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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: 08178)

MAJOR TRANSACTION

- (1) CONSTRUCTION CONTRACT ON INVESTMENT PROPERTIES HELD
BY A SUBSIDIARY;**
(2) SUPPLEMENTAL AGREEMENTS TO EXTEND LOANS; AND
(3) LEASE OF PROPERTY HELD BY A SUBSIDIARY

THE CONSTRUCTION CONTRACT

On 3 January 2022, Guangzhou Xinfeng entered into the Construction Contract with the Contractor in relation to Works of the Property at a consideration of RMB50 million (equivalent of approximately HK\$61.35 million).

SUPPLEMENTAL AGREEMENTS TO EXTEND LOANS

On 31 December 2021, the Company and Deyong Technology entered into Supplemental Agreements with Dehuang to extend the maturity dates of the remaining of the Construction Loan and the Loan in the principal amounts of approximately HK\$7,876,000 and HK\$50,136,000 by one year to 15 October 2023 and 2 September 2023, respectively.

THE LEASE

On 26 March 2021, Guangzhou Xinfeng as landlord entered into the Lease with Guangzhou Jiayi Seniors Care as tenant to lease out the Property for 20 years commencing from 5 March 2021.

LISTING RULES IMPLICATIONS

Since one or more of the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Construction Contract and the Lease (on a standalone basis) and the Supplemental Agreements (on an aggregated basis) exceeds 25% but all of them are under 100%, the transactions contemplated thereunder constituted major transactions for the Company under Chapter 19 of the GEM Listing Rules and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Further, the extensions of the maturity dates of the Loan and the Construction Loan (on an aggregated basis) constituted advance to entity under Rule 17.15 of the GEM Listing Rules as the asset ratio (as defined in Rule 19.07 of the GEM Listing Rules) exceeds 8%. As the extensions of the Loan and the Construction Loan are advance to entity, they are subject to the disclosure requirements under Rule 17.17 of the GEM Listing Rules.

Due to inadvertent mistake, the Company failed to make timely disclosure on the Construction Contract, the Supplemental Agreements, the Lease and the advance to entity. Such failure was unintentional and was due to a misunderstanding and misinterpretation of the GEM Listing Rules on the part of the management of the Company.

The Company did not previously consider that the aforementioned transactions would constitute a transaction or an advance to entity under the GEM Listing Rules and therefore, was unaware that the notifiable transaction requirements under Chapter 19 of the GEM Listing Rules and the advance to entity disclosure requirements under Chapter 17 of the GEM Listing Rules were applicable.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further information in relation to the Construction Contract, the Supplemental Agreements and the Lease; (ii) the notice convening EGM; and (iii) other information as required under the GEM Listing Rules is expected to be despatched to the Shareholders on or before 11 November 2022 in accordance with the GEM Listing Rules.

If the entering into of the Construction Contract was voted down by the Shareholders at the EGM, there would be no impact as the Works had been completed before 30 April 2022 in accordance with the Construction Contract. If the Lease and/or the Supplemental Agreements were voted down by the Shareholders at the EGM, the Company will terminate the Lease and/or the Supplemental Agreements in accordance with the applicable laws, rules and regulations. In such event, the Company may face litigation risk and the financials of the Group may also be affected.

INTRODUCTION-CONSTRUCTION CONTRACT

On 3 January 2022, Guangzhou Xinfeng entered into the Construction Contract with the Contractor in relation to Works of the Property.

PRINCIPAL TERMS OF THE CONSTRUCTION CONTRACT

The principal terms of the Construction Contract are as follows:

- Date** : 3 January 2022
- Parties** : (1) The Guangzhou Xinfeng; and
(2) The Contractor
- Subject matter** : The Guangzhou Xinfeng and the Contractor agreed that the Contractor should carry out the Works in relation to the asset enhancement of the Property.
- Consideration** : The total contracted amount under the Construction Contract was RMB50 million (equivalent to approximately HK\$61.35 million), comprising RMB26.3 million for structural reinforcement work and RMB23.7 million for renovation work. Full payment was agreed to be made in one tranche upon Completion.

