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## **CARPENTER TAN HOLDINGS LIMITED**

**譚木匠控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 837)**

### **CONNECTED TRANSACTIONS, INVESTMENT AGREEMENT AND DEEMED DISPOSAL OF EQUITY INTERESTS IN AN INDIRECT SUBSIDIARY**

#### **INVESTMENT AGREEMENT AND DEEMED DISPOSAL OF EQUITY INTERESTS IN AN INDIRECT SUBSIDIARY**

The Board wishes to announce that on 30 August 2019 (after trading hours), Chongqing Carpenter Tan and Jurong Yuechang Travel entered into the Investment Agreement, pursuant to which Jurong Yuechang Travel agreed to make a capital injection into Jiangsu Carpenter Tan in an amount of RMB15 million (RMB1 million of which shall be used as the registered capital of Jiangsu Carpenter Tan and RMB14 million of which shall be used as the capital reserve of Jiangsu Carpenter Tan) by way of transferring the ownership of the Lands to Jiangsu Carpenter Tan. The appraised value of the Lands as at the Valuation Reference Date was RMB15 million, according to the Valuation Report, based on market approach. On completion of the Capital Injection, the Lands will be wholly-owned by Jiangsu Carpenter Tan and the proportion of shareholders' equity interests in Jiangsu Carpenter Tan of Chongqing Carpenter Tan and Jurong Yuechang Travel will be 90.91% and 9.09%, respectively.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Jurong Yuechang Travel is wholly-owned by Bravo Charm Holdings Limited (悦昌控股有限公司), which, in turn, is wholly-owned by Always Profitable Limited (時富有限公司), which, in turn, is wholly-owned by Mr. Tan Chuan Hua, who is an executive Director and the chairman of the Company. Therefore, Jurong Yuechang Travel is a connected person (as defined under the Listing Rules) of the Company. Accordingly, the transactions contemplated under the Investment Agreement (namely, the Acquisition and the deemed disposal of equity interests in Jiangsu Carpenter Tan) constitute connected transactions of the Company.

The total shareholders' equity interest of Chongqing Carpenter Tan in Jiangsu Carpenter Tan will be diluted from 100% to 90.91% after the completion of the Capital Injection. The relevant dilution will be deemed as a disposal of equity interest in an indirect subsidiary under Rule 14.29 of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Investment Agreement is less than 5%, the transactions contemplated under the Investment Agreement are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## INTRODUCTION

The Board wishes to announce that on 30 August 2019 (after trading hours), Chongqing Carpenter Tan and Jurong Yuechang Travel entered into the Investment Agreement, pursuant to which Jurong Yuechang Travel agreed to make a capital injection into Jiangsu Carpenter Tan in an amount of RMB15 million (RMB1 million of which shall be used as the registered capital of Jiangsu Carpenter Tan and RMB14 million of which shall be used as the capital reserve of Jiangsu Carpenter Tan) by way of transferring the ownership of the Lands to Jiangsu Carpenter Tan. The appraised value of the Lands as at the Valuation Reference Date was RMB15 million, according to the Valuation Report, based on market approach.

## THE INVESTMENT AGREEMENT

Date	:	30 August 2019
Parties	:	(1) Chongqing Carpenter Tan; and (2) Jurong Yuechang Travel
Amount of capital injection	:	Jurong Yuechang Travel agreed to make a capital injection into Jiangsu Carpenter Tan in an amount of RMB15 million (RMB1 million of which shall be used as the registered capital of Jiangsu Carpenter Tan and RMB14 million of which shall be used as the capital reserve of Jiangsu Carpenter Tan).
Manner of capital injection	:	Jurong Yuechang Travel shall transfer the ownership of the Lands to Jiangsu Carpenter Tan. The appraised value of the Lands as at the Valuation Reference Date was RMB15 million, according to the Valuation Report, based on market approach.
Conditions precedent	:	Completion of the Capital Injection is conditional upon and subject to the following conditions precedent: (1) the passing of the board resolutions of Chongqing Carpenter Tan in relation to the Capital Injection; (2) the completion of the registration of transfer of ownership of the Lands to Jiangsu Carpenter Tan; and

- (3) the Company having obtained all necessary consents, approval, waivers and authorisations in connection with the Capital Injection.

Covenant from : Jurong Yuechang Travel shall not participate in the daily operation of Jiangsu Carpenter Tan.  
Jurong Yuechang Travel

On completion of the Capital Injection, the Lands will be wholly-owned by Jiangsu Carpenter Tan and the proportion of shareholders' equity interests in Jiangsu Carpenter Tan of Chongqing Carpenter Tan and Jurong Yuechang Travel will be 90.91% and 9.09%, respectively.

