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## **TIANLI HOLDINGS GROUP LIMITED**

**天利控股集團有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock code: 117)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE ESTABLISHMENT OF A PRIVATE DEBT FUND AND PROPOSED SUBSCRIPTION OF THE INTEREST IN THE FUND**

#### **ESTABLISHMENT OF A PRIVATE DEBT FUND AND PROPOSED SUBSCRIPTION ON THE INTEREST IN THE FUND**

On 5 January 2017 (after trading hours), Tianli Fund Investment as the General Partner and as attorney for each of the Limited Partners and Tianli Capital as the Initial Limited Partner and as Junior Limited Partner entered into the Limited Partnership Agreement in relation to the establishment and management of the Fund.

On 5 January 2017 (after trading hours), Tianli Capital entered into the Tianli Subscription Agreement, pursuant to which Tianli Capital agrees to invest with the capital commitment of US\$35 million (equivalent to approximately HK\$271.25 million) in the Fund as Junior Limited Partner.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules exceed(s) 5% but are less than 25%, the investment by the Company in the Fund constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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### **The Limited Partnership Agreement**

Date: 5 January 2017

- Parties:
1. Tianli Fund Investment (as General Partner and as attorney for each of the Limited Partners)
  2. Tianli Capital (as Initial Limited Partner and as Junior Limited Partner)

Each of the General Partner and Tianli Capital is a wholly-owned subsidiary of the Company.

Upon one or more additional persons becoming Limited Partners, the Initial Limited Partner would withdraw as a Limited Partner.

### **The Tianli Subscription Agreement**

Date: 5 January 2017

- Parties:
1. General Partner
  2. Tianli Capital

### **Capital Commitment**

Pursuant to the Limited Partnership Agreement and the Tianli Subscription Agreement, Tianli Capital (as Junior Limited Partner) agrees to subscribe for the partnership interest in the Fund with the capital commitment of US\$35 million (equivalent to approximately HK\$271.25 million).

The subscription of the partnership interest in the Fund by Tianli Capital under the Tianli Subscription Agreement (a) is irrevocable; (b) is conditional upon acceptance by or on behalf of the General Partner and may be accepted or rejected in whole or in part by the General Partner in its sole discretion; and (c) will expire if not accepted by the General Partner on or before the date nominated by the General Partner as the effective date of acceptance. It is expected that effective date of acceptance of Tianli Capital's subscription will be the Initial Closing Date.

Tianli Capital should fund the capital contributions when it receives drawdown notice from the General Partner until the total capital commitment made by Tianli Capital is fully paid.

Pursuant to the Limited Partnership Agreement, the General Partner shall cause the Company/its subsidiaries and/or any of its affiliates to subscribe for Limited Partner interest with total Commitments which is at least equal to 10% of the Total Commitments. The General Partner will not be required to make a Commitment to the Fund.

In addition, pursuant to the Limited Partnership Agreement and another subscription agreement entered into by Star Ace on 5 January 2017, which is in form and substance substantially the same as the Tianli Subscription Agreement, Star Ace (as Senior Limited Partner) agrees to subscribe for a partnership interest in the Fund with the capital commitment of US\$50 million (equivalent to approximately HK\$387.50 million). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Star Ace and its ultimate beneficial owner(s) are Independent Third Parties.

The capital contribution to the Fund was determined after arm's length negotiation between the General Partner and the relevant Limited Partners with reference to the amount for the partnership interest in the Fund each party would subscribe for.

The Company intends to fund its capital contribution from internal resources of the Company.

### **Information of the Fund**

The Fund is an exempted limited partnership established by the General Partner and the Initial Limited Partner in the Cayman Islands and governed by the Limited Partnership Agreement.

As the Fund is a newly established partnership, it does not have any investments, assets or liabilities, and has not recorded any income or expenses.

### **Investment objective**

The investment objective of the Fund is to achieve long-term capital appreciation through investments in a wide range of private debt instruments, including secured or unsecured, senior or subordinated ranking. The geographic focus of the Fund will be primarily in developed markets as identified in S&P Broad Market Index from time to time and China, and opportunistically in other markets with attractive risk-return profile. The industry focus of the Fund will be primarily in real estate.

