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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)

VOLUNTARY ANNOUNCEMENT

The Board is pleased to announce that the Company is currently negotiating with CR Urban Construction to enter into an potential debt for equity swap agreement, pursuant to which, by capitalizing a total of approximately RMB390 million of Engineering Payment Debt, the Engineering Payment Debt will be fully and finally settled once the agreement is finalized and CR Urban Construction will be entitled to appoint one individual as the director of the Company.

On 10 April 2019, the Beijing Arbitration Commission made an arbitration award in connection with the outstanding construction cost that is payable by Tangshan Lerthai to CR Urban Construction, in accordance with the arbitration terms under the “Tangshan Lerthai Center Project Completion Acceptance and Settlement Agreement” signed by CR Urban Construction and Tangshan Lerthai on 4 August 2017.

The arbitration award is mainly as follows, among other things:

- (i) The payment of outstanding engineering payment of RMB306,180,199.81 to CR Urban Construction by Tangshan Lerthai;
- (ii) The payment of interests of RMB15,323,920.97 up to 17 February 2018 to CR Urban Construction by Tangshan Lerthai; Tangshan Lerthai shall take the outstanding amount of RMB278,130,197.56 as the principal of interests and pay the interests from 18 February 2018 to the date of full payment to CR Urban Construction at the interest rate of 15% per annum;

- (iii) The payment of discount acceptance bill of RMB3,000,000 to CR Urban Construction by Tangshan Lerthai;
- (iv) CR Urban Construction has the priority to be compensated for the discount or auction price of 8# podium AB area of Tangshan Lerthai Center within the engineering payment of RMB306,180,199.81.

On 14 April 2020, the Company received a letter dated 30 March 2020 from the lawyer commissioned by CR Urban Construction, stating that subsequent to the issuance of the arbitration award, since Tangshan Lerthai has not actually performed, it applied to the Intermediate People's Court of Tangshan City for implementation and was accepted. The Comfort Letter issued by the Company to CR Urban Construction was true, stating that the legal guaranteed contract relationship has been established between the Company and CR Urban Construction. CR Urban Construction has the right to require the Company to assume the responsibility of guarantee, so the Company is required to perform the obligation of guarantee payment according to the content of the Comfort Letter and the arbitration award.

As of 31 December 2019, the Engineering Payment Debt of approximately RMB390 million in total was fully provided in the account of Tangshan Lerthai.

As CR Urban Construction is a state-owned enterprise, in order to ensure the safety of state-owned assets, mutual benefit, friendly cooperation, and to the extent permitted by relevant laws and regulations, a total of approximately RMB390 million of Engineering Payment Debt to be capitalized through the issuance of shares, and CR Urban Construction shall be entitled to appoint one individual as the director of the Company.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiry, CR Urban Construction and its ultimate beneficial owners are Independent Third Parties. As at the date of this announcement, CR Urban Construction did not hold any Shares.

It is expected that the subscription shares under the Potential Debt for Equity Swap will be allotted and issued under the General Mandate. The detailed terms of the Potential Debt for Equity Swap will be further announced in due course in accordance with the requirements in respect of the Potential Debt for Equity Swap under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Since the Potential Debt for Equity Swap may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions shall have the meanings listed out below unless the context specifies otherwise:

- “Board” : the board of directors of the Company
- “CR Urban Construction” : China Railway Urban Construction Group Co., Ltd., a company established in the PRC with limited liability, which is a wholly owned subsidiary of China Railway Construction Corporation Limited (whose shares are listed on the Stock Exchange) (Collectively, “China Railway Group”)
- “Comfort Letter” : On 4 August 2017, the Company issued the written Comfort Letter to CR Urban Construction, pursuant to which, the Company was willing to urge Tangshan Lerthai to effectively fulfill the content of the settlement agreement and provided joint liability guarantee to CR Urban Construction for the performance obligations of Tangshan Lerthai. The Company will directly make the payment when there is late payment by Tangshan Lerthai. The scope of guarantee includes all payment obligations under the settlement agreement such as the engineering payment due from Tangshan Lerthai to CR Urban Construction, interests on the deferred engineering payment, various interests and handling fees as well as the cost of realizing creditor’s rights by CR Urban Construction.
- “Company” : Lerthai Group Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange
- “Director(s)” : director(s) of the Company
- “Engineering Payment Debt” : the engineering payment due from Tangshan Lerthai to CR Urban Construction, interests on the deferred engineering payment, various interests and handling fees as well as the cost of realizing creditor’s rights by CR Urban Construction of approximately RMB390 million in aggregate
- “General Mandate” : a general mandate to be granted to the Directors to allot, issue and deal with up to a maximum of 137,575,416 Shares (representing approximately 20.0% of the then issued share capital of the Company at the annual general meeting of the Company held on 26 June 2019)

- “Group” : the Company together with its subsidiaries, including Tangshan Lerthai
- “Hong Kong” : the Hong Kong Special Administrative Region of the People’s Republic of China
- “Independent Third Party(ies)” : third parties independent of the Company and its connected persons
- “Potential Debt for Equity Swap” : the conversion of engineering payment of approximately RMB390 million in aggregate into the share capital of the Company
- “PRC” : the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
- “RMB” : Renminbi, the lawful currency of the PRC
- “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
- “Tangshan Lerthai” : Tangshan Lerthai Shopping Mall Co. Ltd., a company established in the PRC with limited liability, which is an indirect wholly owned subsidiary of the Company

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

Hong Kong, 20 April 2020

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