The consideration was financed by a loan facility from a PRC commercial bank.

The consideration under the Construction Contract was arrived at based on normal commercial terms after arm's length negotiation between Guangzhou Xinfeng and the Contractor and was determined with reference to (i) the size and project design of the Works; and (ii) the reasons for and benefits of the Works under the Construction Contract as stated under the section headed "REASONS FOR AND BENEFITS OF THE WORKS UNDER THE CONSTRUCTION CONTRACT & THE LEASE" below.

The Directors believe that the consideration under the Construction Contract is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

- Term of Construction** : The Works should commence before 10 January 2022 and complete before 30 April 2022.
- Commencement Date** : Before 10 January 2022, being the agreed commencement date of the Works
- Completion** : The Works were expected to be complete before 30 April 2022. Completion shall be subject to the passing of the quality inspection of the Works.

The Contractor shall evacuate from the Property within 10 days from the date of Completion, otherwise Guangzhou Xinfeng may evacuate the construction machines and tools of the Contractor and all costs and losses arising therefrom born by the Contractor.

Completion took place in April 2022 and the payment obligation owed by Guangzhou Xinfeng was fully discharged.

- Subcontracting** : The Contractor may not subcontract the Works to any third parties without the consent of Guangzhou Xinfeng during the term of the Construction Contract.

- Defects and rectification** : If the Works fail to pass the inspection of the relevant quality inspection departments, the Contractor shall repair and rectify according to the plan proposed by such departments and the requirements of Guangzhou Xinfeng.

If the Contractor does not repair or rectify the Works, Guangzhou Xinfeng may unilaterally terminate the Construction Contract and engage a third party to carry out the Works. The Contractor shall bear all such costs and losses arising from the delay in Completion.

- Warranty** : The Contractor shall undertake the warranty obligation after the Completion, otherwise the Contractor shall bear the losses arising therefrom and Guangzhou Xinfeng may engage a third party to carry out such works. The Contractor shall bear all such costs and losses.

INTRODUCTION-EXTENSIONS OF THE CONSTRUCTION LOAN AND LOAN

On 31 December 2021, the Company and Deyong Technology entered into the Supplemental Agreements with Dehuang to extend the maturity dates of the remaining of the Construction Loan and the Loan in the principal amounts of approximately HK\$7,876,000 and HK\$50,136,000 by 1 year to 15 October 2023 and 2 September 2023, respectively.

BACKGROUND OF THE CONSTRUCTION LOAN AND LOAN

The Company acquired 19% of the equity interest of Dehuang and the Loan for a total consideration of RMB66,341,000 (equivalent to approximately HK\$72,842,000 at the time) on 4 September 2019. The consideration was satisfied by the issue of promissory note by the Group to the vendor, Mr. Wen Hongbiao* (溫 洪 標). At the time of the acquisition, the shareholders of Dehuang had provided loans to Dehuang on a pro rata basis and the Loan acquired by the Company represent 19% of the aggregate amount of the loans granted by the Dehuang shareholders to Dehuang. The Loan is unsecured and non-interest bearing.

At the time of the acquisition, Dehuang held the Dehuang Property and the data centres, dataracks and commercial properties thereon were under construction. Dehuang intended to build three buildings as data centres. The Dehuang shareholders further granted loans to Dehuang on a pro rata basis for the constructions. On 16 October 2020, the Company granted Dehuang the Construction Loan on a pro rata basis to fund the building of data centres. The Construction Loan is unsecured and non-interest bearing.

BASIS OF DETERMINING THE AMOUNT OF THE CONSTRUCTION LOAN

The amount of the Construction Loan were agreed upon between the Company and Dehuang after arm's length negotiations and having regard to (i) the capital needs of Dehuang for the constructions on the Dehuang Property; (ii) the financial circumstances of Dehuang and the Group; (iii) credit assessment on Dehuang conducted by the Group; and (iv) the progress of the constructions on the Dehuang Property.

REASONS FOR AND BENEFITS OF THE LOAN AND THE CONSTRUCTION LOAN

The Loan was acquired by the Company as part of its acquisition of 19% of equity interest in Dehuang. The Loan represented 19% of the aggregate amount of the loans granted by the Dehuang shareholders to fund the constructions at the time of the acquisition.

