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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 ISSUANCE AND PLACING OF NEW TG TECH SHARES BY TG TECH, A NON-WHOLLY OWNED SUBSIDIARY OF THE COMPANY

PROPOSED ISSUANCE AND PLACING OF NEW TG TECH SHARES

The Board announces that on 6 June 2016, the board of directors of TG Tech, a non-wholly owned subsidiary of the Company, approved the Proposed Placing, pursuant to which TG Tech shall issue 65,000,000 new TG Tech Shares to eight target subscribers (including Nanjing Steel and TG Tech Directors) at the subscription price of RMB1.24 per TG Tech Share. The total proceeds of the Proposed Placing will be RMB80,600,000.

As at the date of this announcement, TG Tech has 340,000,000 TG Tech Shares in issue. Assuming that the number of new TG Tech Shares issuable under the Proposed Placing (i.e., 65,000,000 new TG Tech Shares) are fully issued and subscribed, the number of new TG Tech Shares to be issued will represent: (i) approximately 19.12% of the existing issued TG Tech Shares; and (ii) approximately 16.05% of the enlarged issued TG Tech Shares immediately upon completion of the Proposed Placing and the interest of the Company in TG Tech will decrease from approximately 88.24% to approximately 74.07%.

On 6 June 2016, each of the target subscribers (including Nanjing Steel and TG Tech Directors) entered into a conditional subscription agreement with TG Tech. To the best knowledge, information and belief of the Directors, the target subscribers (other than Nanjing Steel and TG Tech Directors) and their respective ultimate beneficial owners are not connected persons of the Company.

The Proposed Placing is conditional upon, among other things, (i) consideration and approval by the Board and by the Shareholders at the EGM of all resolutions in respect of the Proposed Placing; (ii) consideration and approval by the shareholders of TG Tech of all resolutions in

respect of the Proposed Placing and amendment of articles of association of TG Tech; and (iii) reporting to National Equities Exchange and Quotations Co., Ltd.* for record.

As part of the Proposed Placing, on 6 June 2016, TG Tech entered into (1) the Nanjing Steel Subscription Agreement with TG Tech (as issuer) and Mr. Zhu Xiaokun and Ms. Yu Yumei (as warrantors), pursuant to which, Nanjing Steel has conditionally agreed to subscribe in cash for and TG Tech has conditionally agreed to allot and issue 35,000,000 new TG Tech Shares for a total consideration of RMB43,400,000 at the subscription price of RMB1.24 per TG Tech Share; and (2) a Subscription Agreement with each of the TG Tech Directors and the Management Members, pursuant to which, each of the TG Tech Directors and Management Members has conditionally agreed to subscribe in cash for and TG Tech has conditionally agreed to allot and issue an aggregate of 30,000,000 new TG Tech Shares for a total consideration of RMB37,200,000 at the subscription price of RMB1.24 per TG Tech Share.

Immediately upon completion of the Subscriptions, Nanjing Steel will hold in aggregate 75,000,000 TG Tech Shares, representing approximately 18.52% of the enlarged total issued TG Tech Shares, the TG Tech Directors will hold in aggregate 24,000,000 TG Tech Shares, representing approximately 5.93% of the enlarged total issued TG Tech Shares and the Management Members will hold in aggregate 6,000,000 TG Tech Shares, representing approximately 1.48% of the enlarged total issued TG Tech Shares.

