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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**

All capitalised terms used in this circular have the meanings set out in the section headed “Definitions” of this circular. A letter from the Board is set out on pages 4 to 19 of this circular.

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 1 March 2023 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. 27 February 2023 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.

This circular, together with a form of proxy, will remain on the GEM website at <http://www.hkgem.com> on the “Latest Listed Company Information” page for at least 7 days from the date of its publication and on the Company’s website at <http://www.citd.com.hk>.

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 at the entrance of the EGM venue and anyone with abnormal body temperature will be denied entry into the venue;
- (2) wearing of surgical face mask;
- (3) maintaining a safe distance between seats;
- (4) no provision of souvenir or gift; and
- (5) no provision of refreshments or drinks.

Attendees who do not comply with the precautionary measures referred to in (1) to (3) 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.

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PRECAUTIONARY MEASURES FOR THE EGM

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 gifts or 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.

CHARACTERISTICS OF GEM

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.

DEFINITIONS

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

“Announcement”	announcement of the Company dated 21 October 2022 in relation to, among other matters, the Construction Contract, the extensions of the Construction Loan and Loan and the Lease
“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* (廣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

DEFINITIONS

“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”	Guangzhou Xinfeng Investment Consultancy Company Limited* (廣州信豐投資諮詢有限公司), 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
“Latest Practicable Date”	9 February 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Lease”	the operating lease of the Property leased 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

DEFINITIONS

“PRC”	the People’s Republic of China
“Property”	Guangzhou Xinfeng’s investment properties located at 123 Lujing Road, Tianhe District, Guangzhou City* (廣州市天河區麓景路123號)
“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\$0.1 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 identification purposes only*

For illustration purposes, amounts in RMB in this circular 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.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Wong King Shiu, Daniel
(Chairman and Chief Executive Officer)
Mr. Chang Ki Sum Clark

Non-executive Director:

Hon. Li Sai Wing, MH

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

15 February 2023

To the Shareholders of the Company

Dear Sir or Madam,

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**

INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide you with, among other things, (i) details of the Construction Contract, the Supplemental Agreements and the Lease; (ii) other information required by the GEM Listing Rules; and (iii) notice of EGM.

THE CONSTRUCTION CONTRACT

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

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE CONSTRUCTION CONTRACT

The principal terms of the Construction Contract are as follows:

- Date** : 3 January 2022
- Parties** : (1) 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, with quarterly payment and interest calculable with reference to the prevailing 5+ year loan prime rate (LPR), being approximately 4.15% per annum as at the Latest Practicable Date. The Loan Facility shall mature on 29 January 2030.

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 AND 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 completed before 30 April 2022. Completion shall be subject to the passing of the quality inspection of the Works.

LETTER FROM THE BOARD

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 borne 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.

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 was unsecured and non-interest bearing at the time when the Company acquired it as part of the acquisition of Dehuang.

LETTER FROM THE BOARD

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. In light of the reasons set out under the section headed ‘REASONS FOR AND BENEFITS OF THE LOAN AND THE CONSTRUCTION LOAN’, the Construction Loan was granted on an unsecured and non interest bearing basis.

BASIS OF DETERMINING THE AMOUNT OF THE CONSTRUCTION LOAN

The amount of the Construction Loan was 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. The Board has considered that the estimate costs of constructing the three data centres on the Dehuang Property were approximately RMB400 million. The Group had cash reserves of HK\$6.7 million and Dehuang had cash reserves of approximately RMB8.7 million. The constructions on the Dehuang Property are mainly financed by shareholders of Dehuang and by bank loan. The constructions of the data centres on the Dehuang Property completed in around June 2022.

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.

LETTER FROM THE BOARD

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.

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.

LETTER FROM THE BOARD

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

Value of the Property : RMB272,000,000

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. In determining the rent and management fee under the Lease, the Board considered the fees payable under leases of properties of similar type and age in the vicinity of the Property.