At the time of acquiring Dehuang, in light of (i) the grant of loans by Dehuang shareholders to Dehuang for the ongoing constructions on the Dehuang Property; (ii) Dehuang's capital need for the constructions; (iii) the strategic importance and financial benefits Dehuang would bring to the Group upon completion of the constructions on the Dehuang Property as further set out under the section headed 'REASONS FOR AND BENEFITS OF THE EXTENSIONS OF THE CONSTRUCTION LOAN AND THE LOAN' below; and (iv) the financial positions of the Group and Dehuang at the time, the Directors considered that the grant and terms of the Loan are fair and reasonable in the interests of the Company and Shareholders as a whole.

Dehuang intended to build three buildings on the Dehuang Property as data centres. In light of (i) Dehuang's capital need for the constructions; (ii) the benefits the data centres and data racks therein would generate to the Group upon completion as set out in detail under the section headed 'REASONS FOR AND BENEFITS OF THE EXTENSIONS OF THE CONSTRUCTION LOAN AND THE LOAN' below; (iii) the financial positions of the Group and Dehuang at the time; and (iv) the Construction Loan being funded by internal resources of the Group, the Directors considered that the grant and terms of the Construction Loan are fair and reasonable in the interests of the Company and Shareholders as a whole.

PRINCIPAL TERMS OF EXTENSION OF THE CONSTRUCTION LOAN

Date : 31 December 2021

Parties : (1) the Company as lender; and
(2) Dehuang as borrower

Subject matter : The Company and Dehuang agreed that the maturity date of the remaining of the unsecured and non-interest bearing Construction Loan in the principal amount of approximately HK\$7,876,000 shall be extended by 1 year to 15 October 2023.

PRINCIPAL TERMS OF EXTENSION OF THE LOAN

Date : 31 December 2021

Parties : (1) Deyong Technology as lender; and
(2) Dehuang as borrower

Subject matter : Deyong Technology and Dehuang agreed that the maturity date of the remaining of the unsecured and non-interest bearing Loan in the principal amount of approximately HK\$50,136,000 shall be extended by 1 year to 2 September 2023.

INTRODUCTION-THE LEASE

On 26 March 2021, Guangzhou Xinfeng as landlord entered into the Lease with Guangzhou Jiayi Seniors Care as tenant to lease out the Property for 20 years commencing from 5 March 2021.

BACKGROUND OF THE PROPERTY

On 7 April 2016, the Company, acquired 100% equity interest in Joyunited and the Sale Loan for a consideration of RMB178,000,000 (equivalent to HK\$215,389,000 at the time). Joyunited indirectly held the Property via its subsidiary. At the time of the acquisition, the Group intended to refurbish the Property and occupy it as the Group's PRC headquarters.

On 2 August 2019, the Group entered into an agreement to sell 100% equity interest in Joyunited and the Sale Loan for a consideration of RMB260,000,000. It has always been the Company's business strategy to make appropriate business decisions and adjustments according to the market conditions to create greater value for the Group and the Shareholders. In light of new business opportunities emerging from big data, data centres and smart cities at the time, the Group intended the proceeds from the disposal to be utilized to implement the Group's business strategy on opportunities arising from the trends. However, completion for the disposal did not take place and the transaction lapsed as announced by the Company on 20 December 2019.

Since then, the Company had been seeking a purchaser for the Property. Guangzhou Jiayi Seniors Care approached the Group to rent the Property to operate a care home. As the Company had not been able to enter into any agreement with a purchaser to sell the Property since lapse of the disposal and the Property had remained idle, the Directors consider that, in light of the market conditions and in view of the foregoing, a change in the use of the Property to lease the Property to Guangzhou Jiayi Seniors Care to generate rental income to the Group would be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

PRINCIPAL TERMS OF THE LEASE

Date : 26 March 2021

Parties : (1) Guangzhou Xinfeng as landlord; and
(2) Guangzhou Jiayi Seniors Care as tenant

Rent & management fee : RMB75 per month per square meter (approximately RMB788,905 per month) for the first year of the Lease.

