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GTI HOLDINGS LIMITED

共享集團有限公司

(a company incorporated in the Cayman Islands with limited liability)

(Stock Code: 3344)

MAJOR AND CONNECTED TRANSACTION

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

THE ACQUISITION

The Board is pleased to announce that on 18 October 2019 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the MOU with the Vendor, the Guarantor and the Company, pursuant to which the Vendor has conditionally agree to sell and the Purchaser has conditionally agreed to purchase, the Sale Shares at the aggregate Consideration of HK\$150,000,000.

The Consideration shall be satisfied by the issue of the Convertible Bonds to the Vendor or its nominee.

The Convertible Bonds carry the right to convert into the Conversion Shares at the Conversion Price of HK\$0.12 per Conversion Share (subject to adjustment). Assuming the Conversion Rights are exercised in full at the Conversion Price, 1,250,000,000 new Shares, being the Conversion Shares, will fall to be allotted and issued to the Vendor or its nominee, representing approximately 19.84% of the issued share capital of the Company as at the date of this announcement and approximately 16.56% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) for the Acquisition exceeds 25% but less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendor is ultimately wholly owned by Mr. Huang. Therefore, the Vendor is an associate of Mr. Huang and a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the issue of the Convertible Bonds constitute connected transactions of the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the EGM.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve the MOU (or the formal agreement, if any), the transactions contemplated thereunder and the issuance of the Convertible Bonds under the Specific Mandate.

A circular containing, amongst other things, (i) further information of the Acquisition; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the MOU (or the formal agreement, if any) and issue of the Convertible Bonds; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the MOU (or the formal agreement, if any) and the issue of the Convertible Bonds; and (iv) details of the Specific Mandate together with notice of the EGM, is expected to be despatched to the Shareholders on or before 29 February 2020, as the Company requires more time to finalize the detailed terms of the Acquisition and prepare the relevant information to be included in the circular.

THE ACQUISITION

The Board is pleased to announce that on 18 October 2019 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the MOU with the Vendor, the Guarantor and the Company, pursuant to which the Vendor has conditionally agree to sell and the Purchaser has conditionally agreed to purchase, the Target Company at the Consideration.

THE MOU

The principal terms of the MOU are summarized as follows:

Date: 18 October 2019

Parties: Vendor: Asian Capital Partners Group Company Limited, a private company limited by shares and incorporated in Hong Kong

As at the date of this announcement, the Vendor is ultimately wholly-owned by Mr. Huang. Therefore, the Vendor is an associate of Mr. Huang and a connected person of the Company under the Listing Rules.

Purchaser: Chinakey Dignity Holdings Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company

Guarantor: Mr. Huang, a businessman

Issuer: the Company

ASSETS TO BE ACQUIRED

Pursuant to the MOU, the Purchaser has conditionally agreed to acquire the Sale Shares (representing the entire issued share capital of the Target Company) from the Vendor.

The Vendor is now in the course of arranging the assignment of the Target Assets to the Target Company. The Target Assets comprise the accounts receivables, in an aggregate amount of approximately HK\$500 million together with the security rights over any relevant pledged assets including but not limited to, certain loans made by the Vendor and CITIC International Assets Management Limited to CITIC Merchant Co., Limited and CITIC Carbon Assets Management Limited.

There is no restriction on the subsequent disposal of the Sale Shares.

The Company shall pay an amount equivalent to 50% of the excess portion of the accounts receivables if the accounts receivables actually received by the Company is higher than the Consideration i.e. HK\$150 million.

CONSIDERATION

The Consideration shall be settled by the Purchaser by the issue of the Convertible Bonds with the principal amount of HK\$150 million at the Conversion Price of HK\$0.12 (subject to adjustment) by the Company to the Vendor or its nominee upon Completion.

Conversion Price

The Conversion Price of HK\$0.12 per Conversion Shares, representing:

- (a) a discount of approximately 11.76% of the closing price of HK\$0.136 per Share quoted on the Stock Exchange on Last Trading Date; and
- (b) a discount of approximately 10.45% of the average closing price of HK\$0.134 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Date.

The Convertible Bonds carry the right to convert into the Conversion Shares at the Conversion Price of HK\$0.12 per Conversion Share (subject to adjustment). Assuming the Conversion Rights are exercised in full at the Conversion Price, 1,250,000,000 new Shares, being the Conversion Shares, will fall to be allotted and issued to the Vendor or its nominee, representing approximately 19.84% of the issued share capital of the Company as at the date of this announcement and approximately 16.56% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM.

Basis of Consideration and Conversion Price

The Consideration and the Conversion Price were determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to (i) the Target Assets to be assigned to the Target Company; and (ii) the prevailing market price of the Shares. Accordingly, the Board (excluding the independent non-executive Directors whose view will be provided after taking into account the opinion and advice from the Independent Financial Adviser) considers that the Consideration, the Conversion Price and the terms and conditions of the MOU are fair and reasonable and are in the interest of the Company and its Shareholders as a whole. The Board will express their views on the terms of the Convertible Bonds after the same is finalized.

CONVERTIBLE BONDS

Principal terms of the Convertible Bonds

The parties are still negotiating the terms of the Convertible Bonds. The Company will publish further announcement once the terms of the Convertible Bonds are agreed.

APPLICATION OF LISTING

No listing of the Convertible Bonds will be sought from the Stock Exchange or any other stock exchange.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Bonds.

CONDITIONS PRECEDENT

Completion is subject to the fulfillment of, inter alia, the following Conditions:

- (a) completion of the due diligence review over each member of the Target Group and the Target Assets and the result of which shall be to the reasonable satisfaction of the Purchaser and the Company;
- (b) the reorganisation of the Target Group has completed within 45 days of the date of MOU or other date as the parties to the MOU may agree;
- (c) all compliance requirements as required under the Listing Rules and/or requested by the Stock Exchange relating to the Acquisition and the transactions contemplated thereunder having been duly complied with by the Company;
- (d) the Listing Committee of the Stock Exchange has granted the listing of, and permission to deal in, the Conversion Shares;
- (e) the Company has obtained the Independent Shareholders' approval in relation to the MOU and the transactions contemplated thereunder including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares at the EGM;
- (f) the winding up petition against the Company has been rescinded or rejected or the petitioner undertakes to rescind the winding up petition against the Company; and
- (g) the management of Target Company has not done any act which may result material adverse change on the business, assets, properties, financial condition, operation and prospect of Target Company before and at the Completion Date;

The parties to the MOU will also negotiate and enter into a formal agreement in respect of the Acquisition. Further announcement will be made if such formal agreement is entered into.

COMPLETION

Completion shall take place after fulfilment/satisfaction and/or waiver (as the case may be) of the Conditions Precedent.

Upon Completion, the Target Company will become the indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

INFORMATION OF THE GROUP AND THE PURCHASER

The Company is an investment holding company with its subsidiaries engaged in the following three operating segments, namely (i) production, sale and trading of textile products, (ii) trading of petroleum, and (iii) provision of financial services, and others, and (iv) RMB banknotes clearing up services.

As at the date of this Announcement, the Purchaser is a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company, which is principally engaged in, among other things, investment holding.

INFORMATION OF THE VENDOR AND THE TARGET COMPANY

To the best knowledge and belief of the Company, the Vendor is principally engaged in investment holding.

As advised by the Vendor, the Target Company is a company incorporated in the BVI with limited liability and direct wholly owned by Mr. Huang, which is principally engaged in, among other things, investment holding.

To the best knowledge of the Directors, the original cost of the Target Assets paid by Mr. Huang was in general equivalent to the amount of accounts receivables.

Financial Information of the Target Company

As at the date of the MOU and this announcement, the Company was not yet able to obtain sufficient books and records and hence does not have the financial information of the Target Company at this stage. It is also anticipated that the reorganization of the Target Group may also affect its financial position. After entering into the MOU, the Company will conduct due diligence on the Target Company and will be able to obtain more financial information.

