TIANLI
HOLDINGS GROUP LIMITED

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 PROPOSED DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF EYANG ENERGY MANAGEMENT CO., LTD.

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 20 November 2018 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Disposal Company, at the Consideration of HK$56,500,000. Upon Completion, the Disposal Group will cease to be subsidiaries of the Company.

LISTING RULES IMPLICATION

As the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Proposed Disposal are more than 5% but less than 25%, the Proposed Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempted from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 20 November 2018 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Disposal Company, at the Consideration of HK$56,500,000.

THE SALE AND PURCHASE AGREEMENT

Date

20 November 2018 (after trading hours)

Parties

(i) Vendor: the Company

(ii) Purchaser: Huisheng Development Corporation

The Purchaser is an investment holding company.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties as at the date of this announcement.

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Disposal Company.

The only significant asset of the Disposal Group is the Property.

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

Consideration

The Consideration for the Proposed Disposal shall be payable by the Purchaser to the Company in cash in the following manner:

(i) within five (5) Business Days from the date of the Sale and Purchase Agreement, the Purchaser shall pay HK$28,250,000 in cash to the Company as advance payment (the "**Advance Payment**") and the Advance Payment shall become part of the Consideration upon Completion. The Advance Payment shall be refundable in the event that any of the Conditions has not been fulfilled on or before the Long Stop Date or the Company fails to perform its obligations to proceed with the Completion in accordance with Sale and Purchase Agreement; in such cases, the Advance Payment shall be refunded to the Purchaser without interest within three (3) Business Days after the termination of the Sale and Purchase Agreement; and

(ii) the balance of the Consideration in the amount of HK$28,250,000 (after deducting the Advance Payment) shall be settled in cash on the Completion Date.

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser on normal commercial terms with reference to the business valuation of the Disposal Group (inclusive of the Property) of RMB50,103,000 (equivalent to approximately HK$56,336,000) as at 31 October 2018, which is the difference between (i) the adjusted total assets of the Disposal Group as at 31 October 2018 of approximately RMB125,353,000 (equivalent to approximately HK$140,947,000) which has been adjusted to reflect the valuation of the Property of approximately RMB102,600,000 (equivalent to approximately HK$115,363,000); and (ii) the total liabilities of the Disposal Group as at 31 October 2018 of approximately RMB75,250,000 (equivalent to approximately HK$84,611,000) (the "**Valuation**"). The Consideration represents a premium of approximately 0.3% over the Valuation. The Directors (including the independent non-executive Directors) consider the Consideration of the Proposed Disposal to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The Valuation was carried out by a valuer independent (the "**Valuer**") to the Company and the Purchaser. The Valuer has adopted the asset approach in arriving at the Valuation.

Conditions precedent

Completion of the Sale and Purchase Agreement is conditional upon the satisfaction of the following Conditions, inter alia:

(a) (if applicable) all necessary approvals, authorizations and consents from and completed all necessary registrations and filings (if applicable) with the governmental authorities or regulatory bodies (including but not limited to the governmental authorities or regulatory bodies in the PRC) or any third parties in respect of the Sale and Purchase Agreement and the transaction contemplated thereunder having been obtained by the Company, the Purchaser and/or the Disposal Company;

(b) the Disposal Group fully repays its loans due to the respective subsidiaries of Eyang Management Co., Limited;

(c) the name of each member of the Disposal Group shall not contain "Eyang", "EYANG" or "宇陽" upon Completion; and

(d) the Property is sold on an as-is basis and subject to all existing lettings and tenancies thereof.

None of the above Conditions is waivable by the Parties.

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

Completion

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

Upon Completion, the Disposal Group will cease to be subsidiaries of the Company.

Information of the Group

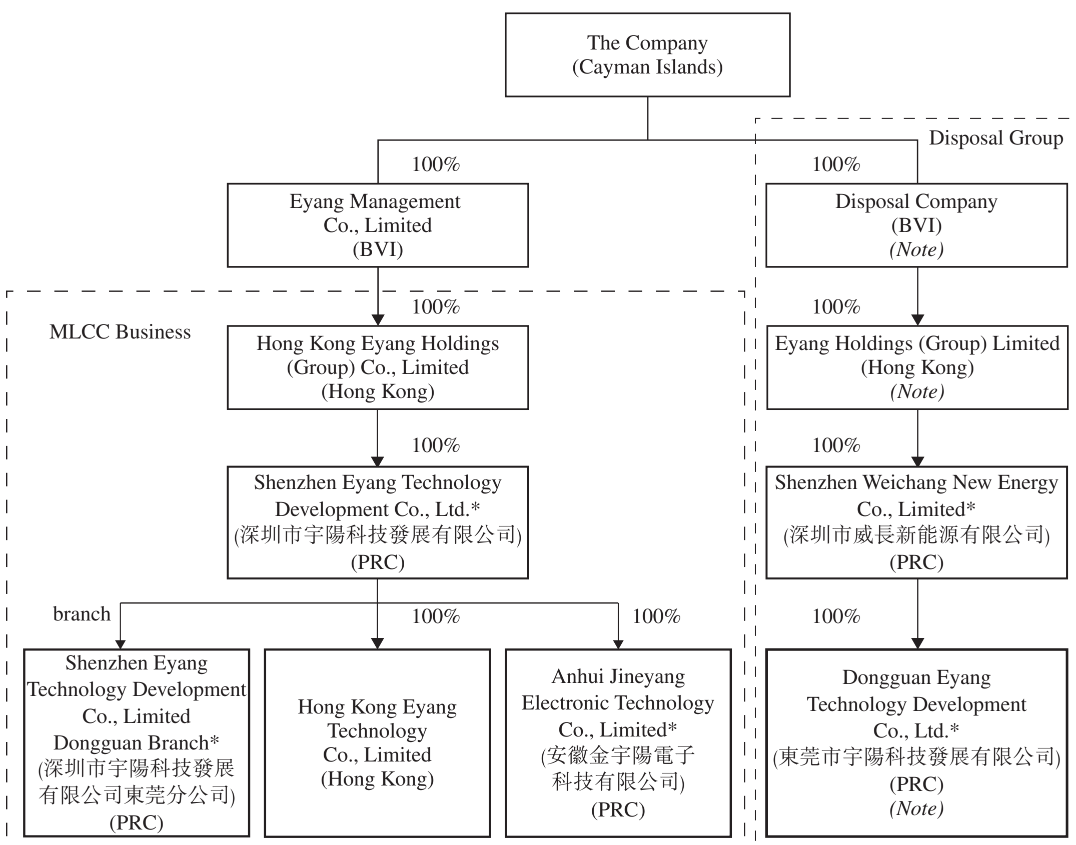
The Group is principally engaged in (i) manufacturing and sale of MLCC; (ii) investment and financial services; and (iii) other general trading.

Information of the Disposal Group

The Disposal Company is an investment holding company and its subsidiaries are engaged in leasing of office and industrial space to an Independent Third Party and other subsidiaries of the Company which are principally engaged in the manufacturing and sale of MLCC ("**MLCC Business**"). The only significant asset of the Disposal Group is the Property.

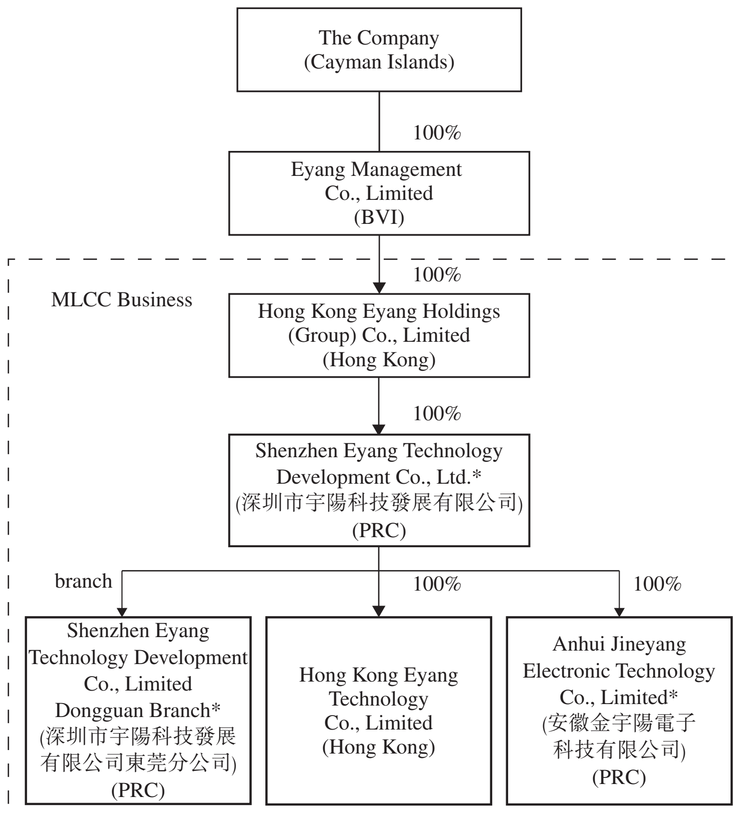
The following diagram illustrates the corporate structure of the Company's MLCC Business segment and the Disposal Group (a) as at the date of this announcement; and (b) immediately upon Completion:

(a)



Note: In the process of changing its company name.

(b)



FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Set out below is the unaudited consolidated financial information of the Disposal Group for each of the two financial years ended 31 December 2016 and 2017 based on International Financial Reporting Standards:

	For the year ended 31 December	
	2016	**2017**
	unaudited	unaudited
(Loss)/profit before taxation	(RMB20,319,000) (equivalent to approximately (HK$22,847,000))	RMB20,038,000 (equivalent to approximately HK$22,531,000)
(Loss)/profit after taxation	(RMB18,505,000) (equivalent to approximately (HK$20,807,000))	RMB21,925,000 (equivalent to approximately HK$24,652,000)

Note: For the year ended 31 December 2017, profit after taxation consisted of approximately RMB13,691,000 (equivalent to approximately HK$15,394,000) and RMB8,234,000 (equivalent to approximately HK$9,258,000) derived from other non-operating income and operating income, respectively. The said operating income consisted primarily of revenue derived from intercompany transactions. Such intercompany transactions have ceased to exist since July 2018.

For the years ended 31 December 2016 and 2017, the Disposal Group were principally engaged in MLCC Business and had generated most of its revenue from intercompany transactions. The Disposal Group primarily processed MLCC products and traded MLCC products with other subsidiaries of the Company. In 2018, the Company underwent reorganization and strategically consolidated all of its MLCC Business into Eyang Management Co., Limited and its subsidiaries. As at the date of this announcement, the business of the Disposal Group is leasing of office and industrial space to an Independent Third Party and other subsidiaries of the Company and the only significant asset of the Disposal Group is the Property.

Based on the management account of the Disposal Group, the unaudited consolidated total asset value and net liabilities of the Disposal Group as at 31 October 2018 were approximately RMB66,897,000 (equivalent to approximately HK$75,219,000) and approximately RMB8,353,000 (equivalent to approximately HK$9,393,000), respectively.

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The Group is principally engaged in (i) manufacturing and sale of MLCC; (ii) investment and financial services; and (iii) other general trading.

In 2017, the performance of the MLCC Business segment improved as a result of shortage of supply and increase in selling prices of low-end and mid-end MLCC products. However, the ability to turn losses of the MLCC Business into profits does not mean that the Company's future challenges in this segment have been alleviated. The MLCC market remains uncertain in the long run.

As discussed in the Interim Report, the Company noticed a number of factors such as the slow-down in the economic development in China, the tightening money supply and Sino-US trade war have occurred recently. The Company will attach more importance to liquidity. By learning from the advanced models adopted by the leading companies in the international electronics industry, coupled with the general volatility of the MLCC market, the Company will, on the corporate strategic level, gradually transform from a heavy-assets model to a light-assets model in order to reduce cost and improve the core competitiveness of the MLCC Business segment, with a view to improving overall efficiency of the Company and to the benefit of the Shareholders.

The Directors believe that the Proposed Disposal allows the Company to avoid idle assets, reduce depreciation cost and other fixed cost such as water and electricity expenses in the event that the MLCC market worsen in the long-run. Further, the Company could flexibly arrange production scale and production site based on market conditions for future business development of the MLCC Business segment. The Directors are of the view that the Proposed Disposal is a milestone to gradually transform into light-assets operation model for its MLCC Business with no material and adverse impact to the business operation and financial performance of the Group upon Completion.

In light of the above, and taking into consideration the estimated gain that may be recorded by the Company from the Proposed Disposal, the Directors considered the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

For the avoidance of doubt, the Directors have no present intention to dispose of the MLCC Business.

FINANCIAL EFFECT AND USE OF PROCEEDS

An expected gain of approximately HK$54,452,000 (equivalent to approximately RMB48,428,000) will be realised from the Proposed Disposal, which is calculated with reference to (i) the Consideration; (ii) the unaudited net liabilities of the Disposal Group as at 31 October 2018; and (iii) the estimated PRC tax expense relating to the Proposed Disposal of approximately HK$11,199,000 (equivalent to approximately RMB9,960,000). The actual financial impact in connection with the Proposed Disposal will be assessed after Completion and is subject to audit.

After deducting expenses relating to the Proposed Disposal, it is expected that the Company will record net proceeds of approximately HK$45,301,000 (equivalent to approximately RMB40,289,000). The net proceeds are intended to be applied as the Company's general working capital.

LEASE ARRANGEMENTS

The Company's indirect wholly-owned subsidiary, Dongguan Eyang Technology Development Co., Ltd.* (東莞市宇陽科技發展有限公司) has entered into the Lease Arrangements with other subsidiaries of Eyang Management Co., Limited prior to the Proposed Disposal.

The Lease Arrangements shall continue to be in effect until terminated by mutual written consent between the parties to the respective Lease Arrangements.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Proposed Disposal are more than 5% but less than 25%, the Proposed Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempted from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

"associates"	has the meaning ascribed to this term under the Listing Rules
"Board"	the board of Directors

"Business Day"	any day (other than Saturday, Sunday or public holidays or days on which a tropical cyclone warning signal number 8 or above or black rainstorm warning is hoisted in Kong Hong at any time from 9:00 a.m. to 5:00 p.m.) on which commercial banks in Hong Kong are open to the public for general banking business in general
"BVI"	the British Virgin Islands
"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 Proposed Disposal pursuant to the Sale and Purchase Agreement
"Completion Date"	the fifth (5) Business Day after the fulfillment of the Conditions or such other date as agreed by the Parties in writing
"Conditions"	the conditions precedent to the Completion set out in the Sale and Purchase Agreement
"Connected person(s)"	has the meaning ascribed to it under the Listing Rules and the word "connected" shall be construed accordingly
"Consideration"	HK$56,500,000, being the consideration payable by the Purchaser under the Sale and Purchase Agreement
"Director(s)"	director(s) of the Company
"Disposal Company"	Eyang Energy Management Co., Ltd., a company incorporated in the BVI with limited liability on 14 August 2012 and is a wholly-owned subsidiary of the Company as at the date of this announcement
"Disposal Group"	Disposal Company and its subsidiaries
"Eyang Management Co., Limited"	a company incorporated in the BVI with limited liability on 10 August 2006 and is a wholly-owned subsidiary of the Company as at the date of this announcement
"Group"	the Company and its subsidiaries
"HK$"	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 not connected with the Company and any director, chief executive or substantial shareholder of the Company and its subsidiaries or any of their respective associates
"Interim Report"	the interim report 2018 of the Group
"Lease Arrangements"	the Lease Arrangement I, the Lease Arrangement II and the Lease Arrangement III
"Lease Arrangement I"	lease arrangement dated 1 May 2018 entered into between Dongguan Eyang Technology Development Co., Ltd.* (東莞市宇陽科技發展有限公司) and Shenzhen Eyang Technology Development Co., Ltd.* (深圳市宇陽科技發展有限公司) pursuant to which Dongguan Eyang Technology Development Co., Ltd.* (東莞市宇陽科技發展有限公司) will lease a portion of the Property to Shenzhen Eyang Technology Development Co., Ltd.* (深圳市宇陽科技發展有限公司) from the date of the arrangement and up to 30 April 2024
"Lease Arrangement II"	lease arrangement dated 1 May 2018 entered into between Dongguan Eyang Technology Development Co., Ltd.* (東莞市宇陽科技發展有限公司) and Shenzhen Eyang Technology Development Co., Limited Dongguan Branch* (深圳市宇陽科技發展有限公司東莞分公司) pursuant to which Dongguan Eyang Technology Development Co., Ltd.* (東莞市宇陽科技發展有限公司) will lease a portion of the Property to Shenzhen Eyang Technology Development Co., Limited Dongguan Branch* (深圳市宇陽科技發展有限公司東莞分公司) from the date of the arrangement and up to 30 April 2024
"Lease Arrangement III"	lease arrangement dated 1 June 2018 entered into between Dongguan Eyang Technology Development Co., Ltd.* (東莞市宇陽科技發展有限公司) and Shenzhen Eyang Technology Development Co., Limited Dongguan Branch* (深圳市宇陽科技發展有限公司東莞分公司) pursuant to which Dongguan Eyang Technology Development Co., Ltd.* (東莞市宇陽科技發展有限公司) will lease a portion of the Property to Shenzhen Eyang Technology Development Co., Limited Dongguan Branch* (深圳市宇陽科技發展有限公司東莞分公司) from the date of the arrangement and up to 31 May 2024
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Long Stop Date"	20 December 2018 or such other date as the Parties may agree in writing
"MLCC"	multi-layer ceramic chips
"Parties"	the Company and the Purchaser, being the parties to the Sale and Purchase Agreement
"PRC" or "China"	the People's Republic of China and for the sole purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Property"	the property located at No. 119, Yongsheng Main Street, Fenggang Town, Dongguan City, Guangdong Province, the PRC, which comprises a parcel of land with site area of approximately 83,000 square meters with 10 buildings and various ancillary structures erected thereon which were completed in various stages between 2001 and 2009
"Proposed Disposal"	the proposed disposal of the Sale Shares by the Company to the Purchaser pursuant to the Sale and Purchase Agreement
"Purchaser"	Huisheng Development Corporation, a company incorporated in the BVI with limited liability
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the conditional sale and purchase agreement entered into between the Company and the Purchaser on 20 November 2018 in relation to the Proposed Disposal
"Sale Shares"	100 issued shares in the capital of the Disposal Company, representing the entire issued share capital of the Disposal Company
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	Per cent.

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

For the purpose of illustration only, amounts denominated in RMB in this announcement have been converted into HK$ at the rate of RMB1.00=HK$1.1244, being the prevailing exchange rate as of 31 October 2018. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

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

Hong Kong, 20 November 2018

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhou Chunhua (chairman), Mr. Jin Zhifeng (chief executive officer), Mr. Jing Wenping and Mr. Pan Tong; and four independent non-executive Directors, namely Mr. Chu Kin Wang, Peleus, Mr. To Yan Ming, Edmond, Mr. David Tsoi and Mr. Xu Xuechuan.