## **INFORMATION IN RELATION TO THE LANDS**

The Lands are located at Yuanfang Xicun Part\* (原方西村局部), Maoshan Town\* (茅山鎮), Jurong City\* (句容市), Zhenjiang City\* (鎮江市), Jiangsu Province, the PRC (Parcel Nos. Jutu Guoyong (2013) No.2732 and Jutu Guoyong (2013) No.2740). The Lands are located at a geographic distance of approximately 1 kilometer from Maoshan Town\* (茅山鎮) and approximately 9 kilometers from Jurong City\* (句容市) and are easily accessible by transportation. The Lands have a total site area of approximately 18,140 sq. m. (one piece of the Lands has a site area of approximately 9,710 sq. m. and the other piece of the Lands has a site area of approximately 8,430 sq. m.). The Lands are for residential use and commercial use. The terms of the land use rights of the Lands for residential use and commercial use shall expire on 6 February 2083 and 6 February 2053, respectively.

## **INFORMATION OF JURONG YUECHANG TRAVEL**

Jurong Yuechang Travel is a company incorporated in the PRC with limited liability and is principally engaged in travel product development and production, event management services, cultivation of agricultural products and retail of own brand products. As at the date of this announcement, it is wholly-owned by Bravo Charm Holdings Limited, which, in turn, is wholly-owned by Always Profitable Limited, which, in turn, is wholly-owned by Mr. Tan Chuan Hua, who is an executive Director and the chairman of the Company.

## **INFORMATION OF JIANGSU CARPENTER TAN, CHONGQING CARPENTER TAN AND THE COMPANY**

### **Jiangsu Carpenter Tan**

Jiangsu Carpenter Tan is a domestic enterprise incorporated in the PRC with limited liability and is principally engaged in distribution of small size wooden handicrafts and accessories through internet. As at the date of this announcement, it is wholly-owned by Chongqing Carpenter Tan and therefore is an indirect wholly-owned subsidiary of the Company.

## **Chongqing Carpenter Tan**

Chongqing Carpenter Tan is a wholly foreign-owned enterprise incorporated in the PRC with limited liability and is principally engaged in design, manufacture and distribution of small size wooden handicrafts and accessories and the operation of a franchise network. As at the date of this announcement, it is wholly-owned by Hong Kong Carpenter Tan Company Limited, which, in turn, is wholly-owned by the Company. Therefore, Chongqing Carpenter Tan is an indirect wholly-owned subsidiary of the Company.

## **The Company**

The Company is a Hong Kong-based investment holding company principally engaged in the manufacture and sales of wooden handicrafts and accessories. Its products include combs, mirrors, bracelets, hanging drops and car decorations, hairpins and combination sets, among others. It sells its products through offline retail stores and online shops. The Company operates businesses in domestic and overseas markets.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE CAPITAL INJECTION**

The Group intends to construct an electronic business centre with the Group's centralised management centre, office, exhibition centre and staff dormitories on the Lands. The electronic commercial department of the Group has not had a fixed location for its departmental office since 2012. Given the rapid expansion of the electronic commercial department of the Group and the increase of the number of staff in the electronic commercial department, it is desirable to have a fixed location for its departmental office. The rent for leasing departmental office to the electronic commercial department has also been increasing. The Acquisition will enable the Group to own the Lands for constructing an electronic business centre for meeting the internal needs of the Group.

The Capital Injection allows the Group to acquire the Lands without actual payment of cash consideration. According to the Valuation Report, the appraised value of the Lands as at the Valuation Reference Date was RMB15 million, RMB1 million of which shall be used as the registered capital of Jiangsu Carpenter Tan and the remaining RMB14 million shall be used as the capital reserve of Jiangsu Carpenter Tan. According to the Legal Opinion, the remaining RMB14 million to be used as the capital reserve of Jiangsu Carpenter Tan could only be capitalised into equity interests on a pro rata basis to all existing shareholders. Therefore, the actual percentage of deemed disposal of equity interests of Jiangsu Carpenter Tan is only 9.09%.