Increment on rent & management fee : An increment of 3% per annum during the term of the Lease. The Board considered the prevailing market practice and the increment on rent and management fees payable under leases of properties of similar type and age in the vicinity of the Property.

Term : 20 years from 5 March 2021

LETTER FROM THE BOARD

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 Huazhou City Liangguang Town Economic Development Office* (化州市良光鎮經濟發展辦公室), a PRC state-owned enterprise.

LETTER FROM THE BOARD

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 22.37% of the shareholding of the Company as at the Latest Practicable Date, 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)* (盈創創業投資(廣州)合夥企業(有限合夥)) 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.

LETTER FROM THE BOARD

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 PRC 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 circular. 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. The rent and management fee payable under the Lease and the annual increment rate of 3% on the rent and management fee were determined in accordance with the prevailing market rates and practices. The Board considered the fees payable under leases of properties of similar type and age in the vicinity of the Property.

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. The expected annual return is the yearly average by the lease term of 20 years of the difference between (i) the total rental income under the lease term of approximately RMB249,645,000; (ii) the expected interest expenses of the Loan Facility of approximately RMB8,876,000; and (iii) RMB50,000,000 payable by the Group under the Construction Contract. 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. The aforementioned expected interest expenses of the Loan Facility is the aggregate of the quarterly interest payable by the Group during the 8 years term of the Loan Facility from 2022 to 2030.

The interest payable each quarter is calculated based on the then remaining Loan Facility principal multiplying the prevailing 5+ year loan prime rate (LPR), being approximately 4.15% per annum as at the Latest Practicable Date, and the number of days in the quarter over the number of days in a year.

In relation to the Loan Facility principal, from the second quarter in 2022 to the first quarter in 2027, the Group is required to settle principal of RMB1,500,000 per quarter and RMB1,800,000 per quarter thereafter till the end of 2029. The Group is required to settle RMB200,000 in the first quarter in 2030 i.e. the last quarter of the term of the Loan Facility and is not required to settle any of the Loan Facility principal in the first quarter of 2022 i.e. the first quarter of the term of the Loan Facility.

LETTER FROM THE BOARD

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, dataracks and commercial properties thereon will enable the Group to (i) provide more comprehensive and integrated data modelling, big data, artificial intelligence, business intelligence technology and datarack services to its clients; and (ii) generate rental income as the data centres and commercial properties could be leased to third parties solicited by the Group and/or referred by Dehuang.

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, as the Group does not own any data centres and dataracks and 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 which would further the development of the Group's core business in the PRC and capture the growing demand for datacentres and dataracks to generate increased 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; (iv) the existing terms of the Loan and the Construction Loan i.e. being unsecured and non interest bearing; and (v) the progress of the constructions on the Dehuang Property.

LETTER FROM THE BOARD

The Board had considered that (i) the Group had cash reserves of approximately HK\$6.7million and had sufficient cash flow for its operations; (ii) constructions on the Dehuang Property were ongoing and the extensions would give Dehuang financial flexibility; and (iii) the aforementioned strategic benefits the development of the Dehuang Property would 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.

FINANCIAL EFFECT OF THE TRANSACTIONS

Assets and liabilities

Having taken into account the entering into of the Construction Contract and the Loan Facility, the Construction Contract would be debited to the carrying amount of the Property and hence the total assets of the Group as at 31 December 2021 increased by RMB50 million (equivalent to approximately HK\$61.35 million). The Loan Facility would be credited to the bank loan account and hence, the total liabilities of the Group as at 31 December 2021 increased by RMB50 million (equivalent to approximately HK\$61.35 million). Therefore, it is estimated that there is no change to the net assets of the Group as at 31 December 2021.

Having taken into account the entering into of the Supplement Agreements of the Construction Loan and the Loan, the total assets of the Group as at 31 December 2021 decreased by approximately HK\$345,000 and approximately HK\$7,230,000 respectively due to loss on extension of loan receivables. The Supplemental Agreements did not have any effect on total liabilities of the Group as at 31 December 2021. Thus, the net assets of the Group as at 31 December 2021 decreased by approximately HK\$7,575,000.

