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TIANLI HOLDINGS GROUP LIMITED

天利控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 117)

MAJOR TRANSACTION DISPOSAL OF SUBSIDIARIES

THE SALE AND PURCHASE AGREEMENT

On 22 September 2017 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares and the Shareholder's Loan at a total consideration of HK\$510.0 million.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal Transaction exceed 25% but are less than 75%, the Disposal Transaction contemplated under the Sale and Purchase Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. An EGM will be convened by the Company to consider and, if thought fit, approve the Sale and Purchase Agreement and the Disposal Transaction.

A circular containing, among other things, further information in respect of the Sale and Purchase Agreement and the Disposal Transaction and other information as required by the Listing Rules, together with the notice convening the EGM and the proxy form in respect of the EGM, is expected to be dispatched to the Shareholders on or before 17 October 2017.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the Conditions. Therefore, the Disposal Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to the action they should take.

INTRODUCTION

On 22 September 2017 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares and the Shareholder's Loan at a total consideration of HK\$510.0 million.

THE SALE AND PURCHASE AGREEMENT

Date: 22 September 2017

Parties:

1. Vendor: the Company
2. Purchaser: Ample Victory Group Limited

The Purchaser is a company incorporated in the BVI with limited liability, which is owned as to 25% by each of Eversharp, Wusheng, HEQ and CHAOEN. The Purchaser is an investment holding company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Eversharp is wholly owned by Mr. Chen Weirong ("Mr. Chen"). Eversharp and Mr. Chen, through their interests in EY OCEAN Management Limited, were substantial Shareholders since 21 December 2007 and ceased to be substantial Shareholders on 5 November 2015. Eversharp and Mr. Chen ceased to hold any Shares on 13 July 2017. Mr. Chen was a Director during the period from 6 March 2007 to 5 November 2015. Mr. Chen currently is a director of each of the Disposal Group companies and NER Management Limited, all of which are wholly-owned subsidiaries of the Company as at the date of this announcement. Hence, Mr. Chen is a connected person at the subsidiary level of the Company.

Wusheng is wholly owned by Mr. Cheng Wusheng ("Mr. Cheng"). Wusheng and Mr. Cheng were Shareholders holding 16,174,000 Shares during the period from 21 December 2007 to 25 August 2015. Mr. Cheng was a Director during the period from 16 April 2007 to 4 August 2015. As at the date of this announcement, Mr. Cheng holds 1,658,000 Shares, representing approximately 0.22% of the issued share capital of the Company. Mr. Cheng does not hold and did not hold any position with any member of the Group in the past one year.

HEQ is wholly owned by Mr. Li Heqiu ("Mr. Li"). HEQ and Mr. Li were Shareholders holding 20,795,000 Shares during the period from 21 December 2007 to 28 August 2015 and 5,795,000 Shares from 29 August 2015 to 31 August 2015, respectively. Mr. Li was a

Director during the period from 16 April 2007 to 31 May 2010. As at the date of this announcement, Mr. Li is not interested in the Shares. Mr. Li does not hold and did not hold any position with any member of the Group in the past one year.

CHAOEN is wholly owned by Mr. Luo Chaoen (“**Mr. Luo**”). CHAOEN and Mr. Luo were Shareholders holding 12,708,000 Shares during the period from 21 December 2007 to 25 August 2015. As at the date of this announcement, Mr. Luo is not interested in the Shares. Mr. Luo does not hold and did not hold any position with any member of the Group in the past one year.

Save as disclosed above, the Purchaser and its ultimate beneficial owners (except for Mr. Chen who is a connected person at the subsidiary level of the Company and Mr. Cheng who is a Shareholder holding 1,658,000 Shares as at the date of this announcement) are Independent Third Parties.

Assets to be disposed

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire (a) the Sale Shares, comprising (i) Target Company 1 Sale Shares, which represent the entire issued share capital of Target Company 1; and (ii) Target Company 2 Sale Shares, which represent the entire issued share capital of Target Company 2; and (b) the Shareholder’s Loan, representing all the interests, benefits and rights of and in the Shareholder’s Loan owed by Target Company 1 to the Company as at the date of the Sale and Purchase Agreement.

As at the date of this announcement, the Sale Shares are being mortgaged to an Independent Third Party.

