中國信息科技發展有限公司
China Information Technology Development Limited
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8178)

DISCLOSEABLE TRANSACTION: ACQUISITION OF 40% INTEREST IN FAITHFUL ASIA GROUP LIMITED

On 20 April 2015 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares (representing 40% of the existing issued share capital of the Target) at the Consideration of HK$80,000,000.

The Target Group primarily focuses on business intelligence, big data, facilities management, financial technology solutions consulting and implementation. It is also engaged in IT outsourcing and secondment assignments on business intelligence, IT cloud infrastructure, networking, application programming, mobile solution and technical support services.

Completion of the Acquisition is conditional upon the satisfaction of the conditions precedent as more particularly set out in the sub-paragraphs headed "The Acquisition Agreement – Conditions Precedents" below.

GEM LISTING RULES IMPLICATION

As one of the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Acquisition is greater than 5% but all such ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements under the GEM Listing Rules.

Reference is made to the announcement made by the Company dated 2 April 2015 in relation to the possible acquisition of the Target.

THE ACQUISITION AGREEMENT

On 20 April 2015 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor in relation to the sale and purchase of the Sale Shares. Major terms of the Acquisition Agreement are set out below:

Date: 20 April 2015

Parties:

(1) Purchaser: Rosy Depot Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company

(2) Vendor: Mr. Cheng Shing Tak, the beneficial owner of 95% of the issued share capital of the Target as at the date of the Acquisition Agreement

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares free from all encumbrances.

The Sale Shares involve 40 ordinary shares of US$1.00 each of the Target, representing 40% of the existing issued share capital of the Target.

Consideration

The Consideration for the sale and purchase of the Sale Shares shall be HK$80,000,000, which shall be satisfied by the Purchaser to the Vendor in full upon Completion.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor after having taken into account, amongst other things, (i) the future growth potential of the Target Group under the propelling policy of the PRC central government on promoting and supporting "Internet Plus" that will further drive the demand for internet and technology services in the coming years; (ii) the profit guarantee given by the Vendor under the Acquisition Agreement, based on which the Consideration is equivalent to a 25 times forecast price to earning multiple of the Target Group for its year ending 30 April 2016; and (iii) the spread of the clients of the Target Group. Please also refer to the paragraphs headed "Information on the Target Group" and "Reasons for and benefits of the Acquisition".

The Consideration is to be funded by the Group's internal resources.

Conditions Precedent

The Completion of the sale and purchase of the Sale Shares shall be conditional upon:

(a) the warranties under the Acquisition Agreement remaining true and accurate and not misleading in any respect as at the date of the Acquisition Agreement and as at Completion as if repeated at Completion;

(b) the Purchaser being satisfied with the results of the due diligence review of, inter alia, the assets, business, operation, accounting, tax and legal aspects of the Target Group to be carried out by the Purchaser and its agent(s) and advisers (including but not limited to its surveyors, solicitors and accountants) in whichever jurisdiction; and

(c) all consents which are required or appropriate for the entering into or the implementation or completion of the Acquisition Agreement by the Vendor, the Purchaser and/or the Target or for the performance of their respective obligations under the Acquisition Agreement having been obtained; and all filings with any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, the Cayman Islands, the British Virgin Islands or elsewhere which are required or appropriate for the entering into and the implementation of the Acquisition Agreement having been made; and all applicable statutory or other legal or regulatory obligations (including but not limited to the GEM Listing Rules) having been complied with by the Vendor, the Purchaser and the Target.

The Vendor and the Purchaser shall use their respective best endeavours to procure the fulfilment and/or satisfaction of the Conditions Precedent by the Condition Date.

The Purchaser may in its sole discretion waive in whole, or in part, all or any of the Conditions Precedent, and such waiver may be made subject to the terms and conditions as may be determined by the Purchaser.

If any of the Conditions Precedent shall not have been fulfilled (or waived by the Purchaser) by the Condition Date, the Acquisition Agreement shall lapse and everything therein contained shall, subject to the liability of either party to the other in respect of any antecedent breach of the terms of the Acquisition Agreement, be null and void and of no effect.

