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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)**

**PROPOSED OPEN OFFER ON  
THE BASIS OF ONE (1) OPEN OFFER SHARE  
FOR EVERY TWO (2) SHARES  
HELD ON THE RECORD DATE**

**Financial adviser to Tianli Holdings Group Limited**



**PROPOSED OPEN OFFER**

The Company proposes to raise approximately HK\$372.4 million before expenses by way of the Open Offer, pursuant to which 248,250,000 Open Offer Shares will be issued at the Subscription Price of HK\$1.50 per Open Offer Share. The Company will allot one (1) Open Offer Share for every two (2) Shares held by the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date. The Open Offer will only be available to the Qualifying Shareholders.

The net proceeds of the Open Offer after the deduction of all relevant expenses are estimated to be approximately HK\$365.0 million. The Company intends to apply the net proceeds from the Open Offer as to:

- (i) approximately HK\$140.0 million for the development of financial investment and financial services provision business. In particular, HK\$10.0 million has been committed and will be used within the first half of year 2017 as a loan to an independent third party. Approximately HK\$130.0 million is also expected to be used in first half of year 2017 for two projects with independent third parties to the Company, which are currently under negotiation;
- (ii) approximately HK\$20.0 million is expected to be used in the first half of year 2017 for the development of the Company's commodities trading business, which could increase the amount of each transaction to reduce average transaction costs and obtain better credit facility from banks;
- (iii) approximately HK\$200.0 million is expected to be used in the second half of year 2017 for repayment of debt and interest expenses relating to a bond in the amount of HK\$400.0 million issued by NER Management Limited, a wholly-owned subsidiary of the Company to Morgan Development Limited, an independent third party in August 2015. The bond has 8% interest and is issued for a term of 2 years, which will be due in August 2017. Approximately HK\$278.6 million of the bond proceeds has been invested in the Company's financial investment and financial services provision business involving loans and an investment in independent third parties and approximately HK\$89.0 million is reserved for the Company's commodities trading business. The repayment is expected to improve the Company's capital structure and leverage status and reduce interest expense; and
- (iv) the remaining for general working capital of the Company.

#### **Irrevocable Undertaking and the Underwriting Agreement**

On 12 December 2016, the Underwriter and the Company entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite, on a fully underwritten basis, the Underwritten Shares subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions precedent contained therein.

As at the date of this announcement, Cosmic Riches is a substantial Shareholder beneficially interested in the Cosmic Riches Shares. Pursuant to the SP Agreement, Mr. Huang acquired the Huang Shares from Cosmic Riches subject to a lock-up undertaking. Under section 317(1)(a) of the SFO, Mr. Huang is also deemed to be interested in the Cosmic Riches Shares and Cosmic Riches is also deemed to be interested in the Huang Shares.

Cosmic Riches has given an irrevocable undertaking in favour of the Company and the Underwriter through the Cosmic Riches Undertaking to, among other things, (i) remain as the beneficial owner of the Cosmic Riches Shares beneficially held by it at the close of business on the Record Date free from all liens, charges, encumbrances and third party rights, interests or claims of any nature whatsoever; (ii) not to change its registered address in the register of members of the Company (unless such change is to change to an address in Hong Kong); and (iii) apply and pay for 46,721,825 Open Offer Shares to which it will be entitled pursuant to the Open Offer, by lodging the duly completed and signed Application Form in respect of all such Open Offer Shares with payment in full therefor in cash with the Registrar before 4:00 p.m. on the Latest Time for Acceptance in accordance with the instructions printed on the Prospectus Documents.

Taking into account the Cosmic Riches Undertaking, the remaining Open Offer Shares (i.e. the Underwritten Shares) are fully underwritten by the Underwriter and the terms of the Open Offer are determined after arm's length negotiation between the Company and the Underwriter.

## **GENERAL**

As the Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12-month period immediately preceding this announcement, the Open Offer is not subject to the approval by the Shareholders pursuant to Rule 7.24(5) of the Listing Rules.

The Prospectus Documents setting out details of the proposed Open Offer are expected to be sent to the Qualifying Shareholders on or about Wednesday, 18 January 2017. The Prospectus (but not the Application Form or the Excess Application Form) will be despatched to the Excluded Shareholders for information only.

