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GREATIME INTERNATIONAL HOLDINGS LIMITED

廣泰國際控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 844)

DISCLOSEABLE TRANSACTION INVESTMENT IN THE TARGET COMPANY

THE INVESTMENT AGREEMENT

The Board is pleased to announce that on 8 May 2023, the Investor (a wholly owned subsidiary of the Company), the Target Company and the Existing Shareholders entered into the Investment Agreement, pursuant to which (i) the Existing Shareholders agreed to sell and the Investor agreed to acquire approximately 23.4% equity interests in the Target Company (approximately 18.4% of the enlarged equity interests in the Target Company after completion of the Investment) at a consideration of RMB34,000,000; and (ii) the Investor agreed to subscribe for approximately 21.6% of the enlarged equity interests in the Target Company (after completion of the Investment) at a consideration of RMB40,000,000. Upon completion of the Investment Agreement, the Investor will hold approximately 40.0% equity interests in the Target Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Investment Agreement is more than 5% but less than 25%, the Investment constitutes a discloseable transaction for the Company and is therefore subject to the notification and announcement requirements, but exempt from the circular and shareholders' approval requirements, under Chapter 14 of the Listing Rules.

INTRODUCTION

On 8 May 2023, the Investor (a wholly owned subsidiary of the Company), the Target Company and the Existing Shareholders entered into the Investment Agreement, pursuant to which (i) the Existing Shareholders agreed to sell and the Investor agreed to acquire approximately 23.4% equity interests in the Target Company (approximately 18.4% of the enlarged equity interests in the Target Company after completion of the Investment) at a consideration of RMB34,000,000; and (ii) the Investor agreed to subscribe for approximately 21.6% of the enlarged equity interests in the Target Company (after completion of the Investment) at a consideration of RMB40,000,000. Upon completion of the Investment Agreement, the Investor will hold approximately 40.0% equity interests in the Target Company. The Target Company will become a non-wholly owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements.

INVESTMENT AGREEMENT

Principal terms of the Investment Agreement are summarised as follows:

Date

8 May 2023

Parties

1. The Investor: Hainan Guangxun International Investment Co., Ltd.* (海南廣迅國際投資有限公司), a wholly-owned subsidiary of the Company;
2. The Target Company; and
3. The Existing Shareholders: Mr. Guo, Mr. Cai, Mr. Hong, Mr. Chen, Shenzhen Yingxiang and Mr. Peng.

To the best knowledge, information and belief of the Board and after making all reasonable enquiries, the Target Company, the Existing Shareholders and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

The Acquisition

Pursuant to the Investment Agreement, the Existing Shareholders agreed to sell and the Investor agreed to acquire approximately 23.4% equity interests in the Target Company at a consideration of RMB34,000,000. The Acquisition Cost is based on the agreed valuation amount of the Target Group of RMB145,000,000 (the “**Agreed Valuation Amount**”).

Below set out the changes in the equity interests of the Target Company before and after the completion of the Acquisition and the corresponding Acquisition Cost to be paid by the Investor to each Existing Shareholder.

	Equity interests in the Target Company as at the date of this announcement (%)	Equity interests to be sold to the Investor (%)	Equity interests after completion of the Acquisition (%)	Corresponding Acquisition Cost to be paid by the Investor (RMB)
Existing Shareholders				
Mr. Guo	31.0	6.9	24.1	10,000,000
Mr. Cai	27.6	6.6	21.0	9,600,000
Mr. Hong	21.0	5.0	16.0	7,320,000
Shenzhen Yingxiang	12.4	3.0	9.4	4,320,000
Mr. Chen	7.0	1.7	5.3	2,400,000
Mr. Peng	1.0	0.2	0.8	360,000
	<hr/>	<hr/>	<hr/>	<hr/>
The Investor	–	–	23.4	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total:	100	23.4	100	34,000,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Subscription

Pursuant to the Investment Agreement, the Investor agreed to subscribe for approximately 21.6% of the enlarged equity interests in the Target Company at a consideration of RMB40,000,000.

