中國信息科技發展有限公司
China Information Technology Development Limited
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 08178)

FURTHER SUPPLEMENTAL ANNOUNCEMENT TO 2021 ANNUAL REPORT

Reference is made to the annual report of China Information Technology Development Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 December 2021 (the "**2021 Annual Report**"), the announcement of the Company dated 3 May 2022 in relation to supplemental information to the 2021 Annual Report on the Company's investment property (the "**Previous Supplemental Announcement**") and the Company's major transaction announcement dated the even date of this announcement. Unless otherwise defined, capitalized terms in this announcement shall have the same meanings as those defined in the 2021 Annual Report.

This announcement is made to provide further supplemental information to the 2021 Annual Report in relation to the Share Options Scheme and the money lending business of the Group.

SHARE OPTION SCHEME

The total number of Shares which may be issued under the Share Option Scheme shall not exceed 34,314,132 Shares. This represents approximately 10.0% of the total issued shares of the Company as at the date of the 2021 Annual Report.

MONEY LENDING BUSINESS OF THE GROUP

Business model and credit risk assessment policy

The Group carries out its money lending business through its wholly-owned subsidiary, Value Creation Finance Limited ("**Value Creation Finance**"). It is a money lender licensed in Hong Kong under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong) and primarily targets individual and corporate borrowers in Hong Kong who require financing to meet their personal financial needs or their capital needs.

The demand for our loans correlates with individual's financial and investment needs and corporates' business plans and sentiments on the macro-economic environment, which have been affected by the ongoing COVID-19 pandemic. Under the current economic downturn, individuals and corporates may face liquidity issues. A market is presented to licensed money lenders as individuals and corporate borrowers may have difficulties with obtaining loans from banks, who adopt a more conservative credit approach under the economic downturn. The Group has not granted any new loan since February 2019 and intends to wind down its money lending business when the current loan receivable are collected in order to focus on other businesses of the Group ("**Money Lending Strategy**").

Value Creation Finance conducts credit assessment on borrowers to assess the borrower's creditworthiness. In assessing borrower's creditworthiness, the focus is on the applicant's background including occupation, financial condition, asset proof and credit history and whether any collateral is offered. Value Creation Finance may grant loans to borrowers without collateral if the borrower has stable employment, in sound financial condition and has good asset proof and credit history. Other factors including the borrower's credit history with Value Creation Finance, credit and other business risks of the loan, general market conditions and Value Creation Finance's market and financial positions will also be considered. The senior management of Value Creation Finance will make an informed decision based on the aforementioned factors to decide whether to grant a loan and if so, whether collateral is required or not.

The effective interest rates charged on Value Creation Finance's current loan receivable are 12.0% per annum. When determining the general interest rate levels, the senior management will analyse, among other things, the cost of providing a particular loan, credit and other business risks of the loan, expected rates of return, general market conditions, Value Creation Finance's market position, the prevailing market interest rates and the interest rates charged by competitors for similar loans. The interest rates offered to borrowers are subject to the following factors (including but not limited to): (i) the quality and value of the pledged collateral, if any, and (ii) the borrower's credit risk assessment.

Diversity of clients and concentration of loans on major clients

Value Creation Finance's clients comprise of individual and corporate clients in Hong Kong, all of which are independent of and not connected to the Company and its connected persons. Value Creation Finance's loan receivable due from the largest borrower and the five largest borrowers were approximately HK$14,259,000 and HK$33,286,000, respectively, which represent approximately 42.8% and 100.0% of the total loan receivable of the money lending business of the Company, respectively.

The loan receivable are not secured by collaterals. Value Creation Finance's corporate and individual clients have stable cashflow and employment. Both corporate and individual clients are in sound financial condition and has good credit history. Certain clients have good credit history with Value Creation Finance. In light of the foregoing, the Board considers it is fair and reasonable for not requiring any collateral for the outstanding loan receivable.