The Vendor is now in the course of arranging the assignment of the Target Assets to the Target Company.

The Company will publish further announcement once the financial information of the Target Group required to be disclosed under the Listing Rules is available.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 6,298,816,169 Shares in issue. Assuming there are no other changes to the issued share capital of the Company, set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately following the Completion and assuming full conversion of the Convertible Bonds into Conversion Shares:

	As at the date of this announcement		Immediately following the Completion and assuming full conversion of the Convertible Bonds into Conversion Shares	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Substantial Shareholder				
Gold Train Investments Limited (“Gold Train”)(note 1)	3,242,204,000	51.47	3,242,204,000	42.95
Wong Hiu Hung (“Ms. Wong”)(note 2)	4,000,000	0.06	4,000,000	0.05
Vendor or its nominee	–	–	1,250,000,000	16.56
Other public Shareholders	<u>3,052,612,169</u>	<u>48.47</u>	<u>3,052,612,169</u>	<u>40.44</u>
	<u>6,298,816,169</u>	<u>100.00</u>	<u>7,548,816,169</u>	<u>100.00</u>

Notes:

- (1) Gold Train is a company incorporated in the BVI which is wholly-owned by Mr. Poon Sum (“Mr. Poon”), who is an executive Director and the Chairman of the Board.
- (2) Ms. Wong, the spouse of Mr. Poon, held 4,000,000 Shares. Gold Train (a company wholly and beneficially owned by Mr. Poon) held 3,242,204,000 Shares. As a result, Mr. Poon was deemed to be interested in an aggregate of 3,246,204,000 Shares by virtue of the Securities and Futures Ordinance.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group are looking for suitable investment opportunities from time to time to strengthen its existing business and explore further business development.

The Acquisition enables the Group to have a good business opportunity to develop a new type of business.

As the Consideration is fully satisfied through the issue of the Convertible Bonds, the Company will not face any immediate significant cashflow burden, and hence can utilise its existing financial resources on the general working capital of the Group or other investment opportunities, if appropriate. The Group may be able to achieve a profit if it turns out the accounts receivables actually received by the Group is higher than the Consideration.

The Directors, excluding (i) Mr. Huang, who had abstained from voting on the relevant resolutions at the board meeting and will be abstained from voting on the relevant resolutions at the EGM; and (ii) the independent non-executive Directors whose view will be provided after taking into account the opinion and advice from the Independent Financial Adviser, consider that the terms of the MOU, are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

During the past 12 months immediately preceding the date of this announcement, the Company has conducted the following equity fund raising activities:

Date of announcement	Event	Net Proceeds (approximately)	Intended use of proceed	Actual use of proceeds
8 February 2019	Issue of settlement shares	HK\$40,000,000	Settlement of a loan due by a subsidiary of the Company to an independent third party lender	Settlement of a loan due by a subsidiary of the Company to an independent third party lender
15 February 2019	Placing agreement	HK\$63,720,000	Used as the general working capital, for repayment of liabilities of the Group and/or for future investment opportunities and business development.	Used as the general working capital, for repayment of liabilities of the Group and/or for future investment opportunities and business development.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) for the Acquisition exceeds 25% but less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendor is ultimately wholly owned by Mr. Huang. Therefore, the Vendor is an associate of Mr. Huang and a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the issue of the Convertible Bonds constitute connected transactions of the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the EGM.

The Vendor, Mr. Huang and their respective associates are required to abstain from voting on the resolutions in respect of the Acquisition and issue of the Convertible Bonds at the EGM. Mr. Huang has also abstained from voting on the resolutions passed by the Board to approve the MOU and the transactions contemplated thereunder. To the best of the Directors' information, belief and knowledge, save for the Vendor, Mr. Huang and their respective associates, no other Shareholders have any material interest in the Acquisition and the grant of the Specific Mandate.

