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勒泰集團有限公司
LERTHAI GROUP LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 112)

CONNECTED TRANSACTIONS

The Board announces that the Connected Borrowers have entered into the Bank Loan Agreements with the Banks pursuant to which the Banks have provided the Bank Loan Facilities to the Connected Borrowers subject to the terms of the Bank Loan Agreements.

The Connected Borrowers are ultimately controlled by Mr. Yang, the executive Director and chairman of the Board, and a controlling Shareholder (as defined in the Listing Rules) of the Company. As such, the Connected Borrowers are associates of Mr. Yang and therefore the provision of the Corporate Guarantees and the Property Pledge under the Bank Loan Agreements and the transactions contemplated thereunder constitute connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules), when aggregated, exceed 0.1% but all are below 5%, the Corporate Guarantees and the Property Pledge and the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements but exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board announces that the Connected Borrowers have entered into the Bank Loan Agreements with the Banks pursuant to which the Banks have provided the Bank Loan Facilities in the aggregate amount of RMB119 million (equivalent to approximately HK\$130.9 million) to the Connected Borrowers for extension of one year subject to the terms of the Bank Loan Agreements. Key terms of the Bank Loan Agreements are set out below.

THE BANK LOAN AGREEMENTS

Agreement 1

Date

16 August 2019

Parties

- (i) Connected Borrower A as borrower; and
- (ii) Bank A as lender.

Connected Borrower A is a company established in the PRC and is principally engaged in the provision of asset management services in the PRC. Connected Borrower A is indirectly wholly-owned by Mr. Yang, as such, Connected Borrower A is a connected person of the Company under Chapter 14A of the Listing Rules.

Bank A is a licensed commercial bank in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Bank A and its ultimate beneficial owner(s) are Independent Third Parties.

Subject matter

Pursuant to Agreement 1, Bank A shall provide the Bank Loan Facility 1 of RMB59 million (equivalent to approximately HK\$64.9 million) to Connected Borrower A for extension of one year. The Bank Loan Facility 1 was secured by, among others, (i) the personal guarantee by Mr. Yang; and (ii) the Corporate Guarantee 1. Apart from the personal guarantee by Mr. Yang, Bank A also requested Connected Borrower A to provide the Corporate Guarantee 1 for the Bank Loan Facility 1.

The Bank Loan Facility 1 is extended for a term of one year and the interest rate was determined after arm's length negotiations with reference to the RMB prime interest rate with a floating interest rate.

Agreement 2

Date

27 August 2019

Parties

- (i) Connected Borrower B as borrower; and
- (ii) Bank B as lender.

Connected Borrower B is a company established in the PRC and is principally engaged in agricultural products wholesale trading business and warehousing, processing, distribution business. Connected Borrower B is ultimately owned as to 64.3% by Mr. Yang, as such, Connected Borrower B is a connected person of the Company under Chapter 14A of the Listing Rules.

Bank B is a licensed commercial bank in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Bank B and its ultimate beneficial owner(s) are Independent Third Parties.

Subject matter

Pursuant to Agreement 2, Bank B shall provide the Bank Loan Facility 2 of RMB60 million (equivalent to approximately HK\$66 million) to Connected Borrower B for extension of one year. The Bank Loan Facility 2 shall be secured by, among others, (i) the personal guarantee by Mr. Yang; (ii) the Corporate Guarantee 2; and (iii) the Pledge Property. Apart from the personal guarantee by Mr. Yang, Bank B also requested Connected Borrower B to provide additional security for the Bank Loan Facility 2, including the Corporate Guarantee 2 and the Pledge Property.

The Bank Loan Facility 2 is extended for a term of one year and the interest rate was determined after arm's length negotiations with reference to the RMB prime interest rate with a floating interest rate.

