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Tiande Chemical Holdings Limited **天德化工控股有限公司**

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 609)

DISCLOSEABLE TRANSACTION CONSTRUCTION AGREEMENT AND MAINTENANCE AGREEMENT IN RELATION TO A 220 KV ELECTRICAL SUBSTATION

THE CONSTRUCTION AGREEMENT AND THE MAINTENANCE AGREEMENT

The Board is pleased to announce that on 30 September 2021 (after trading hours), Weifang Binhai, an indirect wholly-owned subsidiary of the Company, entered into (i) the Construction Agreement with Shandong Sanhe in relation to the construction of the Electrical Substation; and (ii) the Maintenance Agreement with Shandong Sanhe in relation to the operation and maintenance work of the Electrical Substation for a term of 10 years.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the entering into of the Construction Agreement and the Maintenance Agreement are more than 5% but all of them are less than 25%, the transactions contemplated thereunder will be aggregated as a series of transactions for the Company pursuant to Rule 14.22 of the Listing Rule and constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements but is exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

On 30 September 2021 (after trading hours of the Stock Exchange), Weifang Binhai entered into: (i) the Construction Agreement; and (ii) the Maintenance Agreement.

PRINCIPAL TERMS OF THE CONSTRUCTION AGREEMENT

Date

30 September 2021 (after trading hours)

Parties

- (i) Weifang Binhai as the client; and
- (ii) Shandong Sanhe as the main contractor.

Subject matter: Shandong Sanhe shall be responsible for:

- a. construction and engineering works of the Electrical Substation required under the Construction Agreement, including but not limited to, preparation of the implementation and organisation design plan, procurement of the raw materials to be utilised, execution of the construction and engineering works based on the technical specifications, carrying out of testing; and
- b. maintenance of construction and engineering works for a period of 36 months commencing from the date of passing the completion inspection of the Electrical Substation and the commencement of the operation of the Electrical Substation (the “**Warranty Period**”).

Construction Consideration and payment terms: RMB60,000,000.00 (approximately HK\$73,146,000.00), which comprises the costs of construction and engineering works, and shall be paid as follows:

- a. as to RMB24,000,000.00 (or approximately HK\$29,258,400.00), representing 40% of the Construction Consideration, within 10 working days of the date of the Construction Agreement;
- b. as to RMB18,000,000.00 (or approximately HK\$21,943,800.00), representing 30% of the Construction Consideration, within 5 working days following the completion of the installation of eternal power cords and overall equipment of the Electrical Substation, including the arrival of the major equipment;
- c. as to RMB16,200,000.00 (or approximately HK\$19,749,420.00), representing 27% of the Construction Consideration, within 5 working days after the passing of the completion inspection; and
- d. as to RMB1,800,000.00 (or approximately HK\$2,194,380.00), representing 3% of the Construction Consideration, after the expiry of the Warranty Period.

Construction Consideration adjustment: The Construction Consideration may be adjusted upwards to up to RMB75,000,000.00 (or approximately HK\$91,432,500.00) if the costs of raw materials increase and such adjustment be approved by Weifang Binhai.

Expected construction period: From 1 November 2021 to 1 June 2022

Effective date: Upon the date of approval granted by the relevant government authority in connection with the application for the transmission of electricity to the Electrical Substation filed by Weifang Binhai with the assistance of Shandong Sanhe.

PRINCIPAL TERMS OF THE MAINTENANCE AGREEMENT

Date

30 September 2021 (after trading hours)

Parties

- (i) Weifang Binhai as the owner of the Electrical Substation; and
- (ii) Shandong Sanhe as the service provider.

Subject matter: Shandong Sanhe shall be responsible for the maintenance and operation works of the Electrical Substation, including but not limited to, inspection, maintenance, duty patrols, annual inspection and testing.

Maintenance Consideration and payment terms: Minimum consideration of RMB32,650,000.00 (or approximately HK\$39,803,615.00) and maximum consideration of RMB42,650,000.00 (or approximately HK\$51,994,615.00) for the entire term of the Maintenance Agreement. The Maintenance Consideration comprises a monthly fixed fee of RMB50,000.00 (or approximately HK\$60,955.00) for maintenance and operation work and a variable fee for the electricity consumption calculated by the monthly electricity consumption as stated in the utility bill issued by the State Grid Corporation of China multiplied by RMB0.015 (or approximately HK\$0.018).

In the event that the abovementioned consideration calculation is not applicable due to low or no electricity consumption of Weifang Binhai, Weifang Binhai will pay a monthly fee of RMB272,100.00 (or approximately HK\$331,717.11) for maintenance and operation works conducted by Shandong Sanhe.

The Maintenance Consideration payable by Weifang Binhai is to be settled every three months.

Agreement term: From the date of passing the completion inspection of the Electrical Substation and the successful transmission of electricity to the 10 kV external voltage cord of the Electrical Substation until its 10th anniversary.

Pledge: Weifang Binhai agrees to pledge the Electrical Substation to Shandong Sanhe as security for its payment obligation under the Maintenance Agreement during the agreement term.

