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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)

## **CONTINUING CONNECTED TRANSACTIONS**

On 22 November 2023 (after trading hours), Weifang Zhongying, an indirect non wholly-owned subsidiary of the Company, entered into the Framework Agreement with Zhejiang Zhonghui, pursuant to which Weifang Zhongying shall supply Cyanuric Chloride to Zhejiang Zhonghui for a period of 3 years from 22 November 2023 to 21 November 2026 (both dates inclusive) subject to and upon the terms and conditions contained in the Framework Agreement.

Before the Framework Agreement, Zhejiang Zhonghui has been one of the major customers of the Group. Since 22 November 2023, Zhejiang Zhonghui became a connected person at the subsidiary level of the Company as Zhejiang Zhongshan, the holding company of Zhejiang Zhonghui and thus an associate of Zhejiang Zhonghui according to Rule 14A.13 of the Listing Rules, acquired 49% of the equity interests in Weifang Zhongying and became a substantial shareholder of Weifang Zhongying. Accordingly, the transactions contemplated under the Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. To regulate the future transactions between the Group and Zhejiang Zhonghui and to comply with the requirements under Chapter 14A of the Listing Rules, Weifang Zhongying entered into the Framework Agreement with Zhejiang Zhonghui to provide for, among other things, the Annual Caps for the next three years.

As (i) Zhejiang Zhonghui is a connected person at the subsidiary level of the Company; (ii) the Directors (including the independent non-executive Directors) have approved the Framework Agreement and the transactions contemplated thereunder; and (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Framework Agreement are fair and reasonable, on normal commercial terms or better terms and in the interests of the Company and the Shareholders as a whole, the continuing connected transactions contemplated under the Framework Agreement are only subject to the reporting, announcement and annual review requirements, but are exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

## **INTRODUCTION**

On 22 November 2023 (after trading hours), Weifang Zhongying, an indirect non wholly-owned subsidiary of the Company, entered into the Framework Agreement with Zhejiang Zhonghui, pursuant to which Weifang Zhongying shall supply Cyanuric Chloride to Zhejiang Zhonghui for a period of 3 years from 22 November 2023 to 21 November 2026 (both dates inclusive) subject to and upon the terms and conditions contained in the Framework Agreement.

## **PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT**

- Date : 22 November 2023
- Parties : (1) Weifang Zhongying, an indirect non wholly-owned subsidiary of the Company; and
- (2) Zhejiang Zhonghui, an associate of Zhejiang Zhongshan which became a substantial shareholder of Weifang Zhongying on 22 November 2023. Thus, Zhejiang Zhonghui is a connected person of the Company under the Listing Rules.
- Term : 3 years from 22 November 2023 to 21 November 2026 (both dates inclusive)
- Product : Cyanuric Chloride with appearance in white powder
- Price : The price shall be based on the prevailing fair market price when receipt of the orders from Zhejiang Zhonghui
- Payment : Within 90 days after receipt of the invoice

### **Basis for determining the price**

The price is determined by the prevailing fair market price with reference to the following factors:

1. the same pricing determination mechanism adopted by Weifang Zhongying for Zhejiang Zhonghui as it does for Independent Third Parties, or from the perspective of either party, shall be no less favourable than the terms of transactions provided by Independent Third Parties to both parties respectively;
2. the comparable relevant market prices of the product with similar quantity and quality; and
3. the cost for Weifang Zhongying to manufacture the product, and after referencing to factors such as general charging standards within the industry, the market supply and demand of the product, transportation and storage costs, financing costs, and other related costs.

## Annual Caps

The Annual Caps as stated in the Framework Agreement for the term of 3 years from 22 November 2023 to 21 November 2026 (both dates inclusive) are as follows:

	<b>For the period between 22 November 2023 to 31 December 2023 (both dates inclusive)</b>	<b>For the period between 1 January 2024 to 31 December 2024 (both dates inclusive)</b>	<b>For the period between 1 January 2025 to 31 December 2025 (both dates inclusive)</b>	<b>For the period between 1 January 2026 to 21 November 2026 (both dates inclusive)</b>
<b>Annual Caps</b>	RMB28,318,584	RMB247,787,611	RMB265,486,726	RMB292,035,398

The Annual Caps are determined based on the following factors:

1. the previous transactions and transaction amounts between the Group and Zhejiang Zhonghui and its fellow associate;
2. the expected volume of the products to be ordered by Zhejiang Zhonghui;
3. an annual expected increase in business volume of Zhejiang Zhonghui by around 10%;
4. the Group's future development plans, which include the expected transactions and potential cooperation between parties; and
5. the expected annual inflation rate.

Should the actual annual purchase amount exceed the above Annual Caps, the Company will revise the Annual Caps in compliance with the relevant requirements under Chapter 14A of the Listing Rules.

## **HISTORICAL TRANSACTION AMOUNTS BETWEEN THE GROUP AND ZHEJIANG ZHONGHUI AND ITS FELLOW ASSOCIATE**

Set out below are the transaction amounts of sales of Cyanuric Chloride by the Group to Zhejiang Zhonghui and its fellow associate during the last two years and ten months:

	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>	<b>For the ten months period ended 31 October 2023</b>
<b>Transaction amounts</b>	RMB353,482,831	RMB531,624,073	RMB177,142,479

## MEASURES OF INTERNAL CONTROL

In order to ensure that the terms of the Framework Agreement and the transactions contemplated thereunder are on normal commercial terms and not more favourable than those offered to independent customers in similar transactions, as well as the selling price of the product to be sold to Zhejiang Zhonghui will be in accordance with the Framework Agreement, as internal control, the Group has adopted the following measures:

1. The relevant personnel of the business departments of Weifang Zhongying will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of the Framework Agreement and will also regularly update the fair market price for the purpose of considering if the price charged to Zhejiang Zhonghui for a specific transaction is fulfilling the aforesaid basis for determining the price.
2. The sales and marketing team of Weifang Zhongying will from time to time (on a daily basis and/or prior to price negotiation) gather market intelligence by way of research and investigation to ascertain the quality of the products to be sold are comparable to similar products in the market and the reference price of the product in the market.
3. The operation team of Weifang Zhongying will review, monitor and benchmark with the average industry gross profit margin in respect of the products to be sold and will report to the general manager of the Company and/or executive Director(s) for all significant matters related to all ongoing continuing connected transactions of the Group. The relevant business departments additionally have to compare the terms offered to the connected parties with those offered to the Independent Third Parties to ensure that the terms offered to the connected parties are no less favourable than those offered to Independent Third Parties. Proper approvals also have to be obtained in accordance with the relevant internal management policies before entering into sales contract.
4. The Group would conduct financial monitoring (including the execution of continuing connected transactions) and internal control review on a regular basis for inspecting the effectiveness of internal control measures on continuing connected transactions, financial audit on an annual basis and spot checks and supervision from time to time on related matters, so as to ensure that the transactions are entered into according to the terms of the Framework Agreement and the Annual Caps is not exceed.
5. The audit committee of the Company, which comprises all the independent non-executive Directors, shall review the continuing connected transactions of the Group every year according to the requirements of the Listing Rules to ensure that the transactions are entered into on normal commercial terms and according to the Framework Agreement, and are on terms that are fair and reasonable and are in the interests of the Shareholders as a whole.
6. The auditor of the Company shall issue a letter in respect of the continuing connected transactions of the Group to the Board every year pursuant to the requirements under the Listing Rules.

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

The Company is an investment holding company and Weifang Zhongying is principally engaged in research and development, manufacture and sale of chemical products.

Zhejiang Zhonghui is principally engaged in supply chain management, sales of chemical products, trading agency services in the PRC and import and export of chemical products. It is a wholly-owned subsidiary of Zhejiang Zhongshan and, based on the information currently available to the Directors, the ultimate beneficial owners holding more than 5% of the equity interests of Zhejiang Zhongshan are 李步高 (Li Bugao), a merchant, and 上海祥禾泓安股權投資合伙企業 (Shanghai Xiang He Hong An Equity Investment Partnership Enterprise\*), a private equity fund of which 甘澤 (Gan Ze) is its authorised representative, who are Independent Third Parties before Zhejiang Zhongshan became the substantial shareholder of Weifang Zhongying.

As explained in the paragraph headed “IMPLICATIONS UNDER THE LISTING RULES” of this announcement, Zhejiang Zhonghui, which has been one of the major customers of the Group, became a connected person at the subsidiary level of the Company. To regulate the future transactions between the Group and Zhejiang Zhonghui and to comply with the requirements under Chapter 14A of the Listing Rules, Weifang Zhongying entered into the Framework Agreement with Zhejiang Zhonghui to provide for, among other things, the Annual Caps for the next three years.

