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**TIAN CHANG GROUP HOLDINGS LTD.**  
**天長集團控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 2182)**

**MAJOR TRANSACTION**  
**CONSTRUCTION AGREEMENT IN RELATION TO**  
**THE CONSTRUCTION OF FACTORY PREMISES AND STAFF QUARTERS**

**THE CONSTRUCTION AGREEMENT**

The Board is pleased to announce that on 8 October 2019 (after trading hours), Huizhou Sun Leader, an indirect wholly-owned subsidiary of the Company, entered into the Construction Agreement with Shenzhen Junye in relation to the construction of the Factory Premises, the Staff Quarters and ancillary facilities on the Land at an aggregate Consideration of RMB120 million (approximately HK\$132.8 million). The Consideration was arrived at from a tender process whereby invitation to bid for construction on the Land was solicited by Huizhou Sun Leader.

**LISTING RULES IMPLICATIONS**

In respect of the Construction Agreement, as one or more of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules exceed 25% but are all less than 100%, the transaction contemplated under the Construction Agreement constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company has obtained written approval for the Construction Agreement in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders comprising Oceanic Green Group Limited, New Strength Ventures Limited, Gold Alliance Ventures Limited and Treasure Line Holdings Limited, which together are beneficially interested in an aggregate of 373,395,000 Shares, representing approximately 60.2% of the entire issued capital of the Company as at the date of this announcement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, none of the Shareholders has any material interest in the transactions under the Construction Agreement and no Shareholder is required to abstain from voting if an extraordinary general meeting were to be convened for the approval of the Construction Agreement. As such, since written approval has been obtained pursuant to Rule 14.44 of the Listing Rules, no extraordinary general meeting will be convened for the purpose of approving the Construction Agreement as permitted under Rule 14.44 of the Listing Rules.

A circular containing, among other things, further details of the Construction Agreement, will be dispatched to the Shareholders on or before 29 October 2019.

## INTRODUCTION

On 8 October 2019 (after trading hours), Huizhou Sun Leader, an indirect wholly-owned subsidiary of the Company, entered into the Construction Agreement with Shenzhen Junye in relation to the construction of the Factory Premises, the Staff Quarters and ancillary facilities on the Land at an aggregate Consideration of RMB120 million (approximately HK\$132.8 million).

## PRINCIPAL TERMS OF THE CONSTRUCTION AGREEMENT

- Date:** 8 October 2019
- Parties:**
- (a) Huizhou Sun Leader as the client; and
  - (b) Shenzhen Junye as the contractor
- Subject matter:** Shenzhen Junye shall be responsible for:
- (a) the construction and engineering works of the Factory Premises, the Staff Quarters and ancillary facilities, including piling, foundation and renovation works;
  - (b) ancillary outdoor construction and engineering works on the Land; and
  - (c) maintenance of constructions for a period ranging from one year to five years, depending on the type of constructions.
- Consideration:** RMB120 million (approximately HK\$132.8 million), tax inclusive and comprising the following:
- (a) approximately RMB5.9 million (approximately HK\$6.5 million) for piling works (the “**Piling Cost**”);
  - (b) approximately RMB33.7 million (approximately HK\$37.3 million) for the construction of the Staff Quarters (the “**Staff Quarters Cost**”);
  - (c) approximately RMB70.3 million (approximately HK\$77.9 million) for the construction of the Factory Premises;
  - (d) approximately RMB4.0 million (approximately HK\$4.4 million) for the construction of an ancillary house;
  - (e) approximately RMB0.3 million (approximately HK\$0.3 million) for the construction of a gate; and
  - (f) approximately RMB5.8 million (approximately HK\$6.4 million) for the ancillary construction works.
- Construction commencement date:** within seven days from the date of the Construction Agreement
- Construction Period:** 460 days, commencing from the date of the Construction Agreement to the date of completion inspection by Huizhou Sun Leader upon filing of construction completion report

## Consideration Adjustment and Payment Terms

The Consideration may be adjusted downwards if the Certified Value of constructions under the Construction Agreement is less than RMB120 million. In such case, the Consideration shall be adjusted to an amount equivalent to the total Certified Value.

Assuming no adjustment takes place, the Consideration payable by Huizhou Sun Leader shall be RMB120 million (approximately HK\$132.8 million) and shall be paid as follows:

- (1) RMB5.6 million (approximately HK\$6.2 million), representing 95% of the Piling Cost, shall be paid within 15 working days upon the passing of inspection of the piling construction works and the handover of passing inspection reports;
- (2) RMB3.4 million (approximately HK\$3.7 million), representing 10% of the Staff Quarters Cost, shall be paid within 15 working days upon completion of flooring works of the ground floors of all the Staff Quarters;
- (3) RMB3.5 million (approximately HK\$3.9 million), representing 10% of the total cost of construction of three designated factory buildings, shall be paid within 15 working days upon completion of flooring works of the ground floors of such factory buildings;
- (4) RMB3.5 million (approximately HK\$3.9 million), representing 10% of the total cost of construction of the remaining three factory buildings shall be paid within 15 working days upon completion of flooring works of the ground floors of such factory buildings;
- (5) within 15 working days of completion of construction of three floors of each factory building, 10% of the total cost of construction of such factory building;
- (6) within 15 working days of completion of construction of four floors of each staff quarter, 10% of the total cost of construction of such staff quarter;
- (7) within 15 working days of roof sealing of each Block, 10% of the total cost of construction of such Block;
- (8) within 15 working days of the passing of completion inspection of each Block, 15% of the total cost of construction of such Block;
- (9) within 15 working days of completion of renovation work, façade, doors and windows work and removal of scaffolding of each Block, 25% of the total cost of construction of such Block;
- (10) within 30 working days of completion inspection of all construction works under the Construction Agreement, 95% of the Consideration less any payment that has already been made; and
- (11) RMB6 million (approximately HK\$6.6 million), representing the remaining 5% of the Consideration, shall be withheld as retention money which shall be released in the following manner:
  - (a) 3% within 15 working days of the 2nd anniversary of completion inspection of all construction works; and
  - (b) 2% within 15 working days of the expiry of the five-year quality assurance period, subject to the completion of rectification of any defects and passing of inspection.

## **Basis of Consideration**

The Consideration was arrived at from a tender process whereby invitation to bid for the construction of the Factory Premises and the Staff Quarters on the Land was solicited by Huizhou Sun Leader and the tender submitted by Shenzhen Junye was considered the most appropriate after taking into account the tender price and payment terms, as well as Shenzhen Junye's background, capacity, qualifications and experiences. Accordingly, the Directors consider that the Consideration is fair and reasonable.

The Consideration will be satisfied by the internal resources of the Group.

## **Performance Deposit**

Shenzhen Junye shall pay to Huizhou Sun Leader RMB5 million prior to the signing of the Construction Agreement to secure Shenzhen Junye's due performance of its obligations under the Construction Agreement. This Performance Deposit shall be repaid to Shenzhen Junye in full without interest under the following circumstances:

- (1) where no breach of the Construction Agreement has been committed by Shenzhen Junye up to two months after completion inspection of all construction works under the Construction Agreement;
- (2) where, due to reasons attributable to Huizhou Sun Leader, the constructions works cannot commence within three months from the date of the Construction Agreement; or
- (3) where, due to reasons attributable to Huizhou Sun Leader, there is a delay of the construction beyond the construction period under the Construction Agreement.

As at the date of this announcement, Huizhou Sun Leader has received full payment of the Performance Deposit.

## **INFORMATION ON THE GROUP AND SHENZHEN JUNYE**

### **The Group**

The Group is principally engaged in (a) mould design and fabrication services, as well as plastic component design and manufacturing services; and (b) manufacturing and sales of e-cigarettes products.

### **Shenzhen Junye**

To the best of the Directors' knowledge, information and belief having made reasonable enquiries, Shenzhen Junye is principally engaged in the business of buildings construction and holds the relevant construction qualifications as required under the laws of the PRC for the construction works it undertakes under the Construction Agreement, including, but not limited to, Second Grade Main Contractor for Construction Works (建築工程施工總承包貳級), Third Grade Professional Contractor for Foundation Construction Works (地基基礎工程專業承包叁級), Third Grade Professional Contractor for Steel Structure Construction Works (鋼結構工程專業承包叁級) and Second Grade Professional Contractor for Construction Renovation and Decoration Works (建築裝修裝飾工程專業承包貳級). The Directors believe that Shenzhen Junye is qualified under the relevant laws of the PRC to undertake the construction works under the Construction Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shenzhen Junye and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENT**

As disclosed in the annual report of the Company for the year ended 31 December 2018 and the interim report of the Company for the six months ended 30 June 2019, the Group has planned to further expand its production capacity by addition of highly automated machineries to prepare for the continuous growth in the orders of new products from existing customers, as well as to accommodate the growth of the Group's operations. Under such plan, the Company intended to construct new factory premises with a total floor area of approximately 78,000 sq. metres to accommodate such new machines and the expansion of the Group's business. The entering into of the Construction Agreement is in line with the Company's business plan, under which the construction of the new factory premises is expected to commence in the second half of 2019.

The Directors, including the independent non-executive Directors, consider that the Construction Agreement was entered into upon normal commercial terms following arm's length negotiations between the parties and that the terms of the Construction Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

In respect of the Construction Agreement, as one or more of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules exceed 25% but are all less than 100%, the transaction contemplated under the Construction Agreement constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company has obtained written approval for the Construction Agreement in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders comprising Oceanic Green Group Limited, New Strength Ventures Limited, Gold Alliance Ventures Limited and Treasure Line Holdings Limited, which together are beneficially interested in an aggregate of 373,395,000 Shares, representing approximately 60.2% of the entire issued capital of the Company as at the date of this announcement. Each of Oceanic Green Group Limited, New Strength Ventures Limited, Gold Alliance Ventures Limited and Treasure Line Holdings Limited is wholly owned by Mr. Chan Tsan Lam, an executive Director, Chairman and chief executive officer of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, none of the Shareholders has any material interest in the transactions under the Construction Agreement and no Shareholder is required to abstain from voting if an extraordinary general meeting were to be convened for the approval of the Construction Agreement. As such, since written approval has been obtained pursuant to Rule 14.44 of the Listing Rules, no extraordinary general meeting will be convened for the purpose of approving the Construction Agreement as permitted under Rule 14.44 of the Listing Rules.

A circular containing, among other things, further details of the Construction Agreement, will be dispatched to the Shareholders on or before 29 October 2019.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Blocks”, each a “Block”	the six factory buildings, three blocks of staff quarters, one ancillary house and one gate to be constructed and built on the Land under the Construction Agreement
“Board”	the board of Directors
“Certified Value”	value of constructions under the Construction Agreement, as certified by the competent supervisory authority and a qualified valuation organisation, save in the case of piling works, in which case shall be the value of construction as calculated based on the total length of the piles driven into the ground
“Company”	Tian Chang Group Holdings Ltd. (天長集團控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 2182)
“Consideration”	the total consideration payable by Huizhou Sun Leader to Shenzhen Junye under the Construction Agreement, being RMB120 million (approximately HK\$132.8 million)
“Construction Agreement”	the agreement dated 8 October 2019 entered into between Huizhou Sun Leader and Shenzhen Junye in respect of the construction of the Factory Premises and the Staff Quarters on the Land together with a maintenance warranty agreement on housing construction engineering for an aggregate consideration of RMB120 million
“Director(s)”	director(s) of the Company
“Factory Premises”	the factory premises to be constructed on the Land, with a total construction area of 56,739.96 sq. metres and comprising six factory buildings
“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
“Huizhou Sun Leader”	Sun Leader Mould Industrial (Huizhou) Company Limited* (新利達模具實業(惠州)有限公司), a company established in the PRC on 27 June 2011 and an indirect wholly-owned subsidiary of the Company

“Land”	the piece of land located at No.2, Xingye East Road, Dongjiang Hi-Tech Industrial Park, Zhongkai Hi-tech District, Huizhou City, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Performance Deposit”	RMB5 million paid to Huizhou Sun Leader by Shenzhen Junye for the purpose of securing Shenzhen Junye’s obligations and liabilities under the Construction Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of Shares
“Shares”	ordinary shares of HK\$0.1 each in the share capital of the Company
“Shenzhen Junye”	Shenzhen Junye Construction and Engineering Company Limited* (深圳駿業建築工程有限公司) a company established in the PRC on 19 July 2006
“Staff Quarters”	the staff quarters to be constructed on the Land, with a total construction area of 19,399.56 sq. metres and comprising three blocks of staff quarters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

*The translations between RMB and HK\$ throughout this announcement are based on the exchange rate of HK\$1.00 to RMB0.90404 and are provided for information purposes only.*

By Order of the Board  
**TIAN CHANG GROUP HOLDINGS LTD.**  
**Chan Tsan Lam**  
*Chairman*

Hong Kong, 8 October 2019

*As at the date of this announcement, the executive Directors of the Company are Mr. Chan Tsan Lam, Ms. Poon Po Han Lisa and Ms. Chan Yin Yan, and the independent non-executive Directors of the Company are Mr. Ng Chi Wai, Mr. Hung Chun Leung and Mr. Chan Bing Kai.*

\* For identification purpose only