

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.



Tiangong International Company Limited

天工國際有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 826)

CONTINUING CONNECTED TRANSACTIONS

The Framework HSS Coil Supply Agreement

The Company is pleased to announce that, on 16 July 2020, TG Tools, an indirect wholly-owned subsidiary of the Company and Weijian Tools agreed to renew the framework HSS Coil supply agreement previously entered into 2019 on similar terms and entered into the Framework HSS Coil Supply Agreement pursuant to which TG Tools agreed to supply and Weijian Tools agreed to purchase HSS coil in 2020.

Implications under the Listing Rules

As Mr. Zhu Zefeng is a substantial shareholder of the Company and Weijian Tools, being owned as to 75% by Mr. Zhu Zefeng, is an associate of Mr. Zhu Zefeng, Weijian Tools is a connected person of the Company under the Listing Rules and the Framework HSS Coil Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Proposed Annual Cap exceed 0.1% but not 5%, the Framework HSS Coil Supply Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Reference is made to the Company’s announcement on 29 April 2019. The Company is pleased to announce that, on 16 July 2020, TG Tools, an indirect wholly-owned subsidiary of the Company and Weijian Tools agreed to renew the framework HSS Coil supply agreement previously entered into 2019 on similar terms and entered into the Framework HSS Coil Supply Agreement pursuant to which TG Tools agreed to supply and Weijian Tools agreed to purchase HSS coil on the terms as set out below in the section headed “The Framework HSS Coil Supply Agreement” in 2020.

Weijian Tools is a company owned as to 75% by Mr. Zhu Zefeng, a substantial shareholder of the Company. Mr. Zhu Zefeng is a substantial shareholder holding approximately 25.78% of the issued share capital of the Company and the chief investment officer of the Company. The remaining 25% interest of Weijian Tools is directly held by Dangyang City Qianjia Investment Partnership#(丹陽市乾嘉投資合夥企業), a partnership established in the PRC and is owned as to 55.6% by Mr. Wu Weizhong (吳偉中) and 44.4% by Mr. Wu Jianxing (吳建興). To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Mr. Wu Weizhong and Mr. Wu Jianxin are the ultimate beneficial owners of the remaining 25% interest of Weijian Tools and are third parties independent of the Company and the connected persons of the Company.

THE FRAMEWORK HSS COIL SUPPLY AGREEMENT

Date	16 July 2020
Parties	(i) TG Tools, as supplier; and (ii) Weijian Tools, as purchaser
Term	For the year of 2020
Nature of transaction	TG Tools agreed to supply and Weijian Tools agreed to purchase approximately 400 tons of HSS coil
Proposed Annual Cap	RMB30,000,000 ⁽¹⁾
	(1) In the event the transaction value is anticipated to exceed the Proposed Annual Cap, the parties will enter into a supplemental agreement on the revised annual cap and the Company will comply with the relevant requirements under the Listing Rules.
Pricing	The purchase price will be determined at the time of the particular purchase with reference to (i) the cost of production; (ii) the expected gross profit margin of the relevant product at the time of a particular transaction; and (iii) the selling price of the relevant product to other customers of the Group. Coil products are sold in different product specifications and the Group has set and will set gross profit margins of such

	<p>products and therefore the selling prices are determined based on the following factors: the technology employed in the production and the prevailing market price, competitiveness and elasticity of the demand of the relevant products. For the avoidance of doubt, unless there is drastic fluctuation in market price, the gross profit margins to be adopted in respect of the Framework HSS Coil Supply Agreement shall follow the same the gross profit margins applicable to independent purchasers of the most recent month.</p> <p>The sales departments will monitor the prices of relevant products, and will conduct monthly reviews of the gross profit margin and selling price in order to ensure that the transactions under the Framework HSS Coil Supply Agreement are conducted on normal commercial terms.</p> <p>Weijian Tools agreed to allow the auditors of the Company to review books and records on the transactions to ensure the continuing connected transactions are accurately recorded and the conduct of the transactions in accordance with the terms of the Framework HSS Coil Supply Agreement.</p>
Payment arrangement	Purchase prices shall become payable within 60 days of delivery of the purchase (i) in cash by electronic transfer in immediately available funds to the relevant designated bank account, or (ii) by banker's acceptance.

THE PROPOSED ANNUAL CAP

The Proposed Annual Cap for 2020 is RMB30,000,000.

In determining the Proposed Annual Cap, the parties took into account the following factors:

- (i) the estimation and the actual amount of the previous and current continuing connected transactions with Weijian Tools which are set out in the table below:

Category of continuing connected transaction	Estimated amount for the year ended 2019	Actual amount incurred in 2019	Accumulated transaction amount incurred from the beginning of 2020 to the date of this announcement
Supply of HSS coil by TG Tools	RMB50,000,000	RMB8,325,000	RMB4,660,374

- (ii) the estimate and growth projection of anticipated transactions of Weijian Tools with its customers; and
- (iii) the Group's relevant operation and production capacity.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK HSS COIL SUPPLY AGREEMENT

The Company believes that the cooperation with Weijian Tools pursuant to the Framework HSS Coil Supply Agreement will enable the Group to expand its customer base, and to maximise the utilisation rate of its production capacity.

Mr. Zhu Zefeng was appointed as the Chief Investment Officer of the Company in January 2017. The businesses conducted by Weijian Tools have been explored by Mr. Zhu Zefeng and reported to the Board. However, the Group's required return on related capital investment was not sustainable by the current market scales of high-speed steel wire. As such, the businesses conducted by Weijian Tools are considered complementary to the businesses of the Group.

The Directors (including the independent non-executive Directors) consider that: (i) the transactions contemplated under the Framework HSS Coil Supply Agreement are in the usual and ordinary course of business of the Group; (ii) the Framework HSS Coil Supply Agreement and the Proposed Annual Cap are based on normal commercial terms and are fair and reasonable; and (iii) entering into the Framework HSS Coil Supply Agreement is in the interests of the Company and its shareholders as a whole.

Mr. Zhu Zefeng is the son of Mr. Zhu Xiaokun, the chairman and an executive director of the Company. Nevertheless, none of the Directors has or is deemed to have any material interest, direct or indirect, in the resolution approving the entry into the Framework HSS Coil Supply Agreement and the Proposed Annual Cap and therefore none of the Directors were required to abstain from voting on the resolution in relation to the entry into the Framework HSS Coil Supply Agreement and the Proposed Annual Cap.

LISTING RULES IMPLICATIONS

As Mr. Zhu Zefeng is a substantial shareholder of the Company and Weijian Tools, being owned as to 75% by Mr. Zhu Zefeng, is an associate of Mr. Zhu Zefeng, Weijian Tools is a connected person of the Company under the Listing Rules and the Framework HSS Coil Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Proposed Annual Caps exceed 0.1% but not 5%, the Framework HSS Coil Supply Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from the independent

shareholders' approval requirement pursuant to Rule 14A.76(2)(a) of the Listing Rules.

GENERAL

The principal activities of the Group are research and development, production and sales of die steel, high speed steel, cutting tools and titanium alloy.

The principal activities of TG Tools are manufacture and sale of high speed steel and cutting tools.

The principal activities of Weijian Tools are research and development, manufacture and sale of bi-metal wire and related products.

DEFINITIONS

In this announcement, unless the context otherwise requires, the capitalised terms shall have the meanings as set out below:

Board	the board of directors of the Company
Company	Tiangong International Company Limited 天工國際有限公司*, an exempted company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
Connected person(s)	has the meaning ascribed to it under the Listing Rules
Director(s)	director(s) of the Company
Framework HSS Coil Supply Agreement	the framework supply agreement entered into between TG Tools and Weijian tools on 16 July 2020 in relation to the supply of the High Speed Steel coil
Group	the Company and its subsidiaries
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
PRC	the People's Republic of China and for the purpose of this announcement, excludes Taiwan, Hong Kong and Macao Special Administrative Region of the PRC

Proposed Annual Cap	the proposed maximum annual amount of the consideration under the Framework HSS Coil Supply Agreement payable by Weijian Tools to TG Tools for the year 2020
Stock Exchange	The Stock Exchange of Hong Kong Limited
Substantial shareholder	has the meaning ascribed to it under the Listing Rules
TG Tools	江蘇天工工具有限公司 (Jiangsu Tiangong Tools Co., Ltd.#), a company established in the PRC with limited liability
Weijian Tools	江蘇偉建工具科技有限公司 (Jiangsu Weijian Tools Technology Co., Ltd.#), a company established in the PRC with limited liability
RMB	the legal currency of the PRC
%	per cent.

** for identification purpose only, Chinese name is not the official name of the Company
for identification purpose only, English name is not the official name of the entity*

By Order of the Board
Tiangong International Company Limited
Zhu Xiaokun
Chairman

Hong Kong, 16 July 2020

As at the date of this announcement, the directors of the Company are:
Executive Directors: ZHU Xiaokun, WU Suojun, YAN Ronghua and JIANG Guangqing
Independent non-executive Directors: GAO Xiang and LEE Cheuk Yin, Dannis, WANG Xuesong