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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)

**PROPOSED SUBSCRIPTION OF UNLISTED 2014 WARRANTS  
UNDER GENERAL MANDATE**

**PLACING AGENT**



**統一證券(香港)有限公司**  
**PRESIDENT SECURITIES (HONG KONG) LTD.**

The Directors are pleased to announce that on 17 January 2014 (after trading hours), the Warrant Placing Agreement was entered into between the Company and the Placing Agent whereby the Company appointed the Placing Agent as its sole placing agent during the Placing Period to procure not less than six Placées to subscribe for up to 40,000,000 Warrants, on a best efforts basis, at the Placing Price of HK\$0.02 per Warrant. The Company will make further announcement once the number of Warrants placed by the Placing Agent is confirmed. Each Warrant will entitle holders to subscribe for one Share at a subscription price of RMB2.07 (equivalent to approximately HK\$2.65 at a fixed exchange rate of HK\$1.2807) per Share, subject to adjustment, during a period of three years commencing from the date of Closing.

As at the date of this announcement, the Company has a total of 1,947,200,000 Shares in issue. Assuming there is no further issue or repurchase of the Shares, upon the full exercise of the subscription rights attaching to the Warrants, an aggregate of up to 40,000,000 Shares will be issued, which represent approximately 2.05% of the existing issued share capital of the Company and approximately 2.01% of the issued share capital as enlarged by the issue of the Shares to be issued upon exercise in full of the subscription rights attached to the Warrants.

No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Shares to be issued upon exercise of subscription rights attached to the Warrants on the Stock Exchange.

The net proceeds from the Warrant Placing will be up to approximately HK\$500,000, which will be used as general working capital of the Group. Any additional proceeds from the issue of the Shares upon the exercise of the subscription rights attaching to the Warrants in future of up to a maximum amount of approximately HK\$106,000,000 will be applied as general working capital and as funds for future development of the Group. Assuming the subscription rights attaching to the Warrants are exercised in full, the total net funds to be raised, including the funds raised by the subscription of the Warrant, would amount to approximately HK\$106,500,000.

The Shares to be issued upon exercise of the subscription rights attaching to the Warrants will be issued under the General Mandate.

The Directors are pleased to announce that on 17 January 2014 (after trading hours), the Warrant Placing Agreement was entered into between the Company and the Placing Agent whereby the Company appointed the Placing Agent as its sole placing agent during the Placing Period to procure not less than six Placees to subscribe for up to 40,000,000 Warrants, on a best efforts basis, at the Placing Price of HK\$0.02 per Warrant. The Company will make further announcement once the number of Warrants placed by the Placing Agent is confirmed.

### **THE WARRANT PLACING AGREEMENT**

Below is a summary of the principal terms of the Warrant Placing Agreement:

#### **Date**

17 January 2014 (after trading hours).

#### **Parties**

- (a) The Company; and
- (b) The Placing Agent.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

#### **Placees**

The Warrants will be placed with not less than six Placees, which will be professional, institutional or other investors not connected with the Company and its subsidiaries and their connected persons (as defined in the Listing Rules) and subject to any objection (if any) the Stock Exchange may have to any particular person being a Placee.

#### **Condition**

Obligations of the Placing Agent and the Company of the Warrant Placing are conditional upon the fulfillment of the condition that the Listing Committee having granted (either unconditionally or subject only to conditions to which the Company and Placing Agent do not reasonably object) listing of and permission to deal in the new Shares to be issued upon exercise of subscription rights attaching to the Warrants and such permission and listing not subsequently being revoked or withdrawn prior to Completion.

In the event that the above condition is not fulfilled on or before 17 February 2014, the Warrant Placing Agreement and all rights and obligations thereunder will cease and none of the parties to the Warrant Placing Agreement will have any claim against the other in relation thereto save for antecedent breaches.

### **Placing Commission**

The Placing Agent will receive a fixed placing commission of HK\$60,000 (inclusive of all costs and expenses of the Placing Agent) for the successful placement of all the Warrant Placing. The placing commission was determined after arm's length negotiation between the Company and the Placing Agent. The Directors (including the independent non-executive Directors) are of the view that the placing commission is fair and reasonable.

### **Closing**

Closing shall take place no later than four Business Days following the fulfillment of the condition above or such other date as the Company and the Placing Agent may agree in writing.

### **Termination**

If at any time on or prior to noon on the date of Closing, (a) in the reasonable opinion of the Placing Agent that there shall have been since the date of the Warrant Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Warrant Placing; or (b) any material breach of any of the representations and warranties set out in the Warrant Placing Agreement or any event has occurred or any matter has arisen on or after the date thereof and prior to the date of Closing which would render any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Warrant Placing Agreement, then and in any such case, the Placing Agent may after consultation with the Company (to the extent that the same is reasonably practicable) terminate the Warrant Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to the date of Closing.

