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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)

SUPPLEMENTAL ANNOUNCEMENT CONNECTED TRANSACTION ACQUISITION OF EQUITY INTERESTS IN AN INDIRECT SUBSIDIARY

Reference is made to the announcement of Carpenter Tan Holdings Limited (the “**Company**”) dated 14 January 2021 (the “**Announcement**”) in relation to connected transaction relating to the Acquisition. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless otherwise stated.

VALUATION

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 income approach involves the calculation of discounted cash flows method, the valuation of the total shareholders’ equity interest of Jiangsu Carpenter Tan constitutes a profit forecast (the “**Profit Forecast**”) under Rule 14.61 of the Listing Rules.

The Valuation Report has been prepared based on the following principal bases and assumptions:

General assumptions

1. There is no significant change in the political, legal, economic and social environment of the country or region where the appraised enterprise is located after the Valuation Reference Date;
2. There is no significant change in the national macro-economic policies, industrial policies and regional development policies after the Valuation Reference Date;
3. There is no significant change in interest rates, tax bases, tax rates and policy-imposed charges relevant to the appraised enterprise after the Valuation Reference Date;

4. The appraised enterprise is in full compliance with all relevant regulations and laws; and
5. There are no force majeure events that may have a material adverse impact on the appraised enterprise after the Valuation Reference Date.

Specific assumptions

1. The estimated growth rates of revenue and net profit margin during the projection period from 2021 to 2025 are set out in the table below:

	2021	2022	2023	2024	2025
Revenue growth rate	10.0%	6.0%	4.0%	2.0%	0.0%
Net profit margin	14.1%	14.4%	14.5%	14.4%	14.3%

2. The discount rate, being the weighted average cost of capital, is expected to be 12.46%.
3. Accounting policies adopted by the appraised enterprise after the Valuation Reference Date are consistent with those adopted when calculating on the Valuation Reference Date in material respects;
4. The appraised enterprise maintains the current operation scope and business pattern based on the existing management method and management level after the Valuation Reference Date; and
5. The management and key technical personnel are retained by the appraised enterprise to support its continued operation and development after the Valuation Reference Date.

The Board has reviewed the general assumptions and specific assumptions upon which the discounted cash flows and Profit Forecast was based and is of the view that the discounted cash flows and Profit Forecast was made after due and careful enquiry.

Crowe (HK) CPA Limited, the auditor of the Company, has been engaged by the Company to review the calculation of the discounted cash flow upon which the Valuation Report prepared by the Valuer was based.

Report from Crowe (HK) CPA Limited and a letter from the Board in relation to the discounted cash flows and Profit Forecast are set out as Appendix I and Appendix II to this announcement, respectively.

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

Hong Kong, 20 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*

APPENDIX I – REPORT FROM CROWE (HK) CPA LIMITED ON THE DISCOUNTED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF JIANGSU CARPENTER TAN TOURISM DEVELOPMENT COMPANY LIMITED

The following is the text of a report received from the Company’s auditor, Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement



國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited

香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

REPORT ON THE DISCOUNTED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF JIANGSU CARPENTER TAN TOURISM DEVELOPMENT COMPANY LIMITED

TO THE BOARD OF DIRECTORS OF CARPENTER TAN HOLDINGS LIMITED

We refer to the discounted cash flows on which the business valuation (the “**Valuation**”) dated 3 January 2021 prepared by Jiangsu Tianyuan Property Valuation Group Company Limited in respect of the appraisal of the fair value of the total shareholders’ equity interest in Jiangsu Carpenter Tan Tourism Development Company Limited (the “**Target Company**”) as of 31 October 2020 (the “**Valuation Reference Date**”) was based. The Valuation is prepared based on the discounted cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibilities

The directors of Carpenter Tan Holdings Limited (the “**Directors**”) are responsible for the preparation of the discounted cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control For Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor' Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted cash flows used in the Valuation. The discounted cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors has properly compiled the discounted cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted cash flows are based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted cash flows relates to the future, actual results are likely to be different from the discounted cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 20 January 2021

Alvin Yeung Sik Hung
Practising Certificate Number P05206

APPENDIX II – LETTER FROM THE BOARD IN RELATION TO THE PROFIT FORECAST



CARPENTER TAN HOLDINGS LIMITED

譚木匠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 837)

20 January 2021

The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square,
8 Connaught Place,
Central, Hong Kong

Dear Sirs,

CONNECTED TRANSACTION ACQUISITION OF EQUITY INTERESTS IN AN INDIRECT SUBSIDIARY

We refer to the announcements (the “**Announcements**”) of the Company dated 14 January 2021 and 20 January 2021. Terms used herein shall have the same meanings as defined in the Announcements unless otherwise stated.

We refer to the Valuation Report. 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 income approach involves the calculation of discounted cash flows method, the valuation of the total shareholders’ equity interest of Jiangsu Carpenter Tan constitutes a profit forecast (the “**Profit Forecast**”) under Rule 14.61 of the Listing Rules.

We hereby confirm that we have discussed with the Valuer about different aspects and reviewed information and documents in relation to the basis and assumptions based upon which the discounted cash flows in the valuation has been prepared, and reviewed the Valuation Report prepared by the Valuer for which the Valuer is responsible for. We have also reviewed the calculations for the discounted cash flow in the Valuation Report issued by the Valuer. We have also considered the report from the auditor of the Company, Crowe (HK) CPA Limited as set out in Appendix I to the announcement of the Company dated 20 January 2021 regarding the calculations for which the discounted cash flows in the valuation upon which the Profit Forecast has been made.

On the basis of the foregoing, in accordance with the requirements under Rule 14.62(3) of the Listing Rules, we confirm that the Profit Forecast has been made after due and careful enquiry by us.

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

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