

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA TIANBAO GROUP DEVELOPMENT COMPANY LIMITED
中國天保集團發展有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1427)

**CONTINUING CONNECTED TRANSACTION IN RELATION TO
THE 2022 CONSTRUCTION MATERIALS PURCHASE
FRAMEWORK AGREEMENT**

INTRODUCTION

Reference is made to the announcement of the Company dated December 30, 2020 in relation to the 2021 Construction Materials Purchase Framework Agreement entered into between the Company and Zhuozhou Tianbao Construction. Considered that the 2021 Construction Materials Purchase Framework Agreement will expire on December 31, 2021, the Company entered into the 2022 Construction Materials Purchase Framework Agreement with Zhuozhou Tianbao Construction on December 30, 2021. The maximum annual amount payable by the Group to Zhuozhou Tianbao Construction for the purchase of construction materials shall not exceed RMB7,660,000 (equivalent to approximately HK\$9,345,000) from January 1, 2022 to December 31, 2022.

LISTING RULES IMPLICATIONS

Mr. Li is the Controlling Shareholder, chairman of the Board, executive Director and chief executive officer of the Company, and Zhuozhou Tianbao Construction is owned as to 70% by Mr. Li and 30% by Baoxin Industrial. Baoxin Industrial is owned as to 80% by Ms. Zhou Chunlan, the spouse of Mr. Li, and 20% by Mr. Li Yaruixin, the son of Mr. Li and an executive Director of the Company. Zhuozhou Tianbao Construction is an associate of Mr. Li and thus is a connected person of the Company. As such, the transactions contemplated under the 2022 Construction Materials Purchase Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio under the Listing Rules in respect of the annual cap is more than 0.1% but less than 5%, the transactions under the 2022 Construction Materials Purchase Framework Agreement shall be subject to the reporting, announcement and annual review requirements but exempt from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTION

2022 Construction Materials Purchase Framework Agreement

Reference is made to the announcement of the Company dated December 30, 2020 in relation to the 2021 Construction Materials Purchase Framework Agreement entered into between the Company and Zhuozhou Tianbao Construction, which will expire on December 31, 2021.

The Board is pleased to announce that, on December 30, 2021, the Company resolved to renew the existing 2021 Construction Materials Purchase Framework Agreement and entered into the 2022 Construction Materials Purchase Framework Agreement with Zhuozhou Tianbao Construction, pursuant to which Zhuozhou Tianbao Construction agreed to provide construction materials, including but not limited to CL grid plates and weldmesh, to the Group according to the separate agreements in respect of the transactions to be entered into between the relevant member(s) of the Group and Zhuozhou Tianbao Construction from time to time. The Company and Zhuozhou Tianbao Construction agreed that the 2022 Construction Materials Purchase Framework Agreement shall be effective from January 1, 2022 to December 31, 2022, and the maximum annual amount payable by the Group to Zhuozhou Tianbao Construction for the purchase of construction materials shall not exceed RMB7,660,000 (equivalent to approximately HK\$9,345,000).

The principal terms of the 2022 Construction Materials Purchase Framework Agreement are as follows:

- Date:** December 30, 2021
- Parties:** (1) the Company; and
(2) Zhuozhou Tianbao Construction
- Term:** January 1, 2022 to December 31, 2022 (both days inclusive)
- Nature of transaction:** Zhuozhou Tianbao Construction will provide construction materials (including but not limited to CL grid plates and weldmesh) to the Group. The Group has the right to determine the time and volume of construction materials purchased from Zhuozhou Tianbao Construction at its discretion.
- Pricing basis:** The Group will enter into separate agreement(s) with Zhuozhou Tianbao Construction in respect of its specific needs of construction materials. The amount payable under each separate agreement should be determined by the Group and Zhuozhou Tianbao Construction after arm's length negotiations with respect to the Group's specific needs of products, including the product quantity, type, unit price, quality, payment terms, delivery date and reliability of the products, with reference to the prevailing relevant market prices, historical prices and the prices quoted by at least two other contemporaneous transactions with Independent Third Parties for products in similar quantities to determine if the price and terms offered by Zhuozhou Tianbao Construction are fair and reasonable and comparable to those offered by Independent Third Parties. The prices and terms quoted by Zhuozhou Tianbao Construction shall be no less favourable than the prices and terms available to the Group from Independent Third Parties for the same products. Both parties confirm that there are no government mandated or guided prices for construction materials.

Historical Transaction Amount

The Group has historically, from time to time during the ordinary and usual course of business, purchased construction materials, such as CL grid plates and weldmesh, from Zhuozhou Tianbao Construction. For the three years ended December 31, 2018, 2019 and 2020 and the eleven months ended November 30, 2021, the historical transaction amounts incurred by the Group in relation to the purchase of the construction materials from Zhuozhou Tianbao Construction were approximately RMB3,000,000, RMB2,813,000, RMB8,270,000 and RMB7,800,000, respectively.

Annual Cap and its Basis

For the financial year ending December 31, 2022, (1) based on the expected progress of the Group's Tianbao Jingbei Health City project located at Huailai County in Zhangjiakou City, it is expected that approximately 12,800 square meters of CL grid plates and weldmesh will be needed during the construction process, and the comprehensive unit price is estimated to be approximately RMB160 per square meter based on the prevailing market rates; (2) based on the expected progress of Tianbao Smart Building Technology Park project located in Zhuozhou City, it is expected that approximately 5,800 square meters of CL grid plates and weldmesh will be needed during the construction process, and the comprehensive unit price is estimated to be approximately RMB156 per square meter based on the prevailing market rates; (3) based on the expected progress of the Group's Edelweiss City project located at Yu County in Zhangjiakou City, it is expected that approximately 5,800 square meters of CL grid plates and weldmesh will be needed during the construction process, and the comprehensive unit price is estimated to be approximately RMB157 per square meter based on the prevailing market rates; and (4) based on the expected progress of the Group's project located at Nanfanzhuang Village, Yuzhou Town, Yu County in Zhangjiakou City, it is expected that approximately 24,000 square meters of CL grid plates and weldmesh will be needed during the construction process, and the comprehensive unit price is estimated to be approximately RMB158 per square meter based on the prevailing market rates. As such, the maximum annual amount payable by the Group to Zhuozhou Tianbao Construction for the purchase of construction materials has been determined to be no more than RMB7,660,000 (equivalent to approximately HK\$9,345,000).

Reasons for and Benefits of the Transactions

The Group has engaged Zhuozhou Tianbao Construction for the provision of construction materials primarily because (i) the existing production capacity of Zhuozhou Tianbao Construction can meet the Group's potential increase in demand for construction materials; (ii) Zhuozhou Tianbao Construction provided the Group with steady and high quality products in the past; and (iii) the Directors (including all independent non-executive Directors) are of the view that the prices and terms to be offered by Zhuozhou Tianbao Construction to the Group under the 2022 Construction Materials Purchase Framework Agreement are entered into in the Group's ordinary and usual course of business and on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Mr. Li and Mr. Li Yaruixin are regarded as potentially having a material interest in the transactions contemplated under the 2022 Construction Materials Purchase Framework Agreement, they have abstained from voting on the relevant resolution for approving the 2022 Construction Materials Purchase Framework Agreement and the transactions contemplated thereunder at the Board meeting.

Internal Control Measures

To safeguard the interests of the Company and the Shareholders as a whole, the Group has put in place internal approval and monitoring procedures relating to continuing connected transactions, which include the following:

1. the Group will continue to offer the same pricing terms to all material suppliers and no preferential terms shall be provided to the material suppliers who are connected persons of the Group;
2. the procurement procedures for procurement of construction materials by relevant departments of the Group shall be reviewed by the internal control department to ensure that the maximum annual amount is not exceeded; and
3. the Group has formulated and implemented the internal guidelines according to the Listing Rules, which provide approval procedures for connected transactions, including mechanism to avoid conflict of interests.