Basis of consideration

The Consideration was arrived at by arm's length negotiation between Weifang Binhai and Shandong Sanhe after taking into account the considerations of similar works of projects of comparable sizes, as well as Shandong Sanhe'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.

INFORMATION OF THE COMPANY, WEIFANG BINHAI AND SHANGDONG SANHE

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are research and development, manufacture and sale of fine chemical products.

Weifang Binhai is an indirect wholly-owned subsidiary of the Company and its principal activities are research and development, manufacture and sale of fine chemical products.

Shandong Sanhe is a company established in the PRC. To the best of the Directors' knowledge, information and belief having made reasonable enquiries, (i) Shandong Sanhe and its ultimate beneficial owner are Independent Third Parties; and (ii) Shandong Sanhe is principally engaged in electrical engineering design, installation, power construction and manufacture and sale of electrical products.

REASONS FOR AND BENEFITS OF CONSTRUCTION AGREEMENT AND MAINTENANCE AGREEMENT

The existing external voltage cords utilised by Weifang Binhai is reaching its operation limit according to the operating data collected from the electricity transformers of Weifang Binhai. In consideration of the projects for expansion of productions that are completed, in progress and to be commenced, the existing capacities of the external voltage cords utilised by Weifang Binhai may not be able to meet the demand for Weifang Binhai's operation need in the foreseeable future. Therefore, there is a need to increase the capacity of Weifang Binhai's electrical substation.

Weifang Binhai filed an application to the State Grid Shandong Electric Power Company, Weifang Branch* (國網山東省電力公司濰坊供電公司) (the "State Grid") for an increase of the capacity of the existing external voltage cords utilised by Weifang Binhai and the construction of a 110 kV electrical substation. The State Grid rejected the application for the reason that the electrical substation, which is in geographic proximity of Weifang Binhai's factory, maintained by the State Grid is also reaching its operation limit and could not meet the demand of Weifang Binhai for electricity.

The Directors consider that the only solution to meet the demand of Weifang Binhai for electricity is to construct the Electrical Substation. Such Electrical Substation will not only provide a stable source of electricity for Weifang Binhai's operation, but also reduce the cost of Weifang Binhai's electricity consumption, which will in turn increase the Group's competitiveness.

The Directors (including the independent non-executive Directors) are of the view that (i) the terms of each of the Construction Agreement and the Maintenance Agreement are fair and reasonable; (ii) each of the Construction Agreement and the Maintenance Agreement is on normal commercial terms; and (iii) each of the Construction Agreement and the Maintenance Agreement is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the entering into of the Construction Agreement and the Maintenance Agreement are more than 5% but all of them are less than 25%, the transactions contemplated thereunder will be aggregated as a series of transactions for the Company pursuant to Rule 14.22 of the Listing Rule and constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements but is exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the following respective meanings unless the context requires otherwise.

“Board”	the board of Directors
“Company”	Tiande Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 609)
“Consideration”	the Construction Consideration and the Maintenance Consideration
“Construction Agreement”	the agreement dated 30 September 2021 entered into between Weifang Binhai and Shandong Sanhe in respect of the construction of the Electrical Substation
“Construction Consideration”	the consideration payable by Weifang Binhai under the Construction Agreement
“Director(s)”	the director(s) of the Company

“Electrical Substation”	a 220 kV electrical substation to be constructed at the address of No. 001001, Xiangjiang West First Street, Binhai Economic Development Zone, Weifang City, Shandong Province, the PRC * (中國山東省濰坊濱海經濟開發區香江西一街 001001 號)
“Group”	the Company and its subsidiaries from time to time
“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)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of and not connected with the Company and the connected person(s) (as defined in the Listing Rules) of the Company
“kV”	kilovolt
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maintenance Agreement”	the agreement dated 30 September 2021 entered into between Weifang Binhai and Shandong Sanhe in respect of the operation and maintenance of the Electrical Substation for a term of 10 years
“Maintenance Consideration”	the consideration payable by Weifang Binhai under the Maintenance Agreement
“percentage ratios”	the percentage ratio(s) as defined under Rule 14.07 of Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement only, exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Sanhe”	Shandong Sanhe Power Engineering Co., Ltd.* (山東三合電力工程有限公司), a private company established in the PRC and an Independent Third Party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Weifang Binhai”

Weifang Binhai Petro-Chem Co., Ltd (濰坊濱海石油化工有限公司), an indirect wholly-owned subsidiary of the Company

“%”

per cent.

In this announcement, RMB amount has been translated into HK\$ using the rate of RMB1.00 to HK\$1.2191. 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.

For reference purposes only, the Chinese names of the PRC entities have been translated into English in this announcement. In the event of any discrepancies between the Chinese names of these PRC entities and their respective English translations, the Chinese version should prevail.

** For identification purposes only*

Hong Kong, 30 September 2021

On behalf of the Board
Tiande Chemical Holdings Limited
Liu Yang
Chairman

As at the date of this announcement, the executive Directors are Mr. Liu Yang, Mr. Wang Zijiang and Mr. Chen Xiaohua; the non-executive Director is Mr. Guo Yucheng; whilst the independent non-executive Directors are Mr. Gao Baoyu, Mr. Leung Kam Wan and Mr. Liu Chenguang.