## **PRINCIPAL TERMS OF THE WARRANTS**

### **Number of Warrants**

Pursuant to the Warrant Placing Agreement, the Company agreed to create and issue up to 40,000,000 Warrants.

The Warrants will rank pari passu in all respects among themselves.

### **Placing Price**

The Placing Price is HK\$0.02 per Warrant. The net placing price per Warrant, after deduction of all relevant expenses, is approximately HK\$0.0125 per Warrant.

### **Number of Shares Issuable**

As at the date of this announcement, the Company has a total of 1,947,200,000 Shares in issue.

Assuming there is no further issue or repurchase of the Shares, upon the full exercise of the subscription rights attaching to the Warrants, 40,000,000 new Shares will be issued, which represent approximately 2.05% of the existing issued share capital of the Company and approximately 2.01% of the issued share capital as enlarged by the issue of the Shares under the Warrants.

### **Subscription Price**

Each Warrant carries the right to subscribe for one Share at the Subscription Price of RMB2.07 (equivalent to approximately HK\$2.65 at a fixed exchange rate of HK\$1.2807)\* per Share.

*\* The Subscription Price was denominated in RMB to avoid accounting issues given the books of the Group are denominated in RMB.*

The Subscription Price represents:

- (i) a premium of approximately 6.85% to the closing price of HK\$2.48 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of 6% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last five consecutive trading days preceding the Last Trading Day of approximately HK\$2.50;
- (iii) a premium of approximately 10.42% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last ten consecutive trading days preceding the Last Trading Day of approximately HK\$2.40; and
- (iv) a premium of approximately 36.37% to the net asset value per Share of approximately RMB1.5173 (approximately HK\$1.9432) as at 30 June 2013 (based on the latest unaudited net assets of the Group as of 30 June 2013 published on the Stock Exchange's website and the number of issued Shares as at the date of this announcement).

The Subscription Price is subject to normal adjustments in the events of, inter alia, share consolidation, subdivision, capital distribution, issue of Shares by way of capitalisation of profits or reserves, offer of new Shares for subscription by way of rights or options or warrants to subscribe for new Shares, issue of securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, purchase of Shares, of or by the Company and such adjustments will be certified by the auditors of the Company or an approved merchant bank. The number of Shares to be issued under the Warrants shall not be altered save when there is a consolidation or subdivision of the Shares.

Both the Placing Price and the Subscription Price are determined after arm's length negotiations between the Company and the Placing Agent, taking into account the recent trading prices of the Shares. The Board is of the opinion that the Placing Price and the Subscription Price are fair and reasonable and in the best interest of the Company.

### **Exercise Period**

The subscription rights attaching to the Warrants can be exercised at any time during the three-year period commencing from the date of closing.

## **Listing**

No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

The Company will make application to the Stock Exchange for the listing of, and permission to deal in, the new Shares to be allotted and issued upon exercise of the subscription rights of the Warrants.

## **Ranking of the Shares**

The Shares to be allotted and issued upon exercising of the subscription rights to the Warrants, when issued and fully paid, will rank pari passu in all respects with the existing issued Shares as at the date of issue.

## **Transferability**

The Subscription Rights are transferable as representing the rights to subscribe in integral multiples of one board lot of Shares for the purpose of dealings therein from time to time on the Stock Exchange provided that no transfer of the Warrants to connected persons (as defined in the Listing Rules) of the Company shall be allowed without the prior approval of the Company and the Stock Exchange.

## **Voting rights of the Warrants**

The holder(s) of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Warrants. The holder(s) of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

## **GENERAL MANDATE TO ISSUE THE SHARES UNDER THE WARRANTS**

The Shares to be allotted and issued upon exercising of the subscription rights of the Warrants will be allotted and issued pursuant to the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM, under which the Directors are authorized to issue Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM, which is equivalent to a maximum issue of additional 388,232,000 Shares.

## **REASONS FOR THE ISSUE OF WARRANTS AND USE OF PROCEEDS**

The Group is principally engaged in the production and sales of HSS, HSS cutting tools and die steel.

Assuming all the Warrants are successfully placed out, the net proceeds from the Warrants will be approximately HK\$500,000, which will be used as general working capital of the Group. Any additional proceeds from the issue of the Shares upon the exercise of the subscription rights attaching to the Warrants in future of up to a maximum amount of approximately HK\$106,000,000 will be applied as general working capital and as funds for future development of the Group. Assuming the subscription rights attaching to the Warrants are exercised in full, the total net funds to be raised, including the funds raised by the subscription of the Warrants, would amount to approximately HK\$106,500,000.

The Directors also consider that the Warrant Placing Agreement was entered into on normal commercial terms after arm's length negotiations between the Company and the Placing Agent

and that the terms of the Warrant Placing Agreement (including the Placing Price and the Subscription Price of the Warrants) are fair and reasonable so far as the interests of the Company and its Shareholders as a whole are concerned. The Directors also consider that the issue of the Warrants to the Placees would attract the desirous funding for business development and would provide the Group with an opportunity to raise further funds when the Subscribers exercises the subscription rights attaching to the Warrants.

## SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 1,947,200,000 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the full exercise of the subscription rights attaching to the Warrants (assuming that there will be no further changes in the issued share capital of the Company prior to such exercise) are as follows:

Shareholder	As at the date of this announcement		Immediately after the full exercise of the subscription rights attaching to the Warrants	
	No. of Shares	Approximate % of issued share capital of the	No. of Shares	Approximate % of issued share capital of the
<b>Controlling Shareholders</b>				
Tiangong Holdings Company Limited	695,860,000	35.74	695,860,000	35.02
Silver Power (HK) Ltd	40,732,000	2.09	40,732,000	2.05
	736,592,000	37.83	736,592,000	37.07
<b>Substantial Shareholders</b>				
The Capital Group Companies, Inc	157,966,000	8.11	157,966,000	7.95
Delta Lloyd Asset Management NV	118,053,800	6.06	118,053,800	5.94
Allianz SE	115,895,900	5.95	115,895,900	5.83
<b>Other Public Shareholders</b>	818,692,300	42.04	818,692,300	41.20
<b>Holders of Warrants</b>	-	-	40,000,000	2.01
<b>Total</b>	<b><u>1,947,200,000</u></b>	<b><u>100.00</u></b>	<b><u>1,987,200,000</u></b>	<b><u>100.00</u></b>

Save as set out above and 12,137,000 (including 9,057,000 options granted pending acceptance by employees) options granted pursuant to the Company's share option scheme, as at the date of this announcement, the Company has no outstanding convertible securities or options which are convertible into Shares.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past twelve months before the date of this announcement save for the application made.

## IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 15.02(1) of the Listing Rules, the Shares to be issued on exercise of the Warrants must not, when aggregated with all other equity securities remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issue share capital of the Company at the time the Warrants are issued.

As at the date of this announcement, there are no equity securities of the Company with subscription rights outstanding and not yet exercised.

Assuming there is no further issue or repurchase of the Shares, upon the full exercise of the subscription rights attaching to the Warrants, 40,000,000 new Shares will be issued, which represent approximately 2.05% of the existing issued share capital of the Company and approximately 2.01% of the issued share capital as enlarged by the issue of the Shares under the Warrants.

Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

## DEFINITIONS

In this announcement, the following expressions shall have the following meanings, unless the context requires otherwise:

“AGM”	the annual general meeting of the Company held on 29 May 2013
“Board”	the board of Directors
“Business Day”	any day (excluding Saturdays, Sundays and public holidays) on which banks generally are open for business in Hong Kong throughout their normal business hours
“Company”	Tiangong International Company Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the main board of the Stock Exchange
“Closing”	completion of the Warrant Placing
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the resolution of the Shareholders passed at the AGM to allot, issue and deal with Shares and to make or grant offers, agreements and options which may require Shares to be issued, allotted or dealt with, which is subject to the limit of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM



“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Instrument”	the deed poll constituting the Warrants to be executed by the Company on Completion
“Last Trading Day”	17 January 2014, being the last trading day of the Shares on which the Warrant Placing Agreement was entered into
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Placees”	professional, institutional or other investors whom the Placing Agent and/or any of its agent(s) have procured to subscribe for any of the Warrants
“Placing Agent”	President Securities (Hong Kong) Ltd., a corporation licensed under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
“Placing Period”	the period commencing from the date of the Warrant Placing Agreement and terminating at 5 : 00 p.m. on the date which falls on the expiry of one month from the date of the Warrant Placing Agreement (or such other termination date as the Placing Agent may determine and notify the Company in writing)
“Placing Price”	HK\$0.02 per Warrant
“Share(s)”	ordinary share(s) of US\$0.0025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	an initial exercise price of RMB2.07 per Share (subject to adjustment pursuant to the terms of the Instrument) at which holder(s) of the Warrants may subscribe for the Shares
“Warrant Placing”	the placing of the Warrants pursuant to the Warrant Placing Agreement
“Warrant Placing Agreement”	the conditional warrant placing agreement dated 17 January 2014 entered into between the Company and the Placing Agent in relation to the Warrant Placing
“Warrants”	upto 40,000,000 unlisted warrants in registered form and constituted by the Instrument, which are to be issued by the Company at the Placing Price, and each entitles the holder thereof to subscribe for one



Share at the Subscription Price (subject to adjustment pursuant to the Instrument) at any time during a period of two years commencing from the date of issue of the Warrants

“**HK\$**”

Hong Kong dollars, the lawful currency of Hong Kong

“**%**”

per cent.

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

Hong Kong, 17 January 2014

*As at the date of this announcement, the directors of the Company are:*

*Executive Directors: ZHU Xiaokun, YAN Ronghua, Wu Suojun and Jiang Guangqing*

*Independent non-executive Directors: GAO Xiang, LEE Cheuk Yin, Dannis and YIN Shuming*

\* *For identification purpose only*