Completion

Completion shall take place not later than the 7th Business Day after all the Conditions Precedent have been fulfilled or such other date as may be agreed by the parties in writing.

Immediately after Completion, the Vendor and the Purchaser will be holding 55% and 40% of the issued share capital of the Target respectively. The remaining 5% of the issued share capital of the Target is being held by an Independent Third Party.

PROFIT GUARANTEE

Following Completion, the Vendor unconditionally and irrevocably guarantees and undertakes to the Purchaser that the 2016 NPAT as shown in the 2016 Accounts of the Target Group shall not be less than HK$8,000,000.

In the event that 2016 NPAT is less than HK$8,000,000, the Vendor undertakes to pay to the Purchaser, within 21 days after the delivery to the Purchaser of a copy of the 2016 Accounts pursuant to the Acquisition Agreement, an amount of the shortfall calculated as follows:–

$$\text{Amount of shortfall} = (\text{HK\$}8{,}000{,}000 - 2016\ \text{NPAT}) \times 25 \times 40\%$$

The Vendor shall procure that the 2016 Accounts shall be prepared by the Target Group and audited by the Auditors and delivered to the Purchaser as soon as practicable and in any event not later than 3 months following the 2016 Accounts Date.

INFORMATION ON THE TARGET GROUP

The Target is a company incorporated in the British Virgin Islands with limited liability on 18 March 2014 and is principally engaged in investment holding and is the sole shareholder of the HK Subsidiary. The Target is owned as to 95% by the Vendor and 5% by an Independent Third Party as at the date of the Acquisition Agreement.

The HK Subsidiary is a company incorporated in Hong Kong with limited liability on 27 March 2009. It is wholly owned by the Target as at the date of the Acquisition Agreement.

The HK Subsidiary is primarily focused on business intelligence, big data, facilities management, financial technology solutions consulting and implementation. It is also engaged in IT outsourcing and secondment assignments on business intelligence, IT cloud infrastructure, networking, application programming, mobile solution and technical support services.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and the person holding the remaining 5% of the issued share capital of the Target are Independent Third Parties.

FINANCIAL INFORMATION OF THE TARGET GROUP

The unaudited net asset value of the Target Group as at 31 March 2015 was approximately HK$70,000, and of which 40% (as represented by the Sale Shares held by the Purchaser immediately after the Completion of the Acquisition) amounted to approximately HK$28,000.

Set out below is a summary of the financial performance of the HK Subsidiary for the two years ended 30 April 2013 and 2014 based on its audited accounts and the 11 months period ended 31 March 2015 based on its unaudited management accounts as provided by the Vendor:

	For the year ended 30 April 2013 *(HK$'000)* *Approximately*	**For the year ended 30 April 2014** *(HK$'000)* *Approximately*	**For the 11 months ended 31 March 2015** *(HK$'000)* *Approximately*
Turnover	8,252	6,585	9,687
Net profit before taxation	16	96	2,370
Net profit after taxation	16	96	2,370

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the development and sale of computer software and hardware, the provision of system integration and related support services in the PRC.

In the Government Work Report delivered by Chinese Premier Li Keqiang in the National People's Congress in March 2015, Premier Li Keqiang said that China will draw up an "Internet Plus" action plan to propel the mobile Internet, cloud computing, big data, the internet of things and modern manufacturing, in order to promote the healthy development of e-commerce and internet finance and lead internet enterprises to explore international markets. Following Premier Li's report, Mr. Miao Wei, Minister of Industry and Information Technology, told the media that the strategic concept of the "Internet Plus" in Premier Li's Government Work Report guarantees China's transformation from a big manufacturing country to a powerful manufacturing country.

