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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)**

**(1) VERY SUBSTANTIAL ACQUISITION:  
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF  
THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES  
UNDER SPECIFIC MANDATE; AND  
(2) MAJOR DISPOSAL:  
CHARGE OVER THE ENTIRE ISSUED SHARE CAPITAL OF  
A SUBSIDIARY**

**Financial adviser to the Company**



**紫荊金融  
ZI JING**

**THE PROPOSED ACQUISITION**

The Board is pleased to announce that on 19 September 2023 (after trading hours), the Purchaser, the Company and the Vendors entered into the Sale and Purchase Agreement pursuant to which the Vendors have conditionally agreed to sell to the Purchaser and the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company. The Consideration for the Proposed Acquisition is HK\$100 million, which shall be settled by (i) the Promissory Notes in the aggregate principal amount of HK\$75,985,677.28; and (ii) the allotment and issue of a total of 11,117,742 Consideration Shares by the Company to the Vendors (or their nominee(s)). Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Company.

The Promissory Notes are repayable by ten (10) equal Instalments of approximately HK\$7.6 million per year after Completion, with the last instalment becoming due in the 10<sup>th</sup> year after Completion. The Company intends to finance the settlement of the Promissory Notes mainly through the operating cashflow to be derived from the Target Company after Completion. Where necessary, the Company may consider other sources of funding for settling the Promissory Notes, including the Group's internal resources, debt financing and/or equity fund-raising. The Board will determine the actual sources of funding after taking into account the Company's financial position and the viability and costs of different financing alternatives from time to time.

The Consideration Shares shall be allotted and issued pursuant to the Specific Mandate, and shall rank *pari passu* with the Shares in issue. The Consideration Shares represent approximately 18.00% of the issued share capital of the Company as at the date of this announcement and approximately 15.25% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there being no other change to the issued share capital of the Company).

### **THE POTENTIAL DISPOSAL**

To secure the Purchaser's obligations under the Sale and Purchase Agreement, upon Completion, the Company shall procure the Chargor, being a direct wholly-owned subsidiary of the Company, to execute the Deed of Share Charge in favour of the Vendors, as chargees. Under the Deed of Share Charge, the Chargor shall, by way of first fixed charge and floating charge, charge to the Vendors of all its right, title and interest in and to the Charged Shares, as continuing security for the payment or discharge of the Secured Obligations.

The Charged Shares represent the entire issued share capital of the Charged Company. Guangzhou Xinfeng, a wholly-owned subsidiary of the Charged Company, owns the Properties and the relevant land use rights.

If the Share Charge becomes enforceable, the Vendors may exercise their power of sale to sell the Charged Shares for the recovery of any outstanding amount due from the Purchaser to them under the Sale and Purchase Agreement. The enforcement of the Share Charge, if materialised, will constitute a disposal by the Company of the Charged Company. If the Potential Disposal takes place, the Company will cease to have any interest in the Charged Company. In such event, the Charged Company will cease to be a subsidiary of the Company and the financial results of the Charged Company will no longer be consolidated in the financial statements of the Company.

## **GEM LISTING RULES IMPLICATIONS**

### **The Proposed Acquisition**

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) regarding the Proposed Acquisition exceed 100%, the Proposed Acquisition constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

### **The Potential Disposal**

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) regarding the Potential Disposal exceed 25% but all of them are less than 75%, the Potential Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

## **GENERAL**

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Transaction Documents, the Proposed Transactions, the allotment and issue of the Consideration Shares pursuant to the Specific Mandate and the transactions contemplated thereunder.

The voting in respect of the Proposed Transactions and the allotment and issue of the Consideration Shares pursuant to the Specific Mandate at the EGM will be conducted by way of poll. As at the date of this announcement, Marvion, being an indirect wholly-owned subsidiary of Bonanza is interested in 2,652,038 Shares. Based on publicly available information, Dr. Lee, being the ultimate beneficial owner of one of the Vendors, holds 53% of the total common shares issued by Bonanza. Accordingly, Marvion is an associate of Dr. Lee. In light of Dr. Lee's interests in the Proposed Transactions, Marvion will abstain from voting on the resolution(s) relating to the Transaction Documents, the Proposed Transactions, the allotment and issue of the Consideration Shares pursuant to the Specific Mandate and the transactions contemplated thereunder at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) save as aforesaid, no other Shareholders or any of their associates has any material interest in the Transaction Documents, the Proposed Transactions, the allotment and issue of the Consideration Shares pursuant to the Specific Mandate and the transactions contemplated thereunder; and (ii) no other Shareholder will be required to abstain from voting on the relevant resolution(s) to approve the Transaction Documents, the Proposed Transactions, the allotment and issue of the Consideration Shares pursuant to the Specific Mandate and the transactions contemplated thereunder at the EGM.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) further details on the Transaction Documents, the Proposed Transactions, the allotment and issue of the Consideration Shares pursuant to the Specific Mandate and the transactions contemplated thereunder; (ii) financial information of the Target Group; (iii) pro forma financial information of the Enlarged Group; (iv) valuation report of the Target Company; (v) equity and properties valuation reports of the Charged Company; (vi) other information required under the GEM Listing Rules; and (vii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 18 October 2023 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

**As completion of the Proposed Transactions is subject to and conditional upon fulfilment or waiver (as the case maybe) of the conditions precedent set out in the Transaction Documents and the completion of the Proposed Transactions may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## **THE PROPOSED ACQUISITION**

The Board is pleased to announce that on 19 September 2023 (after trading hours), the Purchaser, the Company and the Vendors entered into the Sale and Purchase Agreement pursuant to which the Vendors have conditionally agreed to sell to the Purchaser and the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company. The Consideration for the Proposed Acquisition is HK\$100 million, which shall be settled by (i) the Promissory Notes in the aggregate principal amount of HK\$75,985,677.28; and (ii) the allotment and issue of a total of 11,117,742 Consideration Shares by the Company to the Vendors (or their nominee(s)). Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Company.

### **The Sale and Purchase Agreement**

The principal terms of the Sale and Purchase Agreement are set forth below:

#### **Date**

19 September 2023 (after trading hours)

## Parties

- (1) Purchaser : Beauty Intentions Limited, a direct wholly-owned subsidiary of the Company
- (2) Vendors : (i) Marvel Digital Group Limited;  
(ii) Akara.com Limited;  
(iii) Wealth Axis Limited;  
(iv) Mr. Ho Tak Wing;  
(v) Mr. Li Yat Ho;  
(vi) Mr. Wong Alvin Chun Ho;  
(vii) Ms. Chan Pui Lei;  
(viii) Ms. Chan Yat Man Ava; and  
(ix) Ms. Wong Ka Lai Kirsty

(3) Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Marvion (being an indirect wholly-owned subsidiary of Bonanza which is owned as to 53% by Dr. Lee, the ultimate beneficial owner of Marvel Digital Group Limited, as at the date of this announcement) which is interested in 2,652,038 Shares, the Vendors and their ultimate beneficial owners are third parties independent of the Company and its Connected Persons. To the best of the Directors' knowledge, information and belief, save for the Sale and Purchase Agreement, there is no side agreement, arrangement or understanding between the Company and/or its Connected Persons and Dr. Lee.

To the best knowledge of the Directors and based on enquiries with the Vendors, as at the date of this announcement, save for their shareholding interests in the Target Company, each of the Vendors has no other relationship with each other.

The Company became acquainted with the Vendors through introduction by Dr. Lee. In August 2022, Mr. Wong King Shiu, Daniel (“**Mr. Daniel Wong**”), the chairman of the Board and an executive Director of the Company, became acquainted with Dr. Lee at the Hong Kong Computer & Communications Festival (“**HKCCF**”) organised by the Chamber of Hong Kong Computer Industry. Dr. Lee and his team were hosting a booth at the HKCCF for the promotion of Web 5.0 application technology and metaverse. Mr. Daniel Wong approached and introduced himself and the Group to Dr. Lee. Mr. Daniel Wong and Dr. Lee exchanged their insights into the future development of the information technology industry and explored potential collaboration opportunities. Subsequently, in the fourth quarter of 2022, Mr. Daniel Wong and Dr. Lee paid visits to each other's office and met several times for understanding the principal business activities and technology of each other. After thorough discussions, Mr. Daniel Wong and Dr. Lee came to the view that the integration of Dr. Lee's autostereoscopic 3D technology and the Group's artificial intelligence technology will create synergistic effects to both sides including (i) reduction in the time required for the conversion of 2D images/videos to 3D images/videos; (ii) higher resolution of the converted 3D images/videos; and (iii) broadening the scope of services available to users. Eyeing on the future growth and business opportunities brought by the integration of the autostereoscopic 3D technology and the artificial intelligence self-developed by the Group, Mr. Daniel Wong and Dr. Lee commenced negotiation on the Proposed Acquisition by 2023.

As a pioneer and long-time advocate and of autostereoscopic 3D technology in Asia, Dr. Lee was delighted at the prospects of collaborating with the Group as it represents a potential opportunity for enhancing the performance of his autostereoscopic 3D patents, in which he had made significant efforts and investments over the past decade.

Likewise, the Directors were delighted at the prospects of collaboration between the Group and the Target Company taking into consideration that (i) the integration of the Target Company's autostereoscopic 3D technologies into the Group's existing IT solutions business would enhance the quality and efficiency of the IT solutions offered by the Group; (ii) the autostereoscopic 3D patents currently owned by the Target Company were the brainchild of Dr. Lee, who had contributed substantial efforts and resources in their developments; (iii) Dr. Lee is a family member of a prominent property group in Hong Kong and he is a well-known public figure in the 3D technology in Asia with recognitions from various institutes and associations; (iv) the Target Company was able to secure long-term service engagements with three major customers shortly after commencing the autostereoscopic 3D service business; and (v) the scale and principal businesses of the major customers of the Target Company, including Marvel Digital AI Limited, Coinllectibles Limited and Marvion Private Limited could justify their commercial needs for procuring autostereoscopic 3D services from the Target Company. For further details on these customers, please refer to the paragraph headed "Background of the major customers and their application of the services provided by the Target Company" in this announcement.

Although (a) Dr. Lee holds shares in each of Coinllectibles Limited and Marvion Private Limited; and (b) each of Marvel Digital AI Limited, Coinllectibles Limited and Marvion Private Limited was introduced to the Target Company by Dr. Lee, the Directors believe that the major customers of the Target Company have genuine demand for its services taking into consideration the followings:

***(I) Scale and background of the major customers and their proposed application of the services offered by the Target Company***

- (a) Marvel Digital AI Limited is principally engaged in the development of artificial intelligence, computer learning and information management systems. Marvel Digital AI Limited mainly applied the services procured from the Target Company for (i) preparing online and offline engineering training courses in the form of 3D models for a Malaysia-based technology academy; and (ii) assisting a blockchain network which was engaged by a property owner for developing the 3D models of real estate properties in the metaverse;
- (b) Coinllectibles Limited is principally engaged in the sale of art and collectibles via its online platform. Coinllectibles Limited mainly engaged the Target Company for physical object 3D modelling and 2D to 3D conversion of digital images for art paintings, artifacts and artworks; and
- (c) Marvion Private Limited is an indirect wholly-owned subsidiary of Bonanza, the issued shares of which are traded in the OTC (Ticker: PINK: BONZ) and which is principally engaged in the lifestyle, media and entertainment creation and distribution, and technology business. Marvion Private Limited mainly engaged the Target Company for converting Hong Kong classic movies into 3D format.

For further details, please refer to the paragraph headed "Background of the major customers and their application of the services provided by the Target Company" in this announcement.

## ***(II) Terms of the long-term service agreements***

The long-term service agreements were entered into between the Target Company and the respective customers in their own capacity. The parties' obligations to abide by the long-term service agreements are not contingent or conditional on (a) Dr. Lee's shareholding interests in each of Coinllectibles Limited or Marvion Private Limited; or (b) Dr. Lee's position as a consultant of the Company. In the event (a) Dr. Lee ceases to hold any shareholding interests in Coinllectibles Limited or Marvion Private Limited; or (b) Dr. Lee ceases to act as a consultant of the Company, those long-term service agreements shall remain in force vis-à-vis Coinllectibles Limited and Marvion Private Limited, and accordingly, Coinllectibles Limited and Marvion Private Limited shall be obliged to continue to fulfil their contractual obligations under the service agreements.

### ***Assets to be acquired***

The table below sets forth the shareholding structure of the Target Company as at the date of this announcement:

<b>Name of shareholder</b>	<b>% of shareholding</b>
Marvel Digital Group Limited	30%
Akara.com Limited	20%
Wealth Axis Limited	20%
Mr. Ho Tak Wing	5%
Mr. Li Yat Ho	5%
Mr. Wong Alvin Chun Ho	5%
Ms. Chan Pui Lei	5%
Ms. Chan Yat Man Ava	5%
Ms. Wong Ka Lai Kirsty	5%
<b>Total</b>	<b>100%</b>

Pursuant to the Sale and Purchase Agreement, the Vendors have conditionally agreed to sell to the Purchaser and the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company. The Sale Shares will be sold free from all encumbrances together with all rights to any dividend or other distribution declared, made or paid after the date of the Sale and Purchase Agreement. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Company.

## ***Consideration***

Subject to any adjustment(s) to be made under the paragraph headed “Profit Guarantee” in this announcement below, the Consideration for the Proposed Acquisition is HK\$100 million which shall be settled in the following manner:

- (i) a sum of HK\$75,985,677.28 shall be settled by the Purchaser delivering or causing to be delivered to the Vendors (or their nominee(s)) the Promissory Notes payable in ten (10) Instalments, details of which are set forth in the paragraph headed “Promissory Notes” in this announcement below; and
- (ii) the remaining Consideration shall be settled by the allotment and issue of 11,117,742 Consideration Shares by the Company to the Vendors (or their nominee(s)), respectively.

## ***Basis of Consideration***

During the early stage of negotiation for the Proposed Acquisition, the parties contemplated that the consideration for the Proposed Acquisition would be HK\$180 million, determined with reference to the valuation of the Sale Shares, representing the entire issued share capital of the Target Company of HK\$190 million as at 22 March 2023 assessed by the Valuer using the discounted cash flows method under the income approach.

After further negotiations, the parties agreed to significantly reduce the amount of consideration from HK\$180 million to HK\$100 million. In this regard, the Vendors were willing to accept such significant discount because Dr. Lee, being the ultimate beneficial owner of one of the Vendors, was eager to his brainchild (i.e. the autostereoscopic 3D patents) being able to reach a wider range of users via integration into the Group’s business, hence enhancing public awareness of such technology and its application. Dr. Lee also believed that his cooperation with the Group would echo the Hong Kong Government’s initiatives in supporting the development of technology-based enterprises in Hong Kong.

The Consideration was determined after arm’s length negotiations among the Company, the Purchaser and the Vendors on normal commercial terms after taking into account (i) the existing customer base of the Target Company and its ongoing long-term service agreements with three major customers; (ii) the business overview and outlook of the Target Company; (iii) benefits brought by the Proposed Acquisition to the Group which include but not limited to integration of the Target Company’s technological capabilities, specifically in the field of autostereoscopic three-dimensional (3D) technology, into the Group’s existing IT solutions business, as further described in the section headed “Reasons for and benefits of the Proposed Acquisition” in this announcement below; (iv) the Company’s assessment on the potential business development of autostereoscopic 3D technology; and (v) valuation of the Sale Shares, representing the entire issued share capital of the Target Company, of HK\$190 million as at 22 March 2023 assessed by the Valuer using the discounted cash flows method under the income approach.



## ***Long-Term Service Agreements of the Target Company***

The Target Company has entered into the following long-term service agreements with its major customers:

	<b>Marvel Digital AI Limited</b>	<b>Coinlectibles Limited</b>	<b>Marvion Private Limited</b>
<b>Background of major customers</b>	Please refer to the paragraph headed “Background of the major customers and their application of the services provided by the Target Company” below in this announcement.		
<b>Website of major customers</b>	<a href="https://www.ai.marveldigital.com/">https://www.ai.marveldigital.com/</a>	<a href="https://www.coinlectibles.art/">https://www.coinlectibles.art/</a>	<a href="https://www.marvion.media/">https://www.marvion.media/</a>
<b>Date of service agreement</b>	4 April 2023	4 April 2023	4 April 2023
<b>Term</b> <sup>(Note 1)</sup>	10 years	10 years	10 years
<b>Service fee</b> <sup>(Note 2)</sup>	HK\$630,208.33 per month	HK\$630,208.33 per month	HK\$3,781,250.00 per month
<b>Services provided by the Target Company</b>	(a) AI-assisted processing, generation and enhancement of 3D videos; (b) customer-centric marketing with 3D contents; (c) design tool for advanced optics; and (d) automatic 2D-to-3D video cloud conversion.		
<b>Consequence of early termination by the customer</b>	If the customer shall be in default of, or commits an event of default under the service agreement and the Target Company shall terminate the service agreement pursuant to the terms therein, the customer shall pay an early termination fee to the Target Company in an amount equivalent to 20% of the remaining monthly service fee payable for the remaining service term or any renewed term, as applicable.		

### *Notes:*

- (1) Each of the long-term service agreements originally had a term of five (5) years, with an option to renew a further term of five (5) years upon mutual consent. Taking into consideration (i) the satisfactory performance of the Target Company in providing quality autostereoscopic 3D technology services since the commencement of the long-term service agreements; (ii) the price competitiveness of the services offered by the Target Company and the benefits of locking up the monthly services fees at a favourable rate for a longer term, after further negotiations, each of the customers has agreed to exercise the option to early renew under the long-term service agreements by entering into a supplemental service agreement with the Target Company. Pursuant to the respective supplemental service agreement entered into between the Target Company and each of the major customers, the service term for the long-term service agreement with each of the major customers has been extended from five (5) years to ten (10) years.

- (2) Pursuant to the original long-term service agreements entered into between the Target Company and the respective major customers, a fixed monthly service fee (the “**Fixed Monthly Service Fees**”) is charged by the Target Company to its major customers as set forth above, which were determined based on the types of services, indicative unit rate and estimated quantity for each type of services required. Subsequently, the Target Company has discussed with the respective major customers about the possibility where the actual quantity of services delivered by the Target Company would substantially exceed the amount of works contemplated under the Fixed Monthly Service Fees, and the potential impact on the sustainability of the Target Company in providing services in case of frequent or significant cost overrun during the term of the service agreements.

Based on subsequent negotiation, the Target Company and the respective major customers entered into an addendum in respect of the long-term service agreements, whereby the parties agreed that in the event the monthly service fees as calculated by multiplying the indicative unit rate and the actual quantity of services delivered by the Target Company exceeds the Fixed Monthly Service Fees by more than 10%, the Target Company and the relevant customer shall enter into separate negotiation to determine the additional fees chargeable for that month based on the indicative unit rate set forth in the relevant long-term service agreements without any discount.

The Board is of the view that the fixed monthly service fees charged by the Target Company under the respective long-term service agreements to its major customers are fair and reasonable and on normal commercial terms taking into consideration:

- (i) the monthly service fees were determined, and agreed with the customers, based on the types of services, unit rate and estimated quantity for each type of services required;
- (ii) the Target Company, as a newly established company, is committed to building up its customer base, establishing its market presence and track record in the provision of autostereoscopic 3D technology services. In particular, the Target Company is of the view that its capability in the provision of autostereoscopic 3D technology services for sizeable and well-known companies in the information technology industry such as Marvel Digital AI Limited, Coinollectibles Limited and Marvion Private Limited would be well recognised by its other potential customers, thereby facilitating its establishment of market presence as well as market share in the autostereoscopic 3D technology services industry. The management of the Target Company is of the view that a fixed monthly service fee under the long-term service agreement could secure stable and long-term service income for the Target Company and a fixed monthly service fee is generally acceptable to customers because it minimises the risks of any unforeseen and significant increase in service fees chargeable over the term of the service agreements, thereby facilitating the budgeting and financial planning of customers;
- (iii) a fixed monthly service fee simplifies the quotation and billing process, thereby reducing the administrative costs and improving efficiency of both parties. By charging a fixed monthly service fee, both the Target Company and its customers can save time and administrative costs on (a) agreeing a separate quotation for each purchase order; and (b) preparing and approving bills or payments (where applicable) of different amount;

- (iv) customers are more likely to stay with a service provider that provides predictable costs and value-added benefits. By offering a fixed monthly service fee, the Target Company can reduce customer turnover, enhance customer retention, loyalty and long-term commitments, thereby resulting in a more stable customer base;
- (v) for each customer, an online platform is custom-made by the Target Company for distributing its deliverables. By charging a fixed monthly service fee for a fixed term, the Target Company can ensure the costs for maintaining the online platform tailored for each individual customer can be sufficiently covered;
- (vi) a discount was factored in the service fees charged by the Target Company to each of the major customers which further enhances the price competitiveness of the autostereoscopic 3D services offered by the Target Company among existing market players;
- (vii) the estimated operating costs and expenses to be incurred by the Target Company for the provision of autostereoscopic 3D technology related services under the long-term service agreements mainly comprise procurement of cloud platform services, staff costs, rental fees, patent renewal fees and research and design expenses (collectively, the “**Operating Expenses**”). Based on the Valuation prepared by the Valuer, the Operating Expenses will increase at a moderate rate annually. Given the Target Company had already taken into account the forecasted increase in Operating Expenses when determining the fixed monthly service fees, the Board considers that it is unlikely for the Target Company to incur a loss during the service term of each of the long-term service agreement;
- (viii) the Vendors have jointly and severally guaranteed (the “**Profit Guarantee**”) to the Purchaser that the Actual Annual Profit for each financial year during the Guaranteed Period shall not be less than HK\$35 million per annum for the forthcoming ten (10) financial years. The Board believes that in giving the Profit Guarantee, the Vendors must be confident that the Target Company is able to maintain its profitability during the remaining service term of the long-term service agreements;
- (ix) as advised by Frost & Sullivan, it is not uncommon for 3D technology services providers to charge a fixed monthly service fees on a long-term basis so as to maintain a stable and long term business relationship with customers; and
- (x) upon establishing a market presence in the autostereoscopic 3D technology and securing a stable customer base, the Target Company will review its pricing policy and may adjust its service fees chargeable to potential customers on a case-by-case basis, depending on among other factors, scope of services involved, estimated quantity for each type of services and our then available service capacity.

## ***Background of the major customers and their application of the services provided by the Target Company***

### ***(A) Marvel Digital AI Limited (“MDAI”)***

MDAI is a limited liability company incorporated in Hong Kong in 1996 which is principally engaged in the development of artificial intelligence, computer learning and information management systems. MDAI is ultimately and wholly-owned by Mr. Ma Chi Hung (Note), an independent third party of the Company and its connected persons. On 31 March 2022, MDAI capitalised staff costs, research and development costs and patent costs of approximately HK\$13 million. While MDAI was previously more focused in research and development works, amid the thriving development of the crypto and blockchain industry over the past few years, MDAI has gradually started to commercialise some of their technology.

The major customers of MDAI mainly include:

- (i) a Malaysia-based technology academy licensed under the Ministry of Human Resources and appointed by the Ministry of Education which offers engineering skill courses to school leavers. MDAI was engaged by the technology academy mainly to assist in preparing online and offline engineering training courses in the form of 3D models; and
- (ii) a blockchain network which is designed to integrate traditional industries and physical assets into the blockchain via the tokenization of real-world assets. By tokenizing ownership of real estate properties, investors could simply purchase NFTs from the platform to claim ownership of a particular property. The blockchain network was engaged by property owner to develop in the metaverse digital twin of real estate properties in reality; whereas MDAI was engaged by the blockchain network mainly to assist in developing the 3D models of the real estate properties in the metaverse.

In October 2022, MDAI entered into a joint venture with the Department of Statistics and Actuarial Science of the University of Hong Kong for launching the first metaverse campus with artificial intelligence, the HKU CampusLand. MDAI has been working closely with the University of Hong Kong for developing digital human avatars within HKU CampusLand that are capable of speech recognition, text analysis, facial expression recognition, etc. In early 2023, MDAI entered into a collaboration with the Faculty of Social Science of the Chinese University of Hong Kong for the research and development of artificial intelligence, data science, metaverse and blockchain technology.

Along with the thriving trend of NFTs and metaverse over the past two years, MDAI has received a number of enquiries from its existing and potential customers about its capability in offering AI technology, coupled with the ability to convert 2D images/videos to 3D images/videos. MDAI plans to expand its service portfolio by offering AI 3D conversion technology and is in the course of identifying partners or vendors which can provide the necessary technology or services.

*Note:* Mr. Ma Chi Hung is a chief executive officer of MDAI and is responsible for formulating and promoting the strategic plan of MDAI in the field of artificial intelligence and big data analytics technology as well as leading MDAI and its partners to execute various innovative R&D and industry-specific projects. Mr. Ma has 20 years of experience in technology research, algorithms, chip and system architecture design. He has published nearly 30 SCI-covered research papers and holds multiple registered patents.

Mr. Ma holds a PhD in Computer Science from the Hong Kong Polytechnic University and has served in various senior positions, including executive director, chief executive officer, assistant professor, computational biologist, chief scientist and consultant, etc. In addition, he has been a committee member of multiple international scientific journals, a committee member of the Hong Kong Computer Society (HKCS), an Information Technology Specialist of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ), a member of the Institute of Electrical and Electronics Engineers (IEEE), a member of the Association for Computing Machinery (ACM), a member of the British Computer Society (BCS) and a Chartered IT Professional (CITP) of BCS.

Based on enquires made by the Company, save as being a social acquaintance of Dr. Lee, Dr. Ma has no other relationships with Dr. Lee.

*(B) Coinllectibles Limited (“Coinllectibles”)*

Coinllectibles is a limited liability company incorporated in the BVI in 2021 which is principally engaged in the sale of art and collectibles via its online platform. Coinllectibles is ultimately owned as to 75% by Dr. Lee, 20% by Mr. Yau Chi Nap, and 5% by Mr. So Han Meng Julian. Save as Dr. Lee’s interests in the Company as disclosed above, each of the shareholders of Coinllectibles and their ultimate beneficial owners are independent third parties of the Company and its connected persons.

Coinllectibles is dedicated to the development and implementation of blockchain digital ownership token (“**DOT**”) technology. A DOT is a proprietary DOT format developed by Coinllectibles that provides a gold standard of rights and title of ownership of a digital asset, securely underpinned by smart contracts and legal documents stored on the blockchain that are connected to a physical asset. Coinllectibles has an annual turnover of over HK\$110 million.

Leveraging the use of 3D conversion technology, Coinllectibles can transform ordinary 2D images/videos into captivating 3D presentations, revolutionising the way customers perceive and interact with their products. 3D conversion technology offers customers an immersive viewing experience by allowing them to explore the artwork and collectibles from various angles and allowing them to appreciate the intricate details, textures, and depth of each artwork or collectible. This level of interactivity and realism creates a sense of connection and engagement that surpasses traditional 2D images. Customers can examine brush strokes, observe fine details, and truly grasp the dimensions of the artwork or collectible, providing them with a more comprehensive understanding of the product’s aesthetic appeal. Customers are more likely to make informed purchase decisions when they can thoroughly assess and appreciate the products. The immersive nature of 3D presentations instils confidence and trust in the quality and authenticity of the artwork or collectible, thereby elevating the overall online shopping experience of customers and boosting customer satisfaction.

The application of 3D conversion technology also facilitates Coinllectibles in hosting virtual exhibitions and galleries which allow customers to virtually navigate through an expansive collection of art and collectibles, simulating the experience of walking through a physical gallery. Virtual exhibitions and galleries not only provides convenience and accessibility to customers, it also expands the reach of Coinllectibles beyond geographical boundaries. Art enthusiasts from around the world can explore and appreciate the curated selection of products without the limitations of distance. Virtual exhibitions and galleries can therefore strengthen the online presence and global exposure of Coinllectibles, expand its potential audience and customer base and improve its sales performance.

Since Coinllectibles engaged the Target Company, around 1,200 sets of digital images and 150 sets of physical object 3D modelling have been completed and delivered by the Target Company. The deliverables mainly include converted graphics for art paintings, artifacts and artworks.

(C) *Marvion Private Limited (“Marvion Private”)*

Marvion Private is limited liability company incorporated in Singapore, being the direct holding company of Marvion and an indirect wholly-owned subsidiary of Bonanza, the issued shares of which are traded in the OTC (Ticker: PINK: BONZ) and which is principally engaged in the lifestyle, media and entertainment creation and distribution, and technology business. According to the latest annual report of Bonanza, its revenue amounted to approximately US\$11.5 million for the year ended 31 December 2022.

Leveraging the use of 3D conversion technology to transform 2D images/videos into captivating 3D presentations, Marvion Private can assist its customers to unlock new possibilities in their marketing strategies within the web3 space, thereby elevating their digital presence and achieving remarkable results in their web3 initiatives.

Leveraging the application of 3D conversion technology, Marvion Private empowers its customers in the media and entertainment industry to enhance community engagement and execute impactful marketing campaigns in the web3 space. The users of Marvion Private’s customers can explore and interact with the transformed 3D images from different angles, thereby creating an immersive and interactive experience and a more engaging and dynamic encounter for users. The immersive and interactive nature of 3D presentations cultivates stronger bonds and fosters deeper connections between Marvion Private’s customers and their users, leading to increased brand loyalty and active participation.

Through the incorporation of 3D presentations to their media and entertainment content, Marvion Private’s customers can effectively captivate their audience. These visually stunning and interactive 3D images can be utilized across various digital channels, such as social media platforms, websites, and virtual reality experiences. The use of 3D images in marketing campaigns amplifies brand visibility, encourages user interaction, and allows companies to stand out in the competitive web3 landscape.

The implementation of 3D conversion technology also opens up opportunities for Marvion Private’s customers to participate in virtual reality (VR) and augmented reality (AR). Transformed 3D images can be integrated into VR environments, allowing users to immerse themselves in virtual worlds. This offers an unparalleled level of engagement and interactivity, enabling Marvion Private’s customers to host virtual events, screenings, or interactive experiences.

Further, the use of 3D conversion technology aligns with the evolving trends and expectations of web3 space. The incorporation of 3D elements into digital content showcases the commitment of Marvion Private to innovation and strengthens its reputation as a forward-thinking leader in the industry, attracting tech-savvy audience and demonstrating its willingness to adapt to emerging technologies.

Marvion Private offers personalised DOT solutions services to its customers. For instance, assets owners may apply the DOT solutions to a wide range of asset classes, including real estate, art and commodities for creating unique digital tokens underlying such assets. Such digital tokens can be stored and traded via Marvion Private’s digital platform. Currently, Marvion Private is also collaborating with movie IP rights companies in converting a number of Hong Kong classic movies into 3D format. These movie IP rights companies are expected to distribute such converted movies on different online streaming platforms.

For illustrative purposes, the table below sets forth details of (i) the services provided by the Target Company to each of (a) Marvel Digital AI Limited; (b) Coinllectibles Limited; and (c) Marvion Private Limited; and (ii) the total revenue generated by the Target Company from each of the long-term service agreement for the two months ended 31 May 2023:

	<b>Marvel Digital AI Limited</b>	<b>Coinllectibles Limited</b>	<b>Marvion Private Limited</b>
Types of services provided	<ul style="list-style-type: none"> <li>– Still images 2D to 3D conversion</li> <li>– Physical objects 3D modelling</li> </ul>	<ul style="list-style-type: none"> <li>– Still images 2D to 3D conversion</li> <li>– Physical objects 3D modelling</li> <li>– Short video 2D to 3D conversion</li> </ul>	<ul style="list-style-type: none"> <li>– Four (4) movies 2D to 3D conversion</li> </ul>
Total revenue	HK\$1,260,416.66	HK\$1,260,416.66	HK\$7,562,500

To the best knowledge of the Directors and based on enquiries with the Vendors, (i) each of Marvel Digital AI Limited, Coinllectibles Limited and Marvion Private Limited was introduced to the Target Company by Dr. Lee through his personal network in the science and technology field; and (ii) save for Dr. Lee’s common shareholding in Coinllectibles Limited and Marvion Private Limited, there is no other relationship among Marvel Digital AI Limited, Coinllectibles Limited and Marvion Private Limited.

## ***Memorandum of Understanding***

As at the date of this announcement, the Target Company has also entered into the following non-binding memorandum of understanding with certain potential customers:

	<b>Smart Citi Teknologi, Technology OPC (“SCT”)</b>	<b>MEMBERSHIP8 Limited  (“Membership8”)</b>	<b>Yet Venture Tech Sdn. Bhd.  (“YVT”)</b>
<b>Background of potential customers</b>	<p>SCT is a Philippines-based technology company specialised in the development and integration of technologies into smart cities solutions. SCT collaborates with governmental organisations to provide a comprehensive range of services that enable the development of smart, sustainable, and inclusive cities.</p> <p>Based on enquiries with SCT, it has over 10 employees and an annual turnover ranging between US\$5 million and US\$10 million.</p>	<p>Membership8 is a technology company principally engaged in the development of smart city concept solutions including but not limited to the integration of advanced technologies and software solutions into traditional business such as integrated use of artificial intelligence, blockchain technologies, digital ownership tokens technologies and various Web 3+5 services.</p> <p>Based on enquiries with Membership8, it has over 15 employees and an annual turnover ranging between US\$6 million and US\$9 million.</p>	<p>YVT is an IT service provider specialised in the provision of IT consultation, networking, IT support outsourcing, relocating, data processing and backup, cloud services, etc. in Malaysia.</p> <p>Based on enquiries with YVT, it has over 20 employees and an annual turnover ranging from US\$6 million to US\$8 million.</p>
<b>Expected term</b>	2 to 3 years	2 to 3 years	2 to 3 years
<b>Proposed range of annual service fees</b>	HK\$4 million to HK\$10 million	HK\$6 million to HK\$9 million	HK\$5 million to HK\$10 million
	<b>Type of services</b>	<b>Description</b>	
<b>Services to be provided by the Target Company</b>	AI-assisted processing, generation and enhancement of 3D videos	<ul style="list-style-type: none"> <li>– adopts AI in identifying and predicting the portions in consecutive video frames with changes, thus speed up the computational process during 2D and 3D video processing;</li> <li>– adopts AI to improve the results of occlusion filling (a process to fill-in missing image data in virtual perspective views) when generating combined 3D images and/or videos; and</li> <li>– adopts AI in analysing the characteristics of 2D and 3D video contents and optimizing the parameters for video enhancement</li> </ul>	



Type of services	Description
Customer centric marketing with 3D contents	– adopts AI in the analysis of market data and sales figures, prediction of customer behaviors, determination of marketing approach, as well as creation of customer-centric 3D contents for marketing activities
Design tool for advanced optics	– adopts AI to analyse the properties of light source and optimise the design of optical components/systems for specific applications
Automatic 2D-to-3D video cloud conversion	– adopts AI in conducting object segmentation and depth estimation which generates more accurate results and 3D videos with better quality

In order to assess the fairness and reasonableness of the Consideration, the Company engaged the Valuer, to conduct the valuation on the market value of the entire issued share capital of the Target Company using the discounted cash flows method under the income approach as at 22 March 2023. For further details, please refer to the section headed “Valuation” in this announcement.

In assessing the fairness and reasonableness of Proposed Acquisition (including but not limited to the valuation of the Target Company), the Board has performed the followings:

- (i) obtained and reviewed the Valuation Report and examined the basis, methodology, assumptions and projected industry trend applied and/or considered by the Valuer in the Valuation. To assess the fairness and reasonableness of the valuation assumptions, the Board and the Financial Adviser had interviewed the Valuer and reviewed its inputs adopted in the Valuation of the Target Company (e.g. annual revenue, costs and expenses), basis of valuation, valuation methodology, major assumptions, selection of comparable companies, as well as the calculation of discounted cash flows for deriving the market value of the Target Company;
- (ii) obtained and reviewed the certificate of each of the patents owned by the Target Company, including examining the patent description, filing date, expiry date, place of registration, etc. The Target Company intends to renew the patents upon expiration, and the Vendors would give warranty in the Sale and Purchase Agreement to the effect that there shall not any impediment in respect of the renewal of the patents. In the Valuation prepared by the Valuer, it is assumed that the patents would be successfully renewed upon expiration and hence it will not affect the operation of the Target Company, and the projected patent renewal fees in the forecast period had already been taken into account in the valuation. The projected patent renewal fees in the forecast period is estimated to be approximately HK\$0.9 million in aggregate. Upon successful renewal, a patent can usually be renewed for a period not less than its original term. For instance, once renewed, a patent with an original term of 20 years could generally enjoy another 20 years period of registration;

- (iii) obtained and reviewed the existing customer base and long-term service agreements entered into between the Target Company and its major customers, details of which are set forth in the section headed “Information of the Target Company” in this announcement. In particular, the Board has examined the scope of services as well as the unit price and estimated quantity required for each type of service in understanding the determination for the monthly service fee under the long-term service agreement, with regard to the particular background and business models of each major customer. Based on the service agreements, the Board understands that the Target Company is expected to generate service income of at least HK\$60 million per year during the term of the service agreements;
- (iv) obtained and reviewed publicly available information, such as corporate website, annual report, news and articles, where applicable, in relation to the major customers of the Target Company, namely Marvel Digital AI Limited, Coinllectibles Limited and Marvion Private Limited. In this regard, the Board understands that:
- Marvel Digital AI Limited is principally engaged in the provision of AI focused technologies. Along with the thriving trend of NFTs and metaverse over the past two years, MDAI has received a number of enquiries from its existing and potential customers about its capability in offering AI technology which converts 2D images/videos to 3D images/videos. Marvel Digital AI Limited plans to expand its service portfolio by offering AI 3D conversion technology and is in the course of identifying partners or vendors which can provide the necessary technology or services;
  - Coinllectibles Limited is principally engaged in the sale of art and collectibles via its online platform. Coinllectibles Limited mainly applied the autostereoscopic 3D services offered by the Target Company for transforming 2D images/videos into 3D images/videos so as to (a) offer its customers an immersive viewing experience by allowing them to explore the artwork and collectibles from various angles and allowing them to appreciate the intricate details, textures, and depth of each artwork or collectible, thereby instilling customers’ confidence and trust in the quality and authenticity of the artwork or collectible, elevating the overall online shopping experience of customers and boosting their satisfaction; and (b) host virtual exhibitions and galleries which allow customers to virtually navigate through an expansive collection of art and collectibles, simulating the experience of walking through a physical gallery; and
  - Marvion Private Limited mainly applied the autostereoscopic 3D services offered by the Target Company for transforming 2D images/videos into 3D images/videos so as to assist its customers to unlock new possibilities in their marketing strategies within the web3 space. The use of 3D images in marketing campaigns amplifies brand visibility, encourages user interaction, and allows companies to stand out in the competitive web3 landscape.

Taking into consideration the autostereoscopic 3D services offered by the Target Company is conducive to the business of each of Marvel Digital AI Limited, Coinllectibles Limited and Marvion Private Limited, the Board considers that each of the major customers of the Target Company has genuine demand for the autostereoscopic 3D services offered by the Target Company.

- (v) obtained and reviewed the market research results provided by Frost & Sullivan in relation to the market prices offered by comparable market players for the provision of automated conversion of 2D images/videos to 3D images/videos. Based on the market research results provided by Frost & Sullivan, the Board considers that the unit price offered by the Target Company for the services provided under the long-term service agreements are in line with the market price offered by other companies in the autostereoscopic 3D technology;
- (vi) obtained and reviewed the breakdown of profit forecast prepared by the Target Company for the forthcoming ten (10) financial years. In preparing the profit forecast, the Target Company has mainly taken into consideration the annual revenue to be generated by the Target Company under the long-term service agreements and the estimated operating costs and expenses to be incurred by the Target Company for the provision of autostereoscopic 3D technology related services in each year, which mainly include procurement of cloud platform services, staff costs, rental fees, patent renewal fees and research and design expenses. In this regard, the Company has discussed with its financial adviser and auditor as to the reliability and reasonableness of the profit forecast prepared by the Target Company. Notwithstanding the Group currently intends to operate the principal business of the Target Company for an indefinite term, the Directors consider that it is fair and reasonable to take on a relatively prudent approach in determining the valuation of the Target Company by adopting a forecasted period of ten (10) years taking into consideration the Target Company has entered into long-term service agreements with its major customers for a term of ten (10) years;
- (vii) obtained and reviewed the credentials, including education background, qualification, work experience and principal research area, of (i) Dr. Lee, who undertakes to act as a consultant of the Company for a term of five (5) years from the Completion Date; and (ii) the senior management personnel of the Target Company, namely Dr. Chan Chang Yuen and Ms. Wong Nga Yin Polin, who undertake to remain in the employment with the Target Company for a period of three (3) years from the Completion Date, subject to fair and reasonable remuneration for their employment. Under the guidance of Dr. Lee and leadership of Dr. Chan and Ms. Wong, and leveraging their industry skills, knowledge and experience in the provision of autostereoscopic 3D technology related services, the Board believes that the Target Company will be exposed to additional business opportunities and achieve further expansion in its business scale in the foreseeable future;

- (viii) took into account the fact that the profit guarantee would be given by the Vendors to the Purchaser in respect of the profitability of the Target Company for the forthcoming ten (10) financial years. In particular, Dr. Lee, being the ultimate beneficial owner of one of the Vendors, has over 15 years of experience in 3D technology and among the pioneers in the development of 82-inches naked-eye 3D high-definition monitor. Over the past decade, Dr. Lee has invested over hundreds of millions of Hong Kong dollars in the field of 3D technology. Further, Dr. Lee and his family have an investment portfolio worldwide which worth billions of Hong Kong dollars. Given Dr. Lee's insight on the prospects of 3D technology and extensive experience in the science technology and investment fields, the fact that Dr. Lee, through his holding vehicle, is willing to give the Profit Guarantee in favour of the Purchaser fully demonstrates his confidence and optimism on the future development of the Target Company as well as the expected growth in the autostereoscopic 3D technology industry; and
- (ix) reviewed the nature and future prospects of the principal business carried out by the Target Company. Driven by the increasing popularity of 3D advertising such as 3D digital billboards as well as non-fungible token (“NFT”) and collectibles around the world, which involve the application of autostereoscopic 3D technology, the Board considers that the demand for the autostereoscopic 3D technology related services provided by the Target Company will continue to increase in the foreseeable future.

In light of the foregoing, the Board is of the view that Proposed Acquisition (including but not limited to the Consideration) is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### ***Profit Guarantee***

The Vendors jointly and severally guaranteed (the “**Profit Guarantee**”) to the Purchaser that the Actual Annual Profit for each financial year during the Guaranteed Period shall not be less than HK\$35 million per annum (the “**Guaranteed Annual Profit**”). In determining the Guaranteed Annual Profit, the Vendors and the Purchaser have mainly taken into consideration the followings:

- (i) the expected revenue to be generated by the Target Company during the Guaranteed Period with reference to, amongst others, the long-term service agreements entered into between the Target Company and its major customers, details of which are set forth in the section headed “Information of the Target Company” in this announcement. Based on these long-term service agreements, the Target Company is expected to generate service income of over HK\$60 million per year during the term of the service agreements; and
- (ii) the estimated operating costs and expenses to be incurred by the Target Company for the provision of autostereoscopic 3D technology related services in each financial year during the Guaranteed Period, which mainly include procurement of cloud platform services, staff costs, rental fees, patent renewal fees and research and design expenses.

Based on the above analysis, the Board considers that the Guaranteed Annual Profit is, to a large extent, commensurate with the expected annual profits to be generated by the Target Company according to the profits forecast prepared by the Target Company with reference to its existing service agreements and estimated operating costs and expenses. In light of the foregoing, the Board is of the view that the Guaranteed Annual Profit is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

In the event the Actual Annual Profit falls below the Guaranteed Annual Profit for any financial year during the Guaranteed Period (the “**Shortfall**”), the Shortfall shall be deducted, by way of set-off on a dollar to dollar basis, from the Instalment in respect of the corresponding financial year.

The Vendors and the Purchaser agreed that the Actual Annual Profit shall be calculated on a yearly basis and no aggregation shall be made over the Actual Annual Profit for different financial years during the Guaranteed Period in determining whether the Profit Guarantee is met.

The Vendors and the Purchaser agreed that in the event the Shortfall, if applicable, for any financial year during the Guaranteed Period is equal to or greater than the amount of Instalment in respect of the corresponding financial year, the maximum amount to be deducted, by way of set-off on a dollar to dollar basis, from the amount payable by the Purchaser to the Vendors shall be limited to the amount of the Instalment for the corresponding financial year (the “**Set-Off Cap**”) and the Vendors shall not be liable to pay any further compensation to the Purchaser.

In the event the Profit Guarantee disclosed above is not achieved, the Company will comply with the disclosure obligations under Rule 19.36B of the GEM Listing Rules.

The Board is of the view that the Set-Off Cap is fair and reasonable and in the interest of the Company and the Shareholders as a whole, taking into consideration the following factors:

- (i) *Long payment period which allows the Purchaser to assess whether the Profit Guarantee has been met before making payment to the Vendors:* pursuant to the Sale and Purchase Agreement, part of the Consideration of HK\$75,985,677.28 shall be settled by the Purchaser to the Vendors by way of Promissory Notes, which shall be repayable by ten (10) equal Instalments of approximately HK\$7.6 million per year after Completion. As mentioned above, if the Actual Annual Profit generated by the Target Company for any financial year during the Guaranteed Period falls below the Guaranteed Annual Profit, the Shortfall shall be deducted subject to the maximum amount of the Set-Off Cap, by way of set-off on a dollar to dollar basis, from the Instalment in respect of the corresponding financial year. This payment mechanism enables the Purchaser to ascertain the Actual Annual Profit of the Target Company and assess whether the Profit Guarantee in respect of a particular financial year has been duly met before the Purchaser settles the Instalment for the corresponding year; and

- (ii) *The set-off mechanism in case the Profit Guarantee has not been met:* pursuant to the Sale and Purchase Agreement, the Purchaser and the Vendors have mutually agreed that in the event the Actual Annual Profit falls below the Guaranteed Annual Profit (i.e. HK\$35 million) for any financial year during the Guaranteed Period (i.e. the Shortfall), the Shortfall shall be deducted, by way of set-off on a dollar to dollar basis, from the Instalment in respect of the corresponding financial year. For illustrative purposes, if the Actual Annual Profit derived by the Target Company for any financial year during the Guaranteed Period is only HK\$27.4 million or below, the Shortfall would then be equal to or exceed the amount of Instalment payable by the Purchaser to the Vendors in the relevant year (i.e. HK\$7.6 million) under the Promissory Notes. In such circumstances, the Purchaser shall not have to pay the relevant Instalment for that year, and the entire amount of that Instalment, shall be deducted from the Consideration accordingly.

In addition to the abovementioned, the Board is of the view that the Profit Guarantee is fair and reasonable taking into consideration the set-off mechanism under the Sale and Purchase Agreement has aligned the interest between the Target Company and the Vendors. While the Vendors would not retain any title or ownership interest in the Target Company and its proprietary patents upon Completion, they nevertheless have significant incentives to ensure the smooth and successful development of the Target Company in the forthcoming decade because their ability to receive the Consideration ultimately depends on whether the Target Company could continue serving its existing major customers and/or to secure additional or alternative customers, which would enable the guaranteed profits to be achieved. Under the Sale and Purchase Agreement, around 76.0% of the Consideration payable by the Company would be cash consideration by way of Promissory Notes, subject to the fulfilment of the Profit Guarantee. With such a huge portion of the Consideration only payable upon the future financial results of the Target Company and given the total Consideration does not have any premium over the valuation of the Sale Shares, reasonably the Vendors would be strongly motivated to contribute various supports and clientele to the Target Company even after the Completion, as their returns from the disposal of the Target Company significantly hinges upon the business performance and financial results of the Target Company in the coming years.

### ***Conditions precedent***

Completion is subject to the fulfilment or (if applicable) waiver of the following conditions:

- (a) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Consideration Shares;
- (b) the Shares remaining listed and traded on the Stock Exchange at all times from the date of the Sale and Purchase Agreement up to and including the Completion Date, except for (i) any temporary suspension not exceeding five (5) consecutive trading days; and where applicable (ii) any temporary suspension resulting from the transactions contemplated under the Sale and Purchase Agreement;

- (c) the Purchaser being reasonably satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational, properties or other aspects that the Purchaser may consider necessary) on the Target Company and its assets, liabilities, activities, operations, prospects and other status which the Purchaser, its agents or professional advisers think reasonably necessary and appropriate to conduct;
- (d) (if applicable) all consents, waivers and clearance by authorities that are necessary or appropriate for or in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained;
- (e) there is no material adverse change or prospective material adverse change in the Target Company's business, operations, financial conditions or prospects taken as a whole since the date of the Sale and Purchase Agreement;
- (f) the Purchaser being satisfied that, from the date of the Sale and Purchase Agreement and at any time before the Completion, that the Vendors' warranties remain true, accurate and not misleading and that no events have occurred that would result in any breach of any of the Vendors' warranties or other provisions of the Sale and Purchase Agreement by the Vendors;
- (g) the passing of necessary resolution(s) by the Shareholders at the EGM approving the Sale and Purchase Agreement and the transactions contemplated hereunder, including but not limited to, the allotment and issue of the Consideration Shares and the execution of the Deed of Share Charge;
- (h) the Company having procured the Chargor, being its direct wholly-owned subsidiary, to execute the Share Charge in favour of the Vendors (as chargees);
- (i) the Purchaser having delivered or caused to be delivered to the Vendors the Promissory Notes; and
- (j) the Valuer having issued the Valuation Report to the Purchaser and according to the Valuation Report, the valuation of the Target Company shall be no less than HK\$190 million.

Conditions (a), (b), (d) and (g) are not capable of being waived by any parties to the Sale and Purchase Agreement. Conditions (c), (e), (f), (h), (i) and (j) may be waived by the Purchaser or the Vendors, as applicable.

In the event that any of the above conditions are not fulfilled or waived (as the case may be) on or before 12 months from the date of the Sale and Purchase Agreement (or such later date as the Purchaser and the Vendors may agree in writing), all rights and obligations of the parties thereto shall cease and terminate and no party thereto shall have any claim against the other save for claim (if any) in respect of any antecedent breach thereof. As at the date of this announcement, none of the conditions has been fulfilled or waived.

## ***Completion***

Subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Sale and Purchase Agreement, Completion shall take place on the Completion Date. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Company.

## ***Post-Completion employment and appointment***

Pursuant to the Sale and Purchase Agreement:

- (i) the Company shall appoint Dr. Lee and Dr. Lee shall accept his appointment as a consultant of the Company without any remuneration for a term of five (5) years from the Completion Date. Dr. Lee shall be responsible for providing strategic advice to the Company as to the future development of autostereoscopic 3D technology industry and providing technical guidance on the application and the research and development of the autostereoscopic 3D technology; and
- (ii) Dr. Chan Chang Yuen and Ms. Wong Nga Yin Polin shall undertake to remain in the employment with the Target Company for a period of three (3) years from the Completion Date, subject to fair and reasonable remuneration for their employment.

For the biographical information of Dr. Lee, Dr. Chan and Ms. Wong, please refer to the paragraph headed “Information of the parties to the Sale and Purchase Agreement – the Vendors” in this announcement.

## ***Consideration Shares***

Upon Completion, the Company shall issue a total of 11,117,742 new Shares to the Vendors (or their nominee(s)) at the issue price of HK\$2.16 per Share in partial settlement of the Consideration for the Proposed Acquisition. The Consideration Shares shall be allotted and issued pursuant to the Specific Mandate, and shall rank *pari passu* with the Shares in issue. The Consideration Shares represent approximately 18.00% of the issued share capital of the Company as at the date of this announcement and approximately 15.25% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there being no other change to the issued share capital of the Company).

The issue price for each Consideration Share represents:

- (i) a discount of approximately 25.00% to the closing price of HK\$2.88 per Share as quoted on the Stock Exchange on 19 September 2023, being the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 23.13% to the average closing price of HK\$2.81 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;



- (iii) a discount of approximately 22.02% to the average closing price of HK\$2.77 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;
- (iv) a discount of 23.13% to the average daily closing price of HK\$2.81 per Share as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;
- (v) a discount of 20.88% to the average daily closing price of HK\$2.73 per Share as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;
- (vi) a premium of 3.85% to the average daily closing price of HK\$2.08 per Share as quoted on the Stock Exchange for the trading days which fall within the 52 weeks immediately prior to the date of the Sale and Purchase Agreement; and
- (vii) a discount of approximately 59.78% over the audited consolidated net assets value attributable to the Shareholders per Share of approximately HK\$5.37 as at 31 December 2022;

In determining the issue price for the Consideration Shares, the Vendors and the Purchaser have mainly taken into consideration the average trading price of the Shares across different timeframes over the past year. In determining the fairness and reasonableness of the issue price for the Consideration Shares, the Board considered that it is appropriate to make reference to the trading price of the Shares for a relatively substantive period of time in order to normalise the short-term material fluctuations in trading price of the Shares. Given that the issue price for the Consideration Shares represents a premium to the average daily closing price of the Shares over a considerable timeframe as demonstrated above, the Board is of the view that the issue price for the Consideration Shares are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### ***Lock-up of Consideration Shares***

The Vendors have undertaken that without the prior written consent of the Company, they (or their nominee(s)) shall not at any time during the period of 12 months following the Completion Date, directly or indirectly dispose of, in any way, any of the Consideration Shares.

### ***Application for listing***

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

## Shareholding structure of the Company

As at the date of this announcement, the authorised share capital of the Company was HK\$1,200,000,000 divided into 12,000,000,000 Shares with a par value of HK\$0.1 each, of which 61,765,237 Shares have been issued and fully paid. Except for the outstanding 5,670,775 share options granted under the Share Option Schemes, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

Pursuant to the Sale and Purchase Agreement, 11,117,742 new Shares will be allotted and issued as Consideration Shares. Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Consideration Shares (assuming there being no other change to the issued share capital of the Company, other than the issue of the Shares pursuant to the exercise of options granted under the Share Option Scheme(s)):

Name of Shareholder	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares assuming none of the outstanding share options granted under the Share Option Schemes will be exercised				assuming all outstanding share options granted under the Share Option Schemes will be exercised	
	No. of Shares	%	No. of Shares	%	No. of Shares	%		
Mr. Zhang Rong	14,141,499	22.90	14,141,499	19.40	14,167,229	18.03		
Corporate Advisory Limited (Note 1)	2,540,800	4.11	2,540,800	3.48	2,540,800	3.23		
Mr. Lam Shu Chung (Note 2)	3,801,300	6.16	3,801,300	5.22	3,801,300	4.84		
Mr. Tang Keung	3,503,400	5.67	3,503,400	4.81	3,503,400	4.46		
Valuable Fortune Limited (Note 3)	3,000,000	4.86	3,000,000	4.12	3,000,000	3.82		
The Vendors (or their nominee(s))								
– Marvel Digital Group Limited (Notes 4 and 5)	–	–	3,335,323	4.58	3,335,323	4.25		
– The remaining eight (8) Vendors (or their nominee(s))	–	–	7,782,419	10.67	7,782,419	9.91		
Marvion (Note 5)	2,652,038	4.29	2,652,038	3.64	2,652,038	3.38		
Other Shareholders	32,126,200	52.01	32,126,200	44.08	37,771,245	48.08		
<b>Total</b>	<b>61,765,237</b>	<b>100.00</b>	<b>72,882,979</b>	<b>100.00</b>	<b>78,553,754</b>	<b>100.00</b>		

### Notes:

- The 2,540,800 Shares are held by Corporate Advisory Limited (“**Corporate Advisory**”), which is wholly-owned by Mr. Zhang Rong. Pursuant to Division 7 and 8 of Part XV of the SFO, Mr. Zhang Rong is deemed to be interested in all the Shares in which Corporate Advisory has, or deemed to have an interest under the SFO.
- Ms. Choi Hing Lin Lori is the spouse of Mr. Lam Shu Chung, and therefore is deemed to be interested in the Shares in which Mr. Lam Shu Chung has, or deemed to have, an interest under the SFO.

3. The 3,000,000 Shares held by Valuable Fortune Limited is wholly-owned by Mr. Lee Yat Lung Andrew. Pursuant to Division 7 and 8 of Part XV of the SFO, Mr. Lee Yat Lung Andrew is deemed to be interested in all Shares in which Valuable Fortune Limited has, or deemed to have, an interest under the SFO.
4. Immediately after the allotment and issue of the Consideration Shares, the 3,335,323 Shares will be held by Marvel Digital Group Limited, which is wholly-owned by Dr. Lee. Pursuant to Division 7 and 8 of Part XV of the SFO, Dr. Lee will be deemed to be interested in all the Shares in which Marvel Digital Group Limited has, or deemed to have, an interest under the SFO.
5. Marvion is an indirect wholly-owned subsidiary of Bonanza. Pursuant to Division 7 and 8 of Part XV of the SFO, Bonanza is deemed to be interested in all the Shares in which Marvion has, or deemed to have an interest. According to publicly available information, Dr. Lee, being the ultimate beneficial owner of one of the Vendors, holds 53% of the total common shares issued by Bonanza, and therefore is deemed to be interested in all the Shares in which Bonanza has, or deemed to have, an interest under the SFO.

Based on the above, Dr. Lee will be deemed to be interested in all the Shares in which each of Marvel Digital Group Limited and Bonanza has, or deemed to have, an interest under the SFO, which in aggregate amounting to 5,987,361 Shares, representing (i) approximately 8.22% of the issued share capital of the Company immediately after the allotment and issue of the Consideration Shares assuming none of the outstanding share options granted under the Share Option Schemes will be exercised; and (ii) approximately 7.63% of the issued share capital of the Company immediately after the allotment and issue of the Consideration Shares assuming all outstanding share options granted under the Share Option Schemes will be exercised.

None of the Vendors or any of their respective close associates will become a substantial shareholder of the Company upon Completion. The Company expects that upon the issue of the Consideration Shares, it will continue to maintain the public float required under Rule 11.23(7) of the GEM Listing Rules.

### ***No change of control***

The Completion of the Proposed Acquisition will not result in a change of control of the Company.

### **Promissory Notes**

Set out below are the principal terms of the Promissory Notes:

Issuer	:	the Company
Issue date	:	Completion Date
Principal amount to be issued	:	HK\$75,985,677.28
Holder of the Promissory Notes	:	The Vendors (or their nominee(s))
Interest	:	Interest-free

Maturity date	:	The Promissory Notes are repayable by ten (10) equal Instalments of approximately HK\$7.6 million per year after Completion, with the last instalment becoming due in the 10 <sup>th</sup> year after Completion.
Transferability	:	Non-transferable, unless otherwise consented by the Company
Early redemption	:	The Company shall have the right to redeem all or any part of the outstanding principal amount of the Promissory Notes at any time after the issue date until the date prior to the maturity date, by giving written notice of not less than seven (7) Business Days to the holders.

The terms of the Promissory Notes are determined after arm's length negotiations among the Company, the Purchaser and the Vendors on normal commercial terms.

The Company intends to finance the settlement of the Promissory Notes mainly through the operating cashflow to be derived from the Target Company after Completion. Where necessary, the Company may consider other sources of funding for settling the Promissory Notes, including the Group's internal resources, debt financing and/or equity fund-raising. The Board will determine the actual sources of funding after taking into account the Company's financial position and the viability and costs of different financing alternatives from time to time.

## VALUATION

### Principal assumptions of the Valuation

According to the Valuation Report, the valuation of the Sales Shares, representing the entire issued share capital of the Target Company, as at 22 March 2023 as appraised by the Valuer using the discounted cash flows method under the income approach was HK\$190 million. The Valuation constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules.

Pursuant to Rule 19.62(1) of the GEM Listing Rules, details of the principal assumptions upon which the Valuation Report was based, are set forth as follows:

#### *General market assumptions*

- (i) there will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where the Target Company is currently or will be situated;
- (ii) there will be no material change in the taxation laws and regulations in the jurisdiction where the Target Company is currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;

- (iii) the market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- (iv) the supply and demand, both domestically and internationally, of the products and/or services of the Target Company or similar products and/or services will not differ materially from those of present or expected;
- (v) the market prices and the relevant costs, both domestically and internationally, of the products and/or services of the Target Company or similar products and/or services will not differ materially from those of present or expected;
- (vi) the products and/or services of the Target Company or similar products and/or services are marketable and liquid, that there are active markets for the exchange of the products and/or services of the Target Company or similar products and/or services; and
- (vii) the market data, industry information and statistical figures obtained from publicly available sources are true and accurate.

***Company-specific assumptions***

- (i) all licenses, permits, certificates and consents issued by any local, provincial or national government or other authorized entity or organization that will affect the operation of the Target Company have been obtained or can be obtained upon request with an immaterial cost;
- (ii) the patents held by the Target Company will be successfully renewed upon expiration and will not affect the operations of the Target Company;
- (iii) the core operation of the Target Company will not differ materially from those of present or expected;
- (iv) the financial and operational information in respect of the Target Company have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Target Company;
- (v) the Target Company currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of the Target Company, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Target Company;
- (vi) the Target Company has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;

- (vii) the senior management of the Target Company will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of the Target Company;
- (viii) the senior management of the Target Company has sufficient knowledge and experience in respect of the operation of the Target Company, and the turnover of any director, management or key person will not affect the operation of the Target Company;
- (ix) the senior management of the Target Company has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of the Target Company; and
- (x) the senior management of the Target Company has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of the Target Company.

### **Review by the Reporting Accountants and Financial Adviser**

The Reporting Accountants have reviewed the calculations of the discounted future cash flows on which the Valuation Report is based and are of the opinion that so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions made by the Directors as set out in the Valuation Report. The text of the report issued by the Reporting Accountants in relation to the calculations of the discounted future cash flows is set out in Appendix II to this announcement in accordance with the requirements under the GEM Listing Rules.

The Financial Adviser has discussed with the Directors and the Valuer the bases and assumptions upon which the forecast was based and has reviewed the report issued by the Reporting Accountants containing its opinion on the discounted future cash flows as stated above. On the basis of the foregoing and opinion of the Reporting Accountants, the Financial Adviser is satisfied that the forecast upon which the valuation has been made, for which the Directors are solely responsible, has been made after due and careful enquiry.

A letter from the Financial Adviser setting out their views above is included in Appendix I to this announcement in accordance with the requirements under the GEM Listing Rules.

## **Experts and consents**

The following are the qualifications of the experts whose opinions and advice are included in this announcement:

<b>Name</b>	<b>Qualification</b>
ZHONGHUI ANDA CPA Limited	Certified public accountants
Zijing Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
BMI Appraisals Limited	Independent valuer

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, all of the above experts are third parties independent from the Company and its Connected Persons, and as at the date of this announcement:

- (a) none of the above experts had any shareholding in the Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities in the Company or any of its subsidiaries; and
- (b) none of the above experts had any direct or indirect interests in any assets which have been since 31 December 2022 (being the date to which the latest published audited annual financial statements of the Company were made up) acquired or disposed of by or leased to the Company or any of its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company or any of its subsidiaries.

Each of the above experts has given and has not withdrawn its written consent to the issue of this announcement with the inclusion herein of its letter, report or opinion (as the case may be) and reference to its name in the form and context in which they respectively appear.

## **INFORMATION OF THE PARTIES TO THE SALE AND PURCHASE AGREEMENT**

### **The Company**

The Company is an investing holding company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in IT solutions business, including provision of integrated marketing artificial intelligence (AI) solutions, big data analytics, system integration services and data storage to clients across different industries in the PRC and Hong Kong.

## **The Purchaser**

The Purchaser is an investment holding company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company.

## **The Vendors**

### ***Marvel Digital Group Limited***

Marvel Digital Group Limited is a company incorporated in Hong Kong with limited liability which is principally engaged in commercialising naked-eye 3D glasses free panels. Marvel Digital Group Limited is wholly-owned by Dr. Lee.

Dr. Lee is a son of Mr. Lee Siu-lun, the founder of Siu On Group Holdings Limited. Siu On Group Holdings Limited is principally engaged in property investment and development in Hong Kong and the PRC. Dr. Lee and his family hold a real estate portfolio of over HK\$20 billion. Dr. Lee is also a nephew of Dr. Lee Shau Kee. Dr. Lee Shau Kee is the former chairman and a current executive director of Henderson Land Development Company Limited, which is a leading property group in Hong Kong.

Dr. Lee possesses profound market intelligence and insights on the application of 3D technology. Dr. Lee has over 15 years of experience in 3D technology and among the pioneers in the development of 82-inches naked-eye 3D high-definition monitor. Dr. Lee envisaged the integration of 3D technology into daily lives and has continued developing application of 3D technology in software, and hardware such as tablets, mobile phones and multi-screens. Aside from being a successful entrepreneur, Dr. Lee is also a dedicated inventor. Dr. Lee is dedicated to technological innovation and is an inventor of many of the patents owned by the Target Company.

Dr. Lee obtained a bachelor's degree in structural engineering from the University of British Columbia, a master's degree in technology management from the Hong Kong University of Science and Technology, and a PhD in Engineering from Hong Kong Polytechnic University. Since 2015, Dr. Lee has been assisting the State Administration of Press, Publication, Radio, Film and Television of the PRC (國家廣電局) in the research and development of glasses-free 3D technology. Dr. Lee was awarded a senior academician by the Hong Kong Institute of Asian Knowledge Management and was appointed by the China Academy of Management Sciences as the executive director of the Shenzhen Branch in 2018. In 2019, Dr. Lee was appointed as the deputy director of the artificial intelligence education professional committee of the China Electronics Chamber of Commerce (中國電子商會) and he was awarded a gold medal for invention at the Geneva International Exhibition of Inventions. In 2022, Dr. Lee was awarded as the Honorary Fellow of the Centre for Business Sustainability of the Hong Kong Chinese University.

Dr. Lee was admitted as a member of the Institution of Structural Engineers of the United Kingdom in 1982 and a chartered engineer of the Engineering Council of the United Kingdom in 1983.



### ***Akara.com Limited***

Akara.com Limited is an investment holding company incorporated in Hong Kong with limited liability. Akara.com Limited is wholly-owned by Dr. Chan Chang Yuen.

Dr. Chan Chang Yuen obtained a PhD in mechanical engineering from the University of Hong Kong in 1995. Dr. Chan served as a teaching staff at the Hong Kong Polytechnic University and Vocational Training Council Technical College from 1995 to 2004. Dr. Chan then worked in the information technology industry, providing IT management and consultancy services to enterprises and non-profit organisations. In 2007, Dr. Chan joined the Partner State Key Laboratory of Ultra-precision Machining Technology of the Hong Kong Polytechnic University. His research topics included advanced manufacturing technologies, micro- and nano-machining, precision optics, computer simulation and image processing. Dr. Chan was appointed as the project manager of the laboratory from 2013 to 2018. During that period, he was the principal investigator in several government funded research projects with accumulative funding exceeding HK\$20 million, contributed over 10 publications to academic journals and granted several invention patents.

### ***Wealth Axis Limited***

Wealth Axis Limited is an investment holding company incorporated in the BVI with limited liability. Wealth Axis Limited is wholly-owned by Ms. Wong Nga Yin Polin.

Ms. Wong Nga Yin Polin obtained a bachelor's degree in mechanical engineering from the University of Hong Kong. Ms. Wong started her career as a project engineer responsible for industrial design, product development, manufacturing, quality control and product compliance. After obtaining a master's degree, she served as the state key laboratory of ultra-precision machining technology of the Hong Kong Polytechnic University from 2015. Ms. Wong took the role as research assistant and participated in several government funded research projects. The principal research areas of Ms. Wong included ultra-precision machining and light field technology.

### ***Other Vendors***

The background of the other Vendors are set forth below:

- Mr. Ho Tak Wing has been a professional accountant since 2000 and he has a wide network with different accounting firms worldwide. He has extensive experience in providing accounting services to IT and technologies companies.
- Mr. Li Yat Ho is a commodity trade consultant and possess extensive experience in commodity sales, particularly in Taiwan. He is acquainted with numerous enterprises in Taiwan from different industry including the IT and technology sector.
- Mr. Wong Alvin Chun Ho is a businessman in Australia. He is acquainted with numerous enterprises in Australia from different industry including the field of fin-tech sector.

- Ms. Chan Pui Lei is a businesswoman with extensive experience in investment and networking resources in the Philippines.
- Ms. Chan Yat Man Ava has worked in the shipping and logistic industry for several years. She is acquainted with numerous enterprises in Southeast Asia from different industry including the IT sector.
- Ms. Wong Ka Lai Kirsty possesses years of experience in the IT sector, and she is an owner of an oil bunkering business in Hong Kong.

Dr. Lee became acquainted with the aforesaid individuals through the business network of his family-owned real estate conglomerate in Hong Kong. To facilitate the development of the Target Company, the aforesaid individuals have introduced and referred the Target Company to various potential business partners from different sectors in Hong Kong, Taiwan, Australia, the Philippines and Southeast Asia.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Marvion (being an indirect wholly-owned subsidiary of Bonanza which is owned as to 53% by Dr. Lee, the ultimate beneficial owner of Marvel Digital Group Limited, as at the date of this announcement) which is interested in 2,652,038 Shares, the Vendors and their ultimate beneficial owners are third parties independent of the Company and its Connected Persons.

## **INFORMATION OF THE TARGET COMPANY**

The Target Company was incorporated on 14 March 2023 in the BVI with limited liability. On 29 March 2023, as reorganisation, the Target Company acquired the entire issued share capital of a company incorporated in Hong Kong with limited liability. Such company is an investment holding company and formerly owned an entity established in the PRC to carry out research and development of light technology (the “**PRC Subsidiary**”). The PRC Subsidiary was subsequently deregistered on 21 May 2021. As this company was incorporated in Hong Kong, going forward it would be used for settling the operating expenses of the subsidiaries of the Target Company.

The Target Company possesses advanced technologies and capabilities in the conversion of 2D content to 3D which can be applied in a wide range of industries. By early April 2023, the Target Company acquired a total of 15 state-of-the-art patents; including nine from Marvel Digital Limited, four from Visumotion International Limited. and two from Mirum Digital Media Limited. These state-of-the-art patents include 11 patents in spatial image processing and four patents in optical design, which are registered in various jurisdictions around the globe, including Hong Kong, the PRC, the United States and Great Britain. These patents were developed during the period from around 2009 to 2017 and the research and development expenses incurred was estimated to be over HK\$50 million.

Historically, the patents were mainly applied in the manufacturing of display monitors. Attributable to the evolving non-fungible token (“NFT”) and collectibles market, the patents have gradually gained wider application and are currently applied in the visual display of NFTs in different occasions, including exhibitions and digital artwork museums. Display monitors underpinned by the patents have been showcased in exhibitions worldwide which included the USA Consumer Electronics Show, the Barcelona Mobile World Congress, the Hong Kong Electronics Fair, the Cannes Film Festival, the Geneva Inventions Fair, the Digital Signage Japan, etc.. Further, display monitors underpinned by patents have also been used in cinemas, museums, shopping malls, MTR stations in Hong Kong, high-speed railway stations and airports in the PRC and the Beijing 2022 Winter Olympics. Leveraging the industry knowledge, technical know-how and intellectual properties owned by the Target Company, it is capable of delivering a comprehensive range of cutting-edge services which involve the application of autostereoscopic 3D imaging technology, such as 3D animation, 3D content creation and glasses-free 3D applications.

The table below sets forth a summary of the background of each of Marvel Digital Limited, Cystar International Ltd. and Mirum Digital Media Limited (collectively, the “**Patent Vendors**”):

	<b>Year of incorporation</b>	<b>Principal business activities</b>	<b>Ultimate beneficial owner</b>
Marvel Digital Limited	2009	3D visualization and 4K ultra-definition technology	Dr. Lee
Visumotion International Limited (formerly known as Cystar International Ltd.)	2013	Development of 2D to 3D conversion software for movie and game studios	Dr. Chan Chang Yuen
Mirum Digital Media Limited	2014	Research and development of 3D technology	Mr. Ng King To

As at the date of this announcement, Dr. Lee is deemed to be interested in the 2,652,038 Shares held by Marvion, being an indirect wholly-owned subsidiary of Bonanza which is owned by Dr. Lee as to 53%. Further, immediately after the allotment and issue of the Consideration Shares, Dr. Lee will be deemed to be interested in the 3,335,323 Shares held by Marvel Digital Group Limited, which is wholly-owned by Dr. Lee. As a result of the aforesaid, Dr. Lee will be deemed to be interested in an aggregate of 5,987,361 Shares, representing approximately 8.22% of the issued share capital of the Company immediately after the allotment and issue of the Consideration Shares. Based on the foregoing, Dr. Lee will hold less than 10% of the issued share capital of the Company immediately after the allotment and issue of the Consideration Shares and therefore will not become a connected person of the Company upon Completion.

Besides, immediately after the allotment and issue of the Consideration Shares, Dr. Chan Chang Yuen will be deemed to be interested in the 2,223,548 Shares held by Akara.com Limited, which is wholly-owned by Dr. Chan Chang Yuen, representing approximately 3.05% of the issued share capital of the Company immediately after the allotment and issue of the Consideration Shares. Based on the foregoing, Dr. Chan Chang Yuen will hold less than 10% of the issued share capital of the Company immediately after the allotment and issue of the Consideration Shares and therefore will not become a connected person of the Company upon Completion.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, each of the Patent Vendors and their ultimate beneficial owners are independent third parties of the Company and its connected persons. The Patent Vendors have further confirmed that they have not engaged and will not engage in any business activities which compete with the Target Company subsequent to the completion of the transfer of the said patents.

The Target Company acquired (i) nine patents from Marvel Digital Limited at a consideration of US\$1; (ii) four patents from Visumotion International Limited at a consideration of US\$1; and (iii) two patents from Mirum Digital Media Limited at a consideration of US\$1.

Based on enquiries with Marvel Digital Limited and Visumotion International Limited, the Company was given to understand that Dr. Lee and Dr. Chan were willing to cause the transfer of patents to the Target Company at nominal consideration because (i) they are concurrently ultimate beneficial owners of the Target Company, with Dr. Lee and Dr. Chan indirectly holding 30% and 20% of the shareholdings of the Target Company, respectively; and (ii) they could enjoy the economic benefits for the patents being transferred to the Target Company as they, among the other Vendors, receive the Consideration from the Company following completion of the Proposed Acquisition.

Based on enquiries with Mirum Digital Media Limited, the Company was given to understand that Mr. Ng King To was willing to cause the transfer of patents to the Target Company at nominal consideration because the two patents were previously received as a gift from Dr. Lee and his development team, and upon Dr. Lee's invitation, Mr. Ng considered that such patents could be put into greater use once they are integrated and applied together with the other patents by the Target Company.

Due to the circumstances explained above, the Board considers that the acquisition costs of the patents incurred by the Target Company bears little relevance to assessing the reasonableness of the Consideration.

The financial information of the Target Group for the two years ended 31 March 2022 and 2023 and prepared in accordance with the accounting principles generally accepted in Hong Kong are as follows:

	<b>For the year ended 31 March 2022 HK\$</b>	<b>For the year ended 31 March 2023 HK\$ (unaudited)</b>
Revenue	—	—
Other income	—	120,847 <sup>(Note)</sup>
Net profit/(loss) before taxation	(44,413)	108,613
Net profit/(loss) after taxation	(44,413)	108,613

*Note:* The other income of HK\$120,847 recognised by the Target Group for the year ended 31 March 2023 represents the amount of investment made by the Target Company in the PRC Subsidiary which was previously impaired and written off and subsequently recovered due to the deregistration of the PRC subsidiary on 21 May 2021.

The Target Company recorded net liability of approximately HK\$14,960 as at 31 March 2023.

For the financial years ended 31 March 2022 and 2023, revenue of approximately HK\$14.3 million and HK\$16.0 million, and profit of approximately HK\$8.6 million and HK\$9.0 million, respectively, was generated from the sales of 3D display monitors applying those patents currently owned by the Target Company. To the best of the Directors' knowledge, information and belief and based on enquiries with the Patent Vendors, the customers of the Patent Vendors (the “**Display Monitor Customers**”) are third parties independent from the Patent Vendors, the Company and each of their Connected Persons.

As at the date of this announcement, the Display Monitor Customers have not procured any products and/or services from the Target Company. Taking into consideration the Target Company will be principally engaged in the provision of services applying the autostereoscopic 3D imaging technology and it has no current plans to involve in the design or sale of hardware, the Target Company confirms that it has not been engaged, and currently does not expect to be engaged by the Display Monitor Customers as a hardware supplier.

## REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

To consolidate the Group's leading position in the IT solutions industry in Hong Kong, the Company plans to pursue acquisitions and strategic alliances selectively that will further complement or synergise with its existing business. The Company believes that the Proposed Acquisition will create enormous momentum to the Group's IT solutions business as it will pave way for a swift integration of the technological know-how between the Group and the Target Company. Through the application of the advanced technologies owned by the Target Company, especially in the field of autostereoscopic 3D technology, to the Group's existing IT solutions business, it is believed that the Group can provide IT solutions with better quality and higher efficiency.

### 1. Integrate the autostereoscopic 3D technology capabilities of the Target Company into the Group's existing IT solutions business

The Hong Kong Government has been proactive in developing Hong Kong into an international innovation and technology hub. The Chief Executive's Policy Address 2022 formulated a number of key policies to promote innovation and technology, including (i) formulating the Hong Kong Innovation and Technology ("I&T") Development Blueprint which clearly sets out future development for Hong Kong; (ii) actively attracting I&T talents around the globe to Hong Kong; (iii) enhancing I&T infrastructure facilities such as the development of the Hong Kong-Shenzhen I&T Park, San Tin Technopole in the Northern Metropolis and the expansion of Science Park and Cyberport; (iv) earmarking HK\$10 billion for the provision of more comprehensive support for research and development in life and health technology; and (v) enhancing support for start-ups.

The Hong Kong Government has taken further action as demonstrated in the 2023-24 Budget, which includes (i) conducting feasibility studies on providing adequate computing infrastructure for the development of scientific research and artificial intelligence industries in Hong Kong; (ii) earmarking HK\$3 billion to promote the development of facilities in technology fields such as AI and quantum technology; and (iii) supporting enterprises to use technologies to enhance productivity and upgrade or transform their business processes.

The Group is a Hong Kong-based IT solutions provider, principally engaged in the 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. The Group's clientele span across various industries including banking, consumer goods, food & beverage, hotel and tourism, manufacturing and construction, property developers and public sectors of the Hong Kong Government and non-governmental organisations. Leveraging the industry know-how and technical experience of the Group in the IT solutions industry, and in view of the favourable policies promulgated by the Hong Kong Government on the IT industry, the Directors believe that the Group is capable of capturing the potential growth of the IT industry.

The Directors believe that the integration of the autostereoscopic 3D technology owned by the Target Company with the artificial intelligence self-developed by the Group will create synergistic effect to the Group's existing IT solutions business.

## *Customer Relationships Management System*

The smart logistics and customer relationships management system (the “**SLRM System**”) is a simplified AI solution self-developed by the Group. The SLRM System is an end-to-end ecosystem that provides leading-edge solutions for model development, deployment, monitoring and evolution. The SLRM System is applied across different industries, including retail, logistics and public transportation industries. The SLRM System helps the Group’s customers to select the optimal transportation by providing real-time information sharing so that on-time delivery can be achieved. It also provides automated sales and customer service interactions and other logistics management services. The SLRM System can also monitor exceptional changes of the business while providing more personalised recommendation to the customers. The algorithms and data management technologies possessed by the Group creates synergy for the development of the SLRM System, allowing the Group to seamlessly streamline its entire data process and leverage cutting-edge AI technologies. The Group has devoted significant resources in the research and development of the SLRM System in order to expedite the transformation process of enormous complex data with automated machine learning platforms and augmented analytics into useful insights which enables the Group to provide timely services to its customers.

The success of SLRM System depends, to a large extent, on the volume of data gathered and available for input into the system. The incorporation of autostereoscopic 3D technology in the SLRM System would facilitate the efficiency in identifying and tracking target subjects, which, in turn, would enable the customers to have better focus on the data analytical process.

In addition, the Group has launched “Retail Booster”, the customer relationship management system tailored for retail industry. “Retail Booster” provides comprehensive and secured AI system that can be conveniently used for conducting data analysis on different aspects, including estimated member repurchase rate, new member retention estimation and product recommendation. Going forward, the Group intends to adopt the autostereoscopic 3D technology owned by the Target Company to further enhance the functions and performance of “Retail Booster”. For instance, the Group plans to apply the autostereoscopic 3D technology to convert the 2D floor plan of the retail premises operated by its customers to 3D model and uses “Retail Booster” to conduct analysis and give recommendations to its customers as to the appropriate, interior design, layout, fitting-out and setting of the retail premises in the form of 3D virtual reality in order to improve customer flow, enhance customer experience and effectively manage the store area in alignment with the brand culture. As advised by Frost & Sullivan, in the field of interior design, autostereoscopic 3D technology can be used to display multi-dimensional design effects. Since 2020, it has become increasingly common for interior designers to start using autostereoscopic 3D technology to present design effects to their clients.

### ***Data De-noising***

In 2023, the Group was engaged by a sizeable public transportation company in Hong Kong to provide IT-related maintenance services to manage and improve the operational safety and reliability of the public transportation company. The Group has applied its self-developed algorithms and data management technologies in the provision of services to such public transportation company. Data de-noising, which helps to improve data quality, forms an indispensable part of data analysis. Data de-noising is a signal processing method which is generally applied to remove unwanted signals or noise and preserve useful information, thereby enhancing data quality in data analytics applications. As advised by Frost & Sullivan, the most common application of autostereoscopic 3D technology in the area of de-noising is 3D digital de-noising, which automatically filters out non-overlapping data information by comparing adjacent frames and thus display a more concise and delicate image. Going forward, the Group intends to apply the autostereoscopic 3D technology possessed by the Target Company in the exercise of data de-noising. Autostereoscopic 3D technology can enhance the accuracy of visual equipment in the detection of normally imperceptible movement in objects and better ensure the completeness of data gathered for the analysis process. In this regard, it is believed that the autostereoscopic 3D technology owned by the Target Company will facilitate the Group in the exercise of data de-noising process and enhance the work efficiency and improve the service quality offered by the Group.

### ***Integrated Marketing AI Solutions***

Currently, the Group utilises its AI technology to assist its customers in creating personalised marketing campaigns that meet ever-changing customer expectations and improve marketing efficiency. The Group intends to apply the autostereoscopic 3D technology owned by the Target Company which allows conversion of 2D content into 3D content to its integrated marketing AI solutions business, thereby offering unique marketing solutions and enhancing the visual effects of its client's advertisements. In recent years, 3D advertising such as 3D digital billboards, has gone viral around the world as it creates a spectacular real-world immersive experience to audiences. Leveraging the application of the autostereoscopic 3D technology, it is believed that the Group will be able to offer more comprehensive marketing solutions which are more captivating and provide a more immersive experience to the audiences.

### ***Virtual Desktop Infrastructure Platform***

Robust growth in the demand for virtual desktop infrastructure (“**VDI**”) platform has been recorded since the outbreak of COVID-19 since early 2020. The social distancing and lockdown measures as well as “work from home” arrangement have turbocharged the growth for VDI solution services. The outbreak of COVID-19 has reshaped people's lives and business model of various industries. Many companies around the world have continued to adopt the “work from home” policy even the COVID-19 epidemic has waned.



The Group has been providing VDI solution services across different industries, including banking, finance and insurance industries. The Group's VDI solution services including assisting its clients to enhance security level, prevent data leakage, improve resource efficiency and business mobility. Going forward, the Group intends to apply the autostereoscopic 3D technology owned by the Target Company in its VDI solution services for the creation of a virtual work environment which offers better communication and collaboration among employees of the Group's customers, thereby enhancing team spirit, belongingness, productivity and work efficiency.

Further, the Group intends to further enhance its VDI solution services by applying the autostereoscopic 3D technology owned by the Target Company to assist its customers in organising virtual training programs and workshops, which involve elements such as real-life situations, interactive learning environment and virtual tours, for their employees.

## **2. Tap into the non-fungible token and collectibles industry**

Non-fungible token (“NFT”) and collectibles have been gaining momentum since 2020. NFT is a unique digital identifier based on blockchain technology which confers ownership and cannot be copied. Autostereoscopic 3D technology can enhance the effect of NFT by making it playable on autostereoscopic 3D devices to generate 3D image of the NFT, making such NFTs more striking and stand out against the others. Leveraging the cutting-edge technology owned by the Target Company and the Group's existing AI solutions and big data analytics capabilities, the Directors believe that the Group has potential to provide value-added solutions to NFT issuer and capitalise on the evolving NFT and collectibles market.

## **3. Broaden the Company's income stream and improve its financial conditions**

The Group is a Hong Kong-based IT solutions provider, principally engaged in the 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. For each of the financial year ended 31 December 2021 and 2022, the Group generated revenue of approximately HK\$32.7 million and HK\$36.1 million from the provision of IT solutions which involve artificial intelligence capability. Upon the Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the Company's segment profiles will be further optimised. Taking into consideration the long-term service engagements secured by the Target Company (details of which are set forth in the section headed “Information of the Target Company” in this announcement), which are expected to generate service income of over HK\$60 million per year for at least the forthcoming 10 years, the Directors believe that the Proposed Acquisition is conducive to broadening the Company's income stream and enhancing its financial conditions, thereby maximising returns to the Shareholders.

#### **4. Long settlement periods of the Consideration, with potential adjustment in relation to the Profit Guarantee**

Pursuant to the Sale and Purchase Agreement, the Company will issue the interest-free Promissory Notes in the aggregate principal amount of HK\$75,985,677.28 as partial settlement of the Consideration. The Promissory Notes are repayable by ten (10) equal Instalments of approximately HK\$7.6 million per year, with the last instalment becoming in the 10<sup>th</sup> year after Completion.

Meanwhile, the Vendors have jointly and severally undertaken to the Purchaser that the Actual Annual Profit for each financial year during the Guaranteed Period shall not be less than HK\$35 million per annum (i.e. the Profit Guarantee). In the event the Actual Annual Profit falls below the Guaranteed Annual Profit for any financial year during the Guaranteed Period (the “Shortfall”), the Shortfall shall be deducted, by way of set-off on a dollar to dollar basis, from the Instalment in respect of the corresponding financial year.

Taking into consideration the long timespan for the repayment of the Promissory Notes and the Profit Guarantee provided by the Vendors, the Directors believe that the Company would be able to finance the settlement of the Promissory Notes mainly through the operating cashflow to be derived from the Target Company after Completion, thereby mitigating the financial burden and liquidity pressure which would otherwise be imposed by the Proposed Acquisition on the Group.

#### **5. Commercial rationale for the Proposed Acquisition over direct acquisition of the patents possessed by the Target Company**

The Board considers that the Proposed Acquisition brings more commercial benefits to the Group than direct acquisition of the patents possessed by the Target Company taking into consideration the followings:

- (a) through the acquisition of the Target Company and based on negotiation between the Vendors and the Purchaser, the Purchaser has requested the Vendors to procure the key management team and technical staff of the Target Company, who are equipped with the relevant industry skills, knowledge and experience in the provision of autostereoscopic 3D technology related services, to remain in the employment with the Target Company for a certain period of time after Completion in order to maintain the daily operation of the Target Company. In this regard, pursuant to the Sale and Purchase Agreement, Dr. Chan Chang Yuen and Ms. Wong Nga Yin Polin, who possess the relevant industry skills, knowledge and experience in the provision of autostereoscopic 3D technology related services (details of which are set forth in the paragraph headed “Information of the parties to the Sale and Purchase Agreement – the Vendors” in this announcement) shall undertake to remain in the employment with the Target Company for a period of three (3) years from the Completion Date, subject to fair and reasonable remuneration for their employment.

Besides, pursuant to the Sale and Purchase Agreement, Dr. Lee shall undertake to act as a consultant of the Company without any remuneration for a term of five (5) years from the Completion Date. Dr. Lee will be responsible for providing strategic advice to the Company as to the future development of autostereoscopic 3D technology industry and providing technical guidance on the application and the research and development of the autostereoscopic 3D technology. Dr. Lee has over 15 years of experience in 3D technology and is the inventor of many of the patents owned by the Target Company. Leveraging the profound experience of Dr. Lee in 3D technology as well as his market intelligence and pioneering insights on the application of 3D technology, the Board believes that the Group will be able to benefit from the synergistic effects brought by the seamless integration of the autostereoscopic 3D technology owned by the Target Company with the artificial intelligence self-developed by the Group; and

- (b) the Target Company has established its own customer base and has entered into a number of long-term service agreements with several major customers, details of which are set forth in the section headed “Information of the Target Company” in this announcement. Through the acquisition of the Target Company, the Purchaser can continue to enjoy the economic benefits to be derived from such long-term service agreements and further develop the business relationships established between the Target Company and the relevant customers. It is believed that the existing business network of and track record to be established by the Target Company in the provision of autostereoscopic 3D technology related services under the long-term service agreements will facilitate the Target Company in further expanding its business scale as well as diversifying its customer base.

Taking into consideration (i) the enhancement to the Group’s existing IT solutions services and the synergistic effects to be brought by the integration of the autostereoscopic 3D technology owned by the Target Company with the artificial intelligence self-developed by the Group as illustrated above; (ii) the potential business opportunities available to the Group for tapping into the NFT industry by leveraging the autostereoscopic 3D technology owned by the Target Company; (iii) the anticipated improvement to the Group’s financial conditions as the Group can swiftly broaden its income streams following the Proposed Acquisition; and (iv) the Profit Guarantee as well as the payment and set-off mechanism for the payment of the Promissory Notes, the Directors are of the view that the terms of the Transaction Documents and the Proposed Acquisition are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## **THE POTENTIAL DISPOSAL**

### **The Deed of Share Charge**

To secure the Purchaser's obligations under the Sale and Purchase Agreement, upon Completion, the Company shall procure the Chargor, being a direct wholly-owned subsidiary of the Company, to execute the Deed of Share Charge in favour of the Vendors, as chargees. Under the Deed of Share Charge, the Chargor shall, by way of first fixed charge and floating charge, charge to the Vendors of all its right, title and interest in and to the Charged Shares, as continuing security for the payment or discharge of the Secured Obligations.

The Charged Shares represent the entire issued share capital in the Charged Company. Guangzhou Xinfeng, a wholly-owned subsidiary of the Charged Company, owns the Properties and the relevant land use rights.

If the Share Charge becomes enforceable, the Vendors may exercise their power of sale to sell the Charged Shares for the recovery of any outstanding amount due from the Purchaser to them under the Sale and Purchase Agreement. The Vendors shall be entitled to apply the net proceeds of any sale or realization effected under their power of sale in or towards the payment or discharge of the Secured Obligations in such manner consistent with the provisions of the Promissory Notes and the Sale and Purchase Agreement and at such time as the Vendors may in their absolute discretion think fit, with any surplus being paid to the Chargor or any deficiency being recoverable by the Vendors. The Share Charge shall not limit or in any other way affect the Vendors' rights to the full repayment or discharge of the Secured Obligations.

Taking into consideration the Charged Company is principally engaged in investment holding which is not directly conducive or pertinent to the principal business activities of the Group, namely the provision of IT solutions, the Directors are of the view that if the Potential Disposal materialised, it will not result in any material adverse changes to the operating businesses of the Group.

Based on the above, the Directors are of the view that the terms of the Deed of Share Charge and the Potential Disposal are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## INFORMATION OF THE CHARGED COMPANY

The Charged Company is a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company. The Charged Company is an investment holding company holding the entire equity interests in Guangzhou Xinfeng.

Guangzhou Xinfeng is the owner of the Properties, namely a composite building situated at No. 123 Lu Jing Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC. The Properties comprise a parcel of land with a site area of approximately 1,777.21 sq.m., with a 9-storey composite building for commercial, office and car parking uses with a total gross floor area of approximately 10,518.74 sq.m., which was completed in about 2012, erected thereon. The land use rights have been granted for a term of 40 years commencing on 12 October 2012 for commercial use and 50 years commencing on 12 October 2012 for car parking and office uses. The Properties are currently leased to an independent third party for commercial, office and other use permitted by the laws and regulations of the PRC for a contract period of 20 years commencing on 5 March 2021. The tenant intends to operate a care home for seniors at the Properties. For further details on the lease of the Properties, please refer to the circular of the Company dated 15 February 2023.

The unaudited financial information of the Charged Company for the two years ended 31 December 2021 and 2022 and prepared in accordance with the accounting principles generally accepted in Hong Kong are as follows:

	<b>For the year ended 31 December 2021 HK\$'000</b>	<b>For the year ended 31 December 2022 HK\$'000</b>
Revenue	7,267	11,258
Net profit/(loss) before taxation	(42,042)	(57,168)
Net profit/(loss) after taxation	(42,042)	(57,168)

The net asset value of the Charged Company as at 31 December 2022 was approximately HK\$24.96 million.

## INFORMATION OF THE PARTIES TO THE DEED OF SHARE CHARGE

### The Chargor

The Chargor is an investment holding company incorporated in the BVI and a direct wholly-owned subsidiary of the Company. Guangzhou Xinfeng, a wholly-owned subsidiary of the Charged Company, owns the Properties and the relevant land use rights.

## **The Vendors**

For further information of the Vendors, please refer to the paragraph headed “Information of the parties to the Sale and Purchase Agreement” in this announcement.

## **FINANCIAL EFFECTS OF THE POTENTIAL DISPOSAL**

For illustrative purposes, based on the audited financial information of the Group for the year ended 31 December 2022, the total assets and net assets of the Group are expected to decrease by approximately HK\$269 million and HK\$250 million, respectively, as a result of the Potential Disposal. The actual figures will be subject to audit of the Charged Company and therefore may be different from the aforementioned amount.

Assuming (i) the Share Charge becomes immediately enforceable upon Completion; and (ii) the Consideration is not subject to any adjustment(s) to be made under the paragraph headed “Profit Guarantee” in this announcement; and for illustrative purpose, it is estimated that the Company will record a preliminary net gain from the Potential Disposal of approximately HK\$55.0 million, being the difference between (a) the amount of the Promissory Notes of HK\$75,985,677.28; and (b) the current net assets value of the Charged Company of approximately HK\$25.0 million. The actual figures will be subject to audit by the auditors of the Company and therefore may be different from the aforementioned amount.

The Potential Disposal, if materialised, will constitute a disposal by the Company of the Charged Company. If the Potential Disposal takes place, the Company will cease to have any interest in the Charged Company. In such event, the Charged Company will cease to be a subsidiary of the Company and the financial results of the Charged Company will no longer be consolidated in the financial statements of the Company.

## **GEM LISTING RULES IMPLICATIONS**

### **The Proposed Acquisition**

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) regarding the Proposed Acquisition exceed 100%, the Proposed Acquisition constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules.

## **The Potential Disposal**

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) regarding the Potential Disposal exceed 25% but all of them are less than 75%, the Potential Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

## **GENERAL**

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Transaction Documents, the Proposed Transactions, the allotment and issue of the Consideration Shares pursuant to the Specific Mandate and the transactions contemplated thereunder.

The voting in respect of the Proposed Transactions and the allotment and issue of the Consideration Shares pursuant to the Specific Mandate at the EGM will be conducted by way of poll. As at the date of this announcement, Marvion, being an indirect wholly-owned subsidiary of Bonanza, is interested in 2,652,038 Shares. Based on publicly available information, Dr. Lee, being the ultimate beneficial owner of one of the Vendors, holds 53% of the total common shares issued by Bonanza. Accordingly, Marvion is an associate of Dr. Lee. In light of Dr. Lee's interests in the Proposed Transactions, Marvion will abstain from voting on the resolution(s) relating to the Transaction Documents, the Proposed Transactions, the allotment and issue of the Consideration Shares pursuant to the Specific Mandate and the transactions contemplated thereunder at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) save as aforesaid, no other Shareholders or any of their respective close associates has any material interest in the Transaction Documents, the Proposed Transactions, the allotment and issue of the Consideration Shares pursuant to the Specific Mandate and the transactions contemplated thereunder; and (ii) no other Shareholder will be required to abstain from voting on the relevant resolution(s) to approve the Transaction Documents, the Proposed Transactions, the allotment and issue of the Consideration Shares pursuant to the Specific Mandate and the transactions contemplated thereunder at the EGM.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) further details on the Transaction Documents, the Proposed Transactions, the allotment and issue of the Consideration Shares pursuant to the Specific Mandate and the transactions contemplated thereunder; (ii) financial information of the Target Group; (iii) pro forma financial information of the Enlarged Group; (iv) valuation report of the Target Company; (v) equity and properties valuation reports of the Charged Company; (vi) other information required under the GEM Listing Rules; and (vii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 18 October 2023 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

**As completion of the Proposed Transactions is subject to and conditional upon fulfilment or waiver (as the case maybe) of the conditions precedent set out in the Transaction Documents and the completion of the Proposed Transactions may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

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

“Actual Annual Profit”	the revenue generated by the Target Company from the provision of autostereoscopic 3D technology related services less the costs of provision for such services (excluding any other cost and expenses which may be incurred by the Target Company). For the avoidance of doubt, the Actual Annual Profit may not necessarily be the net profit of the Target Company as stated in its audited financial statements
“Board”	the board of Directors
“Bonanza”	Bonanza Goldfields Corp., a company incorporated in the State of Nevada, the United States of America. The issued shares of which are traded in the OTC (Ticker: PINK: BONZ)
“BVI”	British Virgin Islands
“Charged Company”	Joyunited Investments Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Charged Shares”	the entire issued share capital of the Charged Company registered in the name of and beneficially owned by the Chargor together with all the Chargor’s rights and benefits in relation thereto
“Chargor”	Giant Prestige Investment Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Company”	China Information Technology Development Limited (stock code: 8178), a company incorporated in the Cayman Islands with limited liability whose shares are listed on GEM of the Stock Exchange
“Completion”	completion of the Proposed Acquisition



“Completion Date”	the third Business Day after the last outstanding condition of the Sale and Purchase Agreement shall have been fulfilled or waived (or such other date agreed by the Purchaser and the Vendors in writing) on which Completion is to take place
“Connected Person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	HK\$100 million, which shall be settled in the manner as described in the paragraph headed “The Proposed Acquisition – The Sale and Purchase Agreement – Consideration” in this announcement
“Consideration Share(s)”	a total of 11,117,742 new Shares to be allotted and issued by the Company at the issue price of HK\$2.16 per Share to the Vendors upon Completion, which shall rank pari passu in all respects with all other Shares in issue as at the Completion Date
“Deed of Share Charge”	the deed of share charge to be entered into between the Chargor and the Vendors upon Completion
“Director(s)”	the director(s) of the Company
“Dr. Lee”	Dr. Lee Ying Chiu, Herbert, holder of Hong Kong Identity Card
“EGM”	an extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, the Transaction Documents, the Proposed Transactions, the allotment and issue of the Consideration Shares pursuant to the Specific Mandate and the transactions contemplated thereunder
“Enlarged Group”	the Group as enlarged by the Proposed Acquisition to include the Target Company
“Financial Adviser”	Zijing Capital Limited
“Frost & Sullivan”	Frost & Sullivan, an independent market research agency engaged by the Company
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries

“Guangzhou Xinfeng”	Guangzhou Xinfeng Investment Consultancy Company Limited* (廣州信豐投資諮詢有限公司), a wholly foreign owned enterprise established in the PRC and wholly-owned by the Charged Company
“Guaranteed Period”	the ten financial years of the Target Company after Completion
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	a third party independent of and not connected with the Company, its subsidiaries and their Connected Persons
“Instalment(s)”	the instalment(s) payable by the Purchaser to the Vendors under the Sale and Purchase Agreement as set out in the paragraph headed “The Proposed Acquisition – The Sale and Purchase Agreement – Consideration” in this announcement
“Marvion”	Marvion Group Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of Bonanza
“OTC”	the over-the-counter markets in the United States of America
“Potential Disposal”	the potential disposal of the Charged Company in the event that the security provided under the Share Charge becomes enforceable and the Vendors exercise their power of sale under the Share Charge to sell the entire issued share capital in the Charged Company for the recovery of any outstanding amount due from the Purchaser to the Vendors under the Sale and Purchase Agreement
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Promissory Notes”	the interest-free promissory notes in the aggregate principal amount of HK\$75,985,677.28 to be executed by the Company in favour of the Vendors as partial settlement of the Consideration
“Properties”	a composite building situated at No. 123 Lu Jing Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC

“Proposed Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the Sale and Purchase Agreement
“Proposed Transactions”	the Proposed Acquisition and the Potential Disposal
“Purchaser”	Beauty Intentions Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Reporting Accountants”	ZHONGHUI ANDA CPA Limited
“Sale and Purchase Agreement”	the sale and purchase agreement dated 19 September 2023 entered into among the Purchaser, the Company and the Vendors
“Sale Shares”	the entire issued share capital of the Target Company
“Secured Obligations”	all moneys, obligations and liabilities covenanted to be paid or to be discharged by the Purchaser under the Sale and Purchase Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Share Charge”	the share charge to be executed by the Chargor over the Charged Shares in favour of the Vendors (as chargees) upon Completion
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme(s)”	the share option scheme(s) adopted by the Company from time to time
“Specific Mandate”	the specific mandate to be sought from the Shareholders for the allotment and issue of the Consideration Shares
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Autostereoscopic 3D Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target Company and its subsidiary

“Transaction Documents”	the Sale and Purchase Agreement, the Deed of Share Charge and the Promissory Notes
“Valuation”	the appraisal of the value of the Sale Shares as at 22 March 2023 primarily using the discounted cash flows method by the Valuer
“Valuation Report”	valuation report in respect of the valuation of the Target Company to be issued by the Valuer
“Valuer”	BMI Appraisals Limited
“Vendor(s)”	Marvel Digital Group Limited, Akara.com Limited, Wealth Axis Limited, Mr. Ho Tak Wing, Mr. Li Yat Ho, Mr. Wong Alvin Chun Ho, Ms. Chan Pui Lei, Ms. Chan Yat Man Ava, Ms. Wong Ka Lai Kirsty
“%”	Per cent.

\* *For identification only*

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

Hong Kong, 19 September 2023

*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; Hon. Li Sai Wing, MH as non-executive Director; Mr. Hung Hing Man, Mr. Wong Hoi Kuen and Dr. Chen Shengrong as independent non-executive Directors.*

*This announcement, for which the Directors of the Company 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 Listed Company Information” page on the Stock Exchange’s website at <http://www.hkexnews.hk> for at least 7 days from the date of its posting.*

## APPENDIX I – LETTER FROM THE FINANCIAL ADVISER

*The following is the text of a letter from Zijing Capital Limited, the financial adviser to the Company, in connection with the profit forecast underlying in the Valuation, for the purpose of inclusion in this announcement.*



19 September 2023

### **China Information Technology Development Limited**

Unit 3308, 33/F,  
Millennium City 6  
392 Kwun Tong Road  
Kwun Tong, Hong Kong

Attention: Board of Directors

Dear Sirs/Madams,

**(1) VERY SUBSTANTIAL ACQUISITION: ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND**  
**(2) MAJOR DISPOSAL: CHARGE OVER THE ENTIRE ISSUED SHARE CAPITAL OF A SUBSIDIARY**

Reference is made to the announcement of the Company dated 19 September 2023 (the “**Announcement**”). Unless defined otherwise, capitalized term used in this letter shall have the same meaning as ascribed to them in the Announcement.

We refer to the projection of the future cash flows of the Target Company, which are prepared preliminary on a discounted cash flow basis provided by the management of the Company, underlying the valuation prepared by BMI Appraisal Limited (the “**Valuer**”) in relation to the valuation of the business of the Target Company as at 22 March 2023 (the “**Valuation**”). The Valuation is regarded as a profit forecast under Rule 19.61 of the GEM Listing Rules.

The Valuation, for which the directors of the Company (the “**Directors**”) are solely responsible, has been prepared based on, among other things, the projection of the future cash flows of the Target Company provided by the management of the Group (the “**Profit Forecast**”).

We have reviewed the Profit Forecast upon which the Valuation has been made and discussed with you on the basis and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 19 September 2023 addressed to you from ZHONGHUI ANDA CPA Limited regarding its opinion on the discounted future estimated cash flows of the Valuation is based which, so far as the calculations and compilations are concerned, have been properly compiled in accordance with the basis and assumptions determined by the Directors in the Valuation.

On the basis of the foregoing and on the basis and assumptions made by you and the calculations adopted by you and reviewed by ZHONGHUI ANDA CPA Limited, we have formed the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

However, we express no opinion on whether the actual cash flows would eventually be achieved in correspondence with the Profit Forecast. We have not independently verified the computations leading to the Valuer's determination of the fair value and market value of the Target Company. We have had no role or involvement and have not provided and will not provide any assessment of the fair value and market value of the Target Company. Accordingly, save as expressly stated in this letter, we take no responsibility for and express no views, whether expressly or implicitly, on the fair value and market value of the Target Company as determined by the Valuer and set out in the valuation report issued by the Valuer or otherwise.

We further confirm that the assessment, review and discussion carried out by us as described above are primarily based on financial, economic, market and other conditions in effect, and the information made available to us as of the date of this letter and that it has, in arriving at its views, relied on information and materials supplied to it by the Valuer, the Group and the Target Company and opinions expressed by, and representations of, the employees and/or management of the Valuer, the Group and the Target Company. We have assumed that all information, materials and representations so supplied, including all information, materials and representations referred to or contained in the Announcement, for which the Directors are wholly responsible, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Announcement and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, materials, opinions and/or representations. Circumstances could have developed or could develop in the future that, if known to us at the time of this letter, would have altered our respective assessment and review. Further, while the qualifications, basis and assumptions adopted by the Valuer are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and the Valuer.

Nothing in this letter should be construed as an opinion or view as to the fair value, market value or any other value of the Target Company or as an opinion or recommendation to any person as to whether they should acquire Shares. Shareholders are recommended to read the Announcement with care.

Our work in connection with the Profit Forecast has been undertaken solely for the strict compliance with Rule 19.61 of the GEM Listing Rules and for no other purposes. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

Yours faithfully,

**Zijing Capital Limited**  
**Dr. Laurent Leung Kin Cheong**  
*Managing Director*

## APPENDIX II – LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a report received from the Company’s reporting accountants, ZHONGHUI ANDA CPA Limited, for inclusion in this announcement.

19 September 2023

**The Board of Directors**  
**China Information Technology Development Limited**

Unit 3308, 33/F.  
Millennium City 6  
392 Kwun Tong Road  
Kwun Tong, Hong Kong

Dear Sirs,

We have examined the calculations of the discounted cash flow forecast (the “**Forecast**”) underlying the valuation (the “**Valuation**”) of Autostereoscopic 3D Limited (the “**Target Company**”) performed by BMI Appraisals Limited (the “**Valuer**”) in respect of the appraisal of the fair value of the Target Company as at the reference date of 22 March 2023 in connection with the announcement of China Information Technology Development Limited (the “**Company**”) dated 19 September 2023 (the “**Announcement**”). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited.

### **Directors’ Responsibilities**

The directors of the Company are solely responsible for the preparation of the Forecast and the reasonableness and validity of the assumptions based on which the Forecast is prepared (the “**Assumptions**”).

### **Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



## **Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion on the calculations of the Forecast based on our procedures and to report our opinion solely to you, as a body, solely for the purpose in connection with the Announcement and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Company’s directors have properly compiled the Forecast in accordance with the Assumptions adopted by the directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

The Assumptions include hypothetical assumptions about future events and management actions that may or may not necessarily be expected to occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express opinion whatsoever thereon.

Because the Forecast relates to cash flows, no accounting policies of the Company have been adopted in its preparation.

## **Opinion**

In our opinion, so far as calculations are concerned, the Forecast has been properly compiled in accordance with the Assumptions adopted by the directors as set out in the Announcement.

Yours faithfully,  
**ZHONGHUI ANDA CPA Limited**  
*Certified Public Accountants*  
Hong Kong