## **WARNING OF THE RISKS OF DEALING IN THE SHARES**

**The Open Offer is conditional, inter alia, upon the fulfillment or waiver of the conditions set out under the section headed "Conditions of the Open Offer" of this announcement. In particular, the Open Offer is subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms set out under the section headed "Termination of the Underwriting Agreement" in this announcement. Accordingly, the Open Offer may or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares up to the date when the conditions of the Open Offer are fulfilled or waived will bear the risk that the Open Offer might not become unconditional and may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **PROPOSED OPEN OFFER**

### **Issue statistics**

Basis of the Open Offer	:	One (1) Open Offer Share for every two (2) Shares held on the Record Date
Total number of issued Shares as at the date of this announcement	:	496,500,000 Shares
Number of Open Offer Shares	:	248,250,000 Open Offer Shares
Nominal value of the Open Offer Shares	:	HK\$0.01 each
Aggregate nominal value of the Open Offer Shares	:	HK\$2,482,500
Number of Open Offer Shares agreed to be taken up by Cosmic Riches	:	46,721,825 Open Offer Shares
Subscription Price	:	HK\$1.50 per Open Offer Share
Number of Open Offer Shares to be underwritten by the Underwriter	:	201,528,175 Open Offer Shares (being all the Open Offer Shares (including the Open Offer Shares to which the Excluded Shareholder(s) would otherwise have been entitled) to be issued pursuant to the Open Offer, less those Open Offer Shares which Cosmic Riches has undertaken to take up). Accordingly, taking into account the Cosmic Riches Undertaking in respect of an aggregate of 46,721,825 Open Offer Shares, the Open Offer is fully underwritten.
Total number of Shares in issue upon closing of the Open Offer	:	744,750,000 Shares

Pursuant to the Underwriting Agreement, the Company has undertaken to the Underwriter that it shall not, without the prior consent of the Underwriter, issue any Shares or issue or grant any share options or other securities convertible into, exchangeable for or which carry rights to acquire Shares until the Latest Time for Acceptance.

The Open Offer Shares proposed to be issued represent:

- (a) 50.00% of the issued share capital of the Company as at the date of this announcement assuming no further Shares will be issued or bought back by the Company prior to the close of the Open Offer; and

- (b) approximately 33.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Open Offer Shares, assuming no further Shares will be issued or bought back by the Company prior to the close of the Open Offer.

As at the date of this announcement, the Company has no outstanding convertible securities, options, warrants or derivatives in issue which confer any right to subscribe for, convert or exchange into Shares.

### **Qualifying Shareholders**

The Company will send the Prospectus containing details of the Open Offer to the Qualifying Shareholders and, for information only, to the Excluded Shareholders. The Application Forms and the Excess Application Forms will be sent to the Qualifying Shareholders only. The invitation to subscribe for the Open Offer Shares to the Qualifying Shareholders will not be transferable.

To qualify for the Open Offer, Shareholders must at the close of business on the Record Date be registered as a member of the Company. Shareholders having an address in Hong Kong on the register of members of the Company at the close of business on the Record Date are qualified for the Open Offer. Shareholders having addresses outside Hong Kong on the register of members of the Company at the close of business on the Record Date are qualified for the Open Offer only if the Board, after making relevant enquiry with lawyers in the relevant jurisdictions, considers that the offer to these Shareholders would not contravene any legal restriction under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place and such offer will not require any relevant registration.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge the relevant transfer of Shares (with the relevant share certificates) with the Registrar, Boardroom Share Registrars (HK) Limited at 31/F., 148 Electric Road, North Point, Hong Kong by 4:30 p.m. on Thursday, 12 January 2017. The last day of dealing in Shares on a cum-entitlement basis is therefore expected to be Tuesday, 10 January 2017. The Shares will be dealt with on an ex-entitlement basis from Wednesday, 11 January 2017.

### **Closure of Register of Members**

The Company's register of members will be closed from Friday, 13 January 2017 to Tuesday, 17 January 2017, both dates inclusive, for the purpose of, among other things, establishing entitlements to the Open Offer.

No transfer of Shares will be registered during the book close period.

### **Entitlements of Overseas Shareholders**

The Board will make enquiries as to whether the issue of the Open Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas jurisdictions or the requirements of any relevant regulatory body or stock exchange pursuant to Rule 13.36(2)(a) of the Listing Rules and result of the enquiries will be included in the Prospectus. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the

relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Open Offer Shares to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholders, who will become Excluded Shareholders.

Accordingly, the Open Offer will not be extended to the Excluded Shareholders. The Company will send the Prospectus to the Excluded Shareholders for their information only but will not send any Application Forms or Excess Application Forms in respect of the Open Offer to the Excluded Shareholders. The basis of exclusion of the Excluded Shareholders, if any, from the Open Offer will be disclosed in the Prospectus.

**Overseas Shareholders should note that they may or may not be entitled to the Open Offer. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

### **Fractional entitlements**

The Company shall not allot any fractions of Open Offer Shares to the Qualifying Shareholders and fractional entitlements will be rounded down to the nearest whole number of Open Offer Shares. Such fractional entitlements shall be aggregated and made available for application by the Qualifying Shareholders who wish to apply for Excess Shares or underwritten by the Underwriter if the Open Offer is under-subscribed.

### **Subscription Price**

The Subscription Price of HK\$1.50 per Open Offer Share is payable in full when a Qualifying Shareholder accepts the Open Offer.

The Subscription Price represents:

- (a) a discount of approximately 31.2% to the closing price of HK\$2.180 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 33.7% to the average closing price of approximately HK\$2.261 per Share for the ten consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (c) a premium of approximately 49.7% over the unaudited consolidated net asset value per Share of approximately HK\$1.002 (calculated by dividing the unaudited equity attributable to owners of the Company as at 30 June 2016 as shown in the interim report of the Company for the six months ended 30 June 2016 of approximately HK\$497,407,000 by 496,500,000 Shares in issue as at the date of this announcement); and
- (d) a discount of approximately 22.8% to the theoretical ex-entitlement price (calculated by dividing the aggregate of (i) the market value of the Shares at the closing price as quoted on the Stock Exchange on the Last Trading Day; and (ii) the net proceeds from the Open Offer, by the number of Shares then in issue immediately after the close of the Open Offer) of approximately HK\$1.943 per Share based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day.



The Subscription Price was agreed based on arm's length negotiations between the Company and the Underwriter after having taken into account primarily the unaudited consolidated net asset value per Share as at 30 June 2016. The Directors consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The net price per Open Offer Share upon full issue of the Open Offer Shares (assuming no issue of new Shares or no repurchase of Shares on or before the Record Date) will be approximately HK\$1.470.

### **Basis of the assured allotment of the Open Offer Shares**

One (1) Open Offer Share will be issued for every two (2) Shares held by a Qualifying Shareholder on the Record Date. Acceptance of all or any part of a Qualifying Shareholder's assured allotment should be made by completing the Application Form and lodging the same with a remittance for the Open Offer Shares being accepted for.

### **Status of the Open Offer Shares**

When issued and fully paid, the Open Offer Shares will rank *pari passu* in all respects with the Shares then in issue. Holders of the Open Offer Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Open Offer Shares in their fully-paid form.

### **Application for Excess Shares**

Qualifying Shareholders shall be entitled to apply for entitlements of the Excluded Shareholders (see the paragraph headed "Entitlements of Overseas Shareholders") and any Open Offer Shares which are not taken up by other Qualifying Shareholders in excess of their own assured allotments but are not assured of being allocated any Open Offer Shares in excess of those in their assured allotments. Application may be made by Qualifying Shareholders by completing the Excess Application Form and lodging the same with a separate remittance for the Excess Shares being applied for. The Directors will, upon consultation with the Underwriter, allocate the Excess Shares at their discretion on a fair and equitable basis as far as practicable, according to the principle that any Excess Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the Excess Shares applied for by all such Qualifying Shareholders.

No preference will be given to topping-up odd lots to whole board lots. Shareholders who have been offered odd lots of the Open Offer Shares should note that there is no guarantee that such odd lots of the Open Offer Shares will be topped up to create whole board lots pursuant to applications for Excess Shares.

Any remaining Underwritten Shares not applied for by the Qualifying Shareholders will be taken up by the Underwriter.

In the event that the Board notes unusual patterns of Excess Shares applications and has reason to believe that any application may have been made with the intention to abuse the above mechanism, such application(s) for Excess Shares may be rejected at the sole discretion of the Board.

Shareholders with their Shares held by a nominee (including HKSCC) should note that the Directors will regard the nominee (including HKSCC) as a single Shareholder according to the register of members of the Company. Accordingly, investors whose Shares are registered in the name of a nominee (including HKSCC) should note that the aforesaid arrangements in relation to the allocation of Excess Shares will not be extended to them individually. Shareholders should consult their professional advisers if they are in any doubt as to whether they should register their shareholding in their own names prior to the book closure period and apply for the Excess Shares themselves. Excess application from Qualifying Shareholders (including registered nominee company) will be accepted by the Company even if their assured entitlement of the Open Offer Shares is not subscribed for in full.

### **Share certificates and refund cheques**

Subject to the fulfilment of the conditions of the Open Offer, share certificates for all Open Offer Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on Tuesday, 14 February 2017. If the Open Offer is terminated, refund cheques are expected to be posted to the respective Qualifying Shareholders by ordinary post at their own risk on Tuesday, 14 February 2017.

### **Application for listing**

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Open Offer Shares. The Open Offer Shares shall have the same board lot size as the Shares, i.e. 2,000 Shares.

No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the grant of the approval for the listing of, and permission to deal in, the Open Offer Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Open Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Open Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **Stamp Duty**

Dealings in the Open Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy and other applicable fees and charges in Hong Kong.



## **UNDERTAKING GIVEN BY COSMIC RICHES**

Pursuant to the Cosmic Riches Undertaking, Cosmic Riches has given an irrevocable and unconditional undertaking in favour of the Company and the Underwriter:

- (a) to remain as the beneficial owner of the Cosmic Riches Shares beneficially held by it at the close of business on the Record Date free from all liens, charges, encumbrances and third party rights, interests or claims of any nature whatsoever;
- (b) not to change its registered address in the register of members of the Company (unless such change is to change to an address in Hong Kong); and
- (c) to apply and pay for 46,721,825 Open Offer Shares to which it will be entitled pursuant to the Open Offer, by lodging the duly completed and signed Application Form in respect of all such Open Offer Shares with payment in full therefor in cash with the Registrar before 4:00 p.m. on the Latest Time for Acceptance in accordance with the instructions printed on the Prospectus Documents.

Other than the Cosmic Riches Undertaking, the Company has not received any other information or undertakings from any Shareholders of their intention in relation to the Open Offer Shares to be provisionally allotted to them under the Open Offer as at the date of this announcement.

## **THE UNDERWRITING AGREEMENT**

On 12 December 2016, the Underwriter and the Company entered into the Underwriting Agreement. Taking into account the Cosmic Riches Undertaking and subject to the terms and conditions of the Underwriting Agreement, the Underwriter has agreed to fully underwrite the remaining 201,528,175 Open Offer Shares (being the Underwritten Shares) at the Subscription Price. The Underwriting Agreement provides that the Underwriter will be obliged to subscribe or procure subscription for any Open Offer Shares not taken up by the Qualifying Shareholders. The Company shall by not later than the date of despatch of the share certificates in respect of the Open Offer Shares pay to the Underwriter: (i) a commission, in HK\$, of 2% of the aggregate Subscription Price in respect of the Underwritten Shares (being 201,528,175 Open Offer Shares) for which the Underwriter has agreed to subscribe or procure subscription pursuant to the Underwriting Agreement; and (ii) all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Open Offer.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter is a company incorporated in Hong Kong with limited liability, and is a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) and type 4 regulated activity (advising on securities) under the SFO and the Underwriter, its ultimate beneficial owner and its associates are third parties independent of and not connected with the Company or any of its connected persons.

The Company has approached the Underwriter and Cosmic Riches for performance of underwriting services for the Open Offer and considered the underwriting commission offered by the Underwriter to be fair. The underwriting commission was determined after arm's length negotiations between the Company and the Underwriter with reference to the

prevailing market rate. In particular, the Underwriter offered a commission rate of 2.0% on the aggregate Subscription Price of the Underwritten Shares, which is considerably lower than the commission rate ranging from 3.0% to 3.5% that is usually charged for an Open Offer pursuant to the Directors' prior market knowledge. As the Open Offer involves price sensitive information and the Directors consider the commission rate offered by the Underwriter to be fair, the Board considers it more appropriate to restrict such price sensitive information to fewer external parties and thus no other potential underwriters have been approached by the Company. The Directors consider that the terms of the Underwriting Agreement (including the underwriting commission) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Conditions of the Open Offer**

The Open Offer is subject to the Underwriting Agreement having become unconditional and not being terminated in accordance with its terms. The Underwriting Agreement is conditional upon the following being fulfilled:

- (a) the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of and permission to deal in all the Open Offer Shares on or before the Latest Time for Termination;
- (b) the filing and registration of all documents relating to the Open Offer, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance by no later than the Prospectus Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date;
- (d) delivery to the Underwriter on the date of the Underwriting Agreement the Cosmic Riches Undertaking duly executed by Cosmic Riches;
- (e) compliance with and performance by Cosmic Riches of the Cosmic Riches Undertaking on or before the Latest Time for Acceptance; and
- (f) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination.

Save for condition (e) which may be waived by the Underwriter, all other conditions set out above are not capable of being waived. If the conditions precedent are not satisfied and/or waived in whole or in part by the respective date set out above (or such later time and/or dates as the Underwriter may agree with the Company in writing), the Underwriting Agreement shall terminate and (save in respect of any provisions relating to indemnity and reasonable out-of-pocket expenses of the Underwriter, and any rights or obligations which may have accrued under the Underwriting Agreement prior to such termination) no party will have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

## **Underwriting commission**

The Company will pay the Underwriter an underwriting commission in HK\$, of 2% of the aggregate Subscription Price in respect of the Underwritten Shares for which the Underwriter has agreed to subscribe or procure subscription and all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Open Offer. The underwriting commission mentioned above shall not be payable if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter, but the Company shall continue to pay all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Open Offer. The Directors are of the view that the underwriting commission is fair and reasonable.

## **Termination of the Underwriting Agreement**

The Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination:

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature (whether or not ejusdem generic with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
  - (d) the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or
  - (e) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 20 consecutive business days, excluding any suspension in connection with the clearance of the Prospectus Documents or other announcements in connection with the Open Offer; or

- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Open Offer;
- (3) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (4) the Prospectus in connection with the Open Offer when published contain information (either as to the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter be material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to apply for its assured entitlements of Open Offer Shares under the Open Offer.

The Underwriter shall be entitled by notice in writing prior to the Latest Time for Termination to rescind the Underwriting Agreement if, prior to the Latest Time for Termination:

- (1) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any Specified Event comes to the knowledge of the Underwriter.

If prior to the Latest Time for Termination, any notice in writing is given by the Underwriter to the Company to terminate the Underwriting Agreement, all obligations of the parties under the Underwriting Agreement (save for provisions relating to termination and indemnity which shall remain in full force and effect and save further that the Company shall pay the reasonable legal and out-of-pocket expenses of the Underwriter) shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

**If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Open Offer will not proceed.** A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

#### **WARNING OF THE RISKS OF DEALING IN THE SHARES**

**The Open Offer is conditional, inter alia, upon the fulfillment or waiver of the conditions set out under the paragraph headed “Conditions of the Open Offer” under the section headed “The Underwriting Agreement” in this announcement. In particular, the Open Offer is subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms set out under the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The**

**Underwriting Agreement” in this announcement. Accordingly, the Open Offer may or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares up to the date when the conditions of the Open Offer are fulfilled or waived will bear the risk that the Open Offer might not become unconditional and may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and if they are in doubt about their position, they should consult their professional advisers.**

**EXPECTED TIMETABLE**

The expected timetable of the Open Offer is set out as follows:

Publication of the announcement about the proposed Open Offer .....	Monday, 12 December 2016
Last day of dealing in Shares on cum-entitlement basis.....	Tuesday, 10 January 2017
First day of dealing in Shares on ex-entitlement basis .....	Wednesday, 11 January 2017
Latest time for lodging transfers of Shares in order to qualify for the Open Offer.....	4:30 p.m., Thursday, 12 January 2017
Register of members of the Company closes for determining eligibility of the Open Offer (both date inclusive).....	Friday, 13 January 2017 to Tuesday, 17 January 2017
Record Date .....	Tuesday, 17 January 2017
Despatch of Prospectus Documents.....	Wednesday, 18 January 2017
Latest time for acceptance of, and payment for, the Open Offer Shares.....	4:00 p.m., Friday, 3 February 2017
Open Offer and Underwriting Agreement expected to become unconditional on or before.....	4:00 p.m., Monday, 6 February 2017*
Announcement of results of the Open Offer.....	Monday, 13 February 2017
Despatch of certificates for Open Offer Shares and refund cheques.....	Tuesday, 14 February 2017
Expected first day of dealings in Open Offer Shares.....	Wednesday, 15 February 2017
Designated broker starts to stand in the market to provide matching service for odd lots of Shares.....	9:00 a.m., Wednesday 15 February 2017

Designated broker ceases to stand in the market

to provide matching service for odd lots of Shares..... 4:00 p.m., Tuesday,  
7 March 2017

*\* if the Latest Time for Termination falls on a business day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day*

All times and dates stated above refer to Hong Kong local times and dates. Dates stated in the timetable are indicative only and may be extended or varied. Any change to the expected timetable for the Open Offer will be announced by the Company as appropriate.

### **EFFECT OF BAD WEATHER UPON THE LATEST TIME FOR ACCEPTANCE**

The Latest Time for Acceptance will not take place if there is a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning:

- (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on 3 February 2017. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same business day; or
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 3 February 2017. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on 3 February 2017, the dates mentioned in the section headed “Expected timetable” above in this announcement may be affected. In such event, the Company will notify the Shareholders by way of announcement on any change to the expected timetable as soon as practicable.



## SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the close of the Open Offer assuming no Shares will be issued or bought back by the Company after the date of this announcement:

	As at the date of this announcement		Immediately after the close of the Open Offer (assuming full subscription by the Qualifying Shareholders as to their respective entitlements under the Open Offer)		Immediately after the close of the Open Offer (assuming no Qualifying Shareholders take up their respective entitlements under the Open Offer)	
	Shares	Approx. %	Shares	Approx. %	Shares	Approx. %
<b>Cosmic Riches</b> <i>(Note 1)</i>	<b>93,443,650</b>	<b>18.82%</b>	<b>140,165,475</b>	<b>18.82%</b>	<b>140,165,475</b>	<b>18.82%</b>
<b>Directors</b>						
Mr. Huang	<u>49,600,350</u>	<u>9.99%</u>	<u>74,400,525</u>	<u>9.99%</u>	<u>49,600,350</u>	<u>6.66%</u>
<b>Subtotal</b>	<b>49,600,350</b>	<b>9.99%</b>	<b>74,400,525</b>	<b>9.99%</b>	<b>49,600,350</b>	<b>6.66%</b>
<b>Public shareholders</b>	<b>353,456,000</b>	<b>71.19%</b>	<b>530,184,000</b>	<b>71.19%</b>	<b>353,456,000</b>	<b>47.46%</b>
<b>The Underwriter</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>201,528,175</u>	<u>27.06%</u>
<b>Total (Note 2)</b>	<b><u>496,500,000</u></b>	<b><u>100.00%</u></b>	<b><u>744,750,000</u></b>	<b><u>100.00%</u></b>	<b><u>744,750,000</u></b>	<b><u>100.00%</u></b>

*Note 1:* Cosmic Riches is a substantial Shareholder and has given the Cosmic Riches Undertaking in favour of the Company and the Underwriter to take up all the Open Offer Shares which it is entitled to under the Open Offer.

*Note 2:* Due to rounding, the total percentage figures do not add up to 100.00%.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon the close of the Open Offer are subject to various factors, including the results of acceptance of the Open Offer. Further announcement(s) will be made by the Company in accordance with the Listing Rules following the close of the Open Offer.

Non-Qualifying Shareholders and those Qualifying Shareholders who do not take up the Open Offer Shares to which they are entitled should note that their shareholding in the Company will be diluted upon the close of the Open Offer. The possible maximum dilution impact to the share price upon the close of Open Offer is approximately 10.9% based on a theoretical ex-entitlement price of the Shares on the closing price as quoted on the Stock Exchange on the Last Trading Day being HK\$1.943.

The Company will take all appropriate steps to ensure that sufficient public float be maintained upon the close of the Open Offer in compliance with Rule 8.08(1)(a) of the Listing Rules.

## **FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST TWELVE MONTHS**

The Company had not conducted any fund raising exercise in the past 12 months immediately preceding the date of this announcement.

## **REASONS FOR THE OPEN OFFER AND THE USE OF PROCEEDS**

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of electronic products with current focus on multi-layer ceramic chips, conducting financial investment and provision of financial services. The Company has also established a wholly-owned subsidiary in Hong Kong and has entered into certain trading contracts with its business partners to commence and develop the business of trading, including but not limited to trading of metals, minerals and petroleum products.

In year 2016, the global economic outlook continued to face uncertainties. The Group's business relating to the manufacturing and sales of electronic products was affected by factors such as the depreciation of the Renminbi and slowing growth in the smartphone market and as a result, the Group's multi-layer ceramic chips ("MLCC") business faced a gloomy prospect for growth and struggled to step out from losses. The Group intends to implement a series of product transformation processes, such as directing efforts towards the development of production lines and technology which would allow electronic products with distinctive specifications e.g. smaller-sized products to be produced in order to improve the competitiveness and profitability of its electronic products.

In relation to the Group's commodities trading business, the Group has executed 10 commodity trading transactions with a cumulative amount of approximately HK\$262.0 million in the past 5 months, of which approximately HK\$11.0 million was on chrome ore and approximately HK\$251.0 million was on fuel oil. The Group currently does not have any commodity on hand.

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. Tianli Financial Limited will soon conduct asset management business and provide service in the scope of advising on securities.

Tianli Credit Limited, a wholly-owned subsidiary of the Company has applied for a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and the money lenders license was granted on 29 November 2016.

As announced on 29 June 2016, Celestial Hope Limited, an indirect wholly-owned subsidiary of the Company entered into a joint venture agreement with Ultimate Yield Limited, an independent third party for the formation of a joint venture, Universal Blossom

Limited, which is held as to 50% by Celestial Hope Limited. The Company provided HK\$300.0 million to the joint venture by way of a shareholder's loan as the joint venture's initial working capital on 30 November 2016.

As at the date of this announcement, the Company has entered into five loan/investment contracts with borrowers/investees who are independent third parties to the Company, involving a total contract sum of approximately HK\$288.6 million, of which approximately HK\$278.6 million has already been invested. The remaining cash commitment of approximately HK\$10.0 million is expected to be met by the first half of 2017.

The Board is of the view that the Open Offer will (i) allow the Company to strengthen its financial position; (ii) increase the capital base of the Company for future investment purposes; and (iii) provide funding to capture suitable investment opportunities as and when they arise.

Apart from the Open Offer, other financing alternatives such as bank borrowing and a rights issue have also been considered by the Board. The Company had approached certain banks in Hong Kong for further bank borrowings and the preliminary indicative terms offered by those banks, if any, were not considered favourable compared with the bond interest rate. The Board is of the view that:

- (i) equity financing by way of the Open Offer will give the Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company without dilution and continue to participate in the future development of the Company without incurring finance cost to the Company. Thus, the Open Offer is the preferred means of fund raising as compared to debt financing or other equity financing; and
- (ii) although a rights issue will allow Shareholders to trade their nil-paid entitlements in the market in nil-paid form, such trading arrangements will increase the administrative work and expenses for the proposed fund raising exercise. In addition, since the liquidity of the Shares is thin, there is uncertainty of the existence of an active market to trade the nil-paid rights. Thus, the Open Offer is the more cost-effective and efficient means of fund raising as compared to a rights issue.

In assessing the fairness and reasonableness of the Open Offer, the Directors are of the view that the Open Offer is fair and reasonable and are in the interests of the Company and the Shareholders as a whole due to the following:

- (a) the Company has an inactive historical trading volume;
- (b) excess applications will be available under the Open Offer;
- (c) the offer ratio of the Open Offer is determined after taking into account the estimated funding requirements of the Company and the Subscription Price;
- (d) the Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among other things:
  - (i) the prevailing market price of the Shares prior to the Last Trading Day;

- (ii) the theoretical ex-entitlement price of the Shares;
  - (iii) the loss making position of the Group since 2012;
  - (iv) the net asset value of the Group as of 30 June 2016; and
  - (v) the thin trading volume of the Shares;
- (e) in view of the uncertainties in the financial market in Hong Kong as a result of the uncertainties stemming from the fluctuating market sentiment, capital flow and interest rate trends, the Directors consider that it will be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Open Offer if the Subscription Price was not set at a reasonable discount to the historical trading prices of the Shares;
- (f) the Open Offer will provide the Group with readily available funds for its business and operations and help to improve its capital structure and leverage status; and
- (g) under the Open Offer, all the Qualifying Shareholders will be offered the same opportunity to maintain their proportionate interests in the Company and to participate in the growth and development of the Company. Should the Qualifying Shareholders participate in the Open Offer, they will be subscribing for the Open Offer Shares at a price lower than the historical and prevailing market price of the Shares.

The net proceeds from the Open Offer (after deducting relevant expenses such as professional fees, printing charges and sundry expenses) will amount to approximately HK\$365.0 million. The Company intends to apply the net proceeds from the Open Offer as to:

- (i) approximately HK\$140.0 million for the development of financial investment and financial services provision business. In particular, HK\$10.0 million has been committed and will be used within the first half of year 2017 as a loan to an independent third party. Approximately HK\$130.0 million is also expected to be used in first half of year 2017 for two projects with independent third parties to the Company, which are currently under negotiation;
- (ii) approximately HK\$20.0 million is expected to be used in the first half of year 2017 for the development of the Company's commodities trading business, which could increase the amount of each transaction to reduce average transaction costs and obtain better credit facility from banks;
- (iii) approximately HK\$200.0 million is expected to be used in the second half of year 2017 for repayment of debt and interest expenses relating to a bond in the amount of HK\$400.0 million issued by NER Management Limited, a wholly-owned subsidiary of the Company to Morgan Development Limited, an independent third party in August 2015. The bond has 8% interest and is issued for a term of 2 years, which will be due in August 2017. Approximately HK\$278.6 million of the bond proceeds has been invested in the Company's financial investment and financial services provision business involving loans and an investment in independent third parties and

approximately HK\$89.0 million is reserved for the Company's commodities trading business. The repayment is expected to improve the Company's capital structure and leverage status and reduce interest expense; and

(iv) the remaining for general working capital of the Company.

Based on existing plans of the Company and the Directors' best estimate, the Board confirms that the proceeds from the Open Offer will satisfy the Company's expected funding needs for the next 12 months and the Company currently does not have other fund raising plans unless any unexpected business needs arises.

## **GENERAL**

As the Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12-month period immediately preceding this announcement, the Open Offer is not subject to the approval by the Shareholders pursuant to Rule 7.24(5) of the Listing Rules.

The Prospectus Documents setting out details of the proposed Open Offer are expected to be sent to the Qualifying Shareholders on or about Wednesday, 18 January 2017. The Prospectus (but not the Application Form or the Excess Application Form) will be despatched to the Excluded Shareholders for information only.

## **DEFINITIONS**

In this announcement, the following terms have the meanings set out below unless the context requires otherwise:

“Application Form(s)”	the application form(s) for use by the Qualifying Shareholders to accept assured allotment of the Open Offer Shares
“Articles”	the articles of association of the Company
“associates”	has the meaning ascribed to it thereto in the Listing Rules
“Board”	the board of Directors
“business day(s)”	a day (excluding Saturday and Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

“Companies Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended 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)
“connected person(s)”	has the meaning ascribed to it thereto under the Listing Rules
“Cosmic Riches”	Cosmic Riches Investments Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Ms. Du Weilin
“Cosmic Riches Shares”	93,443,650 Shares, representing approximately 18.82% of the issued share capital of the Company as at the date of this announcement
“Cosmic Riches Undertaking”	the irrevocable undertaking given by Cosmic Riches in favour of the Company and the Underwriter dated 12 December 2016
“Directors”	the directors of the Company
“Excess Application Form(s)”	the application form(s) for the Qualifying Shareholders to use for application of the Excess Shares
“Excess Shares”	Open Offer Shares over and above the assured entitlements of the Qualifying Shareholders under the Open Offer
“Excluded Shareholders”	those Overseas Shareholder(s) whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider that it is necessary or expedient to exclude such Overseas Shareholder(s) from the Open Offer on account either of legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in such places
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huang Shares”	49,600,350 Shares, representing approximately 9.99% of the issued share capital of the Company as at the date of this announcement



“Last Trading Day”	9 December 2016, being the last trading day for the Shares immediately prior to the date of this announcement
“Latest Time for Acceptance”	4:00 p.m. on 3 February 2017 or such later time as may be agreed between the Underwriter and the Company in writing, being the latest time for application for the Open Offer Shares
“Latest Time for Termination”	4:00 p.m. on the next business day after the Latest Time for Acceptance
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Mr. Huang”	Mr. Huang Mingxiang, an executive Director and beneficial owner of the Huang Shares
“Open Offer”	the proposed offer for subscription by way of open offer on an assured allotment basis at the Subscription Price to be made by the Company to the Qualifying Shareholders in the proportion of one (1) Open Offer Share for every two (2) Shares held on the Record Date upon the terms and conditions of the Underwriting Agreement and the Prospectus Documents
“Open Offer Shares”	248,250,000 new Shares to be allotted and issued pursuant to the Open Offer
“Overseas Shareholders”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date and whose registered address(es) on that date is/are outside Hong Kong
“Prospectus”	the prospectus to be despatched to the Shareholders in connection with the Open Offer
“Prospectus Documents”	together, the Prospectus, the Application Form and the Excess Application Form
“Prospectus Posting Date”	18 January 2017, or such later date as may be agreed between the Underwriter and the Company in writing, as the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus for information only (as the case may be) to the Excluded Shareholders

“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	17 January 2017, or such other date as may be agreed between the Company and the Underwriter in writing for the determination of the entitlements under the Open Offer
“Registrar”	the branch share registrar of the Company in Hong Kong, being Boardroom Share Registrars (HK) Limited of 31/F., 148 Electric Road, North Point, Hong Kong
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SP Agreement”	the share purchase agreement entered into between Mr. Huang and Cosmic Riches dated 29 April 2016
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the representations, warranties and undertakings contained in the Underwriting Agreement to be untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the issue price of HK\$1.50 per Open Offer Share
“substantial shareholder(s)”	has the meaning ascribed to it thereto under the Listing Rules
“Underwriter”	CSL Securities Limited, a corporation licensed to conduct type 1 regulated activity (dealing in securities) and type 4 regulated activity (advising on securities) under the SFO
“Underwriting Agreement”	the underwriting agreement dated 12 December 2016 and entered into between the Company and the Underwriter in relation to the Open Offer

“Underwritten Shares”	201,528,175 Open Offer Shares, being the total number of Open Offer Shares (including the Open Offer Shares to which the Excluded Shareholder(s) would otherwise have been entitled) to be issued pursuant to the Open Offer, less those Open Offer Shares which Cosmic Riches has undertaken to take up under the Cosmic Riches Undertaking
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 12 December 2016

*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.*