The total rent and management fee payable by Guangzhou Jiayi Seniors Care to Guangzhou Xinfeng under the Lease shall be approximately RMB249,645,000.

Taking into account the cost of the Loan Facility and the RMB50 million payable by the Group under the Construction Contract, the expected annual return is approximately RMB9,538,000 during the term of the Lease.

The rent and management fee under the Lease was arrived at based on normal commercial terms after arm's length negotiation between Guangzhou Xinfeng and Guangzhou Jiayi Seniors Care and was determined with reference to the prevailing market rental and management fee of properties of similar type, age and location.

Increment on rent & management fee : An increment of 3% per annum during the term of the Lease

Term : 20 years from 5 March 2021

Payment Term : Upon signing of the Lease, Guangzhou Jiayi Seniors Care shall pay Guangzhou Xinfeng RMB788,905 as first month rent and a deposit of RMB1,577,810.

The rent and management fee shall be payable by Guangzhou Jiayi Seniors Care to Guangzhou Xinfeng per month by the 10th day of a calendar month.

Use of Premise : commercial, office and other use permitted by the laws and regulations of the PRC

The Directors consider that the terms of the Construction Contract and the Lease and the consideration thereunder and the terms of the Supplemental Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Contractor, Dehuang and Guangzhou Jiayi Seniors Care and their ultimate beneficial owner(s) are Independent Third Parties.

INFORMATION ON THE CREDIT RISK RELATING TO THE LOAN EXTENSIONS

The extensions in respect of the Construction Loan and Loan were made based on the Group's credit assessment on Dehuang. In assessing the financial strength and repayment ability of Dehuang, the Group has considered (i) the progress of the constructions on the Dehuang Property; (ii) the financial information of Dehuang; (iii) the value of data centres, dataracks and commercial properties in the vicinity; and (iv) the financial benefits the completion of the constructions on the Dehuang Property would bring for the Group.

After taking into account the factors disclosed above in assessing the risk of the extensions, the Group considers that the risks involved in the extensions are acceptable to the Group.

BASIS OF THE IMPAIRMENT ASSESSMENT ON THE LOANS

The directors of the Company monitored the collectability of the loan receivables of the Construction Loan and the Loan closely with reference to Dehuang's creditworthiness and repayment ability. The management considered the audited accounts, unaudited management accounts and valuation reports on Dehuang and believes that no impairment allowance is necessary in respect of these receivables as they are considered fully recoverable.

INFORMATION ON THE CONTRACTOR

The Contractor is a company established in the PRC with limited liability. It is principally engaged in construction, decoration and infrastructure construction business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Contractor and its respective ultimate beneficial owner(s) are Independent Third Parties. The ultimate beneficial owner of the Contractor is 化州市良光鎮經濟發展辦公室 (Huazhou City Liangguang Town Economic Development Office*), a PRC state-owned enterprise.

INFORMATION ON DEHUANG

Dehuang is a company established in the PRC with limited liability and is principally engaged in business services. The principal asset of Dehuang is the Dehuang Property. Dehuang is owned as to 20.25% by each of Mr. Wen Hongbiao* (溫洪標), Mr. Zhang Rong* (張榮), Mr. Zhen Weiping* (甄衛平) and Mr. Deng Ge Lun* (鄧歌倫), respectively, and 19.0% by Deyong Technology.

Saved as Mr. Zhang Rong who is a substantial shareholder of the Company holding approximately 22.38% of the shareholding of the Company as at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the other shareholders of Dehuang are Independent Third Parties.

INFORMATION ON DEYONG TECHNOLOGY

Deyong Technology is a company established in the PRC with limited liability. It is wholly owned by the Company and is principally engaged in investment holding.