The Directors consider that with the "Internet Plus" action plan in place, the Group foresees there will be an increasing demand for internet and information technology services in the coming years. With a view to riding on this new policy, the Group has identified investment opportunity in the Target Group whose business development can enable the Group to capture the growing business opportunities in the industry resulting from the rolling out of the "Internet Plus" action plan by the PRC government in the coming years. Up to the date hereof, the clients of the Target Group cover multi-international retailers and wholesalers, insurance companies, media companies, telecommunication service providers and valuation professional firm etc., some of which are listed companies. The Directors are convinced that the Target Group is equipped to gain on business opportunities ahead and it will contribute earnings to the Group in near future. In addition, with the profit guarantee given by the Vendor under the Acquisition Agreement, the risk of the Group's investments are well covered. The Board believes that the Acquisition will further strengthen the operations and enhance the profitability of the Group in the near future.

Having considered the factors above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition Agreement (including the basis of the Consideration) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

GEM LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Acquisition is greater than 5% but all such ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements under the GEM Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

"2016 Accounts"	means the audited consolidated balance sheets of the Target Group as at 2016 Accounts Date and the audited consolidated profit and loss accounts of the Target Group for the year ended on 2016 Accounts Date, to be prepared by the Target and audited by the Auditors in accordance with the terms of the Acquisition Agreement
"2016 Accounts Date"	means 30 April 2016
"2016 NPAT"	means the NPAT as shown in the 2016 Accounts
"Auditors"	means the auditors appointed by the Target Group from time to time which have been agreed by the Purchaser
"Acquisition"	the proposed purchase of the Sale Shares by the Purchaser from the Vendor as contemplated under the Acquisition Agreement
"Acquisition Agreement"	the agreement dated 20 April 2015 entered into between the Purchaser and the Vendor in relation to the Acquisition
"Board"	the board of directors of the Company
"Business Day"	a day on which banks in Hong Kong are generally open for business (other than a Saturday)
"Company"	China Information Technology Development Limited (中國信息科技發展有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Growth Enterprise Market of the Stock Exchange
"Completion"	the completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"Condition Date"	the date on which the Conditions Precedent shall be fulfilled and/or satisfied as may be notified by the Purchaser to the Vendor in writing and in any event not later than 31 May 2015 (or such later date as the parties to the Acquisition Agreement shall agree in writing)

"Conditions Precedent"	the conditions precedent to the completion of the Acquisition
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	HK$80,000,000, being the consideration for the sale and purchase of the Sale Shares
"Directors"	the director(s) of the Company
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK Subsidiary"	G A InfoMart Limited (灝域創科集團有限公司), a company incorporated in Hong Kong with limited liability and wholly owned by the Target
"Hong Kong"	the Hong Kong Special Administrative Region of PRC
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and connected persons (as defined under the GEM Listing Rules) of the Company
"NPAT"	the consolidated net profit after tax but before extraordinary and/or exceptional items of the Target Group
"PRC"	The People's Republic of China
"Purchaser"	Rosy Depot Limited (茂匯有限公司), a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company
"Sale Shares"	40 ordinary shares of US$1.00 each in the issued share capital of the Target, representing 40% of the existing issued share capital of the Target, which are held by the Vendor as at the date of the Acquisition Agreement

"Shares"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	Faithful Asia Group Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 95% by the Vendor and 5% by an Independent Third Party
"Target Group"	the Target and the HK Subsidiary
"US$"	United States dollars, the lawful currency of the United States of America
"Vendor"	Mr. Cheng Shing Tak, the beneficial owner of 95% of the issued share capital of the Target as at the date of the Acquisition Agreement
"%"	per cent.

By order of the Board
China Information Technology Development Limited
Hu Zhuoer
Executive Director and Chief Executive Officer

Hong Kong, 20 April 2015

As at the date of this announcement, the Board comprises Mr. Hu Zhuoer (Chief Executive Officer), Mr. Tse Chi Wai, Ms. Wu Jingjing, Mr. Wong Kui Shing, Danny, Mr. Takashi Togo and Mr. Wong Chi Yung as executive Directors; Mr. Ng Kwok Fai, Dr. Sun Guofu and Dr. Chen Shengrong as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement contained in this announcement misleading.

This announcement will be available on the Company's website http://www.chinainfotech.com.hk and will remain on the "Latest Company Announcement" page on the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting.