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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)

(in provisional liquidation for the purpose of restructuring)

(Stock Code: 3344)

DISCLOSEABLE TRANSACTION ACQUISITION OF 66% EQUITY INTERESTS IN TITOK INVESTMENT LIMITED

THE ACQUISITION

The Board is pleased to announce that the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor on 7 July 2020 (after trading hours), pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares for a consideration of HK\$12,716,559 in accordance with the terms and conditions of the Acquisition Agreement.

LISTING RULES IMPLICATION

As the applicable percentage ratios for the transaction under the Acquisition Agreement are more than 5% but less than 25%, the Acquisition Agreement and the transactions contemplated thereunder constitute a discloseable transaction on the part of the Company under Rule 14.07 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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THE ACQUISITION AGREEMENT

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

Date: 7 July 2020

Parties: The Purchaser; and
the Vendor

The Vendor is a Hong Kong citizen and a businessmen, holding of the entire issued share capital of the Target Company as at the date of the Acquisition Agreement. To the best of the information, knowledge and belief of the Directors, the Vendor is an Independent Third Party.

Acquisition of the Sale Shares

Pursuant to the Acquisition Agreement, the Vendor has agreed to sell the Sale Shares, being 6,666 shares of the Target Company (representing 66% of the entire issued share capital of the Target Company), and the Purchaser has agreed to purchase the Sale Shares.

Consideration

The Consideration is HK\$12,716,559. The Consideration will be satisfied by the Purchaser by procuring the Company to issue the Promissory Note to the Vendor upon completion.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among others, (i) the business development opportunity and prospects of the Target Company and the Subsidiary; and (ii) the consolidated net asset value of the Target Company and the Subsidiary (assuming the Reorganisation is completed) as at 30 June 2020 of approximately RMB17.59 million (equivalent to approximately HK\$19.27 million).

The Promissory Note

To settle the Consideration, the Purchaser shall procure the Company to issue the Promissory Note in the principal amount of HK\$12,716,559 to the Vendor. The principal terms of the Promissory Note are as follows:

Principal amount:	HK\$12,716,559
Interest:	The Promissory Note bears an interest at the rate of 2% per annum.
Maturity:	24 months from the date of issue
Early repayment:	The Company may at any time prior to the maturity date, repay the entire Promissory Note or any part of it to the holder(s) thereof of the outstanding principal amount thereof, by giving not less than two (2) business days written notice. The holder(s) of the Promissory Note shall not have any early redemption right.

Moreover, so far as the principal amount under the Promissory Note or any part thereof remains outstanding, the Company may at its absolute discretion by way of written notice to the payee requests for settlement of the outstanding amount by way of allotment and issue of new Shares at the price of HK\$0.01 per Share (“**Proposed Issue Price**”). For the avoidance of doubt, such settlement by way of allotment and issue of new Shares shall be at the sole discretion of the Company and shall be subject to compliance with the Listing Rules and any other applicable law, rules and regulations by the Company and the holder(s) of the Promissory Note.

The Proposed Issue Price is:

- (i) the same as the closing price of HK\$0.01 per Share as quoted on the Stock Exchange on the date of signing of the Acquisition Agreement; and
- (ii) the same as the average closing price of HK\$0.01 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of signing of the Acquisition Agreement.

The Proposed Issue Price was determined after arm's length negotiations between the Purchaser and the Vendor, with reference to the prevailing market performance of the Shares at the time of the signing of the Acquisition Agreement.

Security:

The obligations of the Company under the Promissory Note are secured by the Share Charge to be created by the Purchaser in favour of the Vendor, pursuant to which the Purchaser shall create a first fixed charge in favour of Vendor over the Sale Shares, until the performance and discharge of the Company's obligations under the Promissory Note in full. Pursuant to the Share Charge, the Vendor's sole recourse with respect to the Company's obligations under the Promissory Note shall be against the Sale Shares. Upon enforcement of the Share Charge, if the proceeds received by the Vendor are insufficient to discharge the Company's repayment obligations in full, the Vendor waives its right to cover any such shortfall from the Company or the Purchaser in respect of such deficiency.

Transability:

The Promissory Note may with two (2) business days' prior notice in writing to the Company be freely transferable and assignable by the Vendor to any other person (other than the connected persons of the Company and their respective associates, unless with the prior written consent of the Company and subject to the compliance with the Listing Rules).