The Lease has no effect to the assets and liabilities of the Group.

LETTER FROM THE BOARD

Earnings

In relation to the Construction Contract, it is estimated that Construction Contract will not have effect on the earnings of the Group.

In relation to the Supplement Agreements of the Construction Loan and the Loan, it is estimated that the loss of the Group will decrease by approximately HK\$98,000, being the difference between (i) loans interest income for a further year of approximately HK\$368,000 and approximately HK\$7,172,000 respectively and (ii) loss on extension of loan receivables of approximately HK\$345,000 and approximately HK\$7,097,000 respectively. In accordance with HKFRS 9, the Construction Loan and the Loan are measured at amortised cost using the effective interest method less loss allowance for expected credit losses. The corresponding loans interest income on the Construction Loan and the Loan are calculated by using the effective interest method.

In relation to the Lease, it is estimated that the Lease can generate total rental income of approximately RMB249,645,000 during the 20 years term of the Lease.

Shareholders should note that the actual amount of the gain or loss on the Construction Contract, the Supplement Agreements and the Lease to be recognised in the consolidated financial statements of the Company is subject to audit and therefore may be different from the amount mentioned above.

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 GEM 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

LETTER FROM THE BOARD

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 GROUP’S INTERNAL CONTROL FOR TRANSACTIONS

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 consideration and approval.

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 the Announcement to inform the public of the transactions disclosed therein	21 October 2022
2.	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	1 March 2023

LETTER FROM THE BOARD

Remedial Action No.	Remedial Action	Implementation Timeline
3.	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	Around 1 month from publishing this circular
4.	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	Implemented
5.	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	Implemented
6.	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
7.	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	Implemented

LETTER FROM THE BOARD

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.

EGM

A notice of EGM convening the EGM at which ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, to approve the Construction Contract, the Supplemental Agreements and the Lease is set out on pages EGM-1 to EGM-3 of this circular.

To the best knowledge of the Directors, Mr. Zhang Rong* (張榮), a substantial shareholder of the Company holding approximately 22.37% of the Company as at the Latest Practicable Date and holding 20.25% of Dehuang, is materially interested in the Supplemental Agreements and shall abstain from voting on the Supplemental Agreements at the EGM. No other Shareholders have material interest in the Construction Contract, the Supplemental Agreements and the Lease and accordingly, no other Shareholders will have to abstain from voting at the EGM.

Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy accompanying with this circular in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the EGM 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 in person if you so wish.

The resolution(s) approving the Construction Contract, extension of the Construction Loan and the Lease at the EGM shall be taken by way of poll and an announcement will be made by the Company on the results of the EGM.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 28 February 2023 to Wednesday, 1 March 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 27 February 2023.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors are of the opinion that the terms of the Construction Contract, the Supplemental Agreements and the Lease and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Construction Contract, the Supplemental Agreements and the Lease and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
China Information Technology Development Limited
Wong King Shiu, Daniel
Chairman and Chief Executive Officer

FINANCIAL INFORMATION

The financial information of the Group for the years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the six months ended 30 June 2022 were disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://citd.com.hk>)

- 2019 annual report (for the year ended 31 December 2019) (pages 43-122). Please refer to the hyperlink as provided below:
<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0331/2020033100941.pdf>
- 2020 annual report (for the year ended 31 December 2020) (pages 45-122). Please refer to the hyperlink as provided below:
<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033001196.pdf>
- 2021 annual report (for the year ended 31 December 2021) (pages 43-124). Please refer to the hyperlink as provided below:
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0331/2022033102969.pdf>
- 2022 Interim Report (for the six months ended 30 June 2022) (pages 13-36). Please refer to the hyperlink as provided below:
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0812/2022081200581.pdf>

INDEBTEDNESS

The following table set forth a breakdown of our indebtedness as at 31 December 2022, being the latest practicable date for the purpose of this indebtedness in this circular.

	As at 31 December 2022 <i>HKD '000</i>
Secured and guaranteed	
Bank borrowing	53,143
Secured and unguaranteed	
Other borrowing	891
Unsecured and unguaranteed	
Promissory note	66,288
Other borrowings	13,314
Loan from a shareholder	3,323
Loan from a director	700
Lease liabilities	4,925
	<u>88,550</u>
Total borrowing	<u><u>142,584</u></u>

As at the close of business on 31 December 2022, the Group did not have any significant contingent liabilities.

Save as aforesaid, and apart from intra-group liabilities and normal trade payable in the ordinary course of the business, as at the close of business on 31 December 2022, the Group did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities.

WORKING CAPITAL STATEMENT

The Directors are of the opinion that taking into account the existing banking and other borrowing facilities available and the existing cash and bank balances, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular. The Company has obtained the relevant confirmation from its auditor as required under Rule 19.66(13) of the GEM Listing Rules.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2021 being the date to which the latest published audited financial statements of the Group was made up.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company. The Group is principally engaged in IT solutions business, system integration and related support services, provision of IT infrastructure solutions and maintenance services, money lending services, securities trading services and rental of properties in the PRC.

The Group has also 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 had continued to dedicate its effort and resources in its IT solutions business, in particular, developing innovative and advanced technology especially in fields like AI and cloud technologies and has taken appropriate corporate actions catered to the market conditions.

The performance of the Group was affected by COVID-19, but was in line with the general market. Nevertheless, the future of the economic development and the industry remains positive. Robust growth in different technology trends such as IoT, cloud technology and AI are expected. This is especially the case when the reliance on technology rocketed during the COVID-19 pandemic in our lives and businesses. To keep pace with the technological advancement and the market trends, the Group shall dedicate more resources on research and development of the IoT, AI, cloud and other technologies so as to provide updated and quality services and products to the clients that can improve their business efficiency. Research and development of such advanced technologies like our “Retail Booster” and other AI Booster branches requires capital as well as seasoned experts. Meanwhile, under such volatile market condition, the Board shall continue to closely monitor the market conditions and shall assess the impact of COVID-19 and the macro-economic environment on the financial position and operations of the Group. The Group shall timely implement measures and adjust its business strategies to mitigate any possible business risks.

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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

DISCLOSURE OF INTERESTS**Interest of the Directors***Interests and short positions of Directors and chief executive in shares and debentures*

As at the Latest Practicable Date, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the GEM Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions

Name of director	Capacity	Number of Shares held	Approximate percentage of the issued Share capital of the Company <i>(Note 1)</i>
Mr. WONG King Shiu, Daniel <i>(Note 2)</i>	Beneficial owner	706,550	1.37%
Mr. CHANG Ki Sum Clark <i>(Note 3)</i>	Beneficial owner	340,374	0.67%
Mr. HUNG Hing Man <i>(Note 4)</i>	Beneficial owner	34,000	0.07%
Mr. WONG Hoi Kuen <i>(Note 5)</i>	Beneficial owner	34,000	0.07%
Dr. CHEN Shengrong <i>(Note 6)</i>	Beneficial owner	34,000	0.07%

Notes:

- (1) As at the Latest Practicable Date, the total number of Shares in issue was 51,471,199 Shares.
- (2) Mr. Wong King Shiu, Daniel holds options to purchase an aggregate of 343,000 Shares.
- (3) Mr. Chang Ki Sum Clark holds options to purchase an aggregate of 340,374 Shares.
- (4) Mr. Hung Hing Man holds options to purchase an aggregate of 34,000 Shares.
- (5) Mr. Wong Hoi Kuen holds options to purchase an aggregate of 34,000 Shares.
- (6) Dr. Chen Shengrong holds options to purchase an aggregate of 34,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Interests and short positions of substantial Shareholders and other persons in Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the issued voting shares capital of any other member of the Group:

Long positions – Shares in the Company

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of the issued Share capital of the Company (Note 1)
Mr. ZHANG Rong	Beneficial owner	10,378,230	20.16%
	Interest in controlled corporation	1,138,800	2.21%
Mr. LAM Shu Chung (“ Mr. Lam ”)	Beneficial owner	3,801,300	7.39%
Ms. CHOI Hing Lin Lori (“ Ms. Choi ”) (Note 2)	Interest of spouse	3,801,300 (Note 2)	7.39%
Mr. TANG Keung	Beneficial owner	3,503,400	6.81%
Valuable Fortune Limited (Note 3)	Beneficial owner	3,000,000	5.83%

Notes:

- (1) As at the Latest Practicable Date, the total number of Shares in issue was 51,471,199 Shares.
- (2) Ms. Choi is the spouse of Mr. Lam, and therefore deemed to have an interest on the Shares in which Mr. Lam has, or deemed to have, an interest.
- (3) The 3,000,000 Shares held by Valuable Fortune Limited is wholly-owned by Mr. Lee Yat Lung Andrew (“**Mr. Lee**”). Pursuant to the Division 7 and 8 of Part XV of the SFO, Mr. Lee is deemed to have an interest in all Shares in which Valuable Fortune Limited has, or deemed to have, an interest.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any substantial shareholder of the Company within the meaning of the GEM Listing Rules or other person (in each case other than a Director or chief executive of the Company) who had, as at the Latest Practicable Date, an interest or a short position in Shares or underlying Shares which was required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the GEM Listing Rules) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which were not expiring and determinable by the Group within one year without payment of compensation (other than statutory compensation).

DISCLOSURE OF OTHER INTERESTS

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which is significant in relation to the business of the Group; and
- (b) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2021 (the date to which the latest published audited accounts of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Company and its subsidiaries during the period commencing two years preceding the date of this circular and are or may be material:

- (a) the sale and purchase agreement dated 1 April 2021 entered into between Rosy Depot Limited, a wholly-owned subsidiary of the Company, as purchaser and Valuable Fortune as vendor in relation to the acquisition of 10% of the issued share capital of Global Engine Holdings Limited at the total consideration in the sum of HK\$10,000,000, to be settled by way of allotment and issue of 20,000,000 new Shares of the Company at HK\$0.5 per Share. The completion had taken place on 31 May 2021;
- (b) the sale and purchase agreement dated 12 May 2021 entered into between Golden Shield Global Limited, a wholly-owned subsidiary of the Company, as purchaser and Unity Victory Limited, as vendor in relation to the acquisition of 51% of the issued share capital of Orient Rise Investment Development Limited at total consideration in the sum of HK\$3,500,000, to be settled by way of allotment and issue of 7,000,000 new Shares of the Company at HK\$0.5 per Share. The completion had taken place on 15 July 2021;
- (c) a placing agreement dated 25 May 2021 entered into between the Company and Rifa Securities Limited (as placing agent) in relation to the placing of 20,800,000 placing shares to not less than six places at the placing price of HK\$0.23 per placing share; and
- (d) a placing agreement dated 30 July 2021 entered into between the Company and Orient Securities Limited (as placing agent) in relation to the placing of 57,400,000 placing shares to not less than six places at the placing price of HK\$0.25 per placing share.

LITIGATION

As at the Latest Practicable Date, as far as the Directors are aware, neither the Company nor any member of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of the Group.

AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Company (the “**Audit Committee**”) has three members, including Mr. Hung Hing Man (Audit Committee chairman), Mr. Wong Hoi Kuen and Dr. Chen Shengrong. All Audit Committee members are independent non-executive Directors. The primary duties of the Audit Committee include supervising the financial reporting procedure and reviewing the financial statements of the Group, examining and monitoring the internal control and risk management system adopted by the Group and reviewing the relevant work of the Group’s external auditor.

Mr. HUNG Hing Man, aged 52, is the chairman of audit committee and nomination committee of the Company. He holds a master’s degree in Business Administration from the University of Western Sydney. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Hung is currently a proprietor of a certified public accountants firm. He has extensive working experience in corporate finance, accounting, auditing and taxation sectors. Mr. Hung joined the Group on 24 April 2015. Mr. Hung is also an independent non-executive director of Heng Tai Consumables Group Limited (Stock Code: 197) since 20 February 2017. He was an independent non-executive director of the Hong Kong listed company, namely China Baoli Technologies Holdings Limited (Stock Code: 164) from 31 March 2009 to 21 September 2015 and Ping An Securities Group (Holdings) Limited (Stock Code: 231) from 23 September 2009 to 17 November 2015. He was also an independent non-executive Director of REXLot Holdings Limited (Stock Code: 555) from 1 January 2019 to 26 November 2020. On 20 August 2020, a winding up order (the “Winding Up Order”) was made by the High Court of Hong Kong against REXLot upon a winding up petition filed on 9 March 2020 in respect of a debt of HK\$770,609,876.28 owing under convertible bonds issued by REXLot. Liquidators were appointed to REXLot pursuant to an order made by the High Court of Hong Kong dated 27 August 2020. On 18 September 2020, an appeal was lodged against the Winding Up Order with the Court of Appeal of Hong Kong. REXLot is a company incorporated in Bermuda with limited liability and, together with its subsidiaries, are principally engaged in lottery system and game development business and distribution and marketing of lottery products in China. The securities of REXLot are listed on the Main Board of the Stock Exchange (Stock Code: 555) but had been suspended since 1 April 2019 and delisted on 10 May 2021. Mr. Hung has confirmed that he was not one of the respondents of such petition nor a party of such winding up proceedings and am not aware of any actual or potential claim that has been or will be made against him because of the Winding Up Order.

Dr. Chen Shengrong, aged 40, obtained a doctorate degree in Business Administration from the Pacific States University of the USA in 2011. She was an audit manager with Baker Tilly China Certified Public Accountants and had been the vice general manager of New Times Securities Company Limited in charge of risk control. From August 2014 to December 2016, Dr. Chen served as the vice president of finance of Skyslink New Energy Asset Management Limited. Since January 2017, she serves as the vice president of Sky Cloud Green Data Technology Co., Ltd. (天之雲綠色數據技術有限責任公司). Dr. Chen has extensive experience in internal control of enterprises, risk control in investment businesses, project risk evaluation and assets restructuring management. Dr. Chen joined the Group on 30 January 2015.

Mr. WONG Hoi Kuen, aged 62, is the chairman of the remuneration committee of the Company and the member of the audit committee and nomination committee of the Company. He is a practising certified public accountant in Hong Kong and a chartered accountant in the United Kingdom. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. Mr. Wong joined the Group on 16 August 2017. Mr. Wong is an independent non-executive director, members of audit committee and nomination committee of Elife Holdings Limited (Stock Code: 223) since 9 May 2011. He was also an independent non-executive director of REXLot Holdings Limited (Stock Code: 555) from 29 June 2018 to 27 November 2020. As disclosed above, on 20 August 2020, the Winding Up Order was made by the High Court of Hong Kong against REXLot upon a winding up petition filed on 9 March 2020 in respect of a debt of HK\$770,609,876.28 owing under convertible bonds issued by REXLot. Liquidators were appointed to REXLot pursuant to an order made by the High Court of Hong Kong dated 27 August 2020. On 18 September 2020, an appeal was lodged against the Winding Up Order with the Court of Appeal of Hong Kong. REXLot is a company incorporated in Bermuda with limited liability and, together with its subsidiaries, are principally engaged in lottery system and game development business and distribution and marketing of lottery products in China. The securities of REXLot are listed on the Main Board of the Stock Exchange (Stock Code: 555) but had been suspended since 1 April 2019 and delisted on 10 May 2021. Mr. Wong has confirmed that he was not one of the respondents of such petition nor a party of such winding up proceedings and am not aware of any actual or potential claim that has been or will be made against him because of the Winding Up Order.

