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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)

CONNECTED TRANSACTION
ACQUISITION OF LAND AND BUILDINGS

The Acquisition Agreement

On 15 January 2019, TG Group, as vendor, and TG Tools (a subsidiary of the Company), as purchaser, entered into the Acquisition Agreement, pursuant to which the Purchaser would acquire the Buildings with an aggregate gross floor area of 22,561.14 sq. m. and the related Land with a gross site area of 55,946.9 sq. m. from TG Group for a consideration of RMB100 million (equivalent to approximately HK\$115.43 million). The consideration will be satisfied in cash by internal resources of TG Tools. The consideration was arrived at after arm's length negotiations between the parties with reference to values of the Buildings and the related Land set out in the valuation report prepared by an independent PRC valuer commissioned by TG Tools.

Termination of Tenancy Agreements

The tenancy agreement between TG Tools (as tenant) and TG Group (as landlord) in respect of an aggregate gross floor area of 6,400 sq. m on various floors of the Buildings will be terminated upon completion of the Acquisition Agreement.

The tenancy agreement between TG Aihe (a subsidiary of the Company, as tenant) and TG Group (as landlord) in respect of an aggregate gross floor area of 1,600 sq. m of the Buildings will be terminated upon completion of the Acquisition Agreement.

Listing Rules Implications

Mr. Zhu and his spouse own the entire equity interest of TG Group. As such, TG Group is an associate of Mr. Zhu, the chairman, an executive Director and a substantial shareholder of the Company. TG Group is therefore a connected person of the Company and the entering into of the Acquisition Agreement constitutes a connected transaction under the Listing Rules. As the highest of all applicable percentage ratios in respect of the Acquisition is more than 0.1% but less than 5%, the Acquisition is subject to reporting and announcement requirements but exempt from independent shareholders' approval under Chapter 14A of the Listing Rules.

As the highest of all applicable combined percentage ratios in respect of the tenancy agreements between TG Tools and TG Group as well as between TG Aihe and TG Group is less than 0.1%, the tenancy agreements were and the termination of the tenancy agreements are exempt from reporting, announcement and independent shareholders' approval requirements.

The board of Directors of Tiangong International Company Limited is pleased to announce the entering into of the Acquisition Agreement in respect of the Buildings and the Land at which the principal place of business of the Group is situated.

The Acquisition Agreement dated 15 January 2019

Parties

Purchaser: TG Tools, a subsidiary of the Company

Vendor: TG Group, an associate of Mr. Zhu, the chairman, an executive Director and a substantial shareholder of the Company and a connected person of the Company

Assets to be acquired

The Land and the Buildings erected thereon, together with all facilities (including car parking facilities) and fixtures, are free from all third party encumbrances.

The Land is a parcel of industrial land situated at Binjiang Avenue North, Houxiang Town, Danyang City, Jiangsu Province, the PRC with a gross site area of 55,946.9 sq. m. The Buildings erected on the Land are one 8-storey industrial complex building and one 2-storey industrial complex building with an aggregate gross floor area of 22,561.14 sq. m. The Buildings were completed in or around 2003. The tenure of the Land will expire on 9 June 2053.

TG Group is the registered holder of the land use right to the Land and the real property ownership of the Buildings. Land transfer fees of the Land of RMB15 million (equivalent to approximately HK\$ 17.31 million) and the construction costs of the

Buildings of RMB 75 million (equivalent to approximately HK\$ 86.57 million) have been fully settled by TG Group. The Buildings and the Land are not subject to any third party encumbrances.

Various floors of the Buildings with an aggregate gross floor area of 8,000 sq. m. have been rented out by TG Group to TG Tools and TG Aihe, which are subsidiaries of the Company, as their respective place of business since the listing of the Company in 2007 by way of tenancy agreements of three years terms. The rest of the Buildings is used by TG Group itself.

Consideration

RMB 100 million (equivalent to approximately HK\$115.43 million), payable by TG Tools in one lump sum via bank transfer within 7 days of the due registration of TG Tools as the registered holder of the land use right to the Land and the property ownership of the Buildings.

The consideration will be satisfied in cash by internal resources of TG Tools.

Completion

Vacant possession of the Buildings and the Land will be delivered at Completion, which is expected to take place upon the due registration of TG Tools as the registered holder of the land use right to the Land and the property ownership of the Buildings.

It is expected that Completion shall take place on or before 31 March 2019 (or such later date as the parties may agree).

TERMINATION OF TENANCY AGREEMENT

The current tenancy agreement between TG Tools (as tenant) and TG Group (as landlord) in respect of an aggregate gross floor area of 6,400 sq. m on various floors of the Buildings at an annual rental of RMB800,000 will be terminated upon completion of the Acquisition Agreement.

The current tenancy agreement between TG Aihe (as tenant) and TG Group (as landlord) in respect of an aggregate gross floor area of 1,600 sq. m on various floors of the Buildings at an annual rental of RMB200,000 will be terminated upon completion of the Acquisition Agreement.

REASONS AND BENEFIT FOR ENTERING INTO THE ACQUISITION AGREEMENT

Currently, most of the Group's operations are located in the PRC. The Directors believe that the Acquisition will provide the Company with more spaces for administrative use to accommodate its expanding scale of operations and is therefore in the interest of the Group and the shareholders of the Company as a whole.

The Acquisition will also eliminate the continuing connected transactions regarding the current tenancy agreements between the parties in respect of an aggregate floor area of 8,000 sq. m. on various floors of the Buildings.

The consideration was arrived at after arm's length negotiations between the parties with reference to valuation report of the Land and the Buildings dated 4 January 2019 prepared by an independent PRC valuer commissioned by TG Tools. The Land and the Buildings were valued at RMB24.11 million and RMB76.07 million respectively, by the independent PRC valuer as at 31 December 2018.

The Directors (including independent non-executive Directors) believe that the terms of the Acquisition Agreement are fair and reasonable and in the best interests of the Company and the Shareholders.

LISTING RULES IMPLICATIONS

Mr. Zhu and his spouse own the entire equity interest of TG Group. As such, TG Group is an associate of Mr. Zhu, the chairman, an executive Director and a substantial shareholder of the Company. TG Group is therefore a connected person of the Company and the entering into of the Acquisition Agreement constitutes a connected transaction under the Listing Rules. As the highest of all applicable percentage ratios in respect of the Acquisition is more than 0.1% but less than 5%, the Acquisition is subject to reporting and announcement requirements but exempt from independent shareholders' approval under Chapter 14A of the Listing Rules.

As the highest of all applicable combined percentage ratios in respect of the tenancy agreements between TG Tools and TG Group as well as between TG Aihe and TG Group is less than 0.1%, the tenancy agreements were and the termination of the tenancy agreements is exempt from reporting, announcement and independent shareholders' approval requirements.

Given Mr. Zhu's interest in TG Group and thus in the Acquisition, Mr. Zhu has abstained from voting at the board meeting of the Company in respect of the Acquisition Agreement.

GENERAL

Information on the Company

The Company is an investment holding company and its subsidiaries are engaged in the manufacturing and sales of die steel, high speed steel, cutting tools, titanium alloy and powder metallurgy products and the trading of general carbon steel products which were not within the Group's production scope.

Information on TG Tools

TG Tools is engaged in the manufacturing and sale of high speed steel and high speed steel cutting tools

Information on TG Aihe

TG Aihe is engaged in the manufacturing and sale of die steel products.

Information on TG Group

TG Group is an investment holding company with its subsidiaries principally engaged in manufacturing, smelting, processing tools, cutting tools, measuring tools, tool steel, indoor and outdoor TV antennas, distribution of metallic materials, textile raw materials, knitting textile products, hardware tools, telecommunications equipment, operating the export of TG Group's own products and related technologies, operating the import of commodities such as raw and supplementary materials, machinery, control panels, spare parts and other related technologies required for TG Groups' production and research and development, and the undertaking of Sino-foreign joint ventures, cooperative production and carrying out of "three plus one" trading mix operations.

DEFINITION

Terms used in the announcement shall have the following meanings:

“Acquisition”	the acquisition of the Land and the Buildings as contemplated under the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 15 January 2019, entered into between TG Tools, as the purchaser, and TG Group, as the vendor
“Buildings”	the two industrial complex Buildings situated at Binjiang Avenue North, Houxiang Town, Danyang City, Jiangsu Province, the PRC with a gross floor area of 22,561.14 sq. m.

“Company”	Tiangong International Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Acquisition as evidenced by the due registration of TG Tools as the registered holder of the land use rights of the Land and the real property ownership of the Buildings and the delivery of vacant possession of the Land and Buildings to TG Tools
“Director(s)”	the director(s) of the Company
“Group”	the Company together with its subsidiaries
“Land”	the piece of industrial land on which the Buildings are erected with a site area of 55,946.9 sq. m.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Zhu”	Mr. Zhu Xiaokun, the Chairman, an executive Director and a substantial shareholder of the Company
“PRC”	the People's Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“TG Aihe”	天工愛和特鋼有限公司 (Tiangong Aihe Special Steel Company Limited*), a company established in the PRC with limited liability, is an indirect wholly-owned subsidiary of the Company ,
“TG Group”	江蘇天工集團有限公司 (Jiangsu Tiangong Group Company Limited*), a limited liability company established in the PRC, the entire equity interest of which is held by Mr Zhu and his spouse
“TG Tools”	江蘇天工工具有限公司 (Jiangsu Tiangong Tools Company Limited*), being a wholly foreign-owned enterprise, established in the PRC, is an indirect wholly-owned subsidiary of the Company
“sq. m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

Note: For information purpose only, the translation of RMB to HK\$ in this announcement is based at the rate of RMB0.86634 to HK\$1.00.

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

Hong Kong, 15 January 2019

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, LEE Cheuk Yin, Dannis and WANG Xuesong

** For identification purpose*