

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISCLOSEABLE TRANSACTION CONSTRUCTION CONTRACT

CONSTRUCTION CONTRACT

The Board is pleased to announce that after a tendering process, on 10 November 2020 (after trading hours), Anhui Eyang (an indirect wholly owned subsidiary of the Company) and the successful bidder, Ningxia Tianyuan, entered into the Construction Contract, pursuant to which Ningxia Tianyuan will provide certain construction services to Anhui Eyang at a total contract price of RMB83,747,561 (equivalent to approximately HK\$97,934,398).

IMPLICATION UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transaction contemplated under the Construction Contract exceeds 5% but is less than 25%, such transaction constitutes a discloseable transaction of the Company under the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that after a tendering process, on 10 November 2020 (after trading hours), Anhui Eyang (an indirect wholly owned subsidiary of the Company) and the successful bidder, Ningxia Tianyuan, entered into the Construction Contract, pursuant to which Ningxia Tianyuan will provide certain construction services to Anhui Eyang.

THE CONSTRUCTION CONTRACT

The principal terms of Construction Contract are set out below:

Date: 10 November 2020

Parties:

1. 安徽宇陽科技發展有限公司 (Anhui Eyang Technology Development Limited*), an indirect wholly owned subsidiary of the Company; and
2. 寧夏天元建築有限公司 (Ningxia Tianyuan Construction Co., Ltd.*)

Ningxia Tianyuan is beneficially owned as to 100% by Ningxia Tianyuan Manganese Industry Group Co., Ltd., which is a shareholder of the Company holding approximately 8.13% of the issued share capital of the Company. The ultimate beneficial owner of Ningxia Tianyuan Manganese Industry Group Co., Ltd. is Mr. Jia Tianjiang. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save as disclosed above, Ningxia Tianyuan and its ultimate beneficial owners are the Independent Third Parties independent of the Company and its connected persons (as defined under the Listing Rules).

Scope of construction: The project includes the construction of factory plant, dormitories and ancillary facilities located at Chuzhou Economic and Technological Development Zone, Northeast of the intersection of Chuzhou Avenue and Wuhu Road, Chuzhou City, Anhui Province with a total construction area of 66,273.16 square metres.

Contract schedule: Date of commencement: 15 November 2020

Date of completion: 14 September 2021

Consideration:

The Consideration payable by Anhui Eyang is as follows:

RMB83,747,561 (equivalent to approximately HK\$97,934,398)

The Consideration was determined after arm's length negotiations by way of tender with reference to the expected scope and complexity of the construction works to be carried out, the costs of material and labour costs estimated to be incurred, and the prevailing market prices for carrying out construction works of comparable scale and complexity.

Payment terms:

The Consideration of RMB83,747,561 (equivalent to approximately HK\$97,934,398) shall be paid by Anhui Eyang in the following manner:

- (1) upon the submission of the mid-term settlement statement by Ningxia Tianyuan on or before the 20th of the end of each quarter, supervisor shall review the statement within 5 days and Anhui Eyang shall pay the progress payment at 70% of the reviewed price on or before the 30th of the end of each quarter as required under the Construction Contract;
- (2) after the completion of the construction project, 95% of the Consideration (including the payment stated in item (1)) (i.e. RMB79,560,183, equivalent to approximately HK\$93,037,678) shall be paid within 7 days after the construction project passed the quality check and the full invoice is issued; and
- (3) remaining 5% of the Consideration (i.e. RMB4,187,378, equivalent to approximately HK\$4,896,720) shall be paid as quality guarantee within 15 days following expiry of the 1-year warranty period.

Sub-contractors: Ningxia Tianyuan will engage sub-contractors to perform certain portions of the construction works under the Construction Contract. Ningxia Tianyuan shall submit a copy of the subcontract to Anhui Eyang and supervisor within 7 days after the subcontract is signed.

Supply of construction materials: Anhui Eyang shall procure the supply of materials for the construction project, such as reinforced concrete and other materials, from parties independent of Ningxia Tianyuan.

The agreed material costs to be incurred by Anhui Eyang for the procurement of the construction materials shall not exceed RMB40,000,000 (equivalent to approximately HK\$46,776,000) in accordance with the terms and conditions set out in the Construction Contract.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACT

The principal activity of the Company is investment holding. The principal activities of the Group are (i) manufacturing and sale of MLCC, (ii) investment and financial services and (iii) other general trading.

Due to the recent US-China trade war, the Chinese government has decided to accelerate the progress of the new infrastructure construction. New application fields, namely 5G technology, Internet of Things (IoT) and electric vehicles are anticipated to stimulate their growth. The safety of supply chain has become more important to customers. As it is expected that the demand in the MLCC market as a whole will continue to grow in the long term, the management has decided to increase business investment and production capacity, expand product line, and improve the technological capabilities of the production facilities. The Company currently has two production bases which are located in (i) Chuzhou City, Anhui Province and (ii) Dongguan City, Guangdong Province. On 6 December 2019, the Group has purchased the Land to construct and develop a new manufacturing plant on the Construction Area.

The Construction Contract is entered into for the construction of the factory plant, dormitories and ancillary facilities, which will enhance the efficiency of production for MLCC, and will thereby expect to bring positive impact on the performance of the MLCC segment of the Company.

The Directors consider that the terms of the Construction Contract are on normal commercial terms and are fair and reasonable and that the transaction contemplated under the Construction Contract is in the interests of the Company and its shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transaction contemplated under the Construction Contract exceeds 5% but is less than 25%, such transaction constitutes a discloseable transaction of the Company under the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITION

“Anhui Eyang”	安徽宇陽科技發展有限公司 (Anhui Eyang Technology Development Limited*), an indirect wholly owned subsidiary of the Company established in PRC
“Board”	the board of Directors
“Company”	Tianli Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock code: 117)
“Consideration”	the total consideration payable for services to be obtained under the Construction Contract

“Construction Area”	A piece of land situated at Chuzhou Economic and Technological Development Zone, Northeast of the intersection of Chuzhou Avenue and Wuhu Road, Chuzhou City, Anhui Province with the total construction area of 66,273.16 square metres
“Construction Contract”	the construction contract dated 10 November 2020 entered into between Anhui Eyang and Ningxia Tianyuan in respect of the construction of factory plant, dormitories and ancillary facilities located at the Construction Area
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third party independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)
“Land”	a piece of land situated at the northeast side of the intersection of Wuhu Road and Chuzhou Avenue, Chuzhou Economic and Technological Development Zone, Anhui Province, the PRC (中國安徽省滁州經濟技術開發區蕪湖路與滁州大道交叉口東北側), with a total site area of approximately 200 acres, designated for industrial usage with a term of 50 years
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MLCC”	multi-layer ceramic chips

“Ningxia Tianyuan”	寧夏天元建築有限公司 (Ningxia Tianyuan Construction Co., Ltd.*), a company established in the PRC
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

* for identification only

In this announcement, for the purpose of illustration only, amounts quoted in RMB has been converted into HK\$ at the rate of RMB1.00 to HK\$1.1694. Such exchange rate has been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By order of the Board
Tianli Holdings Group Limited
Zhou Chunhua
Chairman

Hong Kong, 10 November 2020

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhou Chunhua (Chairman), Mr. Pan Tong (Chief Executive Officer), Mr. Chou, Benjamin Bang Yi; and Ms. Du Weilin and three independent non-executive Directors, namely Mr. Chu Kin Wang, Peleus, Mr. David Tsoi and Mr. Xu Xuechuan.