LISTING RULES IMPLICATIONS

TG Tech is an indirect non-wholly owned subsidiary of the Company. As at the date of this announcement, Nanjing Steel holds approximately 11.76% of the total issued TG Tech Shares and is a substantial shareholder of TG Tech. Each of the TG Tech Directors is a director of TG Tech and one of the TG Tech Directors is a Director of the Company. Hence, each of Nanjing Steel and the TG Tech Directors is a connected person of the Company. The issuance and placing of the new TG Tech Shares to Nanjing Steel and each of the TG Tech Directors pursuant to the Nanjing Steel Subscription Agreement and the Subscription Agreements constitute connected transactions of the Company and are subject to announcement, circular and Shareholders' approval requirements under the Listing Rules. The proposal relating to the Subscriptions, the Nanjing Steel Subscription Agreement and the Subscription Agreements entered into with the TG Tech Directors will be subject to the approval by the Independent Shareholders at the EGM. The Proposed Placing is a deemed disposal of the Company's interests in TG Tech. As the applicable percentage ratios of the Proposed Placing, aggregating the Previous Issue, under the Listing Rules exceed 5% but are less than 25%, the issuance and placing of the new TG Tech Shares to the target subscribers constitutes a discloseable transaction of the Company and are subject to the announcement requirement under the Listing Rules. Mr. Zhu Xiaokun, one of the TG Tech Directors, and other connected persons of the Company and their respective associates will abstain from voting in respect of the relevant resolutions at the EGM and the shareholders' meeting of TG Tech.

An Independent Board Committee will be formed to advise the Independent Shareholders on the terms of the Subscriptions, the Nanjing Steel Subscription Agreement, the Subscription Agreements entered into with the TG Tech Directors and the Proposed Placing. An Independent Financial Advisor will be appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

The Shareholders and potential investors should be aware that the Proposed Placing is subject to the conditions precedent set out above, and consequently the Proposed Placing may or may not proceed. Accordingly, they are advised to exercise caution when

dealing in the securities of the Company.

A circular containing, among other things, information on the Proposed Placing, the Nanjing Steel Subscription Agreement, the Subscription Agreements entered into with the TG Tech Directors, the letter of the Independent Financial Advisor and recommendation of the Independent Board Committee in relation to the Proposed Placing, the Nanjing Steel Subscription Agreement and Subscription Agreements entered into with the TG Tech Directors is expected to be despatched to the Shareholders no later than 21 June 2016.

I. INTRODUCTION

The Board announces that on 6 June 2016, the board of TG Tech, a non-wholly owned subsidiary of the Company, approved the Proposed Placing, pursuant to which TG Tech shall issue 65,000,000 new TG Tech Shares to eight target subscribers (including Nanjing Steel and TG Tech Directors) at the subscription price of RMB1.24 per TG Tech Share. The total proceeds of the Proposed Placing will be RMB80,600,000.

As part of the Proposed Placing, on 6 June 2016, TG Tech entered into (1) the Nanjing Steel Subscription Agreement with TG Tech (as issuer) and Mr. Zhu Xiaokun and Ms. Yu Yumei (as warrantors), pursuant to which, Nanjing Steel has conditionally agreed to subscribe in cash for and TG Tech has conditionally agreed to allot and issue 35,000,000 new TG Tech Shares for a total consideration of RMB43,400,000 at the subscription price of RMB1.24 per TG Tech Share; and (2) a Subscription Agreement with each of the TG Tech Directors and the Management Members, pursuant to which, each of the TG Tech Directors and Management Members has conditionally agreed to subscribe in cash for and TG Tech has conditionally agreed to allot and issue an aggregate of 30,000,000 new TG Tech Shares for a total consideration of RMB37,200,000 at the subscription price of RMB1.24 per TG Tech Share.

II. PROPOSED ISSUANCE AND PLACING OF NEW TG TECH SHARES**1. Class of Shares to be issued**

The shares to be issued under the Proposed Placing are TG Tech Shares.

2. Method of issuance

All new TG Tech Shares under the Proposed Placing will be offered to target subscribers by way of non-public issuance.

3. Target subscribers

The new TG Tech Shares under the Proposed Placing is proposed to be issued to eight target subscribers including Nanjing Steel, Mr. Zhu Xiaokun, Mr. Jiang Rongjun, Mr. Yang Zhao, Mr. Xu Shaoqi, Mr. Wang Gang, Mr. Chen Jie and Mr. Zhu Linfei. On 6 June 2016, each of the target subscribers entered into a conditional subscription agreement with TG Tech.

