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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)**

## **SUPPLEMENTAL ANNOUNCEMENT**

### **DISCLOSEABLE TRANSACTION INVESTMENT IN THE TARGET COMPANY**

Reference is made to the announcement of Greatime International Holdings Limited (the “**Company**”) dated 8 May 2023 (the “**Announcement**”) in connection with the discloseable transaction relating to the investment in Youying Intelligent Technology (Shenzhen) Co., Ltd\* (優鷹智能科技(深圳)有限公司) (the “**Target Company**”). Unless otherwise specified, capitalised terms used in this announcement have the same meanings as those defined in the Announcement.

The Company would like to supplement the following information:

#### **Target Company as a subsidiary of the Company**

As at the date of this announcement, (i) 40% equity interests in of the Target Company have already been transferred to the Investor and the Investor has become its single largest shareholder; (ii) the Company controls the board of the Target Company with four out of seven directors of the Target Company nominated by the Company; and (iii) the Investor has significant influence on the shareholders’ meeting of the Target Company. Based on the above, the Target Company has become a non-wholly owned subsidiary of the Company and its financial results will be consolidated into the Group’s financial statements.

## **Basis of the Consideration**

The Consideration has been arrived at after arm's length negotiations between the parties, with reference to the followings:

- (i) the historical operating performance of the Target Company which was loss marking and had net liabilities, mainly because the Target Group previously focused on the R&D of its software and hardware for provision of data collection services and sales of data, including but not limited to high-precision space measurement unmanned aerial vehicles (UAVs) and lidar 3D high-precision measurement robots and system, while the application of such products and technologies, as well as the combination with building information modelling (“**BIM**”) and city information modelling (“**CIM**”) software technologies, have just started since 2023 respectively and hence their commercial values have not been reflected yet;
- (ii) the business development opportunities and prospects of the Target Company based on the industry market scale indicated in market research and supporting policies in the PRC and the business scale of the Target Company implied in the business due diligence interviews with its potential clients and the signed strategic cooperation agreements;
- (iii) the Profit Guarantees which are determined with reference to detailed forecast model prepared by the Target Company and are considered achievable and the relevant Compensation if the Profit Guarantees are not achieved; and
- (iv) the calculation value of the entire equity interests in the Target Company of RMB149,656,000 (the “**Calculation Value**”) as at 31 March 2023 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**”), an independent valuer, applying market approach, which is mainly based on the Target Company's expected revenue for 2023 of RMB54.5 million and the adjusted forward enterprise value-to-sales (EV/S) multiples of comparable companies of approximately 2.87 times, and taken into account the adjustments for control premium of 28.7% and discount for lack of marketability of 22.1%. The Agreed Valuation Amount of the Acquisition (i.e. RMB145 million) represented a discount to the Calculation Value, which leaves a buffer to safeguard the Company's interest. Since the Target Company recorded loss in the past and had net liabilities as at 31 December 2022 and it is expected that the Target Company will record substantial increase in the revenue in 2023, forward EV/S was adopted to value the Target Company instead of using historical P/E or P/B. Since the calculation of the expected earnings will involve more subjective assumptions, such as the cost of goods margin, the selling expenses margin, the general and administrative margin and R&D margin for each segment of the Target Group, when compared to using expected sales, both JLL and the Company considered forward P/E was not proper to be adopted to calculate the value of the equity interests in the Target Company.

The Target Company's expected revenue for 2023 of RMB54.5 million is made with reference to potential orderbooks of the Target Group, as indicated in the signed strategic cooperation agreements and ongoing negotiations with more than 50 potential customers, among which, as at the date of this announcement, one has signed contract with the Target Company; six are expected to start pilot projects with the Target Company recently; and two have confirmed the cooperation methods with the Target Company. Based on these recent in-depth negotiations, it is expected each potential client could contribute revenue of RMB400,000 to RMB10 million to the Target Group in 2023, and six potential clients are expected to sign contracts with the Target Company in June 2023 and would contribute approximately RMB16 million to the Target Group's revenue for 2023.

To assess the reliability of the Target Company's expected revenue for 2023, the Company has conducted in-depth due diligence on the Target Company, including but not limited to:

- interviews with the management of the Target Company to understand its business model, pricing policies, cost analysis and progress on business development and the potential clients of the Target Company;
- interviews with the potential clients of the Target Company to understand the potential scale of their business cooperation and the current status of the negotiation;
- review of the six strategic cooperation agreements between the Target Company and independent potential clients; and
- review of market research reports on the BIM market to understand the supporting policies of this industry and its potential market scale.

Generally speaking, the Target Group is engaged in the digital twin market. Specifically speaking, the Target Group is engaged in the BIM and CIM industries.

According to the Insight Report of “Digital Twin City Framework and Practice” published in May 2022 by the World Economic Forum (“WEF”) in collaboration with China Academy of Information and Communications Technology (中國信息通信研究院, “CAICT”), a research think tank directly under the Ministry of Industry and Information Technology of China, the global digital twin market is booming. In terms of market size, the digital twin market is expected to reach US\$48.2 billion by 2026 and grow at a 58% compound annual growth rate (“CAGR”). Also, China’s digital twin city construction market has great vitality. According to statistics, the total investment scale of China’s new smart cities in 2020 was about RMB2.4 trillion (US\$0.38 trillion). In particular, China’s CIM construction projects have shown a trend of rapid growth year on year, with the number of projects growing from two in 2018 to 72 in 2021 (as of September 2021), and the total amount of investment also climbing year on year accordingly. In August 2021, the WEF and the CAICT jointly solicited digital twin city cases. According to the data collected for this project, more than half of projects were invested at the RMB10 million (US\$1.6 million) level, 89% were invested at the RMB1 million level or more, and the average investment of the projects reached RMB28 million.

According to the report published by AskCI Research (中商產業研究院) in March 2023, the market size of China’s digital twin city reached RMB2.7 billion in 2021 and it is expected such market size will reach RMB8.7 billion in 2023 and increase further to RMB17.3 billion in 2025.

According to a report published on www.huaon.com (華經情報網) in October 2021, the size of China’s BIM market grows at a CAGR of 31% from approximately RMB4.05 billion in 2016 to approximately RMB11.91 billion in 2020.

According to the report issued by Research and Markets in January 2023, the global market for BIM estimated at US\$6.6 billion in the year 2022, is projected to reach a revised size of US\$22.1 billion by 2030, growing at a CAGR of 16.4% over the analysis period 2022–2030. China is forecast to reach a projected market size of US\$3.7 billion by the year 2030 trailing a CAGR of 15.3% over the analysis period 2022 to 2030.

In view of the above, the Board is of the view that the Consideration is fair and reasonable given that (i) the Consideration represented a discount to the Calculation Value as shown in the calculation report prepared by JLL; and (ii) there are profit guarantees and compensation mechanism to safeguard the interest of the Company and the Shareholders as a whole.

### **Profit Guarantees and Average Profit Guarantee**

The Profit Guarantees and the Average Profit Guarantee are determined after arm’s length negotiations between the parties, with reference to the forecast model prepared by the Target Company. The Profit Guarantees and the Average Profit Guarantee were set at a more conservative level than those shown in the forecast model.

To assess the reliability of the forecast model prepared by the management of the Target Company, the Company has conducted in-depth due diligence on the Target Company, including but not limited to those mentioned above in the section headed “Basis of the Consideration” in this announcement. In addition, based on the business and financial due diligence on the Target Group, it is understood that the future costs and expenses of the Target Group are mainly employee costs, depreciation and amortisation of assets, rents, administration costs and R&D expenses for upgrading products, which are relatively stable and predictable.

Based on the above, and given the Profit Guarantees and the Average Profit Guarantee are more conservative than those shown in the forecast model prepared by the Target Company, the Directors consider the Profit Guarantees and the Average Profit Guarantee are achievable.

Upon completion of the Investment, the Investor will control the Target Company and will be deeply involved in the business development of the Target Group. Based on the business due diligence work conducted as mentioned above, it is believed the possibility of the Target Company to record loss during the period of the Profit Guarantees is remote. According to the Compensation formula, once the Average Actual Profit is lower than certain threshold, the Investor may obtain all equity interests in Target Company and 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).

### **Monetary Compensation**

The Monetary Compensation is determined after arm’s length negotiations between the parties and is set for the scenario that the equity interests in the Target Company of the Existing Shareholders is insufficient to cover the shortfall of the Profit Guarantees, which means the remaining 60% equity interests in the Target Company held by the Existing Shareholders have been all used for the Equity Compensation. The first part of the formula of the Monetary Compensation represents the decrease in value of the equity interests in the Target Company held by the Investor when the Average Actual Profit is lower than the Average Profit Guarantee. The second part of the formula represents the monetary value of the Equity Compensation.

The Compensation clause is determined after arm’s length negotiations between the parties to protect the Company’s interest especially given the Consideration was determined with reference to the Target Company’s expected revenue for 2023. The Monetary Compensation would apply as a supplement to the Equity Compensation in extreme scenario and has taken into account the impact of the actual profit on the valuation adjustment when calculating the monetary value of the Equity Compensation. Based on the above, the Board considers the Monetary Compensation formula is fair and reasonable, and in the interest of the Company and its shareholders.

## Compensation Scenarios

Based on the compensation clauses in the Investment Agreement, there are three compensation scenarios as set out below:

<b>Average Actual Profit</b> <i>(RMB million)</i>	<b>Equity Compensation</b>	<b>Monetary Compensation</b> <i>(RMB million)</i>
≤14.825	60%	20.92
>14.825 but ≤20.67	60%	Based on the compensation formula
>20.67 but <46.503	Based on the compensation formula	0

As shown above, if the Average Actual Profit is equal to approximately RMB20.67 million, the Investor would obtain all of the remaining 60% equity interests in the Target Company as Equity Compensation; if the Average Actual Profit is equal to or low than approximately RMB14.825 million, the Investor would obtain all of the remaining 60% equity interests in the Target Company and the amount of the cash received by the Existing Shareholders of approximately RMB20.92 million (i.e. an amount equivalent to the Acquisition Cost of RMB34 million minus tax payable for transfer of equity interests in the Target Company to the Investor of approximately RMB5.33 million and the payment for unpaid registered capital of the Target Company by the Existing Shareholders pursuant to the Investment Agreement of approximately RMB7.75 million).

Therefore, if the Average Actual Profit is negative, in addition to the 40% equity interests in the Target Company obtained under the Investment Agreement, the Investor would obtain Equity Compensation of the 60% equity interests in the Target Company and Monetary Compensation of approximately RMB20.92 million.

## Management biographies

As at the date of this announcement, 40% equity interests in Target Company have already been transferred to the Investor and four directors nominated by the Company have already been seated on the board of the Target Company, which is comprised of seven directors in total, and among which, the chairman and the chief financial officer are both directors nominated by the Company. The four directors nominated by the Company have extensive management experience and strong leadership, and will be mainly responsible for the overall management, corporate governance, strategic planning, risk management and business development.

Since the Company is new to the industry, the Company has retained the current management of the Target Group, who have substantial industry experience and expertise, for its daily operation, and is also in the process of recruiting more talents with digital twin industry expertise from the market to join the management team of the Target Group. The biographies of the current management of the Target Group are set out below.

**Mr. Cai**, aged 59, is one of the founders, the president and the chief technology officer of the Target Company, and is primarily responsible for the overall operations and management, and market and technology development of the Target Group. He has over 20 years of experience in the mobile and radar industry and business management. Prior to founding the Target Company in December 2011, Mr. Cai worked at various telecommunication companies in the PRC where he was responsible for operation, management, and research and development of technologies and products. Mr. Cai received a doctorate degree in signal and message processing from the University of Electronic Science and Technology of China.

**Mr. Hong**, aged 56, is one of the founders, a vice president and the chief operating officer of the Target Company, and he is primarily responsible for overseeing the daily operations and product strategy of the Target Group. He has over 30 years of experience in the electronic industry and business management. Prior to founding the Target Company in December 2011, Mr. Hong worked at various companies in the PRC that is engaged in the electronic industry where he was responsible for overall operation, market development, and customer development.

**Mr. Guo**, aged 35, is a vice president of the Target Company, and he is primarily responsible for the overall business operations of the Target Group. He has over six years of experience in the BIM industry and business management. Prior to joining the Target Company, from November 2016 to October 2022, he was the founder and the chief executive officer of each of Jiangsu Flounder Digital Technology Co., Ltd.\* (江蘇比目魚數字科技有限公司) and Shenzhen Flounder Square Technology Co., Ltd.\* (深圳比目魚平方科技有限公司), both of which are primarily engaged in the provision of BIM services in the PRC. He received a bachelor's degree and master's degree in psychology from the University of California, Berkeley.

This announcement is supplemental to and should be read in conjunction with the Announcement. Save as disclosed above, the Board confirms that other information contained in the Announcement are not affected.

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

Hong Kong, 14 June 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 nonexecutive Directors.*

\* For identification purposes only