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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)

PLACING OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

THE PLACING OF CONVERTIBLE BONDS

On 30 July 2019 (after trading hours of the Stock Exchange), the Placing Agreement was entered into between the Company and the Placing Agent, pursuant to which the Company has appointed the Placing Agent to procure altogether not less than six institutional, corporate or individual investors, who and whose ultimate beneficial owners, will be Independent Third Parties, on a best effort basis, to place Convertible Bonds of principal amount up to HK\$187,000,000.

Upon full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.25 per Conversion Share, a total of 748,000,000 Conversion Shares will be allotted and issued, which represent (i) approximately 19.94% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.62% of the issued share capital of the Company as enlarged by the Conversion Shares (assuming there is no other change in the number of issued Shares between the date of this announcement and the full conversion of the Convertible Bonds). The aggregate nominal value of the Conversion Shares will be HK\$74,800,000.

The maximum number of 748,000,000 Conversion Shares, calculated according to the maximum principal amount of the Convertible Bonds and the initial Conversion Price, are to be issued within the limit of 750,259,406 Shares of the unutilized portion of General Mandate granted at the last annual general meeting of the Company.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares.

Assuming all the Convertible Bonds under the Placing Agreement have been placed, the gross proceeds and the net proceeds from the Placing will amount to HK\$187,000,000 and approximately HK\$183,000,000, respectively. It is expected that the net proceeds from the Placing will be applied (i) as the general working capital of the Group; and (ii) for any possible business development and investment of the Group when there arises any appropriate opportunity.

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

Shareholders and potential investors should note that the Placing is subject to the satisfaction of the condition precedent as set out in the section headed “Condition Precedent” and the Placing Agent not having terminated the Placing Agreement in accordance with the terms thereunder. Accordingly, the Placing may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisors.

THE PLACING AGREEMENT

The principal terms of the Placing Agreement are set out below:

Date : 30 July 2019

Parties : The Company as the issuer; and

Grand Cartel Securities Company Limited as the placing agent (“**Placing Agent**”). (each a “**Party**” and collectively, the “**Parties**”)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Subject Matter

The Company has appointed the Placing Agent to place Convertible Bonds of aggregate principal up to HK\$187,000,000 to the Placees on a best efforts basis to not less than six institutional, corporate or individual investors, who and whose ultimate beneficial owners, will be Independent Third Parties and not acting in concert (as defined in the Takeovers Code) with, the Company and its connected persons. It is expected that none of the Placees will become substantial Shareholder (as defined in the GEM Listing Rules) after conversion of the Convertible Bonds placed to the Placees.

Placing Commission

The Placing Agent will receive a placing commission based on 2% of the aggregate issue price of the Convertible Bonds successfully placed to the Placees as procured by the Placing Agent. Such placing commission was arrived at after arm's length negotiation between the Company and the Placing Agent and with reference to the prevailing market condition.

Conditions Precedent

The Completion of the Placing is conditional upon the following conditions being fulfilled on or before the Long Stop Date:

1. the Listing Approval having been obtained and not subsequently revoked prior to Completion;
2. no representation, warranty or undertaking under the Placing Agreement having been breached by the Company or failure to perform by the Company of the obligations hereunder or is otherwise rendered inaccurate, untrue or misleading in any material respect, in each case on or prior to completion of the Placing Agreement; and
3. the Placing Agreement not having been terminated in accordance with its terms.

If the above conditions precedent have not been fulfilled on or before the Long Stop Date, the Placing Agreement shall lapse immediately thereafter and be of no further effect and neither the Company nor the Placing Agent shall have any claim against or liability or obligation to each other under the Placing Agreement save for any rights or obligations which may accrue prior to the date of such termination.

Completion

Subject to the fulfilment of the condition precedent set out in the Placing Agreement, Completion shall take place on the Placing Closing Date. Upon Completion, the Placing Agent shall arrange to pay the aggregate principal of the Convertible Bonds which are placed to the Company.

Termination

The Placing Agreement may be terminated by the Placing Agent without any liability to the Company, by notice in writing given to the Company at any time prior to 9:00 a.m. on the Placing Closing Date upon the occurrence of the following events:

There develops, occurs, or comes into force:

- (i) any breach of any of the representations and warranties set out in the Placing Agreement or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Placing Closing Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any respect or there has been a breach by the Company of any other provision of the Placing Agreement;
- (ii) any event, or series of events, beyond the control of the Placing Agent as would be likely to materially prejudice the consummation of the Placing;
- (iii) any change or development involving an adverse prospective change in local, national or international economic, financial, political or military conditions as would reasonably be likely to adversely prejudice the consummation of the Placing;
- (iv) any new laws or regulations or any change in existing laws or regulations or any change or any adverse prospective change in the interpretation or application of the laws or regulations by any court or other competent authority in any of Hong Kong, the PRC or any other jurisdictions relevant to any member of the Group as would reasonably be likely to prejudice the consummation of the Placing;
- (v) any suspension of dealings in the Shares during the Placing Period for a consecutive period of three (3) Business Days (other than as a result of the Placing);
- (vi) the commencement by any state, governmental, judicial, regulatory or political body or organization of any action against any director of the Company or an announcement by any state, governmental, judicial, regulatory or political body or organization that it intends to take any such action which is likely to be materially and adversely affect the success of the Placing or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed therewith; and

(vii) there is any change or development involving an adverse prospective change (or any event or series of events reasonably likely to result in any change or development involving a prospective change) in the conditions, management, business affairs, prospects, stockholders' equity, profits, losses or the financial or business or trading position or performance of the Group which is material in the context of the Placing,

Principal Terms of the Convertible Bonds

Issuer	:	The Company.
Aggregate principal amount	:	The aggregate principal amount of the Convertible Bond is HK\$187,000,000.00
Issue Price	:	100% of the aggregate principal amounts of the Convertible Bonds actually placed.
Interest	:	The Convertible Bonds shall bear interest from and including the date of issue of the Convertible Bonds to the Maturity Date at the rate of five per cent (5%) per annum payable on a yearly basis.
Transferability of Convertible Bonds	:	The Convertible Bonds may be transferred or assigned in whole or in part by the Bondholders to any party, save and except that the Convertible Bonds shall not be transferred to a connected person of the Company or an associate of such connected person unless the necessary approvals from the independent Shareholders as may be required under the GEM Listing Rules have been obtained and provided that the principal amount to be assigned or transferred is at least HK\$1,000,000.00 and in integral multiples of HK\$1,000,000.00 unless the amount of the outstanding Convertible Bond is less than HK\$1,000,000.00 in which case the whole (but not part only) of that amount may be transferred and assigned.
Maturity Date	:	The date falling on the second (2nd) anniversary of the date of issue of the Convertible Bonds.
Conversion Price	:	HK\$0.25, being the initial conversion price per Conversion Share.

The initial Conversion Price of HK\$0.25 per Conversion Share was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the recent market price of the Shares and represents:

- (i) a premium of approximately 6.38% to the closing price of HK\$0.235 per Share as quoted on the Stock Exchange on 30 July 2019, being the last trading day prior to the date of the Placing Agreement; and
- (ii) a premium of approximately 21.36% to the average closing price of HK\$0.206 per Share as quoted on the Stock Exchange for the last five trading days prior to the date of the Placing Agreement.

Adjustments to Conversion Price :

The Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon occurrence of, among other things, the following events:

- (i) consolidation, subdivision or reclassification of the Shares;
- (ii) capitalization of profits or reserves;
- (iii) capital distribution to the Shareholders (including distributions in cash or specie);
- (iv) rights issues of shares or options over Shares (at less than 80% of the current market price);
- (v) issues of new Shares or other issues of securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the Total Effective Consideration per Share initially receivable for such securities is less than 80% of the current market price, or any modification of rights of conversion which will result in the Total Effective Consideration per Share initially receivable for such securities be reduced to less than 80% of the current market price;
- (vi) issues of new Shares at a price per Share which is less than 80% of the current market price; and

(vii) modification of rights of conversion.

Other major terms in relation to adjustment to Conversion Price

Where, following any corporate actions of the Company, including but not limited to consolidation, reduction or subdivision of Shares, capitalization of profits or reserves, rights issue, or issue of convertible securities, warrants or options carrying the right to subscribe for the Shares, results in an adjustment to the Conversion Price in accordance with the terms of the Convertible Bond, and as a result, the number of the Conversion Shares to be issued would exceed the maximum limit on the allotment and issue of Shares under the General Mandate, the Company shall be entitled to give notice thereof to the Bondholder to satisfy any exercise of the Conversion Rights in excess of the maximum limit on the allotment and issue of the Shares under the General Mandate to which the Bondholder would have been entitled (the “**Excess Conversion Rights**”) upon exercise of the Conversion Rights in cash (the “**Cash Payment**”) by reference to the closing price of the Shares on the trading day immediately preceding the date of the relevant conversion notice, and the Bondholder shall accept the Cash Payment as full settlement of the Excess Conversion Rights.

Number of Conversion Shares :

Assuming the conversion rights attaching to the Convertible Bonds have been exercised in full at the initial Conversion Price of HK\$0.25 per Conversion Share, a maximum of 748,000,000 Conversion Shares will be issued, representing approximately 19.94% of the issued share capital of the Company as at the date of this announcement; and approximately 16.62% of the issued share capital of the Company as enlarged by the Conversion Shares (assuming there is no other change in the number of issued Shares between the date of this announcement and the full conversion of the Convertible Bonds).

Early redemption by the Company :

The Company may request to redeem at any time before or upon the Maturity Date at 100% of all or any part of the principal amount of the Convertible Bond in respect of which the Conversion Rights have not been exercised.

Redemption on Maturity :

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bonds on the Maturity Date at price equal to 100% of the principal amounts of the Convertible Bonds to be redeemed together with accrued interests.

- Redemption on Event of Default** : If the Company fails to rectify an event of default specified under the instrument of the Convertible Bonds and a written notice is served by the Majority Bondholders to the Company that the Convertible Bonds held by all Bondholders are immediately due and payable at its principal amount then outstanding together with any accrued and unpaid interest under the terms and conditions of the Convertible Bonds calculated up to and excluding the date of payment.
- Restriction on conversion** : The Bondholder cannot exercise the conversion right attaching the whole or part of any outstanding principal amount of Convertible Bonds if the exercise of such conversion right will result in
- (i) triggering a mandatory offer obligation under the Takeovers Code on the part of the Bondholder which exercised the conversion rights attaching to any principal amount of Convertible Bonds; or
 - (ii) less than 25% of the then total number of issued Shares are being held in public hands.
- Ranking of the Convertible Bonds** : The Convertible Bonds constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and ratably without preference (with the exception of obligations accorded preference by mandatory provisions of applicable law) equally with all other present/ or future unsecured and unsubordinated obligations of the Company.
- Ranking of the Conversion Shares** : The Conversion Shares, when allotted and issued, will rank pari passu in all respects with the Shares in issue as at the Conversion date.
- Voting** : A Bondholder will not be entitled to attend or vote at any meetings of the Company by reason only of it being the Convertible Bondholder.

APPLICATION FOR LISTING

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

GENERAL MANDATE

At the annual general meeting of the Company held on 26 June 2019, a general mandate was granted to the Directors by the Shareholders pursuant to an ordinary resolution to exercise the powers of the Company to allot, issue and deal with up to 750,259,406 Shares, being 20% of the aggregate number of the Share in issue as at the date of the passing of such resolution. The unutilized portion of the General Mandate amounts to 750,259,406 Shares as at the date of this announcement. The Conversion Shares, being a maximum of 748,000,000 Shares to be allotted and issued upon the exercise in full of the conversion rights attaching to the Convertible Bonds based on the initial Conversion Price, will be issued under the unutilized portion of the General Mandate. Accordingly, the issue of the Convertible Bonds is not subject to the approval of the Shareholders.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the Company's shareholding structure (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares at the initial Conversion Price upon exercise of the conversion rights in full under the Convertible Bonds (assuming the Convertible Bonds are placed at the aggregate principal amount of HK\$187,000,000 to independent third party placees, no further Shares will be issued or repurchased from the date of this announcement to the date of the full conversion of the Convertible Bond).

Shareholders	Shareholding as at the date of this announcement		Shareholding immediately after the issue of the Conversion Shares upon full exercise of the Convertible Bonds	
	Number of Shares	%	Number of Shares	%
<i>Directors</i>				
Ms. Lin Yan	126,000,000	3.36	126,000,000	2.8
Ms. Wong Hiu Pui	120,000	0.003	120,000	0.003
Ms. Yang Qingchun	536,000	0.01	536,000	0.01
Ms. Lu Xiaowei	1,000,000	0.03	1,000,000	0.02
<i>Substantial Shareholder</i>				
China Shipbuilding Capital Limited	524,952,000	13.99	524,952,000	11.67
<i>Public Shareholders</i>				
– Placees	–	–	748,000,000	16.62
– Others	3,098,689,033	82.60	3,098,689,033	68.87
Total	3,751,297,033	100	4,499,297,033	100

REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE BONDS AND USE OF NET PROCEEDS

The Company is an investment holding company. 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. Through the Placing, the Company intends to strengthen its financial position, as well as broadening the Company's capital base so as to facilitate business operations and future development of the Group as a whole.

Assuming all the Convertible Bonds under the Placing Agreement have been placed, the gross proceeds and net proceeds of the Placing will amount to HK\$187,000,000 and approximately HK\$183,000,000, after deducting commission and other related expenses of Placing. The Directors consider that the Placing represents an opportunity for the Company to raise additional funds for business development and to broaden shareholders base of the Company. The Company intends to apply the net proceeds (i) as the general working capital of the Group; (ii) for the development and expansion of the Group's existing businesses, especially the business of the Company's subsidiary Sinzhongyi Consultancy PTE. Ltd. for its establishment of a Chinese medicine health center and training center in Singapore; and (iii) for any possible business development and investment of the Group when there arises any appropriate opportunity.

The Directors are currently in negotiation with an Independent Third Party for a potential acquisition of certain equity interest in a company incorporated in the PRC which is principally engaged in the provision of intelligent interactive robot solutions targeting industrial applications, perceptual artificial intelligence technology solutions, intelligent solid robots and other technologies and products, as well as related ancillary services such as system integration, transfer learning and secondary training. As at the date of this announcement, the negotiation is still at an initial stage. There has been no legally binding agreement entered into by the Group for the aforesaid potential acquisition and no material terms have been agreed upon between the relevant parties. The Company will issue announcement(s) to provide an update on the aforesaid potential acquisition in accordance with the GEM Listing Rules as and when appropriate.

In view of the above, the Directors consider that the terms of the Placing Agreement (including the terms of the Convertible Bonds) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and that the Placing Agreement was entered into on normal commercial terms after arm's length negotiations between the parties thereto.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund-raising activity in the twelve months immediately before the date of this announcement.

DEFINITIONS

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

“Board”	:	the board of Directors
“Bondholder(s)”	:	a holder or a group of holders of the Convertible Bonds
“Business Day”	:	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Company”	:	China E-Information Technology Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Completion”	:	completion of the issue of the Convertible Bonds to the Placees by the Company under the Placing Agreement
“connected persons”	:	has the meaning ascribed thereto under the GEM Listing Rules
“Conversion Price”	:	conversion price per Conversion Share, initially set as HK\$0.25, subject to adjustments
“Conversion Share(s)”	:	the 748,000,000 new Shares which may fall to be allotted and issued upon exercise of the Convertible Bonds by the Bondholders at a Conversion Price initially set as HK\$0.25
“Convertible Bonds”	:	the convertible bonds in the aggregate principal amount of HK\$187,000,000 bearing interest of 5% per annum to be issued by the Company under the Placing Agreement
“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 GEM
“General Mandate”	:	the general mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 26 June 2019 to allot, issue and deal with up to 750,259,406 new Shares
“Group”	:	the Company and its subsidiaries and the expression “member of the Group” shall be construed accordingly
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	:	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	:	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected person(s)
“Listing Approval”	:	the written confirmation issued by the Stock Exchange granting the listing and permission to deal in the Conversion Shares and, where such approval is subject to conditions, such conditions are reasonably acceptable to the Company and the Placing Agent
“Long Stop Date”	:	20 August 2019, or such later date as the Placing Agent and the Company may agree
“Majority Bondholder(s)”	:	a holder or a group of Bondholders of Convertible Bonds in aggregate holding not less than 50% of the outstanding principal amount of the Convertible Bonds for the time being
“Places”	:	the places of the Convertible Bonds

- “Placing”** : the offer for subscription by way of a private placing of the Convertible Bonds by or on behalf of the Placing Agent (by itself or through its affiliate(s) or sub-placing agents) on a best effort basis, to selected Placees on the terms and subject to the conditions set out in the Placing Agreement
- “Placing Closing Date”** : the date which is the fifth Business Day immediately after the date on which all conditions precedent are fulfilled, or such other time and/or date as the Company and the Placing Agent may agree in writing
- “PRC”** : the People’s Republic of China
- “Shares”** : the fully paid ordinary share of HK\$0.10 each in the issued capital of the Company
- “Shareholder(s)”** : the holder(s) of the Shares
- “Stock Exchange”** : The Stock Exchange of Hong Kong Limited
- “Takeovers Code”** : the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong as amended, supplemented or otherwise modified from time to time
- “Total Effective Consideration”** : the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange or the exercise of such subscription rights
- “%”** : per cent

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

Hong Kong, 30 July 2019

As at the date of this report, 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.