The table below sets forth the details of the target subscribers and the number of new TG Tech Shares to be subscribed for by each of them:

Name of target subscriber	Number of TG Tech Shares to be subscribed for by the target subscriber	Proposed subscription price (RMB)	Background information of the target subscriber
Nanjing Steel	35,000,000	43,400,000	A company incorporated in the PRC and a substantial shareholder of TG Tech holding approximately 11.76% of the issued TG Tech Shares as at the date of this announcement
Mr. Zhu Xiaokun	10,000,000	12,400,000	A director of TG Tech and the Company
Mr. Jiang Rongjun	5,000,000	6,200,000	A director of TG Tech
Mr. Yang Zhao	3,000,000	3,720,000	A director of TG Tech
Mr. Xu Shaoqi	3,000,000	3,720,000	A director of TG Tech
Mr. Wang Gang	3,000,000	3,720,000	A director of TG Tech
Mr. Chen Jie	3,000,000	3,720,000	A senior management member of TG Tech
Mr. Zhu Linfei	3,000,000	3,720,000	A core management member of TG Tech
Total	65,000,000	80,600,000	

The target subscribers for the Proposed Placing are determined by the board of directors of TG Tech and shall be approved by the shareholders of TG Tech.

The Proposed Placing is a deemed disposal of the Company's interests in TG Tech. As the applicable percentage ratios of the Proposed Placing, aggregating the Previous Issue, under the Listing Rules exceed 5% but are less than 25%, the issuance and placing of the new TG Tech Shares to the target subscribers constitutes a discloseable transaction of the Company and are subject to the announcement requirement under the Listing Rules. Based on the number of TG Tech Shares to be subscribed for by each of the target subscribers listed in the table above, TG Tech will continue to be a subsidiary of the Company which will indirectly hold approximately 74.07% equity interests in TG Tech after the Subscriptions. Therefore, the Proposed Placing will not result in a change in control of TG Tech.

To the best knowledge, information and belief of the Directors, the target subscribers (other than Nanjing Steel and the TG Tech Directors) and their respective ultimate beneficial owners are not connected persons of the Company.

4. Subscription price and pricing principle

The subscription price for the Proposed Placing is RMB1.24 per TG Tech Share, which is determined after taking into consideration factors including the industry in which TG Tech is operating, business model, growth cycle, net asset value per TG Tech Share, earnings, TG Tech Share market price after its quotation on the NEEQ System and communications with investors.

As at 31 December 2015, the audited net asset value of TG Tech is RMB372,006,751 and the audited net asset value per TG Tech Share is RMB1.24. The audited net profits of TG Tech for each of the two year ended on 31 December 2014 and 31 December 2015 were as follows:

	For the year ended 31 December 2014 (RMB)	For the year ended 31 December 2015 (RMB)
Net profits (before taxation)	14,233,051	18,351,974
Net profits (after taxation)	12,089,996	15,598,844

The net price to TG Tech of each new TG Tech Share to be issued under the Proposed Placing will be determined and disclosed upon completion of the Proposed Placing and the determination of the relevant expenses incurred or to be incurred in relation to the Proposed Placing in accordance with the requirements of the Listing Rules.

The terms of issuance under the Proposed Placing were finalized as at the date of this announcement.

5. Number of TG Tech Shares to be issued

Based on the subscription price of RMB1.24 per TG Tech Share, the number of new TG Tech Shares to be issued under the Proposed Placing will be 65,000,000 TG Tech Shares, among which Nanjing Steel proposed to subscribe for 35,000,000 new TG Tech Shares, the TG Tech Directors proposed to subscribe for an aggregate of 24,000,000 new TG Tech Shares and the Management Members proposed to subscribe for an aggregate of 6,000,000 new TG Tech Shares.

There will not be any ex-rights or ex-dividend event such as dividend distribution, bonus issue and capitalization of the capital reserve between the date of this announcement and completion of the Subscriptions.

6. Method of subscription

All new TG Tech Shares to be issued under the Proposed Placing shall be subscribed for in cash.

7. Pre-emptive rights

The existing shareholders of TG Tech have undertaken not to exercise their pre-emptive rights to subscribe for the new TG Tech Shares to be issued in the Proposed Placing.

