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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)

VOLUNTARY ANNOUNCEMENT UPDATE ON LONG TERM SUPPLY AGREEMENT

This is a voluntary announcement made by Tiangong International Company Limited (the “Company”, together with its subsidiaries, the “Group”).

LONG TERM SUPPLY AGREEMENT

The board of directors (the “Board”) of the Company is pleased to announce that on 28 January 2020, Jiangsu Tiangong Tools Corp. Ltd.[#] (江蘇天工工具有限公司) (“TG Tools”), an indirect wholly-owned subsidiary of the Company, entered into a new supply agreement with an existing customer (the “Agreement”).

In view of the business development and the expansion of certain products, TG Tools and the customer entered into the Agreement, pursuant to which the customer shall, for a term of six years, procure its finished goods suppliers to place an yearly order of at least 23.1 million pieces of drill bits with new coating design (“New Products”) from TG Tools.

TG Tools and the customer’s obligations under the Agreement shall be conditional upon certain conditions, amongst others, TG Tools has to attain certain level of average monthly production and loading utilization of New Products (the “Required Project Volume”) and make all necessary capital injection and associated investment in personnel, material, working capital etc. to support the Required Project Volume.

It is expected that the highly automated cutting tools factory in Thailand, which construction is scheduled to be completed in mid-2020, would be allocated for the fulfilment of part of the orders under the Agreement. For details of the factory, please refer to the voluntary announcement of the Group on 30 October 2019.

* for identification purpose only

Reasons and benefit of entering into the Agreement

The Board believes that the signing of the Agreement is in line with the Group's sales strategy which is to actively expand our product outreach in overseas market for our cutting tools products. The Board further considers that the Agreement represents a further expansion of the current cooperation with one of our major cutting tools customer and will provide a solid source of revenue to our cutting tools segment (for the six-month period ended 30 June 2019, the supply orders from the customer amounted to approximately RMB19.8 million, representing approximately 6.7% of the Group's revenue in U.S. market). It is estimated that additional annual sales of approximately RMB90 million will be resulted from the Agreement. In view of the above, the Board is of the view that the terms of the Agreement (including the Required Project Volume) are in the interests of the Company and its shareholders as a whole.

GENERAL

To the best of the knowledge, information and belief of the Board having made all reasonable enquiries, the customer and the ultimate beneficial owner of the customer are third parties independent of the Company and the connected persons of the Company.

This announcement is a voluntary announcement made by the Company to keep the shareholders and potential investors informed of the latest business development of the Group.

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

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

Hong Kong, 29 January 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, LEE Cheuk Yin, Dannis and WANG Xuesong