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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)

PLACING AGENT



農銀國際

ABC INTERNATIONAL

Placing of New Shares under the General Mandate

PLACING

On 28 April 2018, the Company (as issuer) entered into Placing Agreements with:

- (i) the Placing Agent and Lion Rainbow No. 15 Fund, in respect of 150,000,000 Placing Shares; and
- (ii) the Placing Agent and Shagang HK, in respect of 150,000,000 Placing Shares,

at the Placing Price of HK\$1.60 per Share.

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 2,239,050,000 Shares are in issue. There are Share Options carrying subscription rights to subscribe for 82,147,000 Shares outstanding pursuant to Share Option Scheme of the Company.

* for identification purpose only

The aggregate 300,000,000 Placing Shares represent (i) approximately 13.40% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 11.82% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing 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 Placing save for the issue of the Placing Shares); and (iii) approximately 11.45% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Option Shares (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).

Completion of the Placing is conditional on certain conditions precedent as more particularly set out in the Placing Agreements, including the granting of listing status of the Placing Shares.

The net proceeds of the Placing will be approximately HK\$477.7 million and are intended to be applied towards the powder metallurgy production facilities of the Group and as general working capital of the Group.

General Mandate

The Placing Shares will be issued under the General Mandate granted to the Directors at the AGM and the issue of the Placing 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 Placing Shares.

Warning

Completion of the Placing is subject to a number of conditions and the termination rights of the Placing Agent mentioned herein. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

On 28 April 2018, the Company (as issuer) entered into the following Placing Agreements with:

- (i) the An Peng Placing Agreement between the Company, the Placing Agent and Lion Rainbow No. 15 Fund, in respect of 150,000,000 Placing Shares; and
- (ii) the Shagang HK Placing Agreement between the Company, the Placing Agent and Shagang HK in respect of 150,000,000 Placing Shares,

at the Placing Price of HK\$1.60 per Share.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent, the Placees and their respective ultimate owner(s) or beneficiaries are third part(ies) independent of the Company and are not connected persons (as defined in the Listing Rules) of the Company.

The Placing

Pursuant to the Placing Agreements, the Placing Agent has been appointed as the sole and exclusive agent in the placing of the Placing Shares on a best effort basis at an aggregate placing commission of HK\$1,500,000.

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 2,239,050,000 Shares are in issue. There are Share Options carrying subscription rights to subscribe for 82,147,000 Shares outstanding pursuant to Share Option Scheme of the Company.

The 300,000,000 Placing Shares represent (i) approximately 13.40% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 11.82% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing 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 Placing save for the issue of the Placing Shares); and (iii) approximately 11.45% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Option Shares (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 credited as fully paid and rank *pari passu* with all other issued Shares in all respects as at the date of issue. Assuming the date of issue is prior to the record date of the final dividend, the Placing Shares will be entitled to receive the final dividend of the Company for the year ended 31 December 2017.

The Placing Price

The Placing Price is HK\$1.60 per Share, which represents:

- (i) a discount of approximately 10.11% to the closing price of HK\$1.78 per Share as quoted on the Stock Exchange on 27 April 2018, the Last Trading Day and the date when the Placing Price was fixed;

- (ii) a discount of approximately 11.31% to the average of the closing prices of approximately HK\$1.804 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date when the Placing Price was fixed; and
- (iii) a discount of approximately 9.86% to the average of the closing prices of approximately HK\$1.775 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 and the Placees and was determined with reference to the prevailing market price of the Shares and the recent trading volume of the Shares.

Non-Disposal Restriction

Each of the Placees has undertaken not to dispose of the Placing Shares or otherwise enter into any agreement or arrangement to dispose of, grant option or encumber the Placing Shares within a period of 12 months after the issue of the Placing Shares.

Completion of the Placing

The Placing under each of the Placing Agreements is conditional on the following:

- (i) the warranties of the relevant Placee remaining true and accurate in all material respects and are not misleading;
- (ii) the Listing Committee of the Stock Exchange's agreeing to grant a listing of and permission to deal in the Placing Shares;
- (iii) the warranties of the Company remaining true and accurate in all material respects and are not misleading; and
- (iv) the Shares remain listed on the Stock Exchange.

The Placees shall be responsible for the fulfilment of condition (i) while the Company shall be responsible for the fulfilment of conditions (ii) to (iv). Conditions (ii) and (iv) cannot be waived by any party to the Placing Agreements. In the event the conditions are not fulfilled or waived by 31 May 2018, the Placing Agreements will cease to be effective.