The Directors (including the independent non-executive Directors) consider that the Framework Agreement and the transactions contemplated under thereunder shall be conducted under normal commercial terms or better terms and in the ordinary and usual course of business of the Group, the terms of which (including the Annual Caps) are fair and reasonable, that the internal control measures and procedures described above are sufficient and that the entering into the Framework Agreement and the transactions contemplated under thereunder are in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

Before the Framework Agreement, Zhejiang Zhonghui has been one of the major customers of the Group. On 22 November 2023, Zhejiang Zhongshan acquired 49% of the equity interests in Weifang Zhongying from other shareholder of Weifang Zhongying, and became a substantial shareholder of Weifang Zhongying. As Zhejiang Zhonghui is a wholly-owned subsidiary of Zhejiang Zhongshan and, being an associate of Zhejiang Zhongshan according to Rule 14A.13 of the Listing Rules, became a connected person at the subsidiary level of the Company. Accordingly, the transactions contemplated under the Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) Zhejiang Zhonghui is a connected person at the subsidiary level of the Company; (ii) the Directors (including the independent non-executive Directors) have approved the Framework Agreement and the transactions contemplated thereunder; and (iii) the independent non-executive Directors have confirmed that the terms of the transactions

contemplated under the Framework Agreement are fair and reasonable, on normal commercial terms or better terms and in the interests of the Company and the Shareholders as a whole, the continuing connected transactions contemplated under the Framework Agreement are only subject to the reporting, announcement and annual review requirements, but are exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

None of the Directors has any material interest in the Framework Agreement and the transactions contemplated thereunder, and none of the Directors has abstained from voting on the board resolutions approving the Framework Agreement and the transactions contemplated thereunder.

## **DEFINITIONS**

- “Annual Caps”** : the maximum aggregate annual value for the Cyanuric Chloride to be supplied to Zhejiang Zhonghui as contemplated under the Framework Agreement;
- “associate(s)”** : has the same meaning ascribed to it under the Listing Rules;
- “Board”** : the board of Directors;
- “Company”** : Tiande Chemical Holdings Limited, an exempted company incorporated with limited liability in the Cayman Islands and the shares of which are listed and traded on the Stock Exchange (Stock code: 609);
- “connected person(s)”** : has the same meaning ascribed to it under the Listing Rules;
- “Director(s)”** : the director(s) of the Company;
- “Framework Agreement”** : the Framework Agreement for sales of goods entered into between Weifang Zhongying and Zhejiang Zhonghui dated 22 November 2023;
- “Group”** : the Company and its subsidiaries;
- “Hong Kong”** : the Hong Kong Special Administrative Region of the People's Republic of China;
- “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 enquiry, independent of and not connected with the Company and the connected person(s) of the Company;
- “Listing Rules”** : the Rules Governing the Listing of Securities on the Stock Exchange;

- “**PRC**” : the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
- “**RMB**” : Renminbi, the lawful currency of the PRC;
- “**Shareholder(s)**” : holder(s) of the ordinary shares of the Company;
- “**Stock Exchange**” : The Stock Exchange of Hong Kong Limited;
- “**substantial shareholder**” : has the same meaning ascribed to it under the Listing Rules;
- “**Weifang Zhongying**” : 濰坊中贏化工有限公司 (Weifang Zhongying Chemical Co., Ltd.\*), a limited liability company established in the PRC and is currently owned as to 51% and 49% by the Company through its wholly-owned subsidiary and Zhejiang Zhongshan respectively;
- “**Zhejiang Zhonghui**” : 浙江中暉供應鏈管理有限公司 (Zhejiang Zhonghui Supply Chain Management Co., Ltd.\*), a limited liability company established in the PRC and a wholly-owned subsidiary of Zhejiang Zhongshan. Zhejiang Zhonghui has been one of the major customers of the Group and has become a connected person at the subsidiary level of the Company pursuant to Chapter 14A of the Listing Rules; and
- “**Zhejiang Zhongshan**” : 浙江中山化工集團有限公司 (Zhejiang Zhongshan Chemical Group Co., Ltd.\*), a limited liability company established in the PRC and the holding company of Zhejiang Zhonghui; and
- “**%**” : per cent.

\* For identification purposes only

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

Hong Kong, 22 November 2023

*As at the date of this announcement, the executive Directors are Mr. Liu Yang, Mr. Wang Zijiang and Mr. Chen Xiaohua; whilst the independent non-executive Directors are Mr. Gao Baoyu, Mr. Leung Kam Wan, Mr. Liu Chenguang and Ms. Shan Honghong.*