareholders; and

- (c) any Director be and is hereby authorised to do all such acts or things, to sign and execute all such documents, and to take such steps as he/she may, in his/her absolute discretion, consider necessary, appropriate, desirable or expedient to implement or to give effect to or in connection with the Placing Agreement and the transactions contemplated under the Placing Agreement, and to agree to such variation, amendments or waiver of matters relating to the Placing Agreement as are, in the opinion of the Director(s), in the interests of the Company.”

By order of the Board

**China Information Technology Development Limited**

**Wong King Shiu, Daniel**

*Chairman and Chief Executive Officer*

Hong Kong, 25 January 2022

*Head Office and Principal place of  
business in Hong Kong:*

Unit 3308, 33/F.

Millennium City 6

392 Kwun Tong Road

Kwun Tong

Hong Kong

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*This notice, 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 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 notice 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 notice misleading.*

*This notice will be available on the Company's website <http://www.citd.com.hk> and will remain on the "Latest Listed Company Information" page on the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting.*

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*Notes:*

1. A shareholder of the Company (“**Member**” or “**Shareholder**”) is entitled to attend and vote at the meeting may appoint one (or if he/she/it holds two or more shares, more than one) proxy to attend and, on a poll, vote on his/her/its behalf. A proxy needs not be a Shareholder.
2. In the case of joint holders of Shares, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders is present at the Meeting, personally or by proxy, that one of the said persons so present whose name stands first on the register of Members of the Company (the “**Register of Members**”) in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the signed and completed form of proxy must be deposited at the Company’s branch share registrar and transfer office in Hong Kong (the “**Branch Registrar**”), Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours (i.e. Tuesday, 22 February 2022 at 11:00 a.m.) before the time appointed for holding the Meeting. If a proxy form is signed by an attorney of a Shareholder who is not a corporation, the power of attorney or other authority under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practice in Hong Kong) must be delivered to the Branch Registrar together with the proxy form. In the case of a corporation, the proxy form must be signed under the hand of an officer duly authorized on that behalf together with a company chop. Completion and return of a form of proxy will not preclude shareholders from attending and voting in person should they so desire.
4. In order to establish entitlements to attend and vote at the Meeting, the Register of Members will be closed from Friday, 18 February 2022 to Thursday, 24 February 2022, both days inclusive, during which period no transfer of Shares can be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Branch Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 17 February 2022 in order to attend and vote at the Meeting.
5. According to Rule 17.47(4) of the GEM Listing Rules, voting on all proposed resolutions set out in this notice will be taken by a poll.
6. If tropical cyclone warning signal no. 8 or above or “extreme conditions” caused by super typhoons or a black rainstorm warning signal is in force at 7:00 a.m. on Thursday, 24 February 2022, the Meeting will be adjourned and further announcement for details of alternative meeting arrangements will be made. The Meeting will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. You should make your own decision as to whether you would attend the Meeting under bad weather conditions and if you should choose to do so, you are advised to exercise care and caution.

*As at the date of this notice, 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.*