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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)

## **CONTINUING CONNECTED TRANSACTIONS**

### **The Framework Supply Agreement**

The Company is pleased to announce that, on 29 April 2019,

- (i) TG Tech, an indirect owned subsidiary of the Company and Weijian Tools entered into the Framework Titanium Coil Supply Agreement, pursuant to which TG Tech agreed to supply and Weijian Tools agreed to purchase industrial titanium coil in 2019; and
- (ii) TG Tools, an indirect wholly-owned subsidiary of the Company and Weijian Tools 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 2019.

### **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 Supply Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

On 17 November 2017, Mr. Zhu Zefeng became a substantial shareholder of the Company and the transactions (i) between TG Tech and Weijian Tools and (ii) between TG Tools and Weijian Tools since 17 November 2017 therefore have

been aggregated for the purpose of classification of connected transactions pursuant to Rule 14A.81 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 (when aggregated with the actual amount of transactions from 1 January 2019) exceed 0.1% but not 5%, the Framework Supply Agreements 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.

The Company is pleased to announce that, on 29 April 2019,

- (i) TG Tech, an indirect owned subsidiary of the Company and Weijian Tools entered into the Framework Titanium Coil Supply Agreement, pursuant to which TG Tech agreed to supply and Weijian Tools agreed to purchase industrial titanium coil in 2019; and
- (ii) TG Tools, an indirect wholly-owned subsidiary of the Company and Weijian Tools 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 2019.

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 22.84% of the issued share capital of the Company and the chief investment officer of the Company.

#### **THE FRAMEWORK SUPPLY AGREEMENTS**

<b>Date</b>	29 April 2019	29 April 2019
<b>Parties</b>	(i) TG Tech, as supplier; and (ii) Weijian Tools, as purchaser	(i) TG Tools, as supplier; and (ii) Weijian Tools, as purchaser
<b>Term</b>	For the year 2019	For the year of 2019
<b>Nature of transaction</b>	TG Tech agreed to supply and Weijian Tools agreed to purchase approximately 150 tons of titanium coil	TG Tools agreed to supply and Weijian Tools agreed to purchase approximately 600 tons of HSS coil
<b>Proposed Annual Cap</b>	RMB16,000,000 <sup>(1)</sup>	RMB50,000,000 <sup>(1)</sup>

	<p>(1) In the event the transaction value is anticipated to exceed the relevant 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.</p>
<b>Pricing</b>	<p>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.</p> <p>Coil products are sold in different product specifications and the Group has set and will set gross profit margins of such 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 Supply Agreements 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 Supply Agreements 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 Supply Agreements.</p>
<b>Payment arrangement</b>	<p>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.</p>

## **THE PROPOSED ANNUAL CAPS**

The Proposed Titanium Coil Annual Cap and the Proposed HSS Coil Annual Cap for 2019 are RMB16,000,000 and RMB50,000,000, respectively.

In determining the Proposed Annual Caps, 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 2018	Actual amount incurred in 2018	Accumulated transaction amount incurred from the beginning of 2019 to the date of this announcement
Supply of titanium coil by TG Tech	RMB26,000,000	RMB3,566,326	nil
Supply of HSS coil by TG Tools	RMB50,000,000	RMB22,994,378	RMB2,910,333

- (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 SUPPLY AGREEMENTS**

The Company believes that the cooperation with Weijian Tools pursuant to the Framework Supply Agreements 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 titanium and 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 Supply Agreements are in the usual and ordinary course of business of the Group; (ii) the Framework Supply Agreements and their respective Proposed Annual Caps are based on normal commercial terms and are fair and reasonable; and (iii) entering into the Framework Supply Agreements 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 resolutions approving the entry into each of the Framework Supply Agreements and each of the Proposed Annual Caps and therefore none of the Directors were required to abstain from voting on the relevant resolution in relation to the entry into the Framework Supply Agreements and the Proposed Annual Caps.

## **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 Supply Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

On 17 November 2017, Mr. Zhu Zefeng became a substantial shareholder of the Company and the transactions (i) between TG Tech and Weijian Tools and (ii) between TG Tools and Weijian Tools therefore have been aggregated for the purpose of classification of connected transactions pursuant to Rule 14A.81 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 (when aggregated with the actual amount of transactions since 1 January 2019) exceed 0.1% but not 5%, the Framework Supply Agreements and the transactions contemplated thereunder is 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 Tech are manufacture and sale of titanium-related products.

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:

<b>Board</b>	the board of directors of the Company
<b>Company</b>	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
<b>Connected person(s)</b>	has the meaning ascribed to it under the Listing Rules
<b>Director(s)</b>	director(s) of the Company
<b>Framework HSS Coil Supply Agreement</b>	the framework supply agreement entered into between TG Tools and Weijian tools on 29 April 2019 in relation to the supply of the High Speed Steel coil
<b>Framework Supply Agreements</b>	the Framework HSS Coil Supply Agreement and the Framework Titanium Coil Supply Agreement
<b>Framework Titanium Coil Supply Agreement</b>	the framework supply agreement entered into between TG Tech and Weijian tools on 29 April 2019 in relation to the supply of the titanium coil
<b>Group</b>	the Company and its subsidiaries
<b>Hong Kong</b>	the Hong Kong Special Administrative Region of the PRC
<b>Listing Rules</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>PRC</b>	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
<b>Proposed Annual Caps</b>	the Proposed HSS Coil Annual Cap and the Proposed Titanium Coil Annual Cap
<b>Proposed HSS Coil Annual Cap</b>	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 2019
<b>Proposed Titanium Coil Annual Cap</b>	The proposed maximum annual amount of the consideration under the Framework Titanium Coil Supply Agreement payable by Weijian Tools to TG Tech for the year 2019
<b>Stock Exchange</b>	The Stock Exchange of Hong Kong Limited
<b>Substantial shareholder</b>	has the meaning ascribed to it under the Listing Rules
<b>TG Tech</b>	江蘇天工科技股份有限公司 (Jiangsu Tiangong Technology Co., Ltd.#), a company established in the PRC with limited liability
<b>TG Tools</b>	江苏天工工具有限公司 (Jiangsu Tiangong Tools Co., Ltd.#), a company established in the PRC with limited liability
<b>Weijian Tools</b>	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
<b>RMB</b>	the legal currency of the PRC
<b>USD</b>	the legal currency of the United States of America
<b>%</b>	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, 29 April 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 and LEE Cheuk Yin, Dannis, WANG Xuesong