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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)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF A WHOLLY OWNED SUBSIDIARY AND ASSIGNMENT OF SHAREHOLDER'S LOAN TO TIANLI PRIVATE DEBT FUND**

#### **THE DISPOSAL**

The Board is pleased to announce that on 17 February 2017 (after trading hours), Tianli Financial, a direct wholly owned subsidiary of the Company, as the vendor, and Tianli Private Debt Fund, a Cayman Islands exempted limited partnership managed by an indirect wholly owned subsidiary of the Company focusing on investments in a wide range of private debt instruments primarily in the real estate industry with a geographic focus primarily in the developed markets and China, as the purchaser, entered into the Disposal Agreement pursuant to which (a) Tianli Financial has conditionally agreed to sell and Tianli Private Debt Fund has conditionally agreed to purchase the Sale Shares, representing the entire issued shares of Noble Sky which is an indirect wholly owned subsidiary of the Company; and (b) Tianli Financial has conditionally agreed to assign and transfer to Tianli Private Debt Fund the Shareholder's Loan at Completion, at a total consideration of US\$18,480,874.83 (equivalent to approximately HK\$143,412,000), which is subject to adjustment. Upon Completion, Noble Sky will cease to be a subsidiary of the Company.

#### **LISTING RULES IMPLICATIONS**

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

**As the Disposal is subject to the fulfillment or waiver, as the case may be, of the Conditions and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

Reference is made to the announcement of the Company dated 5 January 2017 (the “**Announcement**”) in relation to the establishment of Tianli Private Debt Fund.

The Board is pleased to announce that on 17 February 2017 (after trading hours), Tianli Financial, a direct wholly owned subsidiary of the Company, as the vendor and Tianli Private Debt Fund as the purchaser entered into the Disposal Agreement pursuant to which (a) Tianli Financial has conditionally agreed to sell and Tianli Private Debt Fund has conditionally agreed to purchase the Sale Shares; and (b) Tianli Financial has conditionally agreed to assign and transfer to Tianli Private Debt Fund the Shareholder’s Loan at Completion, at a total consideration of US\$18,480,874.83 (equivalent to approximately HK\$143,412,000), which is subject to adjustment.

## **THE DISPOSAL AGREEMENT**

The principal terms of the Disposal Agreement are as follows:

### **Date**

17 February 2017 (after trading hours)

### **Parties**

- (1) Tianli Financial as the vendor
- (2) Tianli Private Debt Fund as the purchaser

Tianli Private Debt Fund is a Cayman Islands exempted limited partnership established on 15 December 2016, and the General Partner of Tianli Private Debt Fund is Tianli Fund Investment, which is an indirect wholly owned subsidiary of the Company. Save as certain subsidiaries of the Company which hold or are interested in part of the Total Commitment of Tianli Private Debt Fund, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Tianli Private Debt Fund and its ultimate beneficial owners are Independent Third Parties.

### **Asset to be disposed of**

Subject to the terms and conditions of the Disposal Agreement, Tianli Financial has conditionally agreed to:

- (1) sell and transfer the Sale Shares to Tianli Private Debt Fund free from all Encumbrances and together with all rights and advantages which are at the date of the Disposal Agreement or at any time thereafter attached to the legal and beneficial interests in the Sale Shares (including the right to receive all dividends and distributions declared, made or paid); and
- (2) assign and transfer to Tianli Private Debt Fund the Shareholder’s Loan free and clear from all Encumbrances which are at the date of the Disposal Agreement or at any time thereafter attached to the Shareholder’s Loan (including the right to receive all interest accrued (if any), but unpaid, thereon).

The amount of the Shareholder's Loan is HK\$132,883,134.73 and the assignment and transfer of the Shareholder's Loan shall take place on Completion in accordance with the terms of the Disposal Agreement.

### **Consideration**

The total consideration payable by Tianli Private Debt Fund as the purchaser for the Sale Shares and the Shareholder's Loan is US\$18,480,874.83 (equivalent to approximately HK\$143,412,000), which is subject to adjustment, of which:

- (1) US\$1,356,759.53 (equivalent to approximately HK\$10,530,000) is the consideration for the Sale Shares; and
- (2) US\$17,124,115.30 (equivalent to approximately HK\$132,883,000) is the consideration for the Shareholder's Loan.

On Completion, the total consideration for the Sale Shares and the Shareholder's Loan shall be settled and paid by Tianli Private Debt Fund in the following manner:

- (a) US\$6,405,000 (equivalent to approximately HK\$49,703,000) shall be set off against the sum payable by Tianli Capital, a direct wholly owned subsidiary of Tianli Financial, to Tianli Private Debt Fund as of the date of the Disposal Agreement in satisfaction of Tianli Capital's obligation to make contribution towards its commitment to Tianli Private Debt Fund as a limited partner pursuant to the drawdown notice issued to it by the General Partner, as partial settlement and payment of the total consideration; and
- (b) the balance of US\$12,075,874.83 (equivalent to approximately HK\$93,709,000) shall be payable in cash by electronic transfer into the account of Tianli Financial or its designee(s) (as Tianli Financial may direct in its sole discretion).

In accordance with the terms of the Disposal Agreement, the parties thereto agree that the abovementioned total consideration shall be adjusted subsequent to Completion. Subject to the calculation of the Adjusted Consideration, Tianli Private Debt Fund shall pay to Tianli Financial, or Tianli Financial shall pay to Tianli Private Debt Fund, as the case may be, the amount by which the Adjusted Consideration is greater or less than, respectively, the aforementioned total consideration.

The consideration for the Disposal was determined after arm's length negotiations between Tianli Financial and Tianli Private Debt Fund taking into account Noble Sky's net asset value immediately prior to the date of the Disposal Agreement while various factors have been considered in calculating the net asset value, including but not limited to the principal and accrued interest outstanding on the loan assets held by Noble Sky, and the assets and liabilities of Noble Sky.

## **Conditions precedent**

Completion is subject to and conditional upon the satisfaction or waiver (as the case may be) of all of the following Conditions:

- (1) the receipt by Tianli Private Debt Fund of a copy of the board resolutions of Tianli Financial approving consummation of the transactions under the Disposal Agreement;
- (2) any consent by any government entity or third party that is necessary to consummate the transactions under the Disposal Agreement shall have been obtained, which shall be legal and valid; and
- (3) each of Tianli Financial and Tianli Private Debt Fund shall have executed and delivered the Disposal Agreement to the other party.

Tianli Private Debt Fund shall be entitled to agree to waive any number of the above Conditions.

If the Conditions have not been satisfied or waived within the period of two months from the date of the Disposal Agreement (or by such later date as may be agreed in writing between Tianli Financial and Tianli Private Debt Fund), save as provided in the Disposal Agreement, the Disposal Agreement shall terminate and have no further effect and neither party shall have any claim against the other under the Disposal Agreement save for any claim arising from a breach of any party failing to use all reasonable endeavours to procure the satisfaction of the Conditions.

## **Completion**

Subject to the satisfaction or waiver of the Conditions and to the satisfaction of the obligations set out in the Disposal Agreement, Completion shall take place on the Completion Date at a place mutually agreed by the parties thereto. Upon Completion, Noble Sky will cease to be a subsidiary of the Company.

In accordance with the terms of the Disposal Agreement, upon Completion, Tianli Financial shall execute and enter into a transfer agreement in respect of the Shareholder's Loan with Tianli Private Debt Fund and Noble Sky pursuant to which Tianli Financial shall sell, assign and transfer the Shareholder's Loan to Tianli Private Debt Fund all of Tianli Financial's right, title and interest in and to the Shareholder's Loan.

## **INFORMATION ON NOBLE SKY**

Noble Sky is a company incorporated with limited liability in the BVI on 28 June 2016 which is wholly owned by Tianli Financial and thus is an indirect wholly owned subsidiary of the Company. Noble Sky is principally engaged in investment holding business.

As at the date of this announcement, Noble Sky is a party to certain agreements pursuant to which Noble Sky has provided partial funding to the relevant mezzanine financiers to two respective residential property projects in Australia. Other than being a party to the aforementioned agreements and consummation of the transactions contemplated thereunder, Noble Sky has no business activity.

As Noble Sky was newly incorporated in June 2016, the table below sets forth the available unaudited financial information of the Noble Sky:

**For the period  
from 28 June  
2016 (date of  
incorporation)  
to 31 December  
2016  
HK\$'000**

Net loss before taxation	(581)
Net loss after taxation	(581)

Based on the management accounts, the unaudited net liabilities of Noble Sky as at 31 December 2016 amounted to approximately HK\$504,000.

## **INFORMATION ON THE COMPANY AND THE COUNTERPARTY TO THE DISPOSAL AGREEMENT**

### **The Company**

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of multi-layer ceramic chips, conducting financial investment, provision of financial services and trading of metals, minerals, petroleum and other products. A wholly owned subsidiary of the Company namely Tianli Financial Limited holds Type 4 (advising on securities) and Type 9 (asset management) licenses granted by the SFC.

### **Tianli Private Debt Fund**

Tianli Private Debt Fund is a Cayman Islands exempted limited partnership established by Tianli Fund Investment as the General Partner and Tianli Capital as the Initial Limited Partner on 15 December 2016, both are wholly owned subsidiaries of the Company. Tianli Private Debt Fund is focusing on investments in a wide range of private debt instruments primarily in the real estate industry with a geographic focus primarily in the developed markets and China, and the business of Tianli Private Debt Fund is carried on and managed by the General Partner and the General Partner has appointed Tianli Investment Management as the Manager, which is an indirect wholly owned subsidiary of the Company, to advise and assist the General Partner in, among other functions, managing the general and business affairs of Tianli Private Debt Fund, while the Manager has appointed Tianli Financial Limited as the Advisor to provide investment advisory services to the Manager.

Relevant details of the establishment of Tianli Private Debt Fund were announced by the Company in the Announcement. As at the date of this announcement, the amount of Total Commitment of Tianli Private Debt Fund is US\$200,000,000 (equivalent to approximately HK\$1,552,000,000).

## **REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE INTENDED USE OF PROCEEDS**

One of the business segments of the Group is financial investment and provision of financial services. As referred to in the Announcement, within the financial investment and financial services segment, it is the plan of the Company to focus on asset management and Tianli Private Debt Fund was established as an initiative to capitalise on business opportunities in the debt market.

Since the establishment of Tianli Private Debt Fund in December 2016, the Company has been proactively seeking suitable investment opportunities in the debt market which are in line with the investment objective of Tianli Private Debt Fund. As at the date of this announcement, Tianli Private Debt Fund has successfully through the acquisition of two investment holding entities participated in the provision of mezzanine loan and bridge loan in respect of two residential property projects in Australia and South Korea respectively. Such inaugural participation in the debt market by Tianli Private Debt Fund represents solid steps of the Company in its development in the business of financial investment and provision of financial services and has laid the foundation of the Group in further pursuit in this business segment.

With a promising start of Tianli Private Debt Fund, the Company believes that it will be both rational and beneficial to the Company to proceed with the Disposal. The reasons are three-folded that first of all, the portfolio of Noble Sky is in line with the investment objective as well as the geographic focus and industry focus of Tianli Private Debt Fund and it will thus immediately widen the investment horizon of Tianli Private Debt Fund upon Completion. Secondly, the business of Tianli Private Debt Fund is carried on and managed by the General Partner which is assisted by the Manager and the Advisor, all of which are wholly owned subsidiaries of the Company, on a fee basis, which enables the Company to diversify its income stream, and furthermore, this will mean that the fees charged by the General Partner, the Manager and the Advisor are expected to increase accordingly which in turn is expected to increase their contribution to the revenue to the Company after Completion. Thirdly, the Company as the ultimate beneficial owner of Tianli Private Debt Fund's certain limited partners, will be entitled to continue to enjoy the economic return brought by the investment portfolio of Noble Sky after Completion, while at the same time, by applying the proceeds from the Disposal for Tianli Capital's remaining undrawn capital commitment to Tianli Private Debt Fund, the Company will be able to optimize its risk and return profile.

On the above grounds, the Directors consider that the terms of the Disposal Agreement are fair and reasonable and on normal commercial terms, and the arrangements under the Disposal Agreement are in the interests of the Company and the Shareholders as a whole.

The net proceeds from the Disposal, after taking into account the set-off arrangement of US\$6,405,000 (equivalent to approximately HK\$49,703,000) and net of expenses directly attributable thereto, are estimated to be approximately US\$12,068,000 (equivalent to approximately HK\$93,648,000). The Group intends to apply the net proceeds for the remaining undrawn capital commitment under the Limited Partnership Agreement.



Subject to review of the Company’s auditor, based on the consideration for the Disposal of US\$18,480,874.83 (equivalent to approximately HK\$143,412,000), less (i) the net liabilities of Noble Sky of approximately HK\$504,000 as at 31 December 2016; (ii) the Shareholder’s Loan of HK\$132,883,134.73 and (iii) the related expenses of approximately HK\$60,000, it is expected that, upon Completion, for illustrative purpose, a gain before taxation of approximately HK\$10,974,000 will be recognised from the Disposal.

## LISTING RULES IMPLICATIONS

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

**As the Disposal is subject to the fulfillment or waiver, as the case may be, of the Conditions and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

“Adjusted Consideration”	the consideration for the Disposal to be adjusted after Completion and calculated by applying the exchange rate for Australian dollar to U.S. dollar calculated at middle rate at 10:00 a.m. Hong Kong time on the Completion Date
“Advisor”	Tianli Financial Limited
“Australian dollar(s)”	the lawful currency of Australia
“Board”	board of Directors
“Business Day”	any day (excluding a Saturday or Sunday) when commercial banks are open for business in Cayman Islands and Hong Kong
“BVI”	the British Virgin Islands
“Commitment”	with respect to each limited partner of Tianli Private Debt Fund, the amount of capital that limited partner has committed to contribute to Tianli Private Debt Fund from time to time
“Company”	Tianli Holdings Group Limited 天利控股集團有限公司, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 117)
“Completion”	completion of the sale and purchase of the Sale Shares and assignment of Shareholder’s Loan pursuant to the Disposal Agreement

“Completion Date”	the date of Completion which is within ten Business Days after the last of the Conditions is satisfied or waived
“Condition(s)”	the condition(s) of the Disposal Agreement precedent to Completion
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by Tianli Financial to Tianli Private Debt Fund, and the assignment and transfer of the Shareholder’s Loan by Tianli Financial to Tianli Private Debt Fund on Completion pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional agreement for the sale and purchase of the Sale Shares and the assignment of the Shareholder’s Loan entered into between Tianli Financial as the vendor and Tianli Private Debt Fund as the purchaser
“Encumbrance(s)”	any mortgage, charge (whether legal or equitable and whether fixed or floating), security, lien, pledge, option, right to acquire, right of pre-emption, equity, assignment, hypothecation, title retention, claim, restriction or power of sale
“General Partner”	Tianli Fund Investment
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who is/are independent of the Company and its connected person(s) (as defined in the Listing Rules)
“Initial Limited Partner”	Tianli Capital
“Limited Partnership Agreement”	the exempted limited partnership agreement dated 13 December 2016 entered into between the General Partner, the Initial Limited Partner and the General Partner as attorney for each of the limited partners thereto to govern their relationship and provided for (among others) the manner of operation and management of Tianli Private Debt Fund and amended and restated by an amended and restated limited partnership agreement dated 5 January 2017 and the second amended and restated exempted limited partnership agreement dated 24 January 2017



“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Manager”	Tianli Investment Management
“Noble Sky”	NOBLE SKY INVESTMENTS LIMITED 御天投資有限公司, a company incorporated in BVI with limited liability which is directly wholly owned by Tianli Financial and indirectly wholly owned by the Company
“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
“Sale Shares”	10,000 ordinary shares of US\$1.00 each in Noble Sky, representing the entire issued shares of Noble Sky
“SFC”	the Securities and Futures Commission
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	all obligations, liabilities and debts owing or incurred by Noble Sky to Tianli Financial as at the date of the Disposal Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianli Capital”	Tianli Capital Limited, a company incorporated in the Cayman Islands with limited liability which is directly wholly owned by Tianli Financial and indirectly wholly owned by the Company
“Tianli Financial”	Tianli Financial Group Limited, a company incorporated in the Cayman Islands with limited liability which is directly wholly owned by the Company
“Tianli Financial Limited”	Tianli Financial Limited 天利金融有限公司, a company incorporated in Hong Kong with limited liability which is indirectly wholly owned by Tianli Financial and indirectly wholly owned by the Company
“Tianli Fund Investment”	Tianli Private Debt Fund Investment Limited, an exempted company incorporated in the Cayman Islands with limited liability and an indirect wholly owned subsidiary of the Company

“Tianli Investment Management”	Tianli Investment Management Limited天利投資管理有限公司, a company incorporated in the Cayman Islands with limited liability which is directly wholly owned by Tianli Financial and indirectly wholly owned by the Company
“Tianli Private Debt Fund”	Tianli Private Debt Fund L.P., a Cayman Islands exempted limited partnership, established by the General Partner and the Initial Limited Partner and governed by the Limited Partnership Agreement
“Total Commitment”	at a time, the aggregate amount of the Commitments of all the limited partners of Tianli Private Debt Fund or all the relevant limited partners (as applicable), at that time
“US\$” or “U.S. dollar(s)”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 17 February 2017

*For the purposes of illustration only, any amount denominated in US\$ in this announcement and translated into HK\$ at the rate of US\$1 = HK\$7.76. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.*

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