The terms of the Investment Agreement was determined after arm's length negotiations between the parties thereto. In light of the above reasons, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreements are fair and reasonable, the Acquisition and the Capital Injection are on normal commercial terms or better and in the ordinary and usual course of business of the Group and the Acquisitions are in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, Jurong Yuechang Travel is wholly-owned by Bravo Charm Holdings Limited, which, in turn, is wholly-owned by Always Profitable Limited, which, in turn, is wholly-owned by Mr. Tan Chuan Hua, who is an executive Director and the chairman of the Company. Therefore, Jurong Yuechang Travel is a connected person (as defined under the Listing Rules) of the Company. Accordingly, the transactions contemplated under the Investment Agreement (namely, the Acquisition and the deemed disposal of equity interests in Jiangsu Carpenter Tan) constitute connected transactions of the Company.

The total shareholders' equity interest of Chongqing Carpenter Tan in Jiangsu Carpenter Tan will be diluted from 100% to 90.91% after the completion of the Capital Injection. The relevant dilution will be deemed as a disposal of equity interest in an indirect subsidiary under Rule 14.29 of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Investment Agreement is less than 5%, the transactions contemplated under the Investment Agreement are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Tan Chuan Hua, who is an executive Director and the chairman of the Company, is the ultimate beneficial owner of Jurong Yuechang Travel, therefore, is deemed to have a material interest in the Acquisition and the Capital Injection. Mr. Tan Chuan Hua is the father of Mr. Tan Di Fu (an executive Director of the Company) and Mr. Tan Lizi (an executive Director of the Company). Mr. Tan Di Fu and Mr. Tan Lizi are associates of Mr. Tan Chuan Hua and are also deemed to have material interests in the Acquisition and the Capital Injection. Mr. Tan Chuan Hua, Mr. Tan Di Fu and Mr. Tan Lizi have abstained from voting on the relevant resolutions in the Board meeting approving the Acquisition and the Capital Injection. Save as disclosed above, none of the other Directors has a material interest in the Acquisition and the Capital Injection.

## DEFINITIONS

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

“Acquisition”	the transfer of the ownership of the Lands by Jurong Yuechang Travel to Jiangsu Carpenter Tan
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Capital Injection”	the capital injection to Jiangsu Carpenter Tan in an amount of RMB15 million (RMB1 million of which shall be used as the registered capital of Jiangsu Carpenter Tan and RMB14 million of which shall be used as the capital reserve of Jiangsu Carpenter Tan) by Jurong Yuechang Travel by way of transferring the ownership of the Lands to Jiangsu Carpenter Tan, in accordance with the terms and conditions of the Investment Agreement

“Chongqing Carpenter Tan”	Chongqing Carpenter Tan Handicrafts Co., Ltd, a wholly foreign-owned enterprise incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“Company”	Carpenter Tan Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 837)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“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
“Investment Agreement”	the investment agreement dated 30 August 2019 entered into between Chongqing Carpenter Tan and Jurong Yuechang Travel in relation to the Acquisition and the Capital Injection
“Jiangsu Carpenter Tan”	Jiangsu Carpenter Tan Tourism Development Company Limited, a domestic enterprise incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“Jurong Yuechang Travel”	Jurong Yuechang Travel Development Company Limited* (句容悅昌旅遊發展有限公司), a company incorporated in the PRC with limited liability
“Lands”	two pieces of lands located at Yuanfang Xicun Part* (原方西村局部), Maoshan Town* (茅山鎮), Jurong City* (句容市), Zhenjiang City* (鎮江市), Jiangsu Province, the PRC (Parcel Nos. Jutu Guoyong (2013) No.2732 and Jutu Guoyong (2013) No.2740), which have a total site area of approximately 18,140 sq. m.
“Legal Opinion”	the legal opinion dated 21 August 2019 and issued by Jiangsu Huidian Law Firm* (江蘇匯典律師事務所), the legal adviser to the Company as to PRC law in relation to the Acquisition and the Capital Injection
“Listing Rules”	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, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Reference Date”	31 March 2019, being the reference date adopted by the Valuer in the Valuation Report
“Valuation Report”	the valuation report dated 20 May 2019 signed by the Valuer in terms of the Lands as at the Valuation Reference Date
“Valuer”	Cushman & Wakefield Limited, an independent valuer

By order of the Board  
**Carpenter Tan Holdings Limited**  
**Tan Chuan Hua**  
*Chairman*

Hong Kong, 30 August 2019

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Tan Chuan Hua, Mr. Tan Di Fu and Mr. Tan Lizi; two non-executive Directors, namely Madam Tan Yinan and Madam Huang Zuoan; and three independent non-executive Directors, namely Madam Liu Liting, Mr. Yang Yang and Mr. Chau Kam Wing, Donald.*

\* *For identification purpose only*