8. Use of proceeds

The total proceeds of the Proposed Placing will be RMB80,600,000, which is intended to be used for replenishment of working capital of TG Tech, research and development and market expansion and future development of TG Tech, after deducting the expenses relating to the Proposed Placing.

9. Arrangement relating to the accumulated undistributed profits prior to the Proposed Placing

TG Tech has not implemented any distribution of dividends or conversion and increase of capital since its quotation on the NEEQ System. Upon completion of the Proposed Placing, holders of the new TG Tech Shares, together with all existing Shareholders will be entitled to all undistributed profits of TG Tech prior to the completion of the Proposed Placing.

10. Applications for listing of the new TG Tech Shares

TG Tech will apply to National Equities Exchange and Quotations Co., Ltd.* for the listing of, and permission to deal in, the new TG Tech Shares pursuant to the Proposed Placing.

11. Conditions Precedent

The Proposed Placing is conditional upon, among other things, (i) consideration and approval by the Board and by the Shareholders at the EGM of all resolutions in respect of the Proposed Placing; (ii) consideration and approval by the shareholders of TG Tech of all resolutions in respect of the Proposed Placing and amendment of articles of association of TG Tech; and (iii) reporting to National Equities Exchange and Quotations Co., Ltd.* for record.

12. Amendment of Articles of Association

As a result of the Proposed Placing, the articles of association of TG Tech will be amended to reflect the changes to its registered capital, its share capital structure and other relevant matters that need to be adjusted in relation to the Proposed Placing.

The Directors (other than the independent non-executive Directors) consider that the terms of the Proposed Placing (including the subscription price) are on normal commercial terms and are fair and reasonable taking into consideration the prevailing market conditions and are in the interests of the Company and its Shareholders as a whole.

The independent non-executive Directors will express their view on whether the terms of the Proposed Placing (including the subscription price) are on normal commercial terms and are fair and reasonable taking into consideration the prevailing market conditions and are in the interests of the Company and its Shareholders as a whole after their consideration of the advice of the Independent Financial Advisor.

The Shareholders and potential investors should be aware that the Proposed Placing is subject to the conditions precedent set out above, and consequently the Proposed Placing may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Company.

III. PROPOSED SUBSCRIPTION OF NEW TG TECH SHARES BY NANJING STEEL

1. New TG Tech Shares to be subscribed by Nanjing Steel

As part of the Proposed Placing, on 6 June 2016, TG Tech entered into the Nanjing Steel Subscription Agreement with Nanjing Steel and Mr. Zhu Xiaokun and Ms. Yu Yumei (as warrantors), pursuant to which, among other things, Nanjing Steel has conditionally agreed to subscribe in cash for and TG Tech has conditionally agreed to allot and issue 35,000,000 new TG Tech Shares for a total consideration of RMB43,400,000 at the subscription price of RMB1.24 per TG Tech Share.

Immediately upon completion of the subscription under the Nanjing Steel Subscription Agreement, assuming that the number of new TG Tech Shares issuable under the Proposed Placing is 65,000,000 TG Tech Shares, Nanjing Steel will hold in aggregate 75,000,000 TG Tech Shares, representing approximately 18.52% of the enlarged total issued TG Tech Shares.

2. Subscription price and payment method

The subscription price of the new TG Tech Shares to be issued to Nanjing Steel under the Nanjing Steel Subscription Agreement shall be RMB1.24 per TG Tech Share.

Within 10 business days of the satisfaction of all conditions precedents under the Nanjing Steel Subscription Agreement, Nanjing Steel shall pay the subscription price to TG Tech in one lump sum into the bank account designated by TG Tech. TG Tech shall issue a certificate of capital contribution to Nanjing Steel within 2 days after the day of receiving the payment.

