

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.*

*This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The Shares to be issued have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction, and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.*



## **TIANGONG INTERNATIONAL COMPANY LIMITED**

天工國際有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 826)**

### **Placing of Existing Shares and Subscription of New Shares under the General Mandate**



### **Haitong International Securities Company Limited**

#### **PLACING AND SUBSCRIPTION**

On 25 September 2014, (i) the Company, the Placing Agent and the Vendor entered into the Placing Agreement with the Company pursuant to which the Vendor has appointed the Placing Agent and the Placing Agent has agreed to act as agent for the Vendor (a) on a fully-underwritten basis, to purchase or procure Places to purchase 42,000,000 Placing Shares and (b) on a best effort basis, to procure Places to purchase up to 258,000,000 Placing Shares held by the Vendor at the Placing Price of HK\$1.75 per Share; and (ii) the Vendor and the Company entered into the Subscription Agreement pursuant to which the Vendor conditionally agreed to subscribe for up to 300,000,000 Subscription Shares, at the Subscription Price of HK\$1.75 per Share, which is equivalent to the Placing Price.

As at the date of this announcement, the authorised share capital of the Company is US\$10,000,000

divided into 4,000,000,000 Shares of which 1,947,200,000 Shares are in issue. There are Options carrying subscription rights to subscribe for 34,229,000 Shares outstanding pursuant to Share Option Scheme of the Company and there are Warrants carrying subscription rights to subscribe for 110,000,000 Shares.

The 300,000,000 Placing Shares represent (i) approximately 15.41% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 13.35% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares); and (iii) approximately 12.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the Option Shares and Shares issuable under the Warrants (assuming there are no other allotments and issue of Shares and no options under the Share Option Scheme are granted or exercised and no further warrants created and granted).

The Placing is unconditional but the Placing Agent reserves the right to terminate the Placing in case of the occurrence of certain force majeure event. Completion of the Subscription is conditional on certain conditions precedent as more particularly set out in the Subscription Agreement.

The net proceeds of the Subscription will be approximately HK\$518,933,000 and are intended to be applied as general working capital of the Group.

#### **General Mandate**

The Subscription Shares will be issued under the General Mandate granted to the Directors at the AGM and the issue of the Subscription Shares will not be subject to the approval by the Shareholders.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

#### **Warning**

**Pursuant to the termination provisions contained in the Placing Agreement in respect of the Placing Shares, the Placing Agent has the right in certain circumstances to terminate the obligations of the Placing Agent pursuant to the Placing at any time prior to 9:00 a.m. on the Completion Date. Completion of the Subscription is subject to a number of conditions mentioned herein. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

On 25 September 2014, the Company entered into the Placing Agreement in respect of the placement of up to 300,000,000 Shares and the Subscription Agreement in respect of the issue of up to 300,000,000 Shares.

## **THE PLACING AGREEMENT**

### **Date**

25 September 2014

### **Parties**

- (a) the Company;
- (b) the Placing Agent; and
- (c) the Vendor.

As at the date of this announcement, the Vendor is a substantial shareholder (as defined in the Listing Rules) of the Company, holding 725,624,000 Shares which represents approximately 37.26% of the issued ordinary share capital of the Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent and its ultimate owner is a third party independent of the Company and is not a connected person (as defined in the Listing Rules) of the Company.

### **The Placing**

At the request of the Company, the Vendor has appointed the Placing Agent and the Placing Agent has agreed to act as agent for the Vendor (a) on a fully-underwritten basis, to purchase or procure Placees, to purchase 42,000,000 Placing Shares and (b) on a best effort basis, to procure Placees to purchase up to 258,000,000 Placing Shares held by the Vendor at the Placing Price of HK\$1.75 per Share.

### **Placees**

The Placees and their ultimate beneficial owners will not be connected persons of the Company or parties acting in concert with the Vendor. It is expected that the Placing Shares will be placed to not less than six professional, institutional and/or corporate investors whom the Placing Agent or its agent(s) has procured to purchase any of the Placing Shares. The Company currently anticipates that none of the Placees will become a substantial shareholder of the Company upon completion of the Placing.

### **Placing Shares**

As at the date of this announcement, the authorised share capital of the Company is US\$10,000,000 divided into 4,000,000,000 Shares of which 1,947,200,000 Shares are in issue. There are Options carrying subscription rights to subscribe for 34,229,000 Shares outstanding pursuant to Share Option Scheme of the Company and there are Warrants carrying subscription rights to subscribe for 110,000,000 Shares.

The 300,000,000 Placing Shares represent (i) approximately 15.41% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 13.35% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares); and (iii) approximately 12.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the Option Shares and Shares issuable under the Warrants (assuming there are no

other allotments and issue of Shares and no options under the Share Option Scheme are granted or exercised and no further warrants created and granted).

### **Rights of the Placing Shares**

The Placing Shares will be sold free from all encumbrances together with all rights attaching to them and rank *pari passu* with all other issued Shares in all respects as at the date of the Placing Agreement.

### **The Placing Price**

The Placing Price is HK\$1.75 per Share.

The Placing Price represents:

- (i) a discount of approximately 7.89% to the closing price of HK\$1.90 per Share as quoted on the Stock Exchange on the date of the Placing Agreement;
- (ii) a discount of approximately 7.89% to the average of the closing prices of approximately HK\$1.90 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 7.41% to the average of the closing prices of approximately HK\$1.89 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Placing Price was negotiated on an arm's length basis between the Company, the Placing Agent and the Vendor and was determined with reference to the prevailing market price of the Shares and the recent trading volume of the Shares.

## **Placing Period**

Being the period from execution of this Agreement up to 5:00 p.m. on the business day immediately prior to the Completion Date.

## **Completion Date**

30 September 2014 or such other time or date as the Vendor and the Placing Agent shall agree.

## **Termination**

Notwithstanding anything contained in the Placing Agreement, the Placing Agent may terminate the Placing Agreement without any liability to the Vendor, by notice in writing given to the Vendor at any time prior to 9:00 a.m. on the Completion Date upon the occurrence of the following events which, in the reasonable opinion of the Placing Agent, has or may have an material adverse effect on the business or financial conditions of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Placing Shares or otherwise makes it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement:-

- (A) there develops, occurs or comes into force:
  - (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date hereof) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a material adverse change in, or which may result in a material adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would materially adversely affect the success of the Placing; or
  - (ii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's reasonable opinion, would materially adversely affect the success of the Placing; or
  - (iii) any material adverse change in conditions of local, national or international securities markets occurs which in the Placing Agent's reasonable opinion would materially and adversely affect the success of the Placing; or
  - (iv) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may materially and adversely affect the business or financial prospects of the Group and/or the success of the Placing; or
  - (v) a change or development occurs involving a prospective change of taxation or

exchange control (or the implementation of exchange control) in Hong Kong or elsewhere and if in Placing Agent's reasonable opinion, any such change or development would materially adversely affect the success of the Placing; or

- (vi) any litigation or claim being instigated against any member of the Group, which has or may have a material adverse effect on the business or financial position of the Group and which in the Placing Agent's reasonable opinion would materially and adversely affect the success of the Placing; or
- (B) any material breach of any of the representations and warranties to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date hereof and prior to the Completion Date which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Vendor of any other provision of this Agreement; or
- (C) there is any adverse change in the financial position of the Company which is material in the context of the Placing; or
- (D) the trading of the Shares on the Stock Exchange has been suspended for more than 10 consecutive trading days save for temporary suspension in connection with the Placing and/or the Placing Agreement;

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Vendor by giving notice in writing to the Vendor, provided that such notice is received prior to 9:00 a.m. on the Completion Date.

**Given the above mentioned right of the Placing Agent to terminate the obligations of the Placing Agent and that completion of the Subscription is subject to a number of conditions mentioned below, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

25 September 2014

### **Parties**

- (a) the Vendor (as the subscriber of the Subscription Shares); and
- (b) the Company (as the issuer).

### **The Subscription**

The Vendor has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue up to 300,000,000 Subscription Shares, being the same in number as the Placing Shares.

### ***The Subscription Price***

The Subscription Price is HK\$1.75 per Share, which is the same as the Placing Price. The Subscription Price of the Subscription Shares will be paid to the Company in full on application.

### ***Number of Subscription Shares***

The Vendor will subscribe for and the Company will allot and issue a total of up to 300,000,000 new Shares with an aggregate nominal value of US\$0.0025.

The 300,000,000 Subscription Shares represent (i) approximately 15.41% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 13.35% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares); and (iii) approximately 12.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the Option Shares and the Warrants (assuming there are no other allotments and issue of Shares and no options under the Share Option Scheme are granted or exercised and no further warrants created and granted).

### **Ranking of Subscription Shares**

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the issued Shares as at the date of allotment of the Subscription Shares.

### **Conditions of the Subscription**

Completion of the Subscription is conditional on:

- (1) completion of the Placing pursuant to the Placing Agreement;
- (2) the Listing Committee of the Stock Exchange's agreeing to grant a listing of and permission to deal in the Subscription Shares; and
- (3) the Executive Director of the Corporate Finance Division of the SFC waiving any obligation of the Vendor and parties acting in concert with it to make a general offer for all the issued shares in the Company as a result of the Subscription under Rule 26.1 of the Takeovers Code.

The Subscription Agreement does not provide for either party to waive any of the above conditions.

The Company will apply to the Listing Committee for listing of and permission to deal in the Subscription Shares and the Vendor will apply to the SFC for the waiver to make a general offer for all the issued shares in the Company as a result of the Subscription under Rule 26.1 of the Takeovers Code.

### **Completion**

The completion of the Subscription is expected to take place on or before 9 October 2014, which is within 14 days from the date of the Placing Agreement and the Subscription Agreement (or such later date as may be agreed by the Vendor and the Company). If the Subscription is not completed within 14 days from the date of the Placing Agreement and the Subscription Agreement and unless it is waived by the Stock Exchange, it will constitute a connected transaction under the Listing Rules and is subject to compliance with the requirements under Chapter 14A of the Listing Rules, including the issue of a separate announcement and approval of the independent Shareholders.

## **GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES**

The issue of the Subscription Shares will not be subject to the approval by the Shareholders and the Subscription Shares will be issued under the General Mandate granted to the Directors at the AGM. Pursuant to the General Mandate, the total number of new Shares that the Company is authorised to issue is 389,440,000 Shares, representing 20% of the issued nominal capital of the Company as at the date of the AGM.

Since the date of the AGM and up to the date of this announcement, no new Shares have been allotted and issued by the Company under the General Mandate. As set out in the announcement of the Company dated 14 July 2014, the Shares to be to be allotted and issued upon exercising of the subscription rights of the Warrants to subscribe for 70,000,000 Shares will be allotted and issued pursuant to the General Mandate.

## **EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY**

Set out below is the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after the Placing but before the Subscription, (iii) immediately after completion of the Placing and the Subscription but before the exercise of the Options and Warrants and (iv) immediately after completion of the Placing and the Subscription and the exercise of the Options and Warrants in full (assuming there are no other allotments and issue of Shares and no options under the Share Option Scheme are granted or exercised and no further warrants created and granted):



	Immediately before the Placing and the Subscription		Immediately after the Placing but before the Subscription		Immediately after the Placing and the Subscription but before the exercise of Options and Warrants		Immediately after the Placing, the Subscription, the exercise of Options and Warrants	
	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>
<b>Substantial Shareholders</b>								
The Vendor ( <i>Note 1</i> )	725,624,000	37.26	425,624,000	21.86	725,624,000	32.29	725,624,000	30.34
The Controlling Shareholder ( <i>Note 1</i> )	-	-	-	-	-	-	900,000	0.04
The Vendor and parties acting in concert with it ( <i>Note 1</i> )	769,556,000	39.52	469,556,000	24.11	769,556,000	34.25	769,556,000	32.18
Delta Lloyd Asset Management NV( <i>Note 2</i> )	156,313,800	8.03	156,313,800	8.03	156,313,800	6.96	156,313,800	6.54
<b>Other Executive Director</b>								
Wu Suojun	-	-	-	-	-	-	1,267,000	0.05
Yan Ronghua	-	-	-	-	-	-	620,000	0.03
Jiang Guangqing	-	-	-	-	-	-	700,000	0.03

<b>Public</b>								
Public Shareholders	1,021,330,200	52.45	1,021,330,200	52.45	1,021,330,200	45.45	1,021,330,200	42.71
Placing Agent and Placees	-	-	300,000,000	15.41	300,000,000	13.35	300,000,000	12.54
Other Option holders	-	-	-	-	-	-	30,742,000	1.28
Warrant holders	-	-	-	-	-	-	110,000,000	4.60
<b>Total</b>	<b>1,947,200,000</b>	<b>100</b>	<b>1,947,200,000</b>	<b>100</b>	<b>2,247,200,000</b>	<b>100</b>	<b>2,391,429,000</b>	<b>100</b>

Notes:

1. The Vendor is held as to approximately 89.02% by the Controlling Shareholder, who wholly owns Golden Power (HK) Limited, which in turn wholly owns Silver Power (HK) Limited, which holds 43,932,000 Shares. The Vendor and the Controlling Shareholder are interested in 50,000,000 Shares in short position.
2. Delta Lloyd Asset Management NV reported that it is deemed to be interested in the Shares as investment manager and by virtue of its interest in Delta Lloyd Azi  Deelnemingen Fonds N.V., a corporation 84.82% controlled by it.
3. The aggregate of the percentage figures in the above table may not add up to 100% due to rounding of the percentage figures to two decimal places.

## **EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

Save for the issue of (i) Warrants to subscribe for 40,000,000 Shares at an initial exercise price of RMB2.07 per Share (subject to adjustment pursuant to the terms of the relevant instrument) within three years from the date of issue as more particularly set out in the announcement of the Company dated 17 January 2014; and (ii) Warrants to subscribe for 70,000,000 Shares at an initial exercise price of RMB1.3593 per Share (subject to adjustment pursuant to the terms of the relevant instrument) within one year from the date of issue as more particularly set out in the announcement of the Company dated 14 July 2014, the Company has not conducted any equity fund raising activities in the past twelve months before the date of this announcement.

None of the Warrants and the Options have been exercised. In case the Warrants are subscribed in full, the gross proceeds to be received by the Company will be HK\$225 million. As mentioned in the abovementioned announcements, it is intended that the proceeds of the Shares issued under the Warrants will be used as the Group's working capital and funds for future development of the Group.

## **REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**

The Directors consider that the Subscription offers a good opportunity to raise additional funds to strengthen the financial position, reduce the gearing level of the Company and broaden the capital base of the Group so as to facilitate its future development. The Directors consider that terms of the Placing Agreement and the Subscription Agreement are fair and reasonable, on normal and commercial terms and are in the interests of the Company and the Shareholders as a whole.

The gross proceeds of the Subscription will be HK\$525,000,000. The net proceeds (after deducting all applicable costs and expenses of the Subscription) of approximately HK\$518,933,000 from the Subscription are intended to be applied as general working capital purposes of the Group. The net price of each Subscription Share will be approximately HK\$1.73.

## **INFORMATION ON THE COMPANY, THE VENDOR AND THE PLACING AGENT**

The Company is principally engaged in the production and sales of high speed steel, high speed steel cutting tools and die steel.

The Vendor is owned by Mr. Zhu Xiaokun, an executive director of the Company, and his spouse and is an investment holding company.

The Placing Agent is Haitong International Securities Company Limited.

## **WARNING**

**Pursuant to the termination provisions contained in the Placing Agreement in respect of the Placing Shares, the Placing Agent has the right in certain circumstances to terminate the obligations of the Placing Agent pursuant to the Placing at any time prior to 9:00 a.m. on the Completion Date. Completion of the Subscription is subject to a number of conditions mentioned herein. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the expressions below have the meanings assigned:

“AGM”	the annual general meeting of the Company held on 21 May 2014;
“Board”	the board of Directors;
“Company”	Tiangon International Company Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code 826);
“Completion Date”	not later than 30 September 2014 or such other date as the Vendor and the Placing Agent shall agree;
“Controlling Shareholder”	Mr. Zhu Xiaokun
“party(ies) acting in concert”	party(ies) acting in concert as defined under the Takeovers Code;
“Directors”	directors of the Company;
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM;
“Group”	the Company and its Subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong for the time being;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Last Trading Day”	24 September 2014, being the trading date immediately prior to the date of the Placing Agreement and the Subscription Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Options”	options granted by the Company pursuant to the Share Option Scheme, upon the full exercise of which outstanding as at the date of this announcement an aggregate of 34,229,000 new Shares may be issued;
“Placee(s)”	means not less than six professional, institutional and/or corporate investors whom the Placing Agent or its agent(s) has procured to purchase any of the Placing Shares pursuant to the Placing Agreement;
“Placing”	the placing of the Placing Shares by the Vendor through the Placing Agent pursuant to the terms of the Placing Agreement;

“Placing Agent”	Haitong International Securities Company Limited
“Placing Agreement”	the placing agreement dated 25 September 2014 entered into among the Vendor, , the Company and the Placing Agent in relation to the Placing;
“Placing Price”	HK\$1.75 per Placing Share;
“Placing Shares(s)”	up to 300,000,000 existing Shares held by the Vendor;
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“SFC”	the Securities and Futures Commission;
“Share(s)”	ordinary share(s) of par value of US\$0.0025 each in the share capital of the Company;
“Share Option Scheme”	the share option scheme adopted by the Company on 7 July 2007;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription for the Subscription Shares by the Vendor pursuant to the terms and conditions of the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 25 September 2014 entered into among the Vendor and the Company in relation to the Subscription;
“Subscription Price”	HK\$1.75 per Subscription Share, which is equal to the Placing Price;
“Subscription Shares”	up to 300,000,000 new Shares;
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs;
“Vendor”	Tiangong Holdings Company Limited, a company incorporated in the British Virgin Islands, the immediate parent and ultimate controlling party of the Company; and
“Warrants”	(i) the unlisted warrants to subscribe for 40,000,000 Shares at an initial exercise price of RMB2.07 per Share (subject to adjustment pursuant to the terms of the relevant instrument) within three years from the date of issue; and (ii) the unlisted warrants to subscribe for 70,000,000 Shares at an initial exercise price of RMB1.3593 per Share (subject to adjustment pursuant to the terms of the relevant instrument) within one year from the date of issue; and
“%”	per cent.

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

Hong Kong, 25 September 2014.

*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, YIN Shuming.*

*The directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinion expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in the announcement, the omission of which would make any statement in this announcement misleading.*

*\* For identification purpose only*