Termination of the Placing

The Placing Agreements provided that the Placing Agent may terminate the respective Placing Agreement after consultation with the Company (to the extent that the same is reasonably practicable) terminate the Placing without liability to the Company and the Placees by giving notice in writing to the Company and the Placees if at any time on or prior to 12:00 noon on the Closing Date:

- (A) in the reasonable opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic conditions or taxation, capital market, banking system or exchange controls as would be likely to prejudice materially the consummation of the Placing; or
- (B) any material breach of any of the representations and warranties contained in the Placing Agreement by any party thereto or any event has occurred or any matter has arisen on or after the date of the Placing Agreement and prior to the Closing Date 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 or the relevant Placee of any other provision of the relevant Placing Agreement; or
- (C) there is any adverse change in the financial position, assets, business, operation or prospects of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing.

WARNING

Given that completion of the Placing is subject to a number of conditions and the termination rights of the Placing Agent mentioned above, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Closing

The closing of the Placing is expected to take place on or before 11 May 2018 (or such other date as the parties may agree). The Placing Agreements are not inter-conditional on each other.

GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The issue of the Placing Shares will not be subject to the approval by the Shareholders and the Placing 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 444,016,000 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.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Placing Shares.

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 completion of the Placing but before the exercise of the Share Options and (iii) immediately after completion of the Placing and the exercise of the Share Options 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):

Substantial Shareholders	Immediately before the Placing		Immediately after the Placing but before any exercise of Share Options		Immediately after the Placing and exercise of Share Options in full	
	Shares	%	Shares	%	Shares	%
Zhu Xiaokun and his associates ⁽¹⁾	791,190,000	35.34	791,190,000	31.16	791,690,000	30.20
Zhu Zefeng and his associate ⁽²⁾	<u>578,852,521</u>	<u>25.85</u>	<u>578,852,521</u>	<u>22.80</u>	<u>579,852,521</u>	<u>22.12</u>
Sub-total	<u>1,370,042,521</u>	<u>61.19</u>	<u>1,370,042,521</u>	<u>53.96</u>	<u>1,371,542,521</u>	<u>52.33</u>
Other Directors						
Wu Suojun	800,000	0.04	800,000	0.03	3,267,000	0.12
Yan Ronghua	500,000	0.02	500,000	0.02	1,800,000	0.07
Jiang Guangqing	300,000	0.01	300,000	0.01	1,200,000	0.05
Gao Xiang	-	-	-	-	300,000	0.01
Lee Cheuk Yin, Dannis	-	-	-	-	300,000	0.01
Wang Xuesong	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>0.01</u>
Sub-total	<u>1,600,000</u>	<u>0.07</u>	<u>1,600,000</u>	<u>0.06</u>	<u>7,167,000</u>	<u>0.27</u>
Public Shareholders						
Other holders of Share Options	-	-	-	-	75,080,000	2.86
Other shareholders	867,407,479	38.74	867,407,479	34.16	867,407,479	33.09
Lion Rainbow No. 15 Fund	-	-	150,000,000	5.91	150,000,000	5.72
Shagang HK	<u>-</u>	<u>-</u>	<u>150,000,000</u>	<u>5.91</u>	<u>150,000,000</u>	<u>5.72</u>
Sub-total	<u>867,407,479</u>	<u>38.74</u>	<u>1,167,407,479</u>	<u>45.98</u>	<u>1,242,487,479</u>	<u>47.40</u>
Total issued Shares ⁽³⁾	<u><u>2,239,050,000</u></u>	<u><u>100.00</u></u>	<u><u>2,539,050,000</u></u>	<u><u>100.00</u></u>	<u><u>2,621,197,000</u></u>	<u><u>100.00</u></u>

Notes:

1. Mr. Zhu Xiaokun's associates include:
 - (i) Tiangong Holdings Company Limited, which holds 743,458,000 Shares and is owned as to approximately 89.02% and 10.98% by Mr. Zhu Xiaokun and Madam Yu Yumei, respectively. Madam Yu Yumei is the spouse of Mr. Zhu Xiaokun.
 - (ii) Silver Power (HK) Ltd., which holds 43,932,000 Shares and is owned as to 100% by Mr. Zhu Xiaokun.
2. Mr. Zhu Zefeng's associate is Sky Greenfield Investment Limited, which holds 578,352,521 Shares and is owned as to 100% by Mr. