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CHINA E-INFORMATION TECHNOLOGY GROUP LIMITED

中國網絡信息科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08055)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN TIANJIN MARS TECHNOLOGY CO., LTD.

Financial Adviser to the Company



Crescendo Capital Limited

On 18 December 2020 (after the trading hours of the Stock Exchange), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors for the acquisition of the entire equity interest in the Target at a consideration of RMB5,000,000 (equivalent to approximately HK\$5,900,000), subject to adjustment, which shall be satisfied by the issue of the Promissory Notes. Upon Completion, the Target will be wholly-owned by the Purchaser and its results will be consolidated into the Company's accounts.

As certain applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 19.06 of the GEM Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 10 November 2020 in relation to the entering into of a memorandum of understanding regarding a possible acquisition. The Board is pleased to announce that on 18 December 2020 (after the trading hours of the Stock Exchange), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendors entered into the Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the entire equity interest in the Target, at a consideration of up to RMB5,000,000 (equivalent to approximately HK\$5,900,000). Details of the Acquisition are set out as follows:

THE AGREEMENT

Date

18 December 2020

Parties to the Agreement

Purchaser: 北京華拓教育科技有限公司 (Beijing Hua Tuo Education Technology Company Limited*), a company established under the laws of the PRC and is wholly-owned by the Company.

Vendors:

- (i) 北京亞細亞智業科技有限公司 (Beijing Asia Intelligence Technology Company Limited*), a company established under the laws of the PRC and is principally engaged in software technology development and consultation, computer system integration, software development and wholesale and retail of computer and foreign equipment in the PRC. As at the date of this announcement, Beijing Asia Intelligence holds 99% equity interest in the Target; and
- (ii) Mr. Huang Jiang. As at the date of this announcement, Mr. Huang holds 1% equity interest in the Target.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, Mr. Huang, Beijing Asia Intelligence and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

* *for identification purpose only*

Asset to be acquired

The asset to be acquired under the Agreement is the entire equity interest in the Target.

Consideration

The total consideration shall be RMB5,000,000 (equivalent to approximately HK\$5,900,000), subject to adjustment, which shall be satisfied as follows:

- (i) as to RMB2,500,000 (equivalent to approximately HK\$2,950,000) to be settled by the issue of the Promissory Notes by the Purchaser or its designated company to the Vendors in proportion to their respective shareholding in the Target upon Completion; and
- (ii) as to RMB2,500,000 (equivalent to approximately HK\$2,950,000) to be settled by the issue of the Promissory Notes by the Purchaser or its designated company to the Vendors in proportion to their respective shareholding in the Target within seven (7) Business Days after the issuance of the audit report of the Target for the year ending 31 December 2021 confirming that the aggregate audited net profits of the Target for the years ending 31 December 2020 and 2021 is no less than RMB1,000,000.

In the event that the aggregate audited net profits of the Target for the years ending 31 December 2020 and 2021 is less than RMB1,000,000, the total consideration shall be adjusted downward to RMB2,500,000 and no payments as set out in (ii) above will be made.

The consideration for the Acquisition was determined after arm's length negotiations between the parties to the Agreement, having taking into account (i) the preliminary valuation of the Target as at 31 October 2020 of approximately RMB5,200,000 valued under market approach by Access Partner Professional Services Limited, an independent valuer; and (ii) the future development prospects of the Target.

Conditions precedent

Completion is conditional upon:

- (i) the Board having approved the Agreement and the transactions contemplated thereunder;
- (ii) the following items having been delivered or completed:
 - (a) the business registration of change having been completed;
 - (b) the existing shareholders and directors of the Target having approved the Agreement and the transactions contemplated thereunder; and
 - (c) all corporate documents of the Target, including but not limited to legal, financial and business documents having been delivered to the Purchaser;

- (iii) the Purchaser being satisfied with the due diligence results in respect of, including but not limited to, legal, financial and business of the Target;
- (iv) the Reorganisation having been completed;
- (v) the valuation report having been received by the Purchaser with the valuation of the Target to be valued by an independent valuer being not less than RMB5,000,000;
- (vi) the Target having maintained its business operation and no material adverse changes having occurred as of Completion;
- (vii) the statements and guarantees made by the Vendors and the Target during the period from the date of the Agreement to the date of Completion remaining true, accurate, complete and not misleading in all aspect;
- (viii) all necessary third-party consents or approvals in respect of the Agreement and the transactions contemplated thereunder having been obtained;
- (ix) no laws, regulations or government decisions having been formulated, published, promulgated, enforced or signed which would cause the Agreement and the transactions contemplated thereunder to be illegal, restricted or prohibited;
- (x) the commitments, obligations and agreements under the Agreement having been fulfilled or abided by the Vendors and the Target on or before the date of Completion; and
- (xi) no legal, regulatory or government procedures pending or threatened in writing by any person (save for the Purchaser) that might cause all or part of the transactions contemplated under the Agreement to be prohibited, restricted or hindered, or any events that might cause the transactions contemplated under the Agreement unable to be completed or completion of which would be illegal or have material adverse effect having been existed.

If any of the conditions precedent has not been fulfilled or waived (as the case may be) on or before 31 January 2021 (or such other date as the Purchaser may agree in writing), the Purchaser may terminate the Agreement by sending a written notice to the Vendors.

Completion shall take place within five (5) Business Days after the date of fulfilment (or waiver by the Purchaser in writing) of the conditions precedent.

