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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 TRANSACTIONS
THE SUBSCRIPTIONS OF STRUCTURED DEPOSITS**

THE SUBSCRIPTIONS

Between 18 February 2019 and 11 December 2020, TG Tools, TG Aihe and TG Precision Tools subscribed certain structured deposits offered by the Bank of Jiangsu during the usual course of treasury management by the Group, the summary of which are as follows:

- (1) TG Aihe made 3 subscriptions for structured deposits offered by Bank of Jiangsu between 5 December 2019 and 11 December 2019 with an aggregated principal of RMB300,000,000 (equivalent to approximately HK\$356,760,614), all of which had matured with the latest maturity date on 11 December 2020.
- (2) TG Tools made 4 subscriptions for structured deposits offered by Bank of Jiangsu between 18 February 2019 and 11 December 2020 with an aggregated principal of RMB322,000,000 (equivalent to approximately HK\$382,923,059), of which RMB22,000,000 matured on 18 February 2020 and RMB300,000,000 remain effective as at the date of this announcement.
- (3) TG Precision Tools made 2 subscriptions for structured deposits offered by Bank of Jiangsu between 23 December 2019 and 11 December 2020 with an aggregated principal of RMB200,000,000 (equivalent to approximately HK\$237,840,409), of which RMB100,000,000 matured on 23 December 2020 and RMB100,000,000 remain effective as at the date of this announcement.

LISTING RULES IMPLICATIONS

As the structured deposits subscribed by TG Tools, TG Aihe and TG Precision Tools were offered by the same bank and were of similar nature, such subscriptions would be aggregated for the purpose of computing the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules. As the highest applicable percentage ratio, on an aggregated basis, as calculated under Rule 14.07 of the Listing Rules is more than 5% but not more than 25%, the Subscriptions constitute discloseable transactions of the Company which would be subject to the announcement requirement but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

THE SUBSCRIPTIONS

Between 18 February 2019 and 11 December 2020, TG Tools, TG Aihe and TG Precision Tools subscribed certain structured deposits offered by the Bank of Jiangsu, the key terms of the structured deposits are set out in the table below.

Subscriber	Subscription Date	Currency	Principal amount of subscription	Estimated annual rate of return	Type of structured deposit (Note 1) and risk rating	Term of structured deposit
TG Tools	18 February 2019	RMB	22,000,000	3.90%	Principal-guaranteed with floating return; regarded by Bank of Jiangsu as a low risk structured deposit	18 February 2019 to 18 February 2020
TG Aihe	5 December 2019	RMB	100,000,000	3.70%	Principal-guaranteed with floating return; regarded by Bank of Jiangsu as a low risk structured deposit	5 December 2019 to 5 December 2020
TG Aihe	9 December 2019	RMB	100,000,000	3.50%	Principal-guaranteed with floating return; regarded by Bank of Jiangsu as a low risk structured deposit	9 December 2019 to 9 December 2020
TG Aihe	11 December 2019	RMB	100,000,000	3.70%	Principal-guaranteed with floating return; regarded by Bank of Jiangsu as a low risk structured deposit	11 December 2019 to 11 December 2020

Subscriber	Subscription Date	Currency	Principal amount of subscription	Estimated annual rate of return	Type of structured deposit (Note 1) and risk rating	Term of structured deposit
TG Precision Tools	23 December 2019	RMB	100,000,000	3.50%	Principal-guaranteed with floating return; regarded by Bank of Jiangsu as a low risk structured deposit	23 December 2019 to 23 December 2020
TG Tools	27 November 2020	RMB	100,000,000	3.16%	Principal-guaranteed with floating return; regarded by Bank of Jiangsu as a low risk structured deposit	27 November 2020 to 27 November 2021
TG Tools	4 December 2020	RMB	100,000,000	3.16%	Principal-guaranteed with floating return; regarded by Bank of Jiangsu as a low risk structured deposit	4 December 2020 to 4 December 2021
TG Tools	11 December 2020	RMB	100,000,000	3.13%	Principal-guaranteed with floating return; regarded by Bank of Jiangsu as a low risk structured deposit	11 December 2020 to 11 December 2021
TG Precision Tools	11 December 2020	RMB	100,000,000	3.13%	Principal-guaranteed with floating return; regarded by Bank of Jiangsu as a low risk structured deposit	11 December 2020 to 11 December 2021

Note 1: The fund raised under these products shall be invested in the low risk debt securities portfolio of a fund managed by the Bank of Jiangsu. Such debt securities portfolio invests in currency market tools or other investment channels and ways that comply with national laws, regulations and relevant policies.

BASIS OF DETERMINING THE CONSIDERATION

The Directors confirmed that the consideration and the terms of each of the Subscriptions were determined after arm's length negotiation between TG Tools, TG Aihe, TG Precision Tools with the Bank of Jiangsu.

REASONS AND BENEFIT OF THE SUBSCRIPTIONS

The structured deposits subscribed by the Group offered by the Bank of Jiangsu are of a principal preservation nature, which are in line with the internal risk management policies of the Group. Furthermore, the funds for the subscription of the structured deposits are the Group's internal funds that are not required immediately for operation or capital expenditure purposes. The subscription of structured deposits is considered to be part of the Group's treasury management to improve the utilisation of its funds. By way of rational and effective utilization of such funds, it is beneficial to the Group as it would improve the efficiency of fund usage and would bring higher return on capital as compared with time deposits.

In addition, the Company has fully considered its fund needs for daily operations and capital expenditure when purchasing and determining the subscription amount of the structured deposits. The subscription of the structured deposits will not affect the working capital of the Group or the operation of the Group's principal businesses.

In light of the above, the Directors (including independent non-executive Directors) are of the view that the Subscriptions are on normal commercial terms, and the terms contained therein are fair and reasonable and in the best interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the structured deposits subscribed by TG Tools, TG Aihe and TG Precision Tools were offered by the same bank and were of similar nature, such subscriptions would be aggregated for the purpose of computing the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules. As the highest applicable percentage ratio, on an aggregated basis, as calculated under Rule 14.07 of the Listing Rules is more than 5% but not more than 25%, the Subscriptions constitute discloseable transactions of the Company which would be subject to the announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As a treasury management of cash not immediately required for its operation, the Group began to subscribe for structured deposits with renowned banks which the Group has a long business relationship with. As at 31 December 2019, the principals of structured deposits subscribed by the Group totalled RMB422,000,000, which was less than 5% of the then total assets of the Group, and such amount was treated as time deposits in the Company's annual report 2019.

On or around mid-March 2021, the Company was informed by its auditors that the subscriptions of structured deposits by the Group should be classified as financial assets instead of time deposits as clarified by a notice "*Notice on Strictly Implementing Accounting Standards for Business Enterprises and Effectively Strengthening the Work of Enterprises' 2020 Annual Reports (Cai Kuai (2021) No. 2)*" (關於嚴格執行企業會計準則切實加強企業2020年年報工作的通知 (財會(2021)2號)) issued by the Ministry of Finance of the PRC on 27 January 2021. As the Subscriptions were conducted a while back and were previously treated as time deposits, the management of the Group was inadvertently unaware of the

situation that the Subscriptions would fall outside its ordinary and usual course of treasury management and constitute acquisitions of assets under Chapter 14 of the Listing Rules. As such, the Company failed to comply with the relevant announcement requirements under Rule 14.34 of the Listing Rules at the relevant time (i.e. on 23 December 2019, the date on which the announcement obligation on the Company was first triggered as the highest applicable percentage ratio of the subscriptions concerned, on an aggregated basis, as calculated under Rule 14.07 of the Listing Rules was more than 5% and constituted discloseable transactions of the Company). The Group made further subscriptions for structured deposits with Bank of Jiangsu on 27 November 2020, 4 December 2020 and 11 December 2020. For further details, please refer to the section headed “The Subscriptions” of this announcement.

The Company deeply regrets its non-compliance with the Listing Rules but would like to stress that such non-compliance was caused by an inadvertent mistake as explained above. The Company also has no intention to withhold any information relating to the Subscriptions from disclosure to the public. To ensure timely disclosure of future subscriptions of structured deposits or similar kind of financial products, the Company plans to take the following measures:

- (i) the Company will remind the responsible staff, senior management and Directors and strengthen their understanding to the subject matter under the relevant Listing Rules, including the definitions of “transaction” under Rule 14.04 and the aggregation requirements under Rule 14.22 to avoid delay in disclosure for future subscriptions of similar kind of financial products should such obligations arise;
- (ii) the Company will circulate a detailed guideline relating to notifiable and connected transactions under the Listing Rules and offer more regular training to the responsible staff, senior management and Directors in order to strengthen and reinforce their existing knowledge relating to notifiable and connected transactions, as well as their ability to identify potential issues at an early stage;
- (iii) the Company will strengthen the coordination and reporting arrangements for notifiable transactions among its subsidiaries and emphasize the importance of compliance with the Listing Rules; and
- (iv) the Company will work more closely with its advisers on compliance issues and shall, as and when appropriate, consult professional advisers before entering into any potential notifiable transaction. If necessary, the Company might also consult the Stock Exchange on the proper treatment of the proposed transaction.

Going forward, the Company will strictly comply with the internal control procedures of its subscriptions on financial products and make appropriate disclosure in a timely manner to ensure compliance with the Listing Rules.

INFORMATION ON THE COMPANY AND THE PARTIES TO THE TRANSACTIONS

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.

TG Aihe is an indirect wholly-owned subsidiary of the Company and is principally engaged in research and development, manufacture and sale of die steel.

TG Precision Tools is an indirect wholly-owned subsidiary of the Company and is principally engaged in research and development, manufacture and sale of cutting tools related products.

TG Tools is an indirect non-wholly-owned subsidiary of the Company (for further details on TG Tools' shareholding, please refer to the Company's announcement dated 28 December 2020) and is principally engaged in manufacture and sale of high speed steel and cutting tools.

Bank of Jiangsu is a joint-stock company established in the PRC and is principally engaged in the commercial bank business in the PRC and the shares of which are listed on the Shanghai Stock Exchange (stock code: 600919). As at the date of this announcement, the Company is holding 10,000,000 shares of Bank of Jiangsu (representing approximately 0.068% of issued shares of Bank of Jiangsu). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Bank of Jiangsu and its ultimate beneficial owners are Independent Third Parties.

DEFINITIONS

Terms used in the announcement shall have the following meanings:

“Bank of Jiangsu”	Bank of Jiangsu Co., Ltd., Danyang Branch (江蘇銀行股份有限公司丹陽支行)
“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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) (and in case of company(ies) and corporation(s), their ultimate beneficial owner(s)) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription(s)”	the subscription(s) of the structured deposits by TG Tools, TG Aihe and TG Precision Tools offered by the Bank of Jiangsu
“TG Aihe”	天工愛和特鋼有限公司 (Tiangong Aihe Company Limited*), a company established in the PRC with limited liability
“TG Precision Tools”	江蘇天工精密工具有限公司 (Jiangsu Tiangong Precision Tools Company Limited*), a company established in the PRC with limited liability

“TG Tools”

江蘇天工工具有限公司 (Jiangsu Tiangong Tools Co. Ltd*),
a company established in the PRC with limited liability

Note: For information purpose only, the translation of RMB to HK\$ in this announcement is based at the rate of RMB0.8409 to HK\$1.00.

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

Hong Kong, 8 April 2021

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*