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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)

(Provisional Liquidators Appointed)

(For Restructuring Purposes)

(Stock Code: 3344)

CONNECTED TRANSACTION – ENTERING INTO SUPPLEMENTAL DEED FOR THE EXTENSION OF TIME FOR THE FULFILLMENT OF PROFIT GUARANTEE

Connected Transaction

References are made to the announcements of the Company dated 13 November 2018 and 24 December 2018 in relation to the Acquisition and the completion announcement dated 28 December 2018.

According to the audited financial statements of Zhongcheng Huiyu for the year ended 31 December 2019, the audited consolidated net profit after tax of Zhongcheng Huiyu for the year ended 31 December 2019 was approximately RMB7,207,000, and accordingly, a shortfall of RMB15,793,000 was recorded. The Shortfall in the year 2019 is mainly the result of the slowing down in the business development of Zhongcheng Huiyu.

On 29 January 2021 (after trading hours), Great Fortune, the Vendor and the Guarantor have entered into the Supplemental Deed for, among others, the extension of time for the fulfillment of the Original Guaranteed Profit, details of which are set out below in this announcement.

The Guarantor as an executive Director is a connected person of the Company and the Vendor as the son of the Guarantor is a connected person of the Company by virtue of being an associate of the Guarantor. The Supplemental Deed and the transactions contemplated thereunder constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the requirements of reporting, announcement and the approval of the Independent Shareholders at the EGM. As at the date of this announcement, the Vendor is interested in 96,100,000 Shares, representing approximately 1.53% of the existing share capital of the Company. The Vendor, the Guarantor and their respective associates have to abstain from voting for the resolution to approve the Supplemental Deed and the transactions contemplated thereunder at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the terms of the Supplemental Deed and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Supplemental Deed, the recommendation of the Independent Board Committee, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and a notice of the EGM will be despatched to the Shareholders on or before 12 March 2021 so as to allow sufficient time for preparation of the relevant information for inclusion in the circular.

References are made to the announcements of the Company dated 13 November 2018 and 24 December 2018 in relation to the Acquisition and the completion announcement dated 28 December 2018 (collectively, the “**Previous Announcements**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the Previous Announcements unless otherwise specific herein.

As disclosed in the Previous Announcements, the Vendor has warranted and guaranteed that the audited consolidated net profit after tax of Zhongcheng Huiyu for the financial years ending 31 December 2019, 31 December 2020 and 31 December 2021 shall not be less than RMB23,000,000, RMB28,000,000 and RMB34,000,000 (the “**Original Guaranteed Profit(s)**”) respectively and personal guarantee has been given by the Guarantor to guarantee the performance of the obligations by the Vendor under the Existing Agreements.

Pursuant to the Existing Agreements, if the actual audited profits of the relevant year is less than the relevant Original Guaranteed Profit, the Vendor shall compensate Great Fortune a sum calculated as follows in cash:

Compensation amount = (The Original Guaranteed Profit for the relevant year – actual audited profit for the year) × 66%

In the event that the actual audited profit is a negative figure, it shall be deemed as zero.

According to the audited financial statements of Zhongcheng Huiyu for the year ended 31 December 2019, the audited consolidated net profit after tax of Zhongcheng Huiyu for the year ended 31 December 2019 was approximately RMB7,207,000, and accordingly, a shortfall of approximately RMB15,793,000 (the “**Shortfall**”) was recorded. According to the Existing Agreements, the Vendor shall compensate Great Fortune in the amount of approximately RMB10,423,000. The Shortfall in the year 2019 is mainly due to the adversely affected business development of Zhongcheng Huiyu since winding up petition has been filed against the Company in the High Court of Hong Kong (“**High Court**”) in August 2019 which has seriously damaged the Group’s image and stopped certain customers (mainly financial institutions in the PRC) of Zhongcheng Huiyu to start new businesses with Zhongcheng Huiyu (i.e. the RMB banknotes clearing up business).

Having considered the business prospects of Zhongcheng Huiyu and the reasons stated in the paragraph headed “Reasons for the Supplemental Deed” below, on 29 January 2021 (after trading hours), Great Fortune, the Vendor and the Guarantor have entered into the Supplemental Deed for, among others, the extension of time for fulfillment of the agreed guaranteed profit, details of which are set out below.

THE SUPPLEMENTAL DEED

Date:

29 January 2021

Parties:

- (i) Purchaser: Great Fortune, a wholly-owned subsidiary of the Company
- (ii) Vendor: Mr. Hao Zhao, the son of an executive Director Mr. Hao Xiangbin, therefore a connected person of the Company as at the date of this announcement by virtue of being an associate of Mr. Hao Xiangbin
- (iii) Guarantor: Mr. Hao Xiangbin, an executive Director and the father of the Vendor, a connected person of the Company as at the date of this announcement

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the Vendor and the Guarantor was an Independent Third Party as at the date of entering into the Existing Agreements.

Extension of time for fulfillment of the agreed guaranteed profit

Pursuant to the Supplemental Deed, the Vendor irrevocably warrants and guarantees to Great Fortune that the audited consolidated net profit after tax of Zhongcheng Huiyu for the financial year ended 31 December 2019 and for the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not be less than RMB23,000,000, RMB8,000,000, RMB30,000,000 and RMB36,000,000 (the “**New Guaranteed Profits**”) respectively and the Guarantor has agreed to guarantee the performance of the obligations by the Vendor under the Agreement (as amended and supplemented by the Supplemental Agreement and the Supplemental Deed).

Conditions precedent

Completion of the Supplemental Deed are conditional upon:

- (i) the passing of the relevant resolution(s) by the Independent Shareholders at the EGM to approve the Supplemental Deed and the transactions contemplated thereunder; and
- (ii) all necessary consents and approvals required to be obtained on the part of Great Fortune and the Vendor in respect of the Supplemental Deed and the transactions contemplated thereunder having been obtained.

None of the above conditions can be waived. If any of the conditions mentioned above have not been fulfilled on or before 30 June 2021 or such later date as the parties to the Supplemental Deed may otherwise agree in writing, the Supplemental Deed shall cease and determine. None of the parties to the Supplemental Deed shall have any liability to the other parties under the Supplemental Deed, save for any antecedent breaches.

Completion

Completion of the Supplemental Deed shall take place within three business days after the above conditions have been fulfilled or at such later date as Great Fortune, the Vendor and the Guarantor may agree.

Save as disclosed above, all other material terms and conditions of the Existing Agreements shall remain unchanged and continue to be in full force and effect.

REASONS FOR THE SUPPLEMENTAL DEED

The Company is an investment holding company. The Group is principally engaged in production, sale and trading of textile products (including surgical masks), trading of petroleum and chemical products and RMB banknotes clearing up services and others.

Zhongcheng Huiyu is a company established in the PRC and principally engaged in the provision of RMB banknotes clearing up services to financial institutions in the PRC. They offered one-stop professional financial outsourcing services for the branches of the People's Bank of China and its local commercial banks in the PRC. Upon completion of the Acquisition in 2018, Zhongcheng Huiyu became a non-wholly owned subsidiary of the Company. As at the date of this announcement, Zhongcheng Huiyu is owned as to 66% by the Group and as to 34% by an Independent Third Party.

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. Several bondholders/creditors of the Company has filed winding up petitions against the Company in the High Court in August 2019 and 2020, which have seriously damaged the Group's image. Customers of Zhongcheng Huiyu are mainly financial institutions in the PRC. Some of them have withheld their cooperation plans of the RMB banknotes clearing up business with Zhongcheng Huiyu. The business development as well as the financial performance of Zhongcheng Huiyu have been seriously affected.

The business operation of Zhongcheng Huiyu is further affected by the outbreak of the COVID-19 (the "**Outbreak**") during 2020 and 2021 with travel restrictions implemented in the PRC resulting from the Outbreak. In particular, certain staff members of Zhongcheng Huiyu were unable to work at the Group's offices due to lockdowns and travel restrictions imposed by the government. The Group's communications with its internal and external parties were also affected by the suspension of working arrangements.

However, as announced by the Company from time to time, the Company and the JPLs are working together to formulate a debt restructuring plan of the Company. The management of Zhongcheng Huiyu expects that the current situation in the RMB banknotes clearing up services business will have a significant improvement once the Group's restructuring plan is concluded and the proposed scheme of arrangement between the Company and its creditors has been implemented.

Given the slowing down of business development and financial performance of Zhongcheng Huiyu as well as the shortfall of the Original Guaranteed Profit for the financial year ended 31 December 2019 were mainly due to unexpected circumstances which are out of the control of the Vendor, and considering (i) the business prospect of Zhongcheng Huiyu and the potential of the development of the RMB banknotes clearing up business; (ii) the upward revision in the amount of the guaranteed profit for the years ending 31 December 2022 and 31 December 2023; and (iii) the Group is currently undergoing debt restructuring, upon arm's length negotiation between Great Fortune, the Vendor and the Guarantor, parties agreed to extend the time for the fulfillment of the Original Guaranteed Profits.

The Directors are of the view that the shortfall in the net profit for Zhongcheng Huiyu was attributable to above unforeseeable factors beyond the control of the Company, the Vendor and the Guarantor. Claiming the compensation amount under the Original Guaranteed Profit could achieve short-term cash flow benefits for the Company but it may be time consuming, costly and may even face difficulties given the circumstances. In addition, any litigation would undermine the business relationship between the Company, the Vendor and the Guarantor and it would be likely to have a long-term negative effect on the business operation of the RMB banknotes clearing up business.

The Directors (excluding the members of the Independent Board Committee whose views are to be included in the circular to be despatched by the Company, after being advised by the Independent Financial Adviser) are of the view that the terms of the Supplemental Deed and the transactions contemplated thereunder are fair and reasonable and the entering into of the Supplemental Deed is in the interests of the Company and the Shareholders as a whole.

The Guarantor is interested in the transactions contemplated under the Supplemental Deed and accordingly has abstained from voting on the board resolution for approving the Supplemental Deed and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

The Guarantor as an executive Director is a connected person of the Company and the Vendor as the son of the Guarantor is a connected person of the Company by virtue of being an associate of the Guarantor. The Supplemental Deed and the transactions contemplated thereunder constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the requirements of reporting, announcement and the approval of the Independent Shareholders at the EGM. As at the date of this announcement, the Vendor is interested in 96,100,000 Shares, representing approximately 1.53% of the existing share capital of the Company. The Vendor, the Guarantor and their respective associates will abstain from voting for the resolution to approve the Supplemental Deed and the transactions contemplated thereunder at the EGM.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the terms of the Supplemental Deed and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve by way of poll, among other matters, the Supplemental Deed and the transactions contemplated thereunder.

A circular containing, among other things, (a) further details of the Supplemental Deed; (b) the recommendation of the Independent Board Committee; (c) the advice of the Independent Financial Adviser appointed by the Company to advise the Independent Board Committee and Independent Shareholders; and (d) a notice of the EGM, will be despatched to the Shareholders on or before 12 March 2021 so as to allow sufficient time for preparation of the relevant information for inclusion in the circular.

DEFINITIONS

In this announcement, unless the context otherwise requires, the expressions below have the meanings assigned:

“Acquisition”	the acquisition by Great Fortune of the Sale Share and the Sale Loan(s) from the Vendor pursuant to the Existing Agreements, the completion of which has taken place on 28 December 2018
“Agreement”	the conditional sale and purchase agreement dated 13 November 2018 and entered into between Great Fortune and the Vendor in respect of the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	GTI Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares are listed on the Main Board of the Stock Exchange (stock code: 3344)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Supplemental Deed and the transactions contemplated thereunder
“Existing Agreements”	the Agreement as amended and supplemented by the Supplemental Agreement
“Great Fortune”	Great Fortune Development Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Hao Xiangbin, an executive Director, a director of Zhongcheng Huiyu and the father of the Vendor
“Hong Kong”	Hong Kong Special Administrative Region of PRC

“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors, namely Mr. Chan Shu Kin, Mr. Chung Lim Tung, Mr. Ng Ka Lun and Mr. Zhou Weijia (alias Zhou Yi), established by the Board to advise the Independent Shareholders in respect of the terms of the Supplemental Deed and the transactions contemplated thereunder
“Independent Financial Adviser”	HeungKong Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“Jiu Zhou Financial”	Jiu Zhou Financial Group Limited (九洲金融集團有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company, which holds 66% of the equity interest of Zhongcheng Huiyu
“JPLs”	The joint provisional liquidators of the Company appointed for restructuring purposes pursuant to an order of the Grand Court of the Cayman Islands dated 28 May 2020
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Sale Share”	one (1) ordinary share of the Target Company, representing the entire issued share capital of the Target Company as at the date of the Agreement
“Sale Loan(s)”	all obligations, liabilities and debts owing or incurred by the Target Group to the Vendor or its associates, on or at any time prior to the completion of the Acquisition, whether actual, contingent or deferred and irrespective of whether the same is due and payable on completion of the Acquisition
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplemental Agreement”	the supplemental agreement to the Agreement dated 24 December 2018 and entered into among the Vendor, Great Fortune and the Guarantor in relation to, among others, the provision of profit guarantee
“Supplemental Deed”	the conditional supplemental deed to the Existing Agreements dated 29 January 2021 and entered into among the Vendor, Great Fortune and the Guarantor in relation to, among others, the extension of time for fulfilment of the agreed guaranteed profit
“Target Company”	Jiu Zhou Financial Group Co. Ltd., a company incorporated in the Cayman Islands with limited liability, which is wholly-owned by Great Fortune upon completion of the Acquisition
“Vendor”	Mr. Hao Zhao
“Zhongcheng Huiyu”	Zhongcheng Huiyu Technology Services Company Limited* (中晟匯裕科技服務有限公司), a company established in the PRC with limited liability, which is owned as to 66% by Jiu Zhou Financial and as to 34% by an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

* *English name of such entity is the transliteration of its chinese name for reference only*

By Order of the Board
GTI Holdings Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
Ng Kwok Hung Perry
Executive Director

Hong Kong, 29 January 2021

As at the date of this announcement, the Board comprises (i) Mr. Ng Kwok Hung Perry, Mr. Hao Xiangbin and Mr. Tan Teng Hong as executive Directors; (ii) Mr. Cheung Kiu Cho Vincent as non-executive Director; and (iii) Mr. Chan Shu Kin, Mr. Chung Lim Tung, Mr. Ng Ka Lun and Mr. Zhou Weijia (alias Zhou Yi) as independent non-executive Directors.