### **Limited Partner interests**

The minimum Commitment for a Limited Partner is US\$1 million (equivalent to approximately HK\$7.75 million) (which amount may be decreased or increased at the discretion of the General Partner from time to time and in any particular case). The General Partner shall ensure that the Commitments of Senior Limited Partners will constitute 50% of the Total Commitments and the Commitments of Junior Limited Partners will constitute 50% of the Total Commitments.

## **Classes of Limited Partner interests**

There are two classes of Limited Partner interests as follows:

- (a) Senior Limited Partners; and
- (b) Junior Limited Partners.

## **Management**

The business of the Fund shall be carried on and managed by the General Partner. The General Partner has exclusive responsibility for the management and conduct of the business and affairs of the Fund. The General Partner has appointed the Manager, an indirect wholly-owned subsidiary of the Company, to advise and assist the General Partner in managing the general and business affairs of the Fund and the investments and to carry out certain investment advisory and other functions for the Fund.

## **Maximum Fund Size**

Without approval of the Advisory Committee, the Total Commitment must not at any time exceed US\$400 million (equivalent to approximately HK\$3,100 million).

## **Term of the Fund**

The term of the Fund shall commence on 15 December 2016 and the Fund shall continue until the occurrence of the earliest of the following events:

- (a) the fifth anniversary of the Initial Closing Date, as extended by the General Partner in its sole discretion for up to one year and, thereafter, for an additional one year upon recommendation of the General Partner with the confirmation of the Advisory Committee;
- (b) all investments by the Fund have been disposed or realised, and the proceeds from which have been distributed to the Partners;
- (c) for any other reason with the written consent of the General Partner and Limited Partners holding more than 80% of the Total Commitments;
- (d) the removal, retirement or insolvency of the General Partner and no replacement General Partner has been admitted; or
- (e) upon there being no Limited Partners.

## **Closing**

The Initial Closing Date is expected to be held in the first quarter of 2017. The General Partner may admit one or more additional Limited Partners and permit one or more Limited Partners to increase their Commitment for 18 months from the Initial Closing Date and such period may be extended for up to one additional year upon the recommendation of the General Partner with the approval of the Advisory Committee.

## Call on Commitments

During the investment period commencing on the Initial Closing Date and ending on the date of the third anniversary of the Initial Closing Date, Commitments may be drawn down to fund investments and the expenses, management fees, obligations and other liabilities of the Fund with a drawdown notice served by the General Partner in accordance with the Limited Partnership Agreement.

## Distributions

The net proceeds from the realised investment and any net proceeds for the re-financing and income in respect of such realised investment in relation to the Fund and including any equalising amount paid by the additional Limited Partners and Limited Partners which increase their Commitments pursuant to the Limited Partnership Agreement and after deducting reserves, taxes and expenses will be distributed as follows:

- (a) (return of capital contributions to the Senior Limited Partners): first, 100% to each Senior Limited Partner in proportion to each of their respective capital contributions as at the relevant distribution date, until each such Senior Limited Partner has been allocated such distributable amount and all prior distributions equal in aggregate to 100% of capital contributions by each such Senior Limited Partner at the time of distribution;
- (b) (return of capital contributions to the Junior Limited Partners): second, 100% to each Junior Limited Partner in proportion to each of their respective capital contributions as at the relevant distribution date, until each such Junior Limited Partner has been allocated such distributable amount and all prior distributions equal in aggregate to 100% of capital contributions by each such Junior Limited Partner at the time of distribution;
- (c) (preferred-return to the Senior Limited Partners): third, 100% to each Senior Limited Partner in proportion to each of their respective capital contributions as at the relevant distribution date, until each such Senior Limited Partner has been allocated such distributable amount and all prior distributions in excess of its capital contributions equal to an internal rate of return on all of its capital contributions of 8% per annum at time of distribution;
- (d) (preferred-return to the Junior LPs): fourth, 100% to each Junior Limited Partner in proportion to each of their respective capital contributions as at the relevant distribution date, until each such Junior Limited Partner has been allocated such distributable amount and all prior distributions in excess of its capital contributions equal to an internal rate of return on all of its capital contributions of 8% per annum at time of distribution;
- (e) (split): simultaneously thereafter: (i) to the Senior Limited Partners: 20% x the proportion of Senior Limited Partner's aggregate amount of the drawdown made from time to time on its Commitment in those of all Limited Partners at time of distribution; (ii) to each Junior Limited Partner: to each Junior Limited Partner, until such Junior Limited Partner has been allocated an amount equal to an overall internal rate of return

of 8% (after deducting the management fee accrued and payable by such Junior Limited Partner), then 80% to each Junior Limited Partner and 20% to the Special Limited Partners as special distribution.