THE CORPORATE GUARANTEES AND THE PROPERTY PLEDGE

As disclosed in the section headed "The Bank Loan Agreements" above, it is a term thereof that (1) the Group provides the Corporate Guarantees; and (2) the PRC Properties were pledged under the Property Pledge in favour of the Banks as security for the obligations and liabilities of the Connected Borrowers under the Bank Loan Agreements. The PRC Properties comprise units 4101-4102 on 41st Floor and 4201-4202 on 42nd Floor of Tower 3, Lerthai Center, 39 East Zhongshan Road, Chang'an District, Shijiazhuang, Hebei Province, the PRC, with a total gross floor area of approximately 3,500 square metres. Both the book value and market value of the PRC Properties

as at 31 December 2018 were approximately RMB81.5 million (equivalent to approximately HK\$89.7 million).

The Corporate Guarantees were provided by the Group in favour of the Banks to secure all the obligations of the Connected Borrowers under the Bank Loan Agreements.

In the event that the Connected Borrowers have defaulted in their repayment of any of the outstanding principal amount (the maximum amount being RMB 119 million), interest accrued thereon, fees and/or other payables under the Bank Loan Facilities which have become due to the Banks, the Banks shall be entitled to enforce the Corporate Guarantees and the Group shall irrevocably and unconditionally pay the relevant amount described above to the Banks under the Corporate Guarantees, which would represent the maximum exposure of the Group.

In the event that Connected Borrowers have defaulted in their repayment due to the Banks and the Banks have enforced the Corporate Guarantees and/or the Property Pledge, the Group would incur a liability equivalent to the amount due by the Connected Borrowers to the Banks. In the case of the enforcement of the Property Pledge by Bank B, the Group may be subject to the disposal of the PRC Properties, which are currently held by the Group as investment properties to generate rental income, for the repayment of such outstanding amount.

Nevertheless, Mr. Yang agrees to fully indemnify the Group if the Connected Borrowers have been in default in repayment and the Group has to pay any amount under the Corporate Guarantees and/or the Property Pledge.

The Group has no further obligations under the Corporate Guarantees and the Property Pledge to provide additional collaterals. However, Bank B under Agreement 2 shall have the right to demand the Connected Borrower 2 to provide further collaterals if the value of the properties pledged under Agreement 2 decreases during its term or in other situations falls below the loan to asset ratio under Agreement 2. In the event that the Connected Borrower 2 would request the Group to provide any further collaterals, the Company will comply with the relevant Listing Rules requirements.

The Directors (including the independent non-executive Directors) consider that the terms of the Corporate Guarantees and the Property Pledge under the Bank Loan Agreements are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE CORPORATE GUARANTEES AND THE PROPERTY PLEDGE

The Company is an investment holding company. Along with the subsidiaries, the Group is principally engaged in property investment and development in the PRC. The Company invests, develops, owns and manages mixed use projects including large scale regional malls, luxurious residential units, Grade A office space, international quality hotels, serviced apartments, cinemas, ice-skating rinks, department stores, theatres, supermarkets, entertainment complex and carparking ports principally in the PRC.

As mentioned in the annual report of the Company for the year ended 31 December 2018, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the ongoing availability of finance supports to the Group, including, among others, the credit facilities from its immediate holding company, ultimate controlling party and the continued support of the Group's bankers. Mr. Yang has been continuously providing financial support to the Group. As at the date of this announcement, Mr. Yang, through his wholly owned companies, has obtained certain banking facilities and granted shareholder loans to the Group exceeding HK\$1 billion. The Directors (including the independent non-executive Directors) are therefore of the opinion that it is appropriate to provide the Corporate Guarantees and Property Pledge as security which allow the Group to continue enjoying the benefit of the financial support from Mr. Yang and that it is fair and reasonable for the Group to provide the Corporate Guarantees and the Property Pledge in favour of the Bank as security under the Bank Loan Agreements.

