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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)

SUPPLEMENTAL ANNOUNCEMENT
CONNECTED TRANSACTION
ACQUISITION OF FIXED ASSETS AND INVENTORIES IN
RELATION TO TITANIUM WIRE PRODUCTION
AND
TENANCY AGREEMENT

Reference is made to the announcement of Tiangong International Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 4 December 2019 (the “**Announcement**”) in relation to the connected transactions (i.e. the Assets Transfer Agreement and the Tenancy Agreement) entered into between TG Tech and Weijian Tools. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless otherwise stated herein.

The board of Directors would like to provide the following supplemental information in respect of the Announcement.

THE ULTIMATE BENEFICIAL OWNER OF THE REMAINING 25% INTEREST OF WEIJIAN TOOLS

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% Mr. Wu Jianxing (吳建興) as of the date of this supplemental announcement. 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.

VALUATION METHODOLOGY

As the Titanium Assets can be readily identified and individually evaluated, the Valuer adopted the cost-based approach in its preparation of the Valuation report.

As disclosed in the Announcement, the Titanium Assets comprised of certain fixed assets and inventories in relation to the production of titanium wire. The summary of the further details on the valuation method adopted on each category of the Titanium Assets identified are set out as follows:

The inventories

The inventories comprised of three items which were (1) raw materials, (2) finished products and (3) work-in-progress products and the Valuer adopted the following valuation methods in preparation of the valuation:

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|-------------------------------|---|
| (1) Raw materials | For the raw materials purchased within 30 days before the Valuation Date and there were no significant fluctuations since the purchase was made, the value was determined by the book value of the purchase and the applicable value-added-tax. |
| | For the rest of the raw materials, the value was determined by multiplying the quantity mutually agreed by the parties to the Acquisition by the current tax-inclusive market price. |
| (2) Finished products | For the finished products which their sales contracts were concluded or were already sold (“ Sold Products ”), such value was determined by the contracted selling price. (Note 1) |
| | For the unsold finished products, the value was determined by multiplying the quantity mutually agreed by the parties to the Acquisition by the current tax-inclusive market price. |
| (3) Work-in-progress products | For those that were put into production but unable to compute their completion rate, such value was determined by the book value of the production costs incurred, the net profit margin and the applicable value-added-tax involved. |

For those that were not put into production, such value was determined by the same valuation method as the raw materials.

Note 1: The Sold Products were valued as approximately RMB 276,857.60, which were included in the Valuation but excluded from the consideration of the Acquisition.

The fixed assets

The fixed assets comprised of production machineries and electronic equipment and the Valuer adopted the following valuation methods in preparation of the valuation:

(1) Production machineries The value was determined by the depreciated replacement cost method (i.e. multiplying the replacement cost with the residue ratio).

The Valuer had considered the following information such as the purchase price, incidental and freight charges involved in purchasing the machineries (e.g. freight, handling charges, insurance charges), installation fees, other fees (e.g. project management fees, design fee, costs on conducting the feasibility study etc) and capital cost involved in computing the replacement costs of the production machineries.

(2) Electronic equipment The value was determined by the depreciated replacement cost method (i.e. multiplying the replacement cost with the residue ratio).

The Valuer had considered the purchase price together with the applicable value-added-tax in computing the replacement cost.

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

Hong Kong, 10 December 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*