3. Conditions precedent

The obligation of Nanjing Steel to pay the subscription price shall be subject to the satisfaction or waiver by Nanjing Steel of the following conditions:

- (a) the resolutions in relation to the following matters having been duly passed at the shareholders' meeting of TG Tech: (i) the Proposed Listing and the increase of the registered share capital of TG Tech; (ii) the subscription of new TG Tech Shares by Nanjing Steel at the subscription price under the Nanjing Steel Subscription Agreement; (iii) the Nanjing Steel Subscription Agreement; and (iv) (if any) other existing shareholders of TG Tech not exercising their pre-emptive rights to subscribe for new TG Tech Shares to be issued under the Proposed Listing;
- (b) the Independent Shareholders having duly passed a resolution at a general meeting in accordance with the Listing Rules approving the Proposed Placing, the Nanjing Steel Subscription Agreement and the transactions contemplated thereunder;
- (c) the representations and warranties provided by TG Tech, Mr. Zhu Xiaokun and Ms. Yu Yumei being true, accurate, complete and not misleading on the day of signing the Nanjing Steel Subscription Agreement and on completion of the subscription;
- (d) there being no material adverse change or event leading to the material adverse change to the operation, revenue, prospect, assets and financial condition of TG Tech between the day of signing of the Nanjing Steel Subscription Agreement and the day of payment of the subscription price;
- (e) there being no action, procedures pending or potentially undertaken by any PRC government department to restrict or prohibit the completion of the transaction under the Nanjing Steel Subscription Agreement or other related transactions, and no PRC government department with the jurisdiction having formulated any law, regulation or rules resulting in the completion of the Nanjing Steel Subscription Agreement being illegal; and
- (f) (if any) all consents, approvals, authorisations, orders, registrations, records or qualifications (save for the procedures for registration for industrial and commercial information changes in relation to the Proposed Placing) required to be issued by a third party or the government under the relevant laws and necessary

for the purpose of the Proposed Placing having been duly obtained and remaining effective.

IV. PROPOSED SUBSCRIPTION OF NEW TG TECH SHARES BY TG TECH DIRECTORS AND MANAGEMENT MEMBERS

1. New TG Tech Shares to be subscribed by TG Tech Directors and Management Members

As part of the Proposed Placing, on 6 June 2016, TG Tech entered into a Subscription Agreement with each of the TG Tech Directors and the Management Members, pursuant to which, each of the TG Tech Directors and Management Members has conditionally agreed to subscribe in cash for and TG Tech has conditionally agreed to allot and issue an aggregate of 30,000,000 new TG Tech Shares for a total consideration of RMB37,200,000 at the subscription price of RMB1.24 per TG Tech Share.

Immediately upon completion of the subscription under the Subscription Agreements, assuming that the number of new TG Tech Shares issuable under the Proposed Placing is 65,000,000 TG Tech Shares, the TG Tech Directors will hold in aggregate 24,000,000 TG Tech Shares, representing approximately 5.93% of the enlarged total issued TG Tech Shares and the Management Members will hold in aggregate 6,000,000 TG Tech Shares, representing approximately 1.48% of the enlarged total issued TG Tech Shares to the relevant target subscribers.

2. Subscription price and payment method

The subscription price of the new TG Tech Shares to be issued to the TG Tech Directors and the Management Members under the Subscription Agreements shall be RMB1.24 per TG Tech Share, which is the same as that under the Nanjing Steel Subscription Agreement.

Each of the TG Tech Directors and the Management Members shall pay the full subscription price according to the methods to be announced by TG Tech on the website of the NEEQ System. Upon receipt of the subscription price, TG Tech shall issue the new TG Tech Shares.

3. Conditions precedent

Each Subscription Agreement shall become effective after the following conditions are fulfilled:

- (a) approval by the board of directors of TG Tech and the shareholders of TG Tech;
- (b) each of Tiangong Tools and Danyang Tianfa having agreed not to exercise their respective pre-emptive rights to subscribe for the TG Tech Shares to be issued under the Proposed Placing; and
- (c) (in the case of Subscription Agreements entered into with the TG Tech Directors) the Independent Shareholders having duly passed a resolution at a general meeting in accordance with the Listing Rules approving the Proposed Placing, the Subscription Agreement entered into with the TG Tech Directors and the transactions contemplated thereunder.

Upon becoming effective, each Subscription Agreement shall be reported to National Equities Exchange and Quotations Co., Ltd.* for record.