LISTING RULES IMPLICATIONS

The Connected Borrowers are ultimately controlled by Mr. Yang, the executive Director and chairman of the Board, and a controlling Shareholder (as defined in the Listing Rules) of the Company. As such, the Connected Borrowers are associate of Mr. Yang and therefore the provision of Corporate Guarantees and the Property Pledge under the Bank Loan Agreements and the transactions contemplated thereunder constitute Connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules), when aggregated, exceed 0.1% but all are below 5%, the Corporate Guarantees and the Property Pledge and the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements but exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Since Mr. Yang is a connected person of the Company and Mr. Yang Shao Ming, the non-executive Director and the son and hence an associate of Mr. Yang, were considered to be interested in the Corporate Guarantees and the Property Pledge, both of them as Directors have abstained from voting on the resolutions at the Board meeting approving the Corporate Guarantees and the Property Pledge and the transactions contemplated thereunder to avoid any conflicts of interest.

DEFINITIONS

“Agreement 1”	the loan extension agreement entered into between Bank A and the Connected Borrower 1 on 16 August 2019 to extend the terms of the existing loan for 1 year
“Agreement 2”	the loan extension agreement entered into between Bank B and the Connected Borrower 2 on 27 August 2019 to extend the terms of the existing loan for 1 year
“associates”	has the meaning ascribed to this term under the Listing Rules
“Banks”	Bank A and Bank B
“Bank A”	Agricultural Bank of China, a PRC licensed commercial bank and an Independent Third Party
“Bank B”	Bank of Beijing Co., Ltd., a PRC licensed commercial bank and an Independent Third Party
“Bank Loan Agreements”	Agreement 1 and Agreement 2
“Bank Loan Facilities”	the aggregate loan facilities of RMB 119 million under the Bank Loan Agreements
“Bank Loan Facility 1”	the loan facility RMB59 million under Agreement 1
“Bank Loan Facility 2”	the loan facility RMB60 million under Agreement 2
“Board”	the board of Directors
“Company”	Lerthai Group Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 112)

“Connected Borrowers”	Connected Borrower A and Connected Borrower B
“Connected Borrower A”	Lerthai Property Services Company Limited* (勒泰物業服務有限公司), a company established in the PRC with limited liability, which is indirectly wholly-owned by Mr. Yang
“Connected Borrower B”	Hebei Dahe Logistics Co., Ltd.* (河北省大河物流有限公司), a company established in the PRC with limited liability, which is ultimately owned as to 64.3% by Mr. Yang
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Corporate Guarantee 1”	the corporate guarantee provided by a subsidiary of the Company under Agreement 1
“Corporate Guarantee 2”	the corporate guarantees provided by two subsidiaries of the Company under Agreement 2
“Corporate Guarantees”	the corporate guarantees provided by two subsidiaries of the Company under the Bank Loan Agreements
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is (are) independent of and not connected with any connected persons or any of their respective associate(s)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yang”	Mr. Yang Longfei, the Chairman of the Board and an executive Director
“PRC”	the People’s Republic of China which, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“PRC Properties”	the properties of the Group situated at units 4101-4102 on 41st Floor and 4201-4202 on 42nd Floor of Tower 3, Lerthai Center, 39 East Zhongshan Road, Chang'an District, Shijiazhuang, Hebei Province, the PRC

“Property Pledge”	the pledge of the PRC Properties by the Group under Agreement 2
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

** English name of such entity is the transliteration of its Chinese name for reference only.*

For the purpose of this announcement, the translation of RMB into HK\$ is based on the rate of RMB1:HK\$1.1. This conversion rate is for illustrative purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at the aforesaid or any other rates or at all.

By order of the Board
Lerthai Group Limited
Yang Longfei
Chairman and Chief Executive Officer

Hong Kong, 28 August 2019

As at the date of this announcement, the executive Directors are Mr. Yang Longfei and Ms. Zhang Yan and the non-executive Director is Mr. Yang Shao Ming and the independent non-executive Directors are Mr. Wan Kah Ming, Mr. Wong Hon Kit and Mr. Wong Tat Keung.