Conditions Precedent

Completion is subject to and conditional upon the satisfaction (or if applicable, waiver) of the following conditions:

- (a) the Purchaser being satisfied with the result of the due diligence investigation in respect of the Target Company and the Subsidiary, including but not limited to the financial affairs, businesses, assets, liabilities, legal of the Target Company and the Subsidiary and the Purchaser being in its absolute discretion satisfied with the results of such due diligence investigation;
- (b) the Purchaser being satisfied that there have not been any events or changes which individually or collectively have or reasonably expected to have a material adverse effect on the overall business, condition (financial or otherwise), operating results and assets in respect of the Target Company and the Subsidiary since the date of the Acquisition Agreement;
- (c) the Reorganisation having been completed and the Vendor having provided to the Purchaser such supporting documents or legal opinion to prove the completion and validity of the Reorganisation to the satisfaction of the Purchaser;
- (d) the warranties provided by the Vendor in the Acquisition Agreement remaining true and accurate and not misleading at completion as if repeated at completion date and at all times between the date of the Acquisition Agreement and completion date;
- (e) all necessary approvals, consents, licences and/or permits of the Stock Exchange and other regulatory authority (where required) on the part of the Vendor, the Purchaser and the Target Company in relation to the transaction contemplated under the Acquisition Agreement, having been obtained;
- (f) the Company having obtained the consent and approval from the joint provisional liquidators of the Company appointed by the Grand Court of the Cayman Islands on 28 May 2020 in respect of the Acquisition Agreement and the transaction contemplated thereunder; and
- (g) all necessary approvals, consents, licences and/or permits of the Grand Court of the Cayman Islands, the Hong Kong Court, the Stock Exchange and other regulatory authority (where required) on the part of the Company in relation to the transaction contemplated under the Acquisition Agreement, having been obtained.

The Purchaser may, in its absolute discretion, waive all or any of the conditions (a), (b) and (d) set out above at any time by notice in writing to the Vendor. All other conditions precedent are incapable of being waived.

Pursuant to the Acquisition Agreement, if any of the conditions precedent above is not being fulfilled or waived by the Purchaser in full by 5:00 p.m. on 31 December 2020 (or such other time and date as may be agreed between the Purchaser and the Vendor in writing), the Acquisition Agreement shall cease and determine.

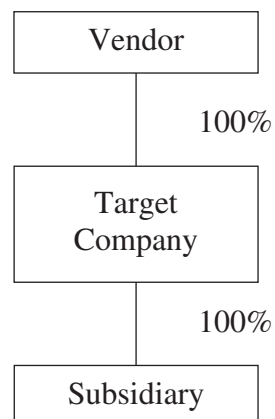
As at the date of this announcement, none of the conditions precedent has been fulfilled or waived (as the case maybe.)

Completion

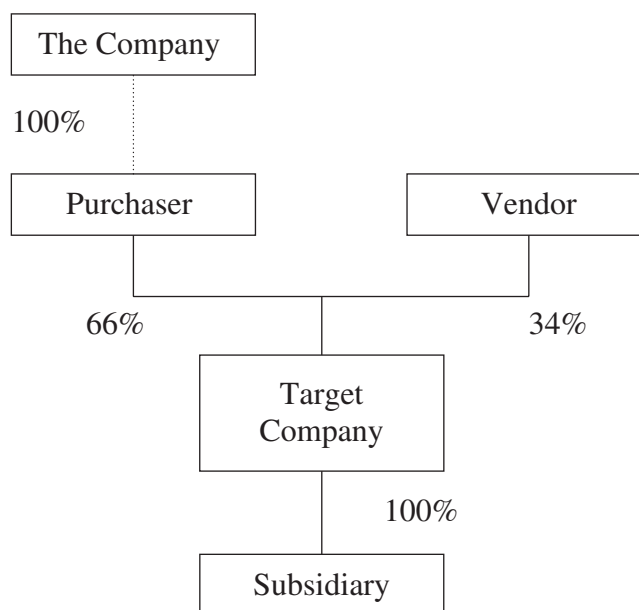
Completion for the Acquisition shall take place on the third business day (or such other date as the parties thereto may agree) after the date on which the conditions precedent specified in the Acquisition Agreement are fulfilled or, as the case may be, waived by the Purchaser.