INFORMATION ON GUANGZHOU JIAYI SENIORS CARE

Guangzhou Jiayi Seniors Care is a company established under PRC laws with limited liability and is principally engaged in provision of elderly care, rehabilitation and health consultation service. Guangzhou Jiayi Seniors Care is owned as to 10.0% by each of Mr. Huang Yanguang* (黃延光) and Mr. Yu Xiaoshi* (於小石), respectively, 22.0% by Guangzhou Motuo Investment Company Limited* (廣州摩托投資有限公司) and 58.0% by Ying Chuang Entrepreneurship Investment (Guangzhou) Partnership (Limited Partnership)* (盈創創業投資(廣州)合夥企業(有限合夥)). The ultimate beneficial owners of Guangzhou Motuo Investment Company Limited are Mr. Zhou Huahan* (周華漢) and Ms. Chen Wenrou* (陳文柔), who hold 90.0% and 10.0% of the company, respectively.

The ultimate beneficial owners of Ying Chuang Entrepreneurship Investment (Guangzhou) Partnership (Limited Partnership) are Mr. Hu Dilong* (胡迪龍), Mr. Li Guoqin* (李國芹) and Mr. Ning Zhu* (寧柱), who hold approximately 70.7%, 20.7% and 8.6% of the partnership, respectively.

Guangzhou Jiayi Senior Care was referred to Guangzhou Xinfeng via contacts of the legal representative of Guangzhou Xinfeng, Mr. Leung Wai Kee* (梁偉基). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Guangzhou Jiayi Seniors Care and its ultimate beneficial owner(s) are Independent Third Parties. Each of Guangzhou Jiayi Seniors Care and its ultimate beneficial owners do not have any past or present relationships with the Company or its connected persons.

REASONS FOR AND BENEFITS OF THE WORKS UNDER THE CONSTRUCTION CONTRACT AND THE LEASE

The Company is an investment holding company principally engaged in information technology (IT) related businesses, including provision of integrated marketing AI solutions, big data analytics, system integration services and data storage to clients across different industries in the RPC and Hong Kong. Guangzhou Xinfeng is an investment holding company principally engaged in holding the Property for investment purposes.

Guangzhou Xinfeng as landlord entered into the Lease to let the Property to Guangzhou Jiayi Seniors Care with terms set out in this announcement. Guangzhou Jiayi Seniors Care intends to operate a care home for seniors at the Property. According to the relevant laws and regulations in the PRC, the premise for such purposes requires level 8 anti-earthquake standard to be met. The Property at the material time was only able to meet level 7 anti-earthquake standard and was not able to meet the requirements to operate a senior care home by the tenant.

The Works were undertaken to ensure that the Property meets level 8 anti-earthquake standard and a higher level of fire safety standards required for the operation of a senior care home by the tenant in accordance with the relevant PRC laws and regulations. Given that the term of the Lease is 20 years, the average amortised cost of the Works on a straight-line basis would be RMB2.5 million per year. The Property would yield a rent and management fees of approximately RMB9.5 million for the first year with a 3% rent hike per year and the Lease is a long-term lease.

Further, taking into account of the cost of the Loan Facility and the RMB50 million payable by the Group to the Contractor under the Construction Contract, the Lease would, during its term, generate expected annual return of approximately RMB9,538,000 for the Group. As such, the Group would receive stable rental income for the coming 20 years while incurring little costs and utilizing the Property that had been idle before.

Taking into consideration of the aforesaid, the Board considered the entering into of the Construction Contract and the Lease on such terms were fair and reasonable and in the interest of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE EXTENSIONS OF THE CONSTRUCTION LOAN AND THE LOAN

The Construction Loan and the Loan would have been repayable by Dehuang on the original maturity dates with its cash reserves and/or rely on other fundraising and financing activities. In light of Dehuang's role of developing and expanding the Group's principal business in the PRC and the capital needs of developing the Dehuang Property, the Supplemental Agreements extending the maturity dates of the Construction Loan and the Loan will allow Dehuang to have more financial flexibility and to utilise its resources for development of the Dehuang Property to realise its full potential to the Group and for general working capital purpose. The other shareholders of Dehuang have also granted extensions to the loans they granted to Dehuang on a pro rata basis.

The Group considers that the development of the Dehuang Property is strategic to the further development of the Group's core business in the PRC and will also benefit the Group in generating rental income. The completion of the constructions of the data centres and dataracks on the Dehuang Property will enable the Group to provide more comprehensive and integrated data modelling, big data, artificial intelligence, business intelligence technology and datarack services to its clients. Further, the commercial properties and data centres will be leased to third parties solicited by the Group and/or referred by Dehuang to generate rental income for the Group.