Consideration

The total consideration of the Sale Shares and the Shareholders’ Loan is HK\$510.0 million, which shall be satisfied by the Purchaser in cash in the following manner:

- (a) within five (5) Business Days from the date of the Sale and Purchase Agreement, the Purchaser shall pay HK\$10.0 million in cash to the Company as advance payment (the “**Advance Payment**”) and the Advance Payment shall become part of the consideration upon Completion. The Advance Payment shall be non-refundable save and except in the event that the Company fails to perform its obligations to proceed with the Completion in accordance with Sale and Purchase Agreement, in such case, the Advance Payment shall be refunded to the Purchaser without interest within three (3) Business Days after the termination of the Sale and Purchase Agreement; and
- (b) the balance of the consideration in the amount of HK\$500.0 million (after deducting the Advance Payment) will be settled in cash on Completion Date.

The consideration for the Disposal Transaction was arrived at arm’s length negotiations among the Parties after taking into consideration of the preliminary valuation of the MLCC business of the Disposal Group and the Investment Properties (as defined below) provided by an independent valuer appointed by the Company. As advised by the independent valuer, the market value of the MLCC business of the Disposal Group (inclusive of the Self-

occupied Properties (as defined below) which form an integral part of the MLCC business) was HK\$413.0 million as at 30 June 2017 based on market approach and determined with reference to the enterprise multiples of comparable listed companies engaged in MLCC business, while the market value of the Investment Properties was HK\$116.6 million as at 30 June 2017 based on income approach. The consideration for the Disposal Transaction of HK\$510.0 million represents 0.7% premium over the sum of appraised values of the MLCC business of the Disposal Group and the Investment Properties (net of related deferred tax of HK\$23.1 million). The Directors consider that the consideration of the Disposal Transaction is fair and reasonable and on normal commercial terms.

Conditions Precedent

Completion is conditional upon the satisfaction of the following Conditions:

- (a) the Sale and Purchase Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders at the EGM; and
- (b) (if applicable) all necessary approvals, authorizations and consents from and completed all necessary registrations and filings (if applicable) with the governmental authorities or regulatory bodies (including but not limited to the governmental authorities or regulatory bodies in the PRC) or any third parties in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained.

None of the above Conditions is waivable by the Parties.

If any of the above Conditions has not been fulfilled on or before the Long Stop Date, then the Sale and Purchase Agreement shall lapse immediately thereafter and be of no further effect. Neither party to the Sale and Purchase Agreement shall have any claim against or liability or obligation to the other party under the Sale and Purchase Agreement save for any antecedent breaches.

Completion

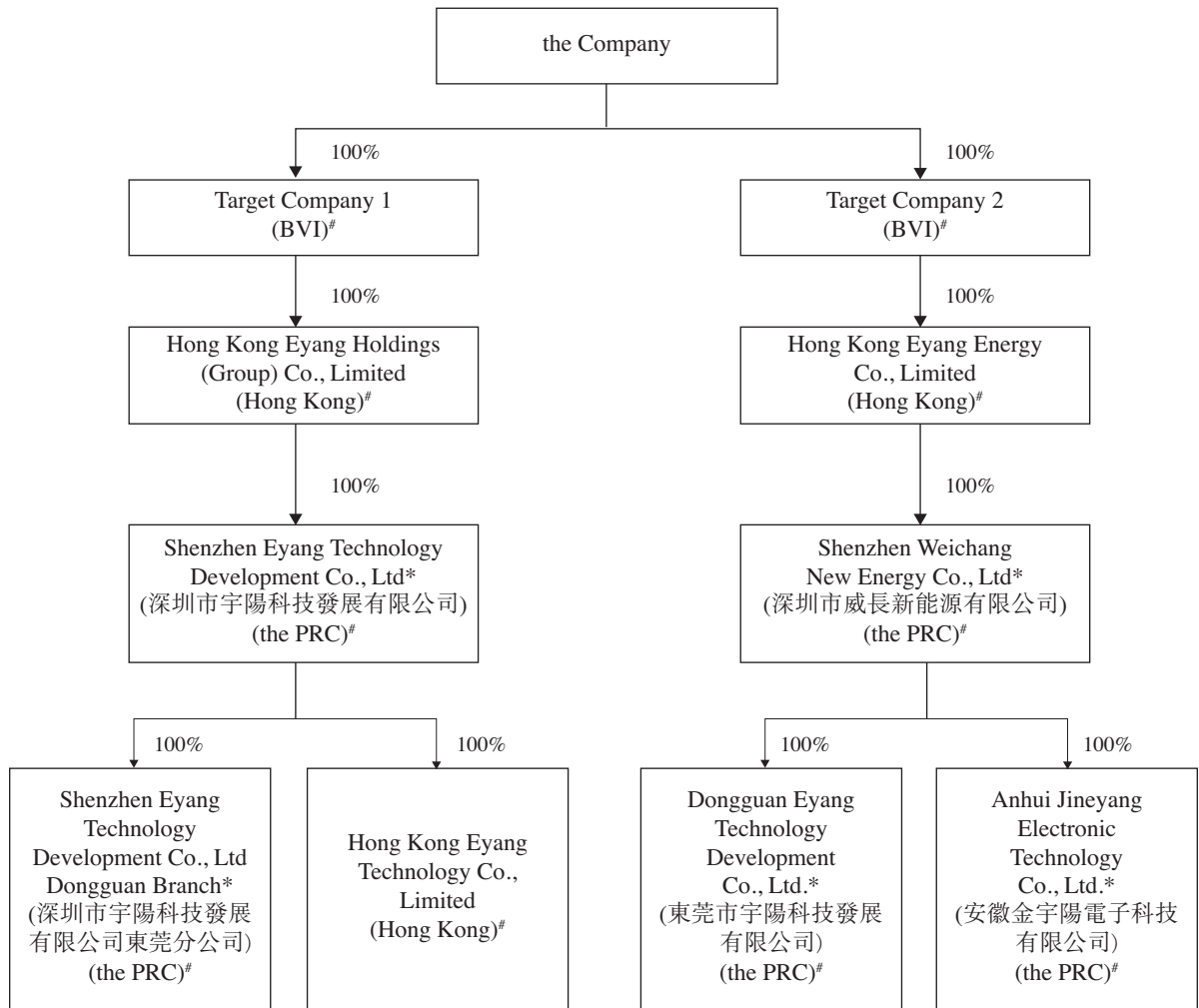
Subject to the fulfillment of the Conditions, Completion shall take place on the Completion Date. The relevant consent in relation to the release of the mortgage of the Sale Shares has been obtained and such release shall take place prior to or simultaneously with the Completion.

INFORMATION ABOUT DISPOSAL GROUP

Target Company 1 is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of MLCC and trading of MLCC.

Target Company 2 is an investment holding company and its subsidiaries are principally engaged in the leasing of properties, manufacturing and sale of MLCC and trading of MLCC.

The corporate structure of the Disposal Group as at the date of this announcement is as follows:



place of incorporation

Unaudited consolidated financial information of the Target Companies

The unaudited consolidated net profit/(loss) before and after taxation of the Target Companies for each of the two years ended 31 December 2015 and 2016 and six months ended 30 June 2017, based on International Financial Reporting Standards are set out below:

	Year ended 31 December		Six months ended
	2015	2016	30 June 2017
	(unaudited)	(unaudited)	(unaudited)
	RMB'million	RMB'million	RMB'million
Net profit/(loss) before taxation	(23.1)	(41.4)	2.8
Net profit/(loss) after taxation	(21.1)	(29.5)	3.2

As at 30 June 2017, the unaudited consolidated net asset value of the Disposal Group amounted to approximately RMB247.9 million. As at the date of this announcement, the Shareholder's Loan amounted to approximately HK\$113.1 million (equivalent to approximately RMB98.2 million).

As at the date of this announcement, the Disposal Group owns certain properties for its own manufacturing and office purposes (the “**Self-occupied Properties**”) and for rental purposes (the “**Investment Properties**”, together with the Self-occupied Properties, the “**Properties**”), details of which are set out as follows:

No.	Property	Area (square metre)		Use	Date of expiry	Particulars of occupancy as at the date of this announcement
		Land area (approximately)	Gross floor area (approximately)			
1	The land use rights of the land and 10 buildings and ancillary structures erected thereon situated at No. 119, Yongsheng Main Street, Fenggang Town, Dongguan City, Guangdong Province, the PRC owned by Dongguan Eyang Technology Development Co., Ltd.* (東莞市宇陽科技發展有限公司)	83,000	43,724.05	Industrial	30 May 2052	The investment portion of the property is leased out for rental purposes and the owner-occupation portion is for manufacturing purposes.

No.	Property	Area (square metre)		Use	Date of expiry	Particulars of occupancy as at the date of this announcement
		Land area (approximately)	Gross floor area (approximately)			
2	The land use rights of the land and a building erected thereon situate at No. 3, Song Ping Shan, Qimin Road, North Zone of High Tech Industrial Park, Nanshan District, Shenzhen City, Guangdong Province, the PRC owned by Shenzhen Eyang Technology Development Co., Ltd* (深圳市宇陽科技發展有限公司)	3,584	10,083.55	Industrial	31 July 2055	The investment portion of the property is leased out for rental purposes and the owner-occupation portion is for office purposes.
3	The land use rights of the land and 4 buildings and ancillary structures erected thereon situate at No. 200, Hua Yuan West Road, Chu Development Zone, Chu Zhou City, Anhui Province, the PRC owned by Anhui Jineyang Electronic Technology Co., Ltd.* (安徽金宇陽電子科技有限公司)	66,667	22,648.73	Industrial	30 October 2058	The investment portion of the property is leased out for rental purposes and the owner-occupation portion is for manufacturing purposes.

REASONS FOR THE DISPOSAL TRANSACTION AND USE OF PROCEEDS

The Group is principally engaged in the manufacturing and sale of MLCC, conducting financial investment, provision of financial services and trading of metals, minerals, petroleum and other products. In November 2016, a wholly owned subsidiary of the Company namely Tianli Financial Limited was granted Type 4 (advising on securities) and Type 9 (asset management) licenses by the SFC, thus paving the way for the Group to conduct and develop asset management business and provide services in the scope of advising on securities.

Having embarked on the journey in diversifying its business in 2016, the Group has reported a profit for the six months ended 30 June 2017 following having been loss-making in the 5 prior consecutive years. The key driver for such turnaround situation is the diversification into investment and financial services which has been developed by the management of the Group. These operations continue to grow both in scale and contribution to the Group, with the asset management business quickly emerging as one of the major components of the Group's business portfolio. As at 30 June 2017, the Group has established and/or managed or advised a total number of 12 funds each with a distinct investment focus and the total capital commitment of these funds (after eliminating the cross-holding effect) was approximately US\$1,067.2 million, among which the Group has committed approximately US\$87.5 million in aggregate. During the first six months of 2017, these 12 funds have generated a total investment gains of approximately RMB28.5 million on the Group's capital invested and contributed a total management fee revenue of approximately RMB13.4 million to the Group. For the six months ended 30 June 2017, the Group's investment and financial services business recorded significant growth by generating a revenue of approximately RMB83.2 million and contributing a segment profit of RMB57.1 million, as compared to

RMB31.8 million and RMB8.4 million respectively for the full year in 2016. With pre-tax profit margin of 68.6%, the investment and financial services division is also the key contributor to the Group's profit, accounting for 92.9% of the Group's total segment profit for the first half of 2017.

Despite a mere segment profit of the Group's MLCC business of RMB2.8 million with a pre-tax profit margin of 1.2%, which accounted for 4.6% of the Group's total segment profit for the six months ended 30 June 2017, it remains the fact that the Group's MLCC business has been loss-making over the last three financial years. The reported segment profit of the MLCC business for the first half year of 2017 was a result of tremendous effort of the Group in adjusting its sales strategy by turning the focus to best selling mid- and low-end products coupled with the general uplift of prices across the MLCC market in view of supply shortage. Such turnaround of the MLCC business does not mean the challenge ahead for the Group in this segment will be any less. Increasing the market share in the existing mobile phone market and tapping into new markets such as automobiles and medical equipment will be the key to enhance the Group's MLCC business's brand awareness and profitability in the long run. However, such high end products require MLCC with higher technical knowhow component, enhanced reliability and efficiency than that of the Group's existing products. It is therefore anticipated that significant investment in research and development and production capacity for the Group's MLCC business is necessary in order to enhance its competitiveness in the market.