### **Management fees**

The management fees payable to the General Partner shall be calculated as from the Initial Closing Date until the date the Fund is wound up,

- (a) with respect to each Junior Limited Partner, as 1.5% per annum;
- (b) with respect to each Senior Limited Partner, as 1% per annum

of the Commitments drawn down (but excluding any Commitment attributable to any investment which has been written off and any distribution of capital) which shall be payable quarterly.

### **Transfer of interest and withdrawal**

A Limited Partner may not transfer all or any part of its Limited Partner interest in the Fund without the prior written consent of the General Partner or create an encumbrance over its Limited Partner interest unless the holder of the encumbrance undertakes to the other Partners not to transfer any Limited Partner interest other than in accordance with the Limited Partnership Agreement.

A Limited Partner generally may not withdraw any amount from the Fund.

## **INFORMATION ON THE COMPANY AND THE PARTIES OF THE LIMITED PARTNERSHIP AGREEMENT**

### **The Company**

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of multi-layer ceramic chips, conducting financial investment, provision of financial services and trading of metals, minerals, petroleum and other products.

### **Tianli Fund Investment**

Tianli Fund Investment is the General Partner and is an exempted company incorporated with limited liability in the Cayman Islands and an indirect wholly-owned subsidiary of the Company. Subject to the terms of the Limited Partnership Agreement, the General Partner shall carry on and manage the business of the Fund.

### ***Tianli Capital***

Tianli Capital is a company incorporated in the Cayman Islands with limited liability and an indirect wholly-owned subsidiary of the Company. Tianli Capital is principally engaged in investment activities.

## *Star Ace*

Based on the information provided by Star Ace, Star Ace is a company incorporated in the British Virgin Islands with limited liability, and is an indirect wholly-owned subsidiary of Huarong the issued shares of which are listed on the Stock Exchange (stock code: 2277). Star Ace is principally engaged in investment holding and Huarong is principally engaged in the foundation and substructure construction business and financial investment and related service.

### **REASONS FOR AND BENEFITS OF ESTABLISHMENT OF THE FUND AND SUBSCRIPTION ON THE INTEREST IN THE FUND**

One of the business segments of the Group is financial investment and provision of financial services. The Group has been expanding its capabilities and actively exploring business opportunities within this segment. Tianli Financial Limited, a wholly-owned subsidiary of the Company, was granted Type 4 (advising on securities) and Type 9 (asset management) Licenses by the SFC on 28 November 2016.

Within the financial investment and financial services segment, it is the plan of the Company to focus on asset management. In view of the increased demand for funds from enterprises in certain markets and decreasing lending appetite of banking institutions, the Board expects that the demand for alternative sources of debt finance from enterprises will remain buoyant. In the premises, the Board decided to establish the Fund as an initiative to tap business opportunities in the debt market. The Board believes that the establishment and management of the Fund is an important milestone for the Company to develop and expand its asset management business while the investment opportunities captured by the Fund's investment objectives represent good investment opportunities with reasonable return. The Company's partnership interest in the Fund is aligned with other Limited Partners of the Fund and is in line with the market practice. The investment in the Fund will broaden the income sources of the Group with the aim to maximise the return to its shareholders.

In addition, the General Partner and the Manager can leverage on their extensive knowledge and experience to capture attractive opportunities and achieve a return in line with the Fund's investment objectives on the Fund portfolio. The General Partner will also earn management fees under the Limited Partnership Agreement.