The Dehuang Property is located in Nansha District, a core area of Guangdong-Hong Kong-Macao Greater Bay Area and is intended to be developed into a comprehensive transportation hub of the Greater Bay Area. The development of the Dehuang Property is a core infrastructure project of Guangzhou Nansha Economic and Technological Development Zone and as a result, the process of the project development is speeded up. The Directors considered Nansha as a strategic location for the Group to enter into the Guangdong-Hong Kong-Macao Greater Bay Area market and to capture the growing demand for datacentres and dataracks.

In light of the foregoing, the Directors believe that, despite the Group only holding 19% of the equity interest of Dehuang, the Dehuang Property would, upon completion, be the first data centres and dataracks owned by the Group that would further the development of the Group's core business in the PRC and capture the growing demand for datacentres and dataracks to generate increase revenue and rental income for the Group. The Directors also believe that the strategic location of the Dehuang Property in the Guangdong-Hong Kong-Macao Greater Bay Area would generate amplified returns for the Group.

The Supplemental Agreements were arrived after arm's length negotiation between the Company and Deyong Technology with Dehuang, with reference to, among other things, (i) the Group's and Dehuang's financial and cash positions; (ii) the capital requirements for the constructions on the Dehuang Property; and the (iii) the revenue and rental income the Dehuang Property, upon completion, will generate to the Group.

In view of the above, the Directors believe that it is in the interest of the Group to extend the maturity dates of the Construction Loan and Loan. The Board considers that the Supplemental Agreements are fair and reasonable and is in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since one or more of the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Construction Contract and the Lease (on a standalone basis) and the Supplemental Agreements (on an aggregated basis) exceeds 25% but all of them are under 100%, the transactions contemplated thereunder constituted major transactions for the Company under Chapter 19 of the GEM Listing Rules and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Further, the extensions of the maturity dates of the Loan and the Construction Loan (on an aggregated basis) constituted advance to an entity under Rule 17.15 of the GEM Listing Rules as the asset ratio (as defined in Rule 19.07 of the GEM Listing Rules) exceeds 8%. As the extensions of the Loan and the Construction Loan are advance to entity, it is subject to the disclosure requirements under Rule 17.17 of the GEM Listing Rules.

INTERNAL CONTROL

Staff member(s) who are assigned to oversee a transaction shall report to the senior management and the executive Directors of the Company the information related to the transaction once they are available, including but not limited to (i) a description and the status of the potential transaction; (ii) the structure of the potential transaction; (iii) details of the parties involved; and (iv) the consideration of the transaction. The senior management and the executive Directors of the Company will then consider the information provided and determine the applicability of the notifiable transactions disclosure requirements under Chapter 19 of the GEM Listing Rules and the disclosure requirements under Chapter 17 of the GEM Listing Rules in relation to advance to entity. In the event that disclosure is required for the transaction, the announcement and circular (if required) will be prepared. Information on the potential transaction together with the announcement and circular (if required) will be provided to the Board for review, consideration and approval.

REASONS FOR THE NON-COMPLIANCE WITH THE GEM LISTING RULES

The Construction Contract, Supplemental Agreements and the Lease constituted major transactions for the Company under Chapter 19 of the GEM Listing Rules. The extensions of the maturity dates of the Construction Loan and the Loan constituted advances to an entity under Rule 17.15 of the GEM Listing Rules. The Company's failure to announce the major transactions and the advance to entity and to issue circular and seek Shareholders' approval for the major transactions constituted a breach of the GEM Listing Rules. The non-compliance was due to the management's misunderstanding and misinterpretation of Chapters 17 and 19 of the Listing Rules and the non-compliance was inadvertent and unintentional.

The reasons for the Company's non-compliance with the GEM Listing Rules for the transactions are as follows:

1. The Company did not consider that asset enhancement of a self-owned property for fulfilling the required standards for the tenant's operation of a senior care home at the Property would fall within the meaning of "transaction" under Rule 19.04(1) of the GEM Listing Rules;
2. The Company did not have operating lease operation prior to entering into the Lease and so the Group did not consider that, by virtue of the rental income under the Lease or number of lease involved, the entering into the Lease would represent a 200% or more increase in the scale of the Group's existing operations conducted through similar lease arrangement and rendering the Lease to be a "transaction" of the Group under Rule 19.04(1)(d) of the GEM Listing Rules; and

3. Owing to the misbelief that entering into the Supplemental Agreements would be exempted from being a “transaction” of the Company under Rule 19.04 (1)(e)(ii) of the GEM Listing Rules, the Company did not consider entering into the Supplemental Agreements would fall within the meaning of “transaction” under Rule 19.04(1) of the GEM Listing Rules.
4. As the Company mistakenly believed that the extensions of the maturity dates of the Loan and Construction Loan did not constitute transactions of the Company under Rule 19.04 (1)(e) (ii) of the GEM Listing Rules, the Company did not consider entering into the Supplemental Agreements to extend the Loan and the Construction Loan would be an advance to entity under Rule 17.15 of the GEM Listing Rules.

REMEDIAL ACTIONS

The Board, having been fully informed of the facts of the transactions disclosed herein, considers that the failure to comply with the GEM Listing Rules was inadvertent and can be avoided going forward. The Company takes the incident seriously and shall take the following actions to prevent similar events from re-occurring and to ensure the applicable GEM Listing Rules requirements will be complied with going forward:

Remedial Action No.	Remedial Action	Implementation Timeline
1.	the Company published this announcement to inform the public of the transactions disclosed herein and an EGM to be convened for the Shareholders to consider, and if thought fit, rectify the entering into of the Construction Contract, the Supplemental Agreements and the Lease	N/A
2.	the Company will arrange for training for its employees, including the Directors, the senior management, the business operation and finance departments, to strengthen their familiarity with the GEM Listing Rules and enhance their awareness of compliance with the relevant internal control procedures relating to the Group’s notifiable transactions and advance to entity	Within 2 months from the date of this announcement
3.	the Company will provide detailed guidelines relating to notifiable transactions and advance to entity under the GEM Listing Rules for all the Directors as well as senior management in order to strengthen and reinforce their existing knowledge relating to notifiable transactions and advance to entity as well as their ability to identify potential issues at early stage	Around 1 month from the date of this announcement

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| 4. | the Company will set up a reporting guideline such that the staff should evaluate the proposed transactions and report to the relevant personnel if the proposed transactions may constitute notifiable transactions and/or advance to entity and/or in case they are in doubt prior to the entering into of those transactions. The relevant personnel shall further assess the proposed transactions and comply with their reporting obligations as well as submit to the Board for approval. | Around 1 month from the date of this announcement |
| 5. | the Company will seek advice of external professional advisers from time to time with respect to the continual compliance with the GEM Listing Rules prior to entering into any notifiable transactions or advance to entity | N/A |
| 6. | the Company will also implement the above measures at the subsidiary level to ensure prompt reporting of any proposed transaction(s) or event(s) where the transactions may constitute notifiable transactions or advance to entity | Around 1 month from the date of this announcement |

Having considered that the non-compliance with the GEM Listing Rules was unintentional and was due to misunderstanding and misinterpretation of the GEM Listing Rules on the part of the management of the Company, the aforementioned remedial actions would strengthen the knowledge and understanding of the management and the relevant personnel on notifiable transaction requirements under Chapter 19 of the GEM Listing Rules and on advance to entity disclosure requirements under Chapter 17 of the GEM Listing Rules. The Company's internal control would also be strengthened to assist the management and the relevant personnel on identifying notifiable transactions and/or advance to entity. In view of the foregoing, the implementation of the above remedial actions can ensure that the Company will comply with the relevant GEM Listing Rules on a continuous basis.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further information in relation to the Construction Contract, the Supplemental Agreements and the Lease; (ii) the notice convening EGM; and (iii) other information as required under the GEM Listing Rules is expected to be despatched to the Shareholders on or before 11 November 2022 in accordance with the GEM Listing Rules.