Below set out the changes in the equity interests of the Target Company before and after the completion of the Acquisition and the Subscription respectively.

Shareholders of the Target Company	As at the date of this announcement		Immediately after completion of the Acquisition		Immediately after completion of the Acquisition and the Subscription	
	Paid-up registered capital (RMB)	Percentage (%)	Paid-up registered capital (RMB)	Percentage (%)	Paid-up registered capital (RMB)	Percentage (%)
Mr. Guo	3,025,800	31.0	3,620,600	24.2	3,620,600	19.0
Mr. Cai	4,137,900	27.6	3,144,800	21.0	3,144,800	16.4
Mr. Hong	3,155,200	21.0	2,397,900	16.0	2,397,900	12.5
Shenzhen Yingxiang	1,862,100	12.4	1,415,200	9.4	1,415,200	7.4
Mr. Chen	1,034,500	7.0	786,200	5.2	786,200	4.1
Mr. Peng	155,200	1.0	117,900	0.8	117,900	0.6
The Investor	—	—	3,517,400	23.4	7,655,400	40.0
	<u>15,000,000</u>	<u>100.0</u>	<u>15,000,000</u>	<u>100.0</u>	<u>19,138,000</u>	<u>100.0</u>

Upon completion of the Investment, the Investor will hold approximately 40.0% equity interests in the Target Company and becomes its largest shareholder. The Target Company will become a non-wholly owned subsidiary of the Company and its financial results will be consolidated into the Group's financial statements.

Consideration and the payment terms

The Acquisition Cost and Subscription Price are RMB34,000,000 and RMB40,000,000 respectively, which shall be settled by the Investor in three tranches:

First installment

The payment of 40% of the Acquisition Cost of RMB13,600,000 and 40% of the Subscription Price of RMB16,000,000 shall be made within three business days upon the fulfillment of the following conditions:

- (a) the shareholders' meeting of the Target Company having formally passed the resolutions for approving the equity transfer and the Capital Increase and has provided a copy of the resolutions to Hainan Guangxun. Such resolutions should include the following content:

- (i) approving the Capital Increase;
 - (ii) approving the Subscription;
 - (iii) the Existing Shareholders waiving their right of first refusal in connection with the Capital Increase; and
 - (iv) approving the Acquisition and the Existing Shareholders waiving their right of first refusal in connection with the Acquisition; and
- (b) the completion of the registration of the Capital Increase and the Acquisition with the relevant local authorities.

Second installment

The payment of 40% of the Acquisition Cost of RMB13,600,000 and 60% of the Subscription Price of RMB24,000,000 shall be made within three business days upon the fulfillment of the following conditions:

- (a) the articles of association of the Target Company having been amended in accordance with the provisions of the Investment Agreement and such amendments having been formally endorsed by all directors and shareholders of the Target Company;
- (b) the Existing Shareholders having fully paid the registered capital of the Target Company;
- (c) the Target Company and Bihu Digital having completed the submission of the application for registration of the relevant intellectual property rights as set out in the Investment Agreement; and
- (d) the Target Company having settled certain liabilities as set out in the Investment Agreement.

Third installment

The payment of remaining 20% of the Acquisition Cost of RMB6,800,000 shall be made within three business days upon the fulfillment of the following conditions:

- (a) the Target Company and Bihu Digital having completed the registration of the relevant software copyrights as set out in the Investment Agreement and completed the preliminary approval for certain invention patent;
- (b) the guarantee provided by the Target Company in relation to certain external loan having been released and discharged; and

- (c) the Target Company having settled certain inter-companies balances as set out in the Investment Agreement.

The conditions precedent for the third installment of the Consideration shall be fulfilled by 31 December 2023. Failing which, the Investor will not be obliged to pay the third installment of the Consideration but the Target Company will still be required to fulfill the said conditions precedent by 30 June 2024.