Movement in Loan Impairment and Write-off

In respect of loans extended by Value Creation Finance, no impairment had been made or were written off during the year ended 31 December 2021 ("**FY 2021**").

As disclosed in note 32 to the audited consolidated financial statements of the Group ("**2021 AFS**") for FY 2021 as contained in the 2021 Annual Report, on 3 September 2019, the Group issued a promissory note (the "**PN**") with fair value of approximately HK$72,435,000 (principal amount of RMB66,341,000) as a consideration for the acquisition of 19.0% equity interest of Guangzhou Dehuang Investment Company Limited*（廣州市德煌投資有限公司）("**Dehuang**") and a loan receivable with principal amount of RMB51,199,000 (the "**Loan Receivable**"). On the date of issuance of the PN, (i) the fair value of 19.0% equity interest in Dehuang and the Loan Receivable; and (ii) the fair value of the PN of approximately HK$72,435,000 allocated to 19.0% equity interest of Dehuang and the Loan Receivable are as follow:

	Fair value at the date of issuance of the PN	**Fair value of the PN allocated**
	HK$'000	*HK$'000*
19% equity interest in Dehuang	9,544	12,825
The Loan Receivable	44,361	59,610
	53,905	72,435

Loss on initial recognition of the Loan Receivable of HK$15,249,000 was recognised on the date of issuance of the PN. During the financial year ended 31 December 2020, the Group entered into supplemental agreements with the PN holder to vary the maturity dates and interest rate and recognised gains on modification of the PN in the aggregate amount of HK$5,721,000.

On 31 December 2021, the Group entered into supplemental agreement with the PN holder, pursuant to which the maturity date of the PN was extended to 2 September 2023. The Group recognised a gain on modification of the PN of approximately HK$2,247,000.

In or around October 2020, the Company injected HK$8,500,000 to Dehuang for the construction of buildings (the "**Construction Loan Receivable**"). The capital injection is non interest bearing. As disclosed in note 23(c) to the 2021 AFS, the Group entered into supplemental agreements with Dehuang to extend the maturity dates by one year of the Loan Receivable and the Construction Loan Receivable due from Dehuang of approximately HK$50,136,000 and approximately HK$7,876,000 to 2 September 2023 and 15 October 2023, respectively. As a result, the Group recognised a loss on extension of the Loan Receivable and the Construction Loan Receivable of approximately HK$7,098,000 and approximately HK$344,000, respectively, totaling HK$7,442,000.

The extensions of the maturity dates of the Loan Receivable and the Construction Loan Receivable (on an aggregated basis) constituted major transaction of the Company and advance to entity. Further details of the extensions and the reasons for and benefits of the extensions are set out in the major transaction announcement of the Company published on the same day as this announcement.

The foregoing gain on modification on the PN and losses on extension on the Loan Receivable and the Construction Loan Receivable were accounting gains and losses and were adjustments to fair value of assets and liabilities. These gains and losses did not have actual cashflow impact upon the Group and the Loan Receivable and Construction Loan Receivable were not related to loans made by the money lending business of the Group.

Internal Controls

In light of the Group's Money Lending Strategy and to be cost efficient, the Group's internal control focuses on monitoring the recoverability of existing loans and loan collection. The director of Value Creation Finance and the finance team of the Company are responsible for overseeing such. Assets proof from the borrowers, such as securities and bank statements and checks on their employment status are regularly obtained and conducted to monitor their abilities to repay the loans. Proof of repayment is also obtained from the borrowers to ensure due loan repayment.

In the event there is material deterioration in the borrowers' financial circumstances, the Group may require repayment from the borrowers. As last resort, the Group may appoint an external debt collection service provider or take appropriate legal actions for debts which have become overdue.

The above information does not affect the information disclosed in the 2021 Annual Report and save as disclosed in this announcement and the Previous Supplemental Announcement, all other information in the 2021 Annual Report remains unchanged.

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

Hong Kong, 21 October 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.

* *For identification purpose only*