Promissory Notes

Pursuant to the Agreement, the Purchaser or its designated company will issue to the Vendors the Promissory Notes to satisfy the consideration for the Acquisition. Save for the principal amount, the principal terms of the Promissory Notes are the same and are summarised as follows:

Issuer:	the Purchaser or its designated company
Principal amount:	in aggregate of not more than RMB5,000,000
Interest:	3% per annum
Maturity date:	three (3) years from the date of issue of the Promissory Notes

INFORMATION ON THE TARGET

The Target was established in 2008 under the laws of the PRC. As at the date of this announcement, the Target is directly owned as to 99% by Beijing Asia Intelligence and 1% by Mr. Huang. As at the date of the Agreement, the Target did not have any subsidiary but held 47.7042% equity interest in 寧波梅山保稅港區智路科技投資合夥企業(有限合夥) (Ningbo Meishan Bonded Area Zhilu Technology Investment Partnership (Limited Partnership)*). Before Completion, the Target will undergo the Reorganisation to dispose of all its equity interests in Ningbo Meishan Bonded Area Zhilu Technology Investment Partnership (Limited Partnership).

The Target is principally engaged in the provision of software development, consultation, testing and after-sales services. The Target mainly focuses on the development, testing, sales and provision of after-sales and maintenance services for its self-developed database software and data storage products, which provide customers with one-stop data backup and storage solutions.

Set out below is a summary of the financial information of the Target for the two years ended 31 December 2018 and 31 December 2019, which was extracted from the audit report of the Target for the year ended 31 December 2019 and prepared in accordance with generally accepted accounting principles in the PRC:

* *for identification purpose only*

	For the year ended	
	31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	9,387	17,042
Net profit before taxation	3	14
Net profit after taxation	<u>3</u>	<u>14</u>
		As at
		31 December
		2019
		<i>RMB'000</i>
Net assets		<u>17,735</u>

As advised by management of the Target, the decrease in revenue for the year ended 31 December 2019 was mainly due to the reduction in sales of hardware as the Target shifted its business focus from sales of hardware products with a lower profit margin to software products with a higher profit margin.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of an internet platform for the facilitation of education program in Chinese medicine and other advisory and training programs. The Purchaser, a wholly-owned subsidiary of the Company, is a wholly foreign-owned enterprise established in the PRC principally engaged in the provision of occupational education, industry certification course, skills training and education consultation. Upon Completion, the Target will be wholly-owned by the Purchaser and its results will be consolidated into the Company's accounts.

As disclosed in the annual report of the Company for the year ended 31 December 2019, the Company is looking for opportunities in developing both vertically and horizontally within the Group's existing medical education platform and expanding further into other service networks. The Board considers that the Acquisition provides the Company an opportunity to tap into the database and data storage market and enables the Company to broaden its business scope horizontally. Meanwhile, it is expected that the Acquisition can create strategic synergy with the Group's existing business by sharing business resources and providing customers with integrated internet platform, database and data storage solution services. The Directors also believe that the Acquisition could enhance the revenue and earnings of the Group in the future. Based on the above, the Directors considered that the terms of the Acquisition are fair and reasonable, and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 19.06 of the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the entire equity interest in the Target by the Purchaser in accordance with the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 18 December 2020 entered into among the Purchaser and the Vendors in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Beijing Asia Intelligence”	北京亞細亞智業科技有限公司 (Beijing Asia Intelligence Technology Company Limited*), a company established under the laws of the PRC
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, a Sunday, a Hong Kong public holiday or when Hong Kong Observatory hoists a black rainstorm signal or a tropical cyclone warning signal No. 8 or above) on which licensed banks in Hong Kong are open for general banking business
“Company”	China E-Information Technology Group Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the GEM
“Completion”	the completion of the Acquisition
“connected person(s)”	the meaning ascribed to it under the GEM Listing Rules

* *for identification purpose only*

“Director(s)”	the director(s) of the Company
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Mr. Huang”	Mr. Huang Jiang (黃疆), one of the Vendors
“PRC”	The People’s Republic of China, and for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Promissory Note(s)”	the promissory note(s) to be issued by the Purchaser or its designated company to the Vendors to satisfy the consideration pursuant to the terms and conditions of the Agreement
“Purchaser”	北京華拓教育科技有限公司 (Beijing Hua Tuo Education Technology Company Limited*), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company
“Reorganisation”	the reorganisation of the Target by disposing of its equity interest in 寧波梅山保稅港區智路科技投資合夥企業(有限合夥) (Ningbo Meishan Bonded Area Zhilu Technology Investment Partnership (Limited Partnership)*), upon completion of which the Target shall have no subsidiaries or associated companies
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company

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“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	天津火星科技有限公司 (Tianjin Mars Technology Co., Ltd.*), a company established under the laws of the PRC
“Vendors”	Beijing Asia Intelligence and Mr. Huang
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the exchange rate of RMB1 to HK\$1.18. The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, or may be exchanged at this or any other rate at all.

By Order of the Board
China E-Information Technology Group Limited
Yuan Wei
Executive Director

Hong Kong, 18 December 2020

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Yuan Wei, Ms. Zhang Jianxin, Mr. Zheng Zhijing, Ms. Lin Yan, Ms. Wong Hiu Pui and Mr. Lin Ruiping; and three independent non-executive Directors, namely, Ms. Yang Qingchun, Mr. Tang Jiuda and Ms. Lu Xiaowei.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the 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 remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.irasia.com/listco/hk/chieinfotech/.

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