V. General Information on the Group and the Parties to the Nanjing Steel Subscription Agreement

(a) The Group

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

(b) TG Tech

TG Tech is mainly engaged in manufacturing, processing, researching and developing and sales of titanium alloy products from the raw material, sponge titanium.

(c) Nanjing Steel

Nanjing Steel is principally engaged in wholesale of general dangerous chemical products, inflammable materials, oxidant, poisonous products, corrosive substances, smelting and rolling of black metal, sale of steel rolling products and by-products, production of coke and by-products, investment in iron and steel industry and assets management, development and consultation services in relation to iron and steel technology, recycle of scrap metal and resources, import and export and distribution of various commodities and technology.

VI. Implications under the Listing Rules

TG Tech is an indirect non-wholly owned subsidiary of the Company. As at the date of this announcement, Nanjing Steel holds approximately 11.76% of the total issued TG Tech Shares and is a substantial shareholder of TG Tech. Each of the TG Tech Directors is a director of TG Tech and one of the TG Tech Directors is a Director of the Company. Hence, each of Nanjing Steel and the TG Tech Directors is a connected person of the Company. The issuance and placing of the new TG Tech Shares to Nanjing Steel and each of the TG Tech Directors pursuant to the Nanjing Steel Subscription Agreement and the Subscription Agreements constitute connected transactions of the Company and are subject to announcement, circular and Shareholders' approval requirements under the Listing Rules. The proposal relating to the Subscriptions, the Nanjing Steel Subscription Agreement and the Subscription Agreements entered into with the TG Tech Directors will be subject to the approval by the Independent Shareholders at the EGM. The Proposed Placing is a deemed disposal of the Company's interests in TG Tech. As the applicable percentage ratios of the Proposed Placing, aggregating the Previous Issue, under the Listing Rules exceed 5% but are less than 25%, the issuance and placing of the new TG Tech Shares to the target subscribers constitutes a discloseable transaction of the Company and are subject to the announcement requirement under the Listing Rules. Mr. Zhu Xiaokun, one of the TG Tech Directors, and other connected persons of the Company and their respective associates will abstain from voting in respect of the relevant resolutions at the EGM and the shareholders' meeting of TG Tech.

Mr. Zhu Xiaokun, being an executive Director and one of the TG Tech Directors, has abstained from voting at the Board meeting of the Company in respect of the transactions

contemplated under the Nanjing Steel Subscription Agreement and the Subscription Agreements and he and his associates will abstain from voting on the same at the EGM. Save as stated above, none of the Directors have a material interest in the Nanjing Steel Subscription Agreement and the Subscription Agreements and hence no other Director has abstained from voting on such resolution at the Board meeting of the Company.

The terms of the Nanjing Steel Subscription Agreement and the Subscription Agreements were determined after arm's length negotiations between the Company, TG Tech and the target subscribers. The Directors (other than the independent non-executive Directors) consider that the terms of each of the Nanjing Steel Subscription Agreement and the Subscription Agreements (including the subscription price) are on normal commercial terms and are fair and reasonable taking into consideration the prevailing market conditions and are in the interests of the Company and its Shareholders as a whole.

The independent non-executive Directors will express their view on whether the terms of each of the Nanjing Steel Subscription Agreement and the Subscription Agreements (including the subscription price) are on normal commercial terms and are fair and reasonable taking into consideration the prevailing market conditions and are in the interests of the Company and its Shareholders as a whole after their consideration of the advice of the Independent Financial Advisor.

An Independent Board Committee will be formed to advise the Independent Shareholders on the terms of the Subscriptions, the Nanjing Steel Subscription Agreement, the Subscription Agreements entered into with the TG Tech Directors and the Proposed Placing. An Independent Financial Advisor will be appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

VII. EFFECT ON THE SHAREHOLDING STRUCTURE OF TG TECH

The shareholding structures of TG Tech (i) as at the date of this announcement; and (ii) immediately after completion of the Proposed Placing and the Subscriptions by the target subscribers are set out in the table below:

As at the date of this announcement

Name of shareholder	Number of TG Tech Shares	Approximate percentage of the issued TG Tech Shares
Tiangong Tools	270,000,000	79.41%
Nanjing Steel	40,000,000	11.76%
Danyang Tianfa	30,000,000	8.83%
Total	340,000,000	100%