Upon the completion of the Acquisition, the Target Company will become an indirect 66% owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the accounts of the Company. The remaining 34% of the issued share capital of the Target Company will be held by the Vendor.

Set out below is the structure of the Target Group immediately prior to completion:



Set out below is the structure of the Target Group immediately after completion:



INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong with limited liability and is engaged in investment holding. As at the date of this announcement, the Target Company is legally and beneficially wholly-owned by the Vendor. Upon completion of the Reorganisation, the Target Company will hold the entire equity interest of the Subsidiary, 珠海遠望騰達發展有限公司 (Zhonghai Yuan Wang Tang Da Development Company Limited[#]), which is a company established in the PRC with limited liability and is principally engaged in the operation of production and sales of surgical masks in the PRC.

The Target Company was newly incorporated on 10 June 2020 to hold the Subsidiary and has no profit or loss during the year ended 31 December 2019 and the net asset value as at 30 June 2020 is approximately HK\$19,270,000.

The Subsidiary was established in 2016 but since then was remained dormant and has just commenced operation after 31 December 2019. Set out below is a summary of the unaudited financial information of the Subsidiary, prepared in accordance with the generally accepted accounting principles in the PRC, for the six months ended 30 June 2020:

	For the six months ended 30 June 2020 <i>(unaudited)</i> <i>(RMB'000)</i>
Profit/(Loss) before taxation	(10) (equivalent to approximately HK\$(11,000))
Profit/(Loss) after taxation	(10) (equivalent to approximately HK\$(11,000))

The unaudited net liability value of the Subsidiary as at 30 June 2020 was approximately RMB0.01 million (equivalent to approximately HK\$0.01 million).

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding. The Group is principally engaged in production, sale and trading of textile products, trading of petroleum, provision of services for oil industry and provision of financial services.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Whilst remaining focused on developing its existing businesses, the Group has been seeking business development and investment opportunities from time to time in order to diversify its business and enhance the long-term growth potential of the Group. The Acquisition, will extend the Group's textile industry into the surgical mask production business and will enrich the Group's business profile. In light of the latest market development and surging demand for personal protective equipment against diseases outbreak, the Company considers such investment would have great prospect.

Moreover, as previously announced by the Company, the Company has certain liabilities that have fallen due and is facing legal actions for the repayment of debts. The cash flow expected to be generated from the Target Group will help to improve the cash position and the financial situation of the Group and hence lower the litigation risks in future.

In consideration of the above, the Directors are of the view that the terms of the Acquisition Agreement are fair and reasonable and the Acquisition is in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares in the Target Company by the Purchaser from the Vendor in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the Conditional acquisition agreement dated 7 July 2020 and entered into between the Purchaser and the Vendor in relation to the Acquisition
“Board”	the board of Directors
“Company”	GTI Holdings Limited, a company incorporated in Hong Kong with limited liability whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 3344)
“Consideration”	HK\$12,716,559, being the consideration for the Sale Shares
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“Purchaser”	Profit Earn Development Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Reorganisation”	a corporate reorganisation implemented or to be implemented by the Target Company such that upon completion of such reorganisation, the Target Company shall hold the entire equity interest of the Subsidiary
“Sale Shares”	6,666 ordinary shares in the capital of the Target Company held by the Vendor, representing 66% of the entire issued share capital of the Target Company
“Share(s)”	the ordinary shares of HK\$0.01 each in the share capital of the Company
“Share Charge”	the deed of share charge to be executed by the Purchaser over the Sale Shares in favour of the Vendor, to secure the obligations of the Company under the Promissory Note
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	珠海遠望騰達發展有限公司 (Zhuhai Yuan Wang Tang Da Development Company Limited [#]), a company established in the PRC with limited liability on 5 April 2016
“Target Company”	Titok Investment Limited (大拓投資有限公司), a company incorporated in Hong Kong with limited liability on 10 June 2020
“Target Group”	the Target Company and the Subsidiary
“Vendor”	羊老四 (Yang, Laosi [#]), an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

By Order of the Board
GTI Holdings Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
Poon Sum
Chairman and Executive Director

Hong Kong, 7 July 2020

The English transliteration of the Chinese name(s) in this announcement, where indicated with “#”, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese names.

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB0.913 to HK\$1.00. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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