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Tiangong International Company Limited

天工國際有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 826)

VOLUNTARY ANNOUNCEMENT

EQUITY INVESTMENT IN E-COMMERCE OF STEEL PRODUCTS

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

EQUITY INVESTMENT IN E-COMMERCE OF STEEL PRODUCTS

The board of directors (the “Board”) of the Company is pleased to announce that, on 29 January 2018, Jiangsu Tiangong Investment Management Co., Ltd (“TG Investment”), an indirect wholly owned subsidiary of the Company, entered into a subscription agreement (the “Subscription Agreement”) with JM Digital Steel Inc., a company limited by shares quoted on The National Equities Exchange and Quotations System (stock code: 834429) (“JM Digital”), pursuant to which TG Investment agreed to subscribe for 6,670,000 new shares in JM Digital, representing approximately 4.42% of the enlarged registered capital of JM Digital, at RMB3.00 per share.

Information on the parties to the Subscription Agreement

1. TG Investment

TG Investment is a limited liability company established in the PRC which principally engages in investment management and related consulting services; business management consulting, financial management consulting, business information consulting, economic information consultation.

2. JM Digital

JM Digital is a company limited by shares established in the PRC which principally engages in online sales of steel; computer network system design; computer network technology consulting; information systems integration services; sales of metal materials and products, metal charge, building materials, machinery and equipment and parts, instrumentation, coke, refractories, electronic products, electrical equipment, hardware, rubber products, wood, chemical products and lubrication; sales, processing and recycling of waste materials; warehousing services; handling services; metallurgical technology and economic information consulting; import and export business of various types of goods and technology.

Terms of the Subscription Agreement

Details of the subscription under the Subscription Agreement are as follows:

Name of allottee	Proposed subscription quantity (share)	Proposed subscription price per share (RMB)	Proposed subscription amount (RMB)	Consideration
TG Investment	6,670,000	3.00	20,010,000.00	Cash

Pursuant to the terms of the Subscription Agreement,

- (i) The shares subscribed by TG Investment will represent approximately 4.42% of the enlarged registered capital of JM Digital, which is RMB137.5 million as at the date of this announcement.
- (ii) TG Investment agrees not to sell, transfer or otherwise dispose of the subscribed shares within 12 months from the date of registration of the shares in JM Digital under its name.

Reasons for and benefits of the equity investment

The e-commerce platform would allow the Group to follow the state advocated “Internet +” macro policy, focusing on transformation of the Group’s traditional distribution channel of steel products by using internet technology.

The Group is expected to benefit from use of e-commerce platform as a distribution channel for direct selling to end-consumers. This direct sales channel will also be more beneficial to the Group's cash flow management.

The subscription price was determined with reference to comprehensive consideration of the industry, growth, net assets per share, industry level average price-earnings ratio and

other factors of JM Digital. It is intended that TG Investment would fund its capital contribution out of its internal resources. The directors of the Company believe that the terms of the Subscription Agreement are fair and reasonable and in the interests of the shareholders of the Company.

GENERAL

To the best of the knowledge, information and belief of the directors of the Company having made all reasonable enquiries, JM Digital and the ultimate beneficial owner of JM Digital are third parties independent of the Company and connected persons of the Company. As all of the relevant percentage ratios (as defined under Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”)) in respect of the total subscription amount to be provided by TG Investment under the Subscription Agreement are less than 5%, the Subscription Agreement and the transactions contemplated thereunder are not subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 and Chapter 14A of the Listing Rules, and this announcement is made by the Company on a voluntary basis.

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

Hong Kong, 29 January 2018

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 and LEE Cheuk Yin, Dannis, WANG Xue Song

** For identification purpose*