Immediately after completion of the Proposed Placing and the Subscriptions by the target subscribers

Assuming that (1) a total of 65,000,000 TG Tech Shares to be issued under the Proposed Placing are being fully subscribed by the target subscribers; and (2) no other TG Tech Shares will be issued or transferred from the date of this announcement until completion of the Proposed Placing and the Subscriptions:

Number of shareholder	Number of TG Tech Shares held	Approximate percentage of the issued TH Tech Shares
Tiangong Tools	270,000,000	66.67%
Nanjing Steel	75,000,000	18.52%
Danyang Tianfa	30,000,000	7.41%
Mr. Zhu Xiaokun	10,000,000	2.47%
Mr. Jiang Rongjun	5,000,000	1.23%
Mr. Yang Zhao	3,000,000	0.74%
Mr. Xu Shaoqi	3,000,000	0.74%
Mr. Wang Gang	3,000,000	0.74%
Mr. Chen Jie	3,000,000	0.74%
Mr. Zhu Linfei	3,000,000	0.74%
Total	405,000,000	100%

The Shareholders and potential investors should be aware that the Subscriptions are subject to the conditions precedent set out above, and consequently the Subscriptions may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Company.

VIII. REASONS FOR AND BENEFITS OF THE PROPOSED PLACING AND SUBSCRIPTIONS

In order to accelerate the pace of innovation and transformation, extend the industrial chain of titanium products, continue to vigorously promote the efficient development of new titanium materials and improve the overall operating capacity and competitiveness, TG Tech decided to implement the Proposed Placing, which the Directors (excluding the independent non-executive Directors who will express their view after their consideration of the advice of the Independent Financial Advisor) considered in the interest of the Group.

The Board had considered various other means of fund raising which is on a pro-rata manner, such as rights issue and open offer. However, after due and careful consideration by the Board, the Board is of the view that the Proposed Placing by way of a non-public issuance of new TG Tech Shares is the most preferable method over others, as non-public issuance, as compared with rights issue and open offer, presents less uncertainties and risks given the current capital market situation and in terms of the PRC approval process. In addition, the Board expects that the non-public issuance will have less adverse effect on the share price of the Company. Further, subscription by other long term investors in the non-public issuance demonstrates the recognition of the value of TG Tech and confidence such investors place in TG Tech which may help stabilize the share price of TG Tech. The Board considered that TG Tech and Nanjing Steel could develop an ongoing strategic partnership in the new material industry chain by utilising their comprehensive advantage on product development and sales network. Therefore, the Board (other than the independent non-executive Directors who will express their view after their consideration of the advice of the Independent Financial Advisor) considered that the Proposed Placing is in the best interests of TG Tech and its investors as a whole.

The proposed issuance of new TG Tech shares to the TG Tech Directors and the Management Members is also considered as giving incentive to the management of TG Tech to work towards enhancing the value of TG Tech and its shares.

IX. FUNDS RAISING IN THE TWELVE MONTHS

Date of completion	Fund raising activity	Net proceeds raised	Use of net proceeds
29 April 2016	Issuance of 40,000,000 new TG Tech Shares to Nanjing Steel	RMB49,320,000	RMB11.3 million of the net proceeds was utilised by TG Tech in the procurement of material and utility expenses. The remaining amount of RMB38.02 million has not been utilised and will be used to increase the production capacity and the enhancement of research and development level of TG Tech.

Save for the fund raising activity under the Previous Placing and the Proposed Placing as disclosed above, the Group has not conducted any other fund raising activities by way of issue of equity securities within the 12 months immediately prior to the date of this announcement.

X. GENERAL

A circular containing, among other things, information on the Proposed Placing, the Nanjing Steel Subscription Agreement, the Subscription Agreements entered into with the TG Tech Directors, the letter of the Independent Financial Advisor and recommendation of the Independent Board Committee in relation to the Proposed Placing, the Nanjing Steel Subscription Agreement and Subscription Agreements entered into with the TG Tech Directors is expected to be despatched to the Shareholders no later than 21 June 2016.

