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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2017

Reference is made to the annual report of China E-Information Technology Group Limited (the “**Company**”) for the year ended 31 December 2017 (the “**Annual Report**”) and the announcements of the Company dated 30 August 2016 and 31 August 2016 (the “**Announcements**”) in relation to the acquisition of 45% equity interest (“**Target Interest**”) in Business Harbour Inc. (“**Business Harbour**”) at the consideration of HK\$50 million (the “**Consideration**”). Unless defined otherwise, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

In addition to the information disclosed in the Annual Report, the board of directors (the “**Board**”) of the Company would like to provide additional information in relation to the Acquisition.

As disclosed in the section headed “Events after the Reporting Period” of the Annual Report, the Group entered into an agreement on 23 March 2018 to sell the Target Interest to the original vendor Happy Leisure Corp. (the “**Vendor**” or “**Happy Leisure**”) which offered to repurchase the Target Interest at the consideration of HK\$38 million and which was satisfied by cash.

THE ACQUISITION AND THE PROFIT GUARANTEE

As disclosed in the Announcements, the Consideration for the Acquisition shall be satisfied as follows:

- (i) HK\$40,000,000 will be settled by the Company's issue of the Consideration Shares upon Completion; and
- (ii) the remaining balance of HK\$10,000,000 (the "**Remaining Balance**") will be settled by cash upon fulfilment of the profit guarantee provided by the Vendor in the Sale and Purchase Agreement.

Pursuant to the Sale and Purchase Agreement, the parties have agreed that:–

- (i) the audited net profit after tax of Business Harbour shall be not less than HK\$0 (the "**Profit Target 1**") for the 12-month period after Completion (the "**Guaranteed Period 1**"); and
- (ii) the audited net profit after tax of Business Harbour shall be not less than HK\$6,000,000 (the "**Profit Target 2**") for the 24-month period after Completion (the "**Guaranteed Period 2**").

In the event that Business Harbour is unable to achieve the Profit Target 1 and/or the Profit Target 2, the Remaining Balance will be reduced by deducting an amount (the "**Deduction**") calculated as follows:–

- (i) For the Profit Target 1:

$$\text{Deduction} = \text{audited loss after tax for Guaranteed Period 1 of Business Harbour} \times 5 \times 45\%$$

- (ii) For the Profit Target 2:

$$\text{Deduction} = (\text{Profit Target 2} - \text{audited profit after tax for Guaranteed Period 2 of Business Harbour}) \times 5 \times 45\%$$

If the audited profit after tax of Business Harbour for Guaranteed Period 2 is negative, it will be counted as zero when applying the above formula. So, if Business Harbour incurs an audited loss after tax for Guaranteed Period 2, the Deduction will be HK\$6,000,000 x 5 x 45%, that is, HK\$13,500,000.

Further, if the amount of Deduction is more than the Remaining Balance, the Vendor shall transfer its shares in Business Harbour to the purchaser Million Forever Limited (the "**Purchaser**" or "**Million Forever**") to satisfy the shortfall. The value attributable to such shares shall be determined in accordance with the business valuation of Business Harbour.

FAILURE TO MEET PROFIT GUARANTEE

The Acquisition was completed on 2 November 2016 and the Consideration Shares were issued to the Vendor's nominees. However, the business performance of Business Harbour after Completion was disappointing and Business Harbour was unable to provide its audited accounts to the Group. According to the unaudited income statements prepared by Business Harbour, it incurred a loss of HK\$500,000 for the period from 1 January 2017 to 30 September 2017 and such loss increased to HK\$800,000 as at 31 December 2017. Therefore, Business Harbour was unable to meet the Profit Target 1.

Further, after the Completion, the Group has faced difficulty in obtaining sufficient documents and information from the Vendor and the management of Business Harbour to keep itself fully informed of Business Harbour's business operation and financial position.

Given the uncooperative attitude of the Vendor and the management of Business Harbour, and in view of the business and financial performance of Business Harbour in the year ended 31 December 2017, the Board considered that it was highly unlikely that Business Harbour could meet the Profit Target 2 and the Board expected that the business and financial performance of Business Harbour would not improve in the foreseeable future. In such circumstances, the Board decided not to exercise the Purchaser's rights under the Sale and Purchase Agreement to acquire further shareholding in Business Harbour from the Vendor.

SUBSEQUENT DISPOSAL OF BUSINESS HARBOUR

To avoid further loss to be caused to the Group, the Board decided to dispose of the Target Interest, but the Board considered that it would be difficult to sell the Target Interest to a third party at the same price which Million Forever bought from Happy Leisure.

Therefore, on 23 March 2018, Million Forever and Happy Leisure signed a share repurchase agreement whereby (i) Happy Leisure shall repurchase the Target Interest from Million Forever at the cash consideration of HK\$38,000,000 (the "**Disposal**"); and (ii) Million Forever shall no longer have any obligation to pay the Remaining Balance to Happy Leisure. The consideration for the Disposal was decided after arm's length negotiations between Million Forever and Happy Leisure. The Disposal was completed in March 2018 and the Group incurred a loss of HK\$2 million as a result, representing the difference between the value of the Consideration Shares at HK\$40 million and the consideration for the Disposal at HK\$38 million. The costs and expenses incurred by the Group related to the Disposal were negligible.

As the applicable percentage ratios calculated under Rule 19.07 of the GEM Listing Rules in respect of the Disposal were less than 5%, the Disposal did not constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules. On the other hand, since after the Completion of the Acquisition, Business Harbour did not become a subsidiary of the Company, Happy Leisure remained an Independent Third Party and the Disposal did not constitute a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

The above additional information does not affect other information contained in the Annual Report and, save as disclosed in this announcement, the remaining contents of the Annual Report remain unchanged.

On behalf of the Board
China E-Information Technology Group Limited
Yuan Wei
Executive Director

Hong Kong, 21 September 2018

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Yuan Wei, Ms. Zhang Jianxin, Mr. Zheng Zhijing, Ms. Lin Yan and Ms. Wong Hiu Pui; 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 in this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page and the website of the Company at www.irasia.com/listco/hk/chieinfotech/ for at least 7 days from the date of its publication.