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## **Tiangong International Company Limited**

**天工國際有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 826)**

### **DISCLOSEABLE TRANSACTION Disposal of Land and Buildings**

The Board announces that on 16 September 2010 TG Tools entered into agreements with the Purchaser, an Independent Third Party, to sell a parcel of land and the buildings erected thereon, which are located adjacent to the existing plants of TG Tools in Danyang, Jiangsu Province, the PRC, at consideration of RMB38.6 million and RMB39.4 million respectively.

#### **Listing Rules Implication**

As an applicable percentage ratio Company exceeds 5% but all the applicable percentage ratios are less than 25% under rule 14.08 of the Listing Rules, the sale constitutes a discloseable transaction for the Company and is only subject to notification and publication requirements under the Listing Rules.

The Board announces that on 16 September 2010, TG Tools, a wholly owned subsidiary of the Company, entered into agreements with the Purchaser, an Independent Third Party, to sell a parcel of land and the buildings erected thereon, which are located adjacent to the existing plants of TG Tools in Danyang, Jiangsu Province, the PRC, at consideration of RMB38.6 million and RMB39.4 million respectively.

#### **LAND SALE AGREEMENT**

Date: 16 September 2010

Parties: TG Tools, a wholly-owned subsidiary of the Company, as vendor;

The Purchaser, as purchaser

To the best of Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser is a third party independent of the Company and its connected persons.

Land to be sold: a parcel of land located at Tongjiang Road North (通江路北) Yuejin River East (躍進河東) with a site area of approximately 312 Mu (approximately 208,036 m<sup>2</sup>), which is adjacent to the existing plant of TG Tools.

Consideration: RMB38.6 million (approximately HK\$44.6 million)

As at the date of the Land Sale Agreement, TG Tools has received RMB25 million. Further payments of RMB10 million and RMB3.6 million will be payable by the end of 2010 and 2011, respectively.

Completion: As at the date of the Land Sale Agreement.

Allocation of liabilities: TG Tools shall be responsible for all costs and expenses, including consideration it paid for the acquisition and compensation payable for original occupants, incurred prior to the Completion in respect of the land.

It is agreed between the parties that the payment made by TG Tools in respect of its acquisition of the land shall be limited to the amount of the Consideration.

The Purchaser shall be responsible for all costs and expenses incurred after the Completion.

## **BUILDING SALE AGREEMENT**

Date: 16 September 2010

Parties: TG Tools, a wholly-owned subsidiary of the Company, as vendor;  
The Purchaser, as purchaser

To the best of Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Land to be sold: The work in progress of 2 buildings, being 1 office buildings and 1 plant erected on the Land with a gross floor area of approximately 13,450 m<sup>2</sup> and 5,860 m<sup>2</sup> respectively, private road, sewage system and electricity grid system built thereon.

Consideration: RMB39.4 million (approximately HK\$45.5 million)

Payable as to RMB15 million and RMB24.4 million by the end of 2010 and 2011, respectively.

Completion: As at the date of the Land Sale Agreement.

Allocation of expenses: Parties to be responsible for its own costs in respect of the transfer.

### **Basis of consideration**

The considerations receivable under the Land Sale Agreement and the Buildings Sale Agreement were determined based on arm's length negotiation and having regards to the costs and expenses incurred by TG Tools in their acquisition and construction.

### **Reasons and benefits for entering into the transaction**

The Group is engaged in the production and sales of HSS, HSS cutting tools and die steel.

The Land was originally acquired with an intention to expand the existing production capacity of TG Tools. To support the local government's strategy to encourage small and medium size ventures and to provide an industrial park for metallic tools, the Group decides to sell the Land and Buildings to the Purchaser.

As at 31 August 2010, the aggregate unaudited net book value of the Land and Buildings was RMB64,778,000 (equivalent to approximately HK\$74,812,000). It is expected that the Group will not have significant gain on the sale as the considerations are determined having regards to the costs and expenses incurred by TG Tools in their acquisition and construction. The Group intends to use the proceeds from these sales for its working capital.

Having considered the underlying rationale to support the small and medium size ventures of the locality where the Group's principal place of business locate, the directors of the Company (including the independent non-executive directors) believe that the terms of the transaction are fair and reasonable and in the interests of the Shareholders as a whole.

### **Information on the Purchaser**

The Purchaser is a local government agency. Accordingly, it is an Independent Third Party to the Company and its connected persons.

### **LISTING RULES IMPLICATION**

As an applicable percentage ratio Company exceeds 5% but all the applicable percentage ratios are less than 25% under rule 14.08 of the Listing Rules, the sale constitutes a discloseable transaction for the Company and is only subject to notification and publication requirements under the Listing Rules.

### **DEFINED TERMS USED IN THIS ANNOUNCEMENT**

Capitalised terms used in this announcement shall have the following meanings:

“Board”	the board of directors of the Company
“Buildings”	the buildings as more particularly set out in the section “Buildings Sale Agreement” of this announcement
“Buildings Sale Agreement”	the agreement dated 16 September 2010 between TG Tools and the Purchaser in respect of the sale and purchase of the Buildings

“Company”	Tiangong International Company Limited, a company incorporated in the Cayman Islands and whose shares listed on the Main Board of the Stock Exchange
“HK\$”	Hong Kong dollar, the legal currency of Hong Kong
“Independent Third Party(ies)”	Person(s) (in the case of companies, their ultimate beneficial owner(s)) who are independent of and not connected with the Company and its subsidiaries and its connected persons or their respective associates (“connected persons” and “associates” as defined in the Listing Rules)
“Land”	the parcel of land as more particularly set out in the section “Land Sale Agreement” of this announcement
“Land Sale Agreement”	the agreement dated 16 September 2010 between TG Tools and the Purchaser in respect of the sale and purchase of the Land
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
the “PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Purchaser”	a PRC government agency, which is an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TG Tools”	江蘇天工工具有限公司 (Jiangsu Tiangong Tools Company Limited*), being a wholly foreign-owned enterprise, established under the laws of the PRC with limited liability on 7 July 1997, an indirect wholly-owned subsidiary of the Company which is engaged in the manufacturing and sale of HSS and HSS cutting and drilling tools

*An exchange rate of RMB0.8659 to HK\$1 has been adopted as the conversion rate of RMB into HK Dollars for the purpose of this announcement. Such exchange rate does not constitute a representation that any amounts have been, could have been, or may be exchanged at such or any other rates.*

By Order of the Board  
**Tiangong International Company Limited**  
**Zhu Xiao Kun**  
*Chairman*

Danyang, Jiangsu, PRC, 16 September 2010

As at the date of this announcement, the Directors are:

*Executive Directors: ZHU Xiaokun, ZHU Zhihe, ZHU Mingyao and YAN Ronghua*

*Non-executive Directors: THONG Kwee Chee*

*Independent non-executive Directors: LI Zhengbang, GAO Xiang and LEE Cheuk Yin, Dannis*

*\* for identification purpose only*