GENERAL

1. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
2. The head office and principal place of business of the Company in Hong Kong is located at Unit 3308, 33/F., Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Hong Kong.
3. The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

4. The company secretary of the Company is Ms. LAM Mei Wai Michelle. Ms. Lam, holds a Bachelor of Arts from The University of Hong Kong and a Master of Science in Professional Accounting and Corporate Governance from City University of Hong Kong. She is a Chartered Secretary, Chartered Governance Professional and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators). Ms. Lam is currently the President of Oakwood Services Limited and has more than 10 years of experience in company secretarial field. She also serves as the company secretary of Success Dragon International Holdings Limited (stock code: 1182), a company listed on the Main Board of the Stock Exchange.

5. In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.citd.com.hk>) for not less than 14 days from the date of this circular (inclusive):

- (i) the material contracts disclosed in the paragraph under the heading ‘Material Contracts’ in this appendix to this circular;
- (ii) the Construction Contract;
- (iii) the Supplemental Agreements;
- (iv) the Lease.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) 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 1 March 2023, at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTIONS

“THAT

- (a) the construction contract dated 3 January 2022 (the “Construction Contract”, a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purposes of identification), entered into between Guangzhou Xinfeng Investment Consultancy Company Limited* (廣州信豐投資諮詢有限公司) (“Guangzhou Xinfeng”) and Guangdong Wing Kei Hung Yip Construction Work Main Co. Ltd* (廣東榮基鴻業建築工程總公司) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) supplemental agreement dated 31 December 2021, copy of which have been produced to the EGM marked “B” and signed by the chairman of the EGM for the purposes of identification, entered into between Guangzhou Deyong Technology Investment Co., Ltd.* (廣州市德永科技投資有限公司) as lender and Guangzhou Dehuang Investment Company Limited* (廣州市德煌投資有限公司) (“Dehuang”) as borrower in relation to the extension of the maturity date of loan in the remaining principal amount of approximately HK\$50,136,000 by one year to 2 September 2023 and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) supplemental agreement dated 31 December 2021, copy of which have been produced to the EGM marked “C” and signed by the chairman of the EGM for the purposes of identification, entered into between the Company as lender and Dehuang as borrower in relation to the extension of the maturity date of loan in the remaining principal amount of approximately HK\$7,876,000 by one year to 15 October 2023 and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) the lease of Guangzhou Xinfeng's investment properties located at 123 Lujing Road, Tianhe District, Guangzhou City* (廣州市天河區麓景路123號) by Guangzhou Xinfeng to Guangzhou City Jiayi Seniors Care Co. Ltd* (廣州市嘉怡頤養院有限公司) for a period of 20 years commencing from 5 March 2021 (the "Lease", a copy of which has been produced to the EGM marked "D" and signed by the chairman of the EGM for the purposes of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (e) any of the directors of the Company (the "Director(s)") be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents, instruments and agreements (whether under common seal or not) and to take all steps and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Construction Contract, the Supplemental Agreements and the Lease and the transactions contemplated thereunder as he/she may in his/her absolute discretion consider necessary, desirable or expedient to give effect to the Construction Contract, the Supplemental Agreements and the Lease and the implementation of all transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole."

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

Hong Kong, 15 February 2023

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be duly lodged at the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a certified copy of that power of attorney or authority, as soon as possible and in any event no later than 27 February 2023, at 11:00 a.m. (Hong Kong Time).
3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. The register of members of the Company will be closed from Tuesday, 28 February 2023 to Wednesday, 1 March 2023 (both dates inclusive) for determining the entitlement of the shareholders of the Company to attend and vote at the extraordinary general meeting. In order to be eligible for attending and voting at the extraordinary general meeting, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 27 February 2023.

As of the Latest Practicable Date, the Board comprises Mr. Wong King Shiu, Daniel and Mr. Chang Ki Sum Clark as executive Directors; Hon. Li Sai Wing, MH as non-executive Director; and Mr. Hung Hing Man, Mr. Wong Hoi Kuen and Dr. Chen Shengrong as independent non-executive Directors.

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.

- * *The English transliteration of the Chinese name in this notice of EGM, where indicated, is included for information only, and should not be regarded as the official English name of such Chinese name.*