Simultaneously, the Directors have also conducted a strategic review over the business and operation of the Group with a view of enhancing the shareholders' return. Having considered the capital requirement of the MLCC business and its relatively low rate of return, the Directors consider that the Disposal Transaction represents an opportunity for the Group to realise its investment in its MLCC business and reduce its indebtedness and/or deploy as working capital in other businesses which may generate better return to the Group.

Upon Completion, the Company will no longer hold any interest in the Disposal Group which will cease to be subsidiaries of the Group. The financial results of the Disposal Group will cease to be consolidated into the consolidated financial statements of the Group but would not result in significant adverse impact on the Group as MLCC business only contributed a mere profit for the first half of 2017 and reported losses in the past three financial years. Based on the unaudited financial position of the Disposal Group as at 30 June 2017, it is expected upon completion of the Disposal Transaction, the net assets of the Group will be increased based on the estimated gain on the Disposal Transaction. It is expected that the Group will record a gain of approximately HK\$100.8 million (equivalent to approximately RMB87.6 million) as a result of the Disposal Transaction, which is calculated based on (i) the consideration, net of transaction costs and expenses directly attributable to the Disposal Transaction, of approximately HK\$507.3 million (equivalent to approximately RMB440.7 million); (ii) the unaudited consolidated net asset value of the Disposal Group of approximately HK\$285.4 million (equivalent to approximately RMB247.9 million) as at 30 June 2017; (iii) the Shareholder's Loan of approximately HK\$113.1 million (equivalent to approximately RMB98.2 million) as at 30 June 2017; (iv) the reclassification adjustment from exchange fluctuation reserve to profit or loss of approximately HK\$2.4 million (equivalent to approximately RMB2.1 million); and (v) tax provision of approximately HK\$10.4 million (equivalent to approximately RMB9.1 million), assuming

that the Disposal Transaction has taken place as at 30 June 2017. The abovementioned expected gain on the Disposal Transaction is for illustrative purpose only and is subject to the financial position of the Disposal Group at Completion.

After deducting expenses relating to the Disposal Transaction, it is expected that the Company will have an amount of net proceeds of approximately HK\$507.3 million, which is intended to apply for the following purposes:

- (a) approximately HK\$271.0 million as to repayment of debts;
- (b) approximately HK\$67.1 million as to capital commitment for financial assets designated as at fair value through profit or loss;
- (c) approximately HK\$116.4 million as to reserve for the development of investment and financial services business; and
- (d) approximately HK\$52.8 million as to general working capital of the Group.

The Directors have considered other fund raising alternatives before resolving to the Disposal Transaction and other types of equity financings. For placing of new shares, it would immediately dilute the shareholding of the existing shareholders without giving them a chance to participate and maintain their pro rata shareholding. Despite rights issue or open offer could resolve the dilution issue on the shareholding of the shareholders, the Company has conducted an open offer in early 2017 and it would create financial burden on its Shareholders to conduct another rights issue or open offer within a year.

In view of the above, the Directors consider that there will be no material adverse impact to the financial position and business operations of the Group as a whole as a result of the Disposal Transaction and the terms of the Sale and Purchase Agreement (including the Consideration) are fair and reasonable and the Disposal Transaction is 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 for the Disposal Transaction exceed 25% but are less than 75%, the Disposal Transaction contemplated under the Sale and Purchase Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. An EGM will be convened by the Company to consider and, if thought fit, approve the Sale and Purchase Agreement and the Disposal Transaction.

A circular containing, among other things, further information in respect of the Sale and Purchase Agreement and the Disposal Transaction and other information as required by the Listing Rules, together with the notice convening the EGM and the proxy form in respect of the EGM, is expected to be dispatched to the Shareholders on or before 17 October 2017.

Since Mr. Cheng holds 1,658,000 Shares, and Mr. Cheng and his associates have material interest in the Disposal Transaction. As such, Mr. Cheng and his associates would be required to abstain from voting in favour of the resolution approving the Disposal Transaction at the EGM.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the Conditions. Therefore, the Disposal Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to the action they should take.