GENERAL

An Independent Board Committee will be established to make recommendation to the Independent Shareholders regarding the MOU (or the formal agreement, if any) and the transactions contemplated thereunder, including the issue of the Convertible Bonds. Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the MOU (or the formal agreement, if any) and the transactions contemplated thereunder.

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve the MOU (or the formal agreement, if any), the transactions contemplated thereunder and the issuance of the Convertible Bonds under the Specific Mandate.

A circular containing, amongst other things, (i) further information of the Acquisition; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the MOU (or the formal agreement, if any) and issue of the Convertible Bonds; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the MOU (or the formal agreement, if any) and the issue of the Convertible Bonds; and (iv) details of the Specific Mandate together with notice of the EGM, is expected to be despatched to the Shareholders on or before 29 February 2020, as the Company requires more time to finalize the detailed terms of the Acquisition and prepare the relevant information to be included in the circular.

Completion is subject to the fulfillment of the Conditions set out in the MOU and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context requires otherwise, the capitalised terms used in this announcement shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares, representing the entire equity interest in the Target Company
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Bondholder(s)”	the holder of the Convertible Bonds
“Business Day”	a day (excluding Saturday or Sunday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted or a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong and PRC are generally open for business
“BVI”	the British Virgin Islands
“Company”	GTI Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange (stock code: 3344)
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the MOU
“Completion Date”	the date on which Completion take place after the fulfilment (or waiver, as the case may be) of the last of the Conditions (or such other date as the parties of MOU shall agree in writing)
“Condition(s)”	the conditions precedent of the MOU as set out in the section headed “Conditions Precedent” in this announcement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the conversion price of HK\$0.12 per Conversion Share
“Conversion Rights”	the conversion rights attaching to the Convertible Bonds to convert the principal amount or any portion thereof into Conversion Shares
“Conversion Shares”	the 1,250,000,000 new Shares which may fall to be allotted and issued to the Vendor at the Conversion Price, credited as fully paid, upon full exercise of the Conversion Rights by the Vendor
“Convertible Bonds”	convertible bonds in the aggregate principal amount of HK\$150 million to be issued by the Company, pursuant to the MOU for the purpose of settlement of the Consideration
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the MOU and the transactions contemplated thereunder

“Formal Agreement”	the formal sale and purchase agreement which may or may not be entered into in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolutions approving the MOU and the transactions contemplated thereunder and the issue of the Convertible Bonds under the Specific Mandate
“Independent Third Parties”	persons or companies which are independent of and not connected with any of the directors, chief executive and substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries and their respective associates (as defined under the Listing Rules), and the term “Independent Third Party” shall be construed accordingly
“Last Trading Date”	18 October 2019, being the last trading day immediately before the entering into the MOU
“Listing Committee”	has the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the legally binding memorandum of understanding dated 18 October 2019 entered into among the Purchaser, the Vendor, Mr. Huang and the Company setting out preliminary understanding in relation to the Acquisition
“Mr. Huang”	Mr. Huang Bin, an executive Director of the Company and the sole beneficial owner of the Vendor
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Chinakey Dignity Holdings Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company

“Sale Shares”	100 issued shares of the Target Company representing the entire equity interest in the Target Company
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Specific Mandate”	the specific mandate for the allotment and issuance of the Conversion Shares to be granted to the Directors by the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Assets”	the accounts receivables in the aggregate amount of about HK\$500 million, together with any security rights over any relevant pledged assets
“Target Company”	Gold Bricks Holdings Limited, a company incorporated in BVI with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Asian Capital Partners Group Company Limited, a company incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

* *English names are transliteration of the Chinese names adopted for reference only.*

By Order of the Board
GTI Holdings Limited
Ng Kwok Hung Perry
Executive Director

Hong Kong, 21 October 2019

As at the date of this announcement, the Board comprises (i) Mr. Poon Sum (Chairman), Mr. Ng Kwok Hung Perry, Mr. Hao Xiangbin and Mr. Huang Bin as executive Directors; (ii) Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu as independent non-executive Directors.