On the above grounds, the Directors consider that the terms of the Limited Partnership Agreement and the Tianli Subscription Agreement are fair and reasonable and on normal commercial terms, and the arrangement under the Limited Partnership Agreement are in the interests of the Company and the Shareholders as a whole.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules exceed(s) 5% but are less than 25%, the investment by the Company in the Fund constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

“Advisory Committee”	the committee of certain Limited Partner representatives established under the Limited Partnership Agreement which is authorised to consent to, confirm, review or provide a waiver in respect of certain matters in relation to the Fund
“Board”	board of Directors
“Commitment”	with respect to each Limited Partner, the amount of capital that Limited Partner has committed to contribute to the Fund from time to time
“Company”	Tianli Holdings Group Limited (天利控股集團有限公司), 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: 117)
“Director(s)”	director(s) of the Company
“Fund”	Tianli Private Debt Fund L.P., a Cayman Islands exempted limited partnership, established by the General Partner and the Initial Limited Partner and governed by the Limited Partnership Agreement
“General Partner”	Tianli Fund Investment or such other person who may be appointed as general partner of the Fund in accordance with the Limited Partnership Agreement and the Exempted Limited Partnership Law of Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huarong”	Huarong Investment Stock Corporation Limited (華融投資股份有限公司) (formerly known as Chun Sing Engineering Holdings Limited (震昇工程控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (Stock code: 2277)
“Independent Third Party(ies)”	party(ies) who is/are independent of the Company and its connected person(s) (as defined in the Listing Rules)
“Initial Closing Date”	the date upon the first admission of one or more Limited Partners (other than the Initial Limited Partner)
“Initial Limited Partner”	Tianli Capital

“Initial Limited Partnership Agreement”	the initial limited partnership agreement in relation to the establishment and management of the Fund entered into between the Initial Limited Partner and the General Partner on 13 December 2016, which has been amended and restated by the Limited Partnership Agreement
“Junior Limited Partner”	a limited partner designated as such by the General Partner when it is admitted to the Fund which shall include Special Limited Partners
“Limited Partner(s)”	each person admitted as a limited partner in the Fund, in each case for so long as they do not cease to be a limited partner of the Fund in accordance with the Limited Partnership Agreement
“Limited Partnership Agreement”	the amended and restated exempted limited partnership agreement dated 5 January 2017 entered into between the General Partner, the Initial Limited Partner and Tianli Fund Investment as attorney for each of the Limited Partners to govern their relationship and provided for (among others) the manner of operation and management of the Fund
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manager”	Tianli Investment Management Limited, a company incorporated in the Cayman Islands with limited liability which is directly wholly owned by Tianli Financial Limited and indirectly wholly owned by the Company
“Partner”	The General Partner or a Limited Partner
“PRC” or “China”	The People’s Republic of China and for the sole purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Senior Limited Partner”	a limited partner designated as such by the General Partner when it is admitted to the Fund
“SFC”	the Securities and Futures Commission
“Special Limited Partner”	an entity designated from time to time as such by the General Partner to receive all or part of the special distribution under the Limited Partnership Agreement which shall be categorised as Junior Limited Partners
“Star Ace”	Star Ace Holdings Limited, a company incorporated in the British Virgin Islands with Limited Liability and is indirectly wholly owned by Huarong

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianli Capital”	Tianli Capital Limited, a company incorporated in the Cayman Islands with limited liability which is directly wholly owned by Tianli Financial Limited and indirectly wholly owned by the Company
“Tianli Fund Investment”	Tianli Private Debt Fund Investment Limited, an exempted company incorporated with limited liability in the Cayman Islands and an indirect wholly-owned subsidiary of the Company
“Tianli Subscription Agreement”	the subscription agreement dated 5 January 2017 entered into between the General Partner and Tianli Capital
“Total Commitment”	at a time, the aggregate amount of the Commitments of all the Limited Partners or all the relevant Limited Partners (as applicable), at that time
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By order of the Board  
**Tianli Holdings Group Limited**  
**Huang Mingxiang**  
*Executive Director, Chairman and CEO*

Hong Kong, 5 January 2017

*For the purposes of illustration only, any amount denominated in US\$ in this announcement and translated into HK\$ at the rate of US\$1 = HK\$7.75. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.*

*As at the date of this announcement, the Board comprises six Executive Directors, namely, Mr. Huang Mingxiang, Mr. Jing Wenping, Mr. Kwok Oi Lung Roy, Mr. Xue Hongjian, Mr. Zhou Chunhua and Mr. Zhu Xiaodong; one Non-executive Director, namely, Mr. Sue Ka Lok and four Independent Non-executive Directors, namely Mr. Chan Chi On, Derek, Mr. Chu Kin Wang, Peleus, Mr. To Yan Ming, Edmond and Mr. Xu Xuechuan.*