The independent non-executive Directors and auditor of the Company will conduct an annual review of the Group's continuing connected transactions and provide annual confirmations in accordance with the Listing Rules that the terms of the relevant agreements are fair and reasonable, and are entered into in the ordinary and usual course of business and on normal commercial terms of the Group, and the relevant agreements are in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE PARTIES TO THE 2022 CONSTRUCTION MATERIALS PURCHASE FRAMEWORK AGREEMENT

The Group is principally engaged in property development and construction contracting business in the PRC.

Zhuozhou Tianbao Construction is a limited liability company established in the PRC and is principally engaged in provision of construction materials. As of the date of this announcement, Zhuozhou Tianbao Construction is owned as to 70% by Mr. Li and 30% by Baoxin Industrial. Baoxin Industrial is owned as to 80% by Ms. Zhou Chunlan, the spouse of Mr. Li, and 20% by Mr. Li Yaruixin, the son of Mr. Li and an executive Director of the Company. Therefore, Zhuozhou Tianbao Construction is an associate of Mr. Li (being the Controlling Shareholder, chairman of the Board, executive Director and chief executive officer of the Company) and is a connected person of the Company by virtue of Rule 14A.07(4) of the Listing Rules.

LISTING RULES IMPLICATIONS

Mr. Li is the Controlling Shareholder, chairman of the Board, executive Director and chief executive officer of the Company, and Zhuozhou Tianbao Construction is owned as to 70% by Mr. Li and 30% by Baoxin Industrial. Baoxin Industrial is owned as to 80% by Ms. Zhou Chunlan, the spouse of Mr. Li, and 20% by Mr. Li Yaruixin, the son of Mr. Li and an executive Director of the Company. Therefore, Zhuozhou Tianbao Construction is an associate of Mr. Li and is a connected person of the Company by virtue of Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions contemplated under the 2022 Construction Materials Purchase Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules in respect of the annual cap is more than 0.1% but less than 5%, the transactions under the 2022 Construction Materials Purchase Framework Agreement shall be subject to the reporting, announcement and annual review requirements but exempt from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“2021 Construction Materials Purchase Framework Agreement”	the construction materials purchase framework agreement entered into between the Company and Zhuozhou Tianbao Construction on December 30, 2020
“2022 Construction Materials Purchase Framework Agreement”	the construction materials purchase framework agreement entered into between the Company and Zhuozhou Tianbao Construction on December 30, 2021
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Baoxin Industrial”	Baoxin Industrial Company Limited* (保鑫實業有限公司), a limited liability company established in the PRC on November 14, 2018 and owned as to 80% by Ms. Zhou Chunlan, the spouse of Mr. Li, and 20% by Mr. Li Yaruixin, the son of Mr. Li and an executive Director of the Company
“Board”	the board of Directors of the Company
“Company”	China Tianbao Group Development Company Limited, an exempted company incorporated in the Cayman Islands with limited liability on November 16, 2018, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1427)
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars and Hong Kong cents respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected person (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

“Mr. Li”	Mr. Li Baotian, Controlling Shareholder, chairman of the Board, an executive Director and chief executive officer of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement and for geographical reference only (unless otherwise indicated), excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.01 each of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhuozhou Tianbao Construction”	Zhuozhou Tianbao Construction Co., Ltd.* (涿州天保建築體系有限公司), a limited liability company established in the PRC on November 1, 2005 and owned as to 70% by Mr. Li and 30% by Baoxin Industrial
“%”	per cent

For the purposes of this announcement, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1 to HK\$1.22 for the purposes of illustration only. No representation is made that any amount of HK\$ or RMB could have been or could be converted at the above rate or at any other rates.

By order of the Board
China Tianbao Group Development Company Limited
Li Baotian
Chairman of the Board and Executive Director

Hong Kong, December 30, 2021

As at the date of this announcement, the executive Directors of the Company are Mr. Li Baotian, Ms. Shen Lifeng, Ms. Wang Xinling, Mr. Li Yaruixin, Ms. Wang Huijie and Mr. Zang Lin; and the independent non-executive Directors of the Company are Mr. Li Xu, Mr. Liu Kaixiang and Mr. Li Qingxu.

* For identification purpose only