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

XI. DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Tiangong International Company Limited, a limited company incorporated in the Cayman Islands, the shares of which are listed on The Stock Exchange of Hong Kong Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Danyang Tianfa”	Danyang Tianfa Forging Company Limited (丹陽天發精鍛有限公司), a sino-foreign equity joint venture incorporated in

		the PRC and an indirect wholly owned subsidiary of the Company
“Director”		the directors of the Company
“EGM”		the extraordinary general meeting to be held by the Company for approving, among others, the Proposed Placing, the Nanjing Steel Subscription Agreement and the Subscription Agreements entered into with the TG Tech Directors
“Group”		the Company and its subsidiaries
“Independent Committee”	Board	the independent committee of the Board, the members of which consist of the independent non-executive Directors, formed to advise the Independent Shareholders with respect to the Proposed Placing, the Nanjing Steel Subscription Agreement and the Subscription Agreement entered into with the TG Tech Directors
“Independent Adviser”	Financial	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Placing, the Nanjing Steel Subscription Agreement and the Subscription Agreements entered into with the TG Tech Directors
“Independent Shareholders”		Shareholders other than connected persons (if any) who have a material interest in the Proposed Placing, Nanjing Steel Subscription Agreement, the Subscription Agreements entered into with the TG Tech Directors and the Subscriptions
“Listing Rules”		the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Members”		Mr. Chen Jie and Mr. Zhu Linfei, each of whom is a management member of TG Tech and a target subscriber under the Proposed Placing
“Nanjing Steel”		Nanjing Steel Company Limited (南京鋼鐵股份有限公司), a company incorporated in the PRC and a substantial shareholder of TG Tech as at the date of this announcement
“Nanjing Subscription Agreement”	Steel	the conditional subscription agreement entered into between Nanjing Steel, TG Tech, Mr. Zhu Xiaokun Ms. Yu Yumei on 6 June 2016 in respect of the subscription for 35,000,000 new TG Tech Shares
“NEEQ System”		the National Equities Exchange and Quotations System
“PRC”		the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Regions and Taiwan

“Previous Issue”	the non-public issuance and placing of 40,000,000 new TG Tech Shares by TG Tech to Nanjing Steel for the total proceeds of RMB49,600,000 and completed on 29 April 2016
“Proposed Placing”	the proposed non-public issuance and placing of 65,000,000 new TG Tech Shares by TG Tech to eight target subscribers and the total proceeds to be raised therefrom shall be RMB80,600,000
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholders of the Company
“Subscriptions”	the proposed subscription of 65,000,000 new TG Tech Shares by Nanjing Steel, the TG Tech Directors and the Management Members for a total consideration of RMB80,600,000 pursuant to the Nanjing Steel Subscription Agreement and the Subscription Agreements
“Subscription Agreement”	the conditional subscription agreement entered into between Nanjing Steel and each of the TG Tech Directors and Management Members on 6 June 2016 in respect of the subscription for an aggregate of 30,000,000 new TG Tech Shares
“TG Tech”	Jiangsu Tiangong Technology Company Limited (江蘇天工科技股份有限公司), a limited liability company incorporated in the PRC and an indirect non-wholly owned subsidiary of the Company, the shares of which are quoted on the NEEQ System
“TG Tech Directors”	Mr. Zhu Xiaokun, Mr. Jiang Rongjun, Mr. Yang Zhao, Mr. Xu Shaoqi and Mr. Wang Gang, each of whom is a director of TG Tech and a target subscriber under the Proposed Placing
“TG Tech Shares”	shares of TG Tech, which are quoted on the NEEQ System
“Tiangong Tools”	Tiangong Tools Company Limited (江蘇天工工具有限公司), a wholly foreign-owned enterprise incorporated in the PRC and an indirect wholly owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 6 June 2016

As at the date of this announcement, the Directors are:

Executive Directors: ZHU Xiaokun, WU Suojun, YAN Ronghua and JIANG Guangqing

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

** for identification purpose only*