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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)

DISCLOSABLE TRANSACTION CONSTRUCTION CONTRACT

CONSTRUCTION CONTRACT

The Board is pleased to announce that after a tendering process, on 30 December 2022 (after trading hours), Dong Eyang (an indirect wholly owned subsidiary of the Company) and the successful bidder, Guangdong Xingfeng, entered into the Construction Contract, pursuant to which Guangdong Xingfeng will provide certain construction services to Dong Eyang at a total contract price of RMB74,000,000 (equivalent to approximately HK\$82,880,000).

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 30 December 2022 (after trading hours), Dong Eyang (an indirect wholly owned subsidiary of the Company) and the successful bidder, Guangdong Xingfeng, entered into the Construction Contract, pursuant to which Guangdong Xingfeng will provide certain construction services to Dong Eyang.

THE CONSTRUCTION CONTRACT

The principal terms of Construction Contract are set out below:

Date: 30 December 2022

Parties:

1. 東莞市東宇陽電子科技發展有限公司(Dongguan Dong Eyang Electronic Technology Development Co., Ltd.*), an indirect wholly owned subsidiary of the Company; and
2. 廣東星鳳建設有限公司 (Guangdong Xingfeng Construction Co., Ltd.*)

Guangdong Xingfeng is beneficially owned as to 97% by Mr. Kuai Songlin (蒯松林). To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Guangdong Xingfeng 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, guard room including basement, power building, outdoor engineering facilities, sponge city, foundation pit support construction, foundation protection and reinforcement located at Fengdeling Village (East side of Jinfenghuang Bridge), Fenggang Town, Dongguan City, Guangdong Province, the PRC, with a total construction area of approximately 69,986.12 sq.m.

Expected date of completion: 8 August 2023

Consideration: The Consideration payable by Dong Eyang is as follows:

RMB74,000,000 (equivalent to approximately HK\$82,880,000), subject to adjustment based on the actual amount of construction work completed.

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. The Consideration will be funded by internal resources of the Group and/or banking facilities.

Payment terms: The Consideration shall be paid by Dong Eyang in the following manner:

- (1) upon the submission of the mid-term settlement statement by Guangdong Xingfeng within 3 days after the end of each month, supervisor shall review the statement within 5 days and Dong Eyang shall pay the progress payment at 20% of the reviewed price within 7 working days as required under the Construction Contract;
- (2) upon the submission of the mid-term settlement statement by Guangdong Xingfeng within 3 days after the end of each quarter, supervisor shall review the statement within 5 days and Dong Eyang shall pay the progress payment at 50% of the reviewed price (including the payment stated in item (1) above) within 7 working days as required under the Construction Contract;

- (3) after the completion of the construction project, up to 50% of the Consideration (including the payment stated in items (1) and (2) above) shall be paid within 5 working days after the construction project passed the quality check and the full invoice is issued;
- (4) six months after the completion and quality check of the construction project, 95% of the Consideration (including the payment stated in items (1) – (3) above) shall be paid within 5 working days after Guangdong Xingfeng issues the relevant invoice; and
- (5) the remaining 5% of the Consideration shall be paid as quality guarantee following expiry of the 1-year warranty period.

Sub-contractors:

Guangdong Xingfeng will engage sub-contractors to perform certain portions of the construction works under the Construction Contract. Guangdong Xingfeng shall submit a copy of the subcontract to Dong Eyang and supervisor within 7 days after the subcontract is signed.

Supply of construction materials:

Dong Eyang shall procure the supply of materials such as steel, concrete masonry and pipe piles for the construction project, from parties independent of Guangdong Xingfeng.

The agreed material costs to be incurred by Dong Eyang for the procurement of the construction material shall not exceed RMB91,550,000 (equivalent to approximately HK\$102,536,000) in accordance with the terms and conditions set out in the Construction Contract.

REASONS FOR AN 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 and (ii) investment and financial services.

Guangdong Xingfeng is a company established in the PRC with limited liability and is principally engaged in provision of construction services.

Against the active promotion of new infrastructure construction and domestic substitution by the Chinese government, the Group will continue to seize the opportunity by increasing investment in MLCC business and further enhancing the production capacity and technology standard. As of the date of the announcement, the Group's production base in Chuzhou has been completed and is ready for use. The construction of new production base in Dongguan has also commenced. After the completion of the relocation and expansion of the two production bases, the production capacity and technical capabilities of the Group are expected to be significantly improved.

The Construction Contract is entered into for the construction of the factory plant, power building and outdoor engineering 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

“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 Contract”	the construction contract dated 30 December 2022 entered into between Dong Eyang and Guangdong Xingfeng in respect of the construction of factory plant, guard room including basement, power building, outdoor engineering facilities, sponge city, foundation pit support construction, foundation protection and reinforcement located at Fengdeling Village (East side of Jinfenghuang Bridge), Fenggang Town, Dongguan City, Guangdong Province, the PRC, with a total construction area of approximately 69,986.12 sq.m.
“Director(s)”	director(s) of the Company
“Dong Eyang”	東莞市東宇陽電子科技發展有限公司(Dongguan Dong Eyang Electronic Technology Development Co., Ltd.*), an indirect wholly owned subsidiary of the Company established in the PRC
“Group”	the Company and its subsidiaries
“Guangdong Xingfeng”	廣東星鳳建設有限公司 (Guangdong Xingfeng Construction Co., Ltd.*), a company established in the PRC
“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)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MLCC”	multi-layer ceramic capacitors
“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\$1.12. 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, 30 December 2022

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Zhou Chunhua (Chairman) and Mr. Pan Tong (Chief Executive Officer) and three independent non-executive Directors, namely Mr. Chu Kin Wang, Peleus, Mr. David Tsoi and Mr. Xu Xuechuan.