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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 TRANSACTION ACQUISITION OF EQUITY INTERESTS IN AN INDIRECT SUBSIDIARY

ACQUISITION OF EQUITY INTERESTS IN AN INDIRECT SUBSIDIARY

The Board wishes to announce that on 14 January 2021 (after trading hours), Chongqing Carpenter Tan and Jurong Yuechang Travel entered into the Transfer Agreement, pursuant to which Chongqing Carpenter Tan agreed to purchase, and Jurong Yuechang Travel agreed to sell, 9.09% equity interest in Jiangsu Carpenter Tan for a consideration of RMB15,873,000.

As at the date of this announcement, Chongqing Carpenter Tan holds 90.91% equity interest in Jiangsu Carpenter Tan. On completion of the Acquisition, Jiangsu Carpenter Tan will become an indirectly wholly-owned subsidiary of the Company.

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 Acquisition constitutes a connected transaction of the Company.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 0.1% but less than 5%, the Acquisition is 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 14 January 2021 (after trading hours), Chongqing Carpenter Tan and Jurong Yuechang Travel entered into the Transfer Agreement, pursuant to which Chongqing Carpenter Tan agreed to purchase, and Jurong Yuechang Travel agreed to sell, 9.09% equity interest in Jiangsu Carpenter Tan for a consideration of RMB15,873,000.

As at the date of this announcement, Chongqing Carpenter Tan holds 90.91% equity interest in Jiangsu Carpenter Tan. On completion of the Acquisition, Jiangsu Carpenter Tan will become an indirectly wholly-owned subsidiary of the Company.

THE TRANSFER AGREEMENT

The principal terms of the Transfer Agreement are set out as follows:

Date	:	14 January 2021
Parties	:	(1) Chongqing Carpenter Tan (as the purchaser); and (2) Jurong Yuechang Travel (as the vendor)
Equity interest to be acquired	:	9.09% equity interest in Jiangsu Carpenter Tan
Consideration	:	The consideration payable by Chongqing Carpenter Tan to Jurong Yuechang Travel under the Transfer Agreement is RMB15,873,000. The consideration is payable before 31 January 2021.

The consideration was arrived with reference to the following aspects:

- (1) the Valuation Report, which sets out the valuation of the total shareholders' equity interest of Jiangsu Carpenter Tan as of the Valuation Reference Date in the amount of RMB174,622,400, based on income approach; and
- (2) 9.09% equity interest of Jiangsu Carpenter Tan for which Chongqing Carpenter Tan has agreed to purchase.

The Acquisition will be funded by the internal resources of the Group.

Completion of the Acquisition	:	The completion of the Acquisition will take place in early March 2021.
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INFORMATION OF 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. Jiangsu Carpenter Tan was incorporated on 29 October 2010. At the time of incorporation, Jiangsu Carpenter Tan was wholly-owned by Chongqing Carpenter Tan and had a registered capital of RMB10,000,000.

On 30 August 2019 (after trading hours), Chongqing Carpenter Tan and Jurong Yuechang Travel entered into an 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 completion of the investment agreement took place on 25 November 2019, and the proportion of shareholders' equity interests in Jiangsu Carpenter Tan of Chongqing Carpenter Tan and Jurong Yuechang Travel became 90.91% and 9.09%, respectively. There was no subsequent change in the issued share capital or the shareholding structure of Jiangsu Carpenter Tan thereafter. For details of the investment agreement, please refer to the announcements of the Company dated 30 August 2019 and 5 September 2019.

As at the date of this announcement, Chongqing Carpenter Tan holds 90.91% equity interest in Jiangsu Carpenter Tan and therefore is an indirect subsidiary of the Company.

Set out below is a summary of certain financial information of Jiangsu Carpenter Tan for the periods indicated:

	For the ten months ended 31 October 2020	For the year ended 31 December 2019	For the year ended 31 December 2018
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Revenue	95,859	113,874	98,676
Net profit before tax	23,716	26,644	19,262
Net profit after tax	19,362	19,736	14,128

The unaudited total assets and net assets of Jiangsu Carpenter Tan as at 31 October 2020 were approximately RMB138,926,000 and RMB127,111,000, respectively. According to the Valuation Report, the total shareholders' equity interest of Jiangsu Carpenter Tan as of the Valuation Reference Date was RMB174,622,400, based on income approach.

As at the date of this announcement, the principal assets owned by Jiangsu Carpenter Tan are the land use rights of the Lands. 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.

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 CHONGQING CARPENTER TAN AND 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 and the Group is 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

Upon completion of the Acquisition, the Group's interest in Jiangsu Carpenter Tan will increase from 90.91% to 100%, and Jiangsu Carpenter Tan will become an indirect wholly-owned subsidiary of the Company. The Acquisition will allow the Group to entirely control Jiangsu Carpenter Tan.

The Acquisition will enable the Group to fully control and continue the development of its online business, which has been an important business strategy implemented by the Company. Since the outbreak of the COVID-19 pandemic, the Group has noticed an acceleration in the change of customers' behaviour, with more customers purchasing goods online. The Group tried to develop "Online Home Economy" and explored new retail mode online. The Group believes that online business will become more and more important and customers' behaviour will continue to evolve and at a much faster pace. Therefore, the Group decides to consolidate its control over its online business, so that it could better prepare for and manage these potential changes in the competitive environment.

The terms of the Transfer Agreement were 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 Transfer Agreement are fair and reasonable, the Acquisition is on normal commercial terms or better and in the ordinary and usual course of business of the Group and the Acquisition is 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 (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 Acquisition constitutes a connected transaction of the Company.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 0.1% but less than 5%, the Acquisition is 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. 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. 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. Save as disclosed above, none of the other Directors has a material interest in the Acquisition.

DEFINITIONS

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

“Acquisition”	the acquisition of 9.09% equity interest in Jiangsu Carpenter Tan by Chongqing Carpenter Tan from Jurong Yuechang Travel pursuant to the Transfer Agreement
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“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
“Jiangsu Carpenter Tan”	Jiangsu Carpenter Tan Tourism Development Company Limited, a domestic enterprise incorporated in the PRC with limited liability and is an indirect subsidiary of the Company
“Jurong Yuechang Travel”	Jurong Yuechang Travel Development Company Limited* (句容悦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.
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer Agreement”	the equity interest transfer agreement dated 14 January 2021 entered into between Chongqing Carpenter Tan and Jurong Yuechang Travel in relation to the Acquisition
“Valuation Reference Date”	31 October 2020, being the reference date adopted by the Valuer in the Valuation Report
“Valuation Report”	the valuation report dated 3 January 2021 signed by the Valuer in terms of the total shareholders’ equity interest of Jiangsu Carpenter Tan as at the Valuation Reference Date
“Valuer”	Jiangsu Tianyuan Property Valuation Group Company Limited* (江蘇天元房地產評估造價集團有限公司), an independent valuer

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

Hong Kong, 14 January 2021

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 Ms. Tan Yinan and Ms. Huang Zuoan; and three independent non-executive Directors, namely Ms. Liu Liting, Mr. Yang Yang and Mr. Chau Kam Wing, Donald.

* *For identification purpose only*