DEFINITIONS

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Business Day”	any day (other than Saturdays, Sunday or public holidays or days on which a tropical cyclone warning signal number 8 or above or black rainstorm warning is hoisted in Hong Kong at any time from 9:00 a.m. to 5:00 p.m.) on which commercial banks in Hong Kong are open to the public for general banking business in general
“BVI”	British Virgin Islands
“CHAOEN”	CHAOEN Management Limited, a company incorporated in the BVI with limited liability and wholly owned by Mr. Luo
“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)
“Completion”	completion of the Disposal Transaction pursuant to the Sale and Purchase Agreement
“Completion Date”	the fifth (5) Business Day after satisfaction of the Conditions or such other date as the Parties may agree in writing
“Conditions”	the conditions precedent to the Completion set out in the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal Group”	the Target Companies and their respective subsidiaries

“Disposal Transaction”	the transactions contemplated under the Sale and Purchase Agreement in relation to the disposal of the Sale Shares and Shareholder’s Loan by the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and approve, among other things, the Sale and Purchase Agreement, including the Disposal Transaction
“Eversharp”	Eversharp Management Limited, a company incorporated in the BVI with limited liability and wholly owned by Mr. Chen
“Group”	the Company and its subsidiaries
“HEQ”	HEQ Management Limited, a company incorporated in the BVI with limited liability and wholly owned by Mr. Li
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	the Shareholders, excluding (i) Mr. Cheng and his associates; and (ii) those who are involved or interested in the Disposal Transaction
“Independent Third Party(ies)”	party(ies) who is/are independent of the Company and its connected person(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	22 November 2017 or such other date as the Parties may agree in writing
“MLCC”	multi-layer ceramic chips
“Parties”	the Company and the Purchaser, being the parties to the Sale and Purchase Agreement
“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
“Purchaser”	Ample Victory Group Limited, a company incorporated in the BVI with limited liability
“RMB”	Renminbi, the lawful currency of the PRC

“Sale and Purchase Agreement”	a sale and purchase agreement dated 22 September 2017 and entered into between the Company and the Purchaser in respect of the Disposal Transaction
“Sale Shares”	Target Company 1 Sale Shares and Target Company 2 Sale Shares
“SFC”	Securities and Futures Commission
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loan”	the loan due from Target Company 1 to the Company as at the date of the Sale and Purchase Agreement, which amounts to approximately HK\$113.1 million
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Target Company 1 and Target Company 2
“Target Company 1”	EYANG Management Co., Limited, a company established in the BVI on 10 August 2006, a wholly-owned subsidiary of the Company as at the date of this announcement
“Target Company 2”	EYANG Energy Management Co., Ltd., a company established in the BVI on 14 August 2012, a wholly-owned subsidiary of the Company as at the date of this announcement
“Target Company 1 Sale Shares”	10,000 issued shares in the share capital of Target Company 1, representing the entire issued share capital in Target Company 1 to be sold under the Sale and Purchase Agreement
“Target Company 2 Sale Shares”	100 issued shares in the share capital of Target Company 2, representing the entire issued share capital in Target Company 2 to be sold under the Sale and Purchase Agreement
“Wusheng”	Wusheng Management Limited, a company incorporated in the BVI with limited liability and wholly owned by Mr. Cheng
“%”	per cent.

In this announcement, the English names of certain PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

For the purpose of illustration only, amounts denominated in RMB in this announcement have been translated into HK\$ at the rate of RMB1.00 = HK\$1.1512, being the prevailing exchange rate on 30 June 2017. 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 or at all.

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

Hong Kong, 22 September 2017

As at the date of this announcement, the Board comprises nine executive Directors, namely, Mr. Huang Mingxiang (Chairman), Mr. Jin Zhifeng (Chief Executive Officer), Mr. Jing Wenping, Mr. Kwok Oi Lung Roy, Mr. Pan Tong, Mr. Xue Hongjian, Mr. Yu Zhenyu, Mr. Zhou Chunhua and Mr. Zhu Xiaodong; one non-executive Director, namely, Mr. Sue Ka Lok and five independent non-executive Directors, namely Mr. Chan Chi On, Derek, Mr. Chu Kin Wang, Peleus, Mr. To Yan Ming, Edmond, Mr. David Tsoi and Mr. Xu Xuechuan.

** for identification purposes only*