If the entering into of the Construction Contract was voted down by the Shareholders at the EGM, there would be no impact as the Works had been completed before 30 April 2022 in accordance with the Construction Contract. If the Lease and/or the Supplemental Agreements were voted down by the Shareholders at the EGM, the Company will terminate the Lease and/or the Supplemental Agreements in accordance with the applicable laws, rules and regulations. In such event, the Company may face litigation risk and the financials of the Group may also be affected.

DEFINITIONS

In this announcement, unless the context otherwise requires, the terms used herein shall have the following meanings:

“Board”	the board of directors of the Company
“Completion”	completion of the Works in accordance with the terms of the Construction Contract
“Construction Contract”	the construction contract dated 3 January 2022 entered into between Guangzhou Xinfeng and the Contractor in relation to the asset enhancement works on the Property
“Construction Loan”	a loan in the principal amount of HK\$8,500,000 granted by the Company to the Dehuang for the construction of buildings on land held by Dehuang. The outstanding principal amount is approximately HK\$7,876,000 as at 31 December 2021
”Contractor”	Guangdong Wing Kei Hung Yip Construction Work Main Co. Ltd* (東榮基鴻業建築工程總公司), an Independent Third Party
“Dehuang”	Guangzhou Dehuang Investment Company Limited* (廣州市德煌投資有限公司), a company established in the PRC with limited liability
“Dehuang Property”	two parcels of land and one building with a data centre owned by Dehuang and located in South of Shinan Highway, Nansha District, Guangzhou* (廣州市南沙區市南公路南側)
“Deyong Technology”	Guangzhou Deyong Technology Investment Co., Ltd.* (廣州市德永科技投資有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of the Company
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider, and if thought fit, rectify the entering into of the Construction Contract, the Supplemental Agreements and the Lease
”GEM”	GEM operated by the Stock Exchange

“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM of the Stock Exchange
”Group”	the Company and its subsidiaries
“Guangzhou Jiayi Senior Care”	Guangzhou City Jiayi Seniors Care Co. Ltd.* (廣州市嘉怡頤養院有限公司), a company established under PRC laws with limited liability and an Independent Third Party
“Guangzhou Xinfeng”	廣州信豐投資諮詢有限公司 (Guangzhou Xinfeng Investment Consultancy Company Limited*), an indirect wholly-owned subsidiary of the Company
”HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	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)
“Joyunited”	Joyunited Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is indirectly wholly owned by the Company
“Lease”	the operating lease of the Property by Guangzhou Xinfeng to an Independent Third Party tenant for a period of 20 years commencing from 5 March 2021
“Loan”	a loan receivable in the principal amount of RMB51,199,000 (equivalent to approximately HK\$62.82 million) acquired by the Group as part of its acquisition of Dehuang. The outstanding principal amount is approximately HK\$50,136,000 as at 31 December 2021
“Loan Facility”	a loan facility secured by the Group from a PRC commercial bank in the principal amount of RMB50 million to settle the consideration payable the Construction Contract
“PRC”	the People’s Republic of China

“Property”	Guangzhou Xinfeng’s investment properties located at 廣州市天河區麓景路123號 (123 Lujing Road, Tianhe District, Guangzhou City*)
“RMB”	Renminbi, the lawful currency of PRC
“Sale Loan”	all obligations, liabilities and debts owing or incurred by Joyunited to the then shareholders of Joyunited at the time of the Company acquiring Joyunited
“Shareholder(s)”	holder(s) of the share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	two supplemental agreements dated 31 December 2021 entered into between Deyong Technology, the Company and Dehuang in relation to the extensions of the maturity dates of the Construction Loan and the Loan
“Works”	all the works, services, performances that the Construction Contract requires the Contractor to perform, provide and deliver including but not limited to reconstruction and decoration works of the part plan layout and other similar and incidental obligations of the Contractor under the Construction Contract
”%”	per cent.

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ based on the exchange rate of RMB1 = HK\$1.227. Such conversion shall not be construed as representations that amounts in RMB were or may have been converted into HK\$ at such rate or any other exchange rate.

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*