The Consideration has been arrived at after arm's length negotiations between the Parties, with reference to (i) the historical operating performance of the Target Company; (ii) the business development opportunity and prospects of the Target Company; (iii) the Profit Guarantees and Compensation (as defined below) set out below; and (iv) the calculation value of the entire equity interests in the Target Company of RMB149,656,000 as at 31 March 2023 prepared by an independent valuer applying market approach, which is mainly based on the Target Company's expected revenue for 2023 and the forward enterprise value-to-sales (EV/S) multiples of comparable companies.

The Consideration will be funded by a loan provided by an independent third party, which bears interest of 3.65% p.a. and is repayable by 15 May 2024.

Closing

Closing shall take place on the date upon the completion of the registration of the Acquisition and Subscription, and settlement of the Consideration in full.

Profit Guarantees

Yearly and Average Profit Guarantees

Pursuant to the Investment Agreement, the Existing Shareholders have undertaken to the Investor that:

- (i) the net profit of the Target Company for the years ended 31 December 2023, 2024 and 2025 (the "**Actual Profits**") shall not be less than RMB25,000,000, RMB50,000,000 and RMB80,000,000 (the "**Profit Guarantees**") respectively; and
- (ii) the average net profit of the Target Company for the three years ended 31 December 2025 (the "**Average Actual Profit**") shall not be less than RMB51,670,000 (the "**Average Profit Guarantee**").

Compensation

The Existing Shareholders undertake to compensate the Investor by way of transfer of their respective equity interests in the Target Company (the “**Equity Compensation**”) if the Average Actual Profit is less than 90% of the Average Profit Guarantee based on the following formula:

$$\begin{aligned} & \% \text{ of equity interests in the Target Company to be transferred by the Existing Shareholders} \\ & = \left(\frac{\text{Average Profit Guarantee}}{\text{Average Actual Profit}} - 1 \right) \times \text{approximately } 40.0\% \end{aligned}$$

Where the equity interests in the Target Company of the Existing Shareholders is insufficient to cover the shortfall of the Profit Guarantees, the Existing Shareholders undertake to provide monetary compensation (the “**Monetary Compensation**”, together with Equity Compensation, the “**Compensation**”) to the Investor based on the following formula:

$$\begin{aligned} & \text{Monetary Compensation} \\ & = \text{Consideration (i.e. RMB74,000,000)} \times \left(1 - \frac{\text{Average Actual Profit}}{\text{Average Profit Guarantee}} \right) \\ & \quad - \frac{\% \text{ of equity interests in the Target Company transferred by the Existing Shareholders for the Equity Compensation}}{\text{Agreed Valuation Amount}} \times \frac{\text{Average Actual Profit}}{\text{Average Profit Guarantee}} \end{aligned}$$

The total amount of the Monetary Compensation shall not exceed the amount of the cash received by the Existing Shareholders (i.e. an amount equivalent to the Acquisition Cost minus tax payable for transfer of equity interests in the Target Company to the Investor and the payment for unpaid registered capital of the Target Company by the Existing Shareholders pursuant to the Investment Agreement).

Share Awards to the Existing Shareholders

If the Average Actual Profit meets the Average Profit Guarantee, the Investor undertakes to procure the Company to adopt a share award scheme and include the Existing Shareholders who would remain employees of the Target Group as participants of the share award scheme of the Company, subject to compliance with the Listing Rules, detailed conditions of such share awards and the approvals of the Board and the Shareholders.

INFORMATION OF THE GROUP AND THE INVESTOR

The Group is principally engaged in manufacturing of and provision of processing services on innerwear products and knitted fabrics.

The Investor is a wholly-owned subsidiary of the Company established in the PRC with limited liability. The Investor is principally engaged in startups investment, asset management and software development.

INFORMATION OF THE TARGET GROUP

The Target Company is a company established in the PRC with limited liability and is principally engaged in the provision of high-precision space measurement and modeling services, provision of geospatial data measurement services, internal and external software development, city information modelling (CIM) underlying platform and system construction, and research and development, production, sales and technical assistance of industrial drone motors and lidar 3D high-precision measurement robots.

Bihu Digital is a wholly-owned subsidiary of the Target Company. It is established in the PRC with limited liability and is principally engaged in space measurement by using its self-developed industrial drone motors and lidar 3D high-precision measurement robots. It aims to build a database of 3D models of China's cities and provide relevant information technology services.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the audited consolidated profits before and after tax of the Target Group for the two financial years ended 31 December 2021 and 2022:

	For the year ended 31 December 2021 RMB (audited)	For the year ended 31 December 2022 RMB (audited)
Loss before tax	(1,207,520)	(3,138,052)
Loss after tax	(1,207,520)	(3,138,052)

As at 31 December 2022, the audited consolidated total assets of the Target Group were approximately RMB3,927,940 and the audited consolidated net liabilities of the Target Group were approximately RMB5,785,501.

REASONS FOR AND BENEFITS OF THE INVESTMENT

In 2023, the Central Committee of the Communist Party of China and the State Counsel published the “Plan for the Overall Layout of Building a Digital China* (數字中國建設整體佈局規劃)” and issued a notice requiring all regions and departments to jointly carry it out. The establishment of the National Bureau of Data of China* (國家數據局) and the implementation of policies which promote building information modeling (BIM) and city information modeling (CIM) technologies also signify the Chinese government’s determination to build a digital China, which will increase the demand for BIM/CIM related technologies in the PRC.

The Group believes that the Investment will enable it to:

- (i) capture the growth opportunities in the smart cities market in the PRC which is in line with the national development direction as the Target Company is one of the few companies in the PRC that owns self-developed and advanced softwares and hardwares, including but not limited to high-precision space measurement drone motors and lidar 3D high-precision measurement robots and system, for provision of data collection services and sales of data, and strives to be a “digital space service provider and practitioner of digital China”; and
- (ii) diversify the revenue stream of the Group.

In addition, given that the products and technologies of the Target Company are yet to be commercialized, the current valuation of the Target Company is relatively low. As such, the Investment will allow the Group to tap into an industry with high growth potential at a relatively low consideration.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Investment are fair and reasonable, on normal commercial terms and in the interests of the Shareholders and the Group as a whole. None of the Directors has a material interest in the Investment or is required to abstain from voting from the Board resolutions for considering and approving the same pursuant to the articles of association of the Company.

INFORMATION OF THE EXISTING SHAREHOLDERS

Mr. Guo is a PRC resident and the vice president of Bihu Digital.

Mr. Cai is a PRC resident. He is a founder, the chief technology officer and the president of the Target Company and the managing partner of Shenzhen Yingxiang.

Mr. Hong is a PRC resident. He is a founder, the legal representative and the executive director of the Target Company.

Mr. Chen is a PRC resident. He is the manager and a senior engineer of the Chengdu branch of the Target Company.

Shenzhen Yingxiang is a limited partnership established in the PRC with limited liability and is principally engaged in research and development of drone motors and control systems, and high resolution and security image wireless transmission system, provision of consultancy services and sales of products. As at the date of this announcement, Shenzhen Yingxiang is owned as to 33% by Mr. Li Zhiwei* (李志偉), 33% by Mr. Gu Qinshui* (顧慶水), 18.25% by Mr. Cai, 8.5% by Mr. Li Xiaolin* (李曉林), 2.5% by Mr. Liu Jianwei* (劉建偉), 2% by Mr. Liu Xiaohao* (劉孝浩), 1.25% by Mr. Ye Ye* (葉曄), 1.25% by Mr. Cha Jianfeng* (查劍鋒) and 0.25% by Mr. Wei Houqiang* (魏厚強). Each of the shareholders of Shenzhen Yingxiang is an employee of the Target Company. Mr. Li Zhiwei* (李志偉) is the supervisor and vice president, Mr. Gu Qinshui* (顧慶水) is a hardware engineer, Mr. Li Xiaolin* (李曉林) and Mr. Liu Jianwei* (劉建偉) are software engineers, Mr. Liu Xiaohao* (劉孝浩) is a structural engineer, Mr. Ye Ye* (葉曄) is a senior software engineer, Mr. Cha Jianfeng* (查劍鋒) is a business development engineer and Mr. Wei Houqiang* (魏厚強) is an assistant engineer of the Target Company.

Mr. Peng is a PRC resident and a supplier of drone motor and crane accessories to the Target Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Investment Agreement is more than 5% but less than 25%, the Investment constitutes a discloseable transaction for the Company and is therefore subject to the notification and announcement requirements, but exempt from the circular and shareholders' approval requirements, under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of approximately 23.4% equity interests in the Target Company from the Existing Shareholders
“Acquisition Cost”	RMB34,000,000, representing the total consideration for Acquisition

“Bihu Digital”	Bihu Digital Technology (Shenzhen) Co., Ltd.* (必虎數字科技(深圳)有限公司), a wholly-owned subsidiary of the Target Company
“Board”	the board of Directors
“Capital Increase”	the capital increase to the Target Company from RMB15,000,000 to RMB19,138,000
“Company”	Greatime International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability on 8 December 2010 and the Shares of which are listed on the Stock Exchange
“Consideration”	the Acquisition Cost and the Subscription Price
“Directors”	the directors of the Company
“Existing Shareholders”	Mr. Guo, Mr. Cai, Mr. Hong, Mr. Chen, Shenzhen Yingxiang and Mr. Peng
“Group”	the Company and its subsidiaries
“Hainan Guangxun” or “Investor”	Hainan Guangxun International Investment Co., Ltd.* (海南廣迅國際投資有限公司), a wholly-owned subsidiary of the Company
“Investment”	the Acquisition and the Subscription pursuant to the Investment Agreement
“Investment Agreement”	the investment agreement dated 8 May 2023, entered into by and among the Investor and the Existing Shareholders in relation to the Investment
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cai”	Mr. Cai Yingjie* (蔡英杰), a resident of the PRC, one of the Existing Shareholders and an independent third party to the Group

“Mr. Chen”	Mr. Chen Wei* (陳偉), a resident of the PRC, one of the Existing Shareholders and an independent third party to the Group
“Mr. Guo”	Mr. Guo Xiaolei* (郭曉磊), the chief executive officer of the Target Company, and an independent third party to the Group
“Mr. Hong”	Mr. Hong Hao* (洪浩), a resident of the PRC, one of the Existing Shareholders and an independent third party to the Group
“Mr. Peng”	Mr. Peng Lihua* (彭利華), a resident of the PRC, one of the Existing Shareholders and an independent third party to the Group
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of no par value of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Yingxiang”	Shenzhen Yingxiang Technology Partnership (Limited Partnership)* (深圳鷹祥科技合夥企業(有限合夥)), a limited partnership established in the PRC with limited liability and an independent third party to the Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by the Investor of approximately 16.6% of the enlarged equity interests in the Target Company pursuant to the Investment Agreement
“Subscription Price”	RMB40,000,000, representing the total consideration for the Subscription

“Target Company”	Youying Intelligent Technology (Shenzhen) Co., Ltd* (優鷹智能科技(深圳)有限公司), a company established in the PRC with limited liability and an independent third party to the Group
“Target Group”	the Target Company and Bihu Digital
“%”	per cent.

By order of the Board
Greatime International Holdings Limited
Wang Bin
Chairman

Hong Kong, 8 May 2023

As at the date of this announcement, the directors of the Company comprise of Mr. Wang Bin, Ms. Tian Ying and Mr. Du Shuwei as executive Directors, Mr. Zhang Yanlin as non-executive Director, and Mr. Xu Dunkai, Ms. Zhao Weihong and Mr. Hu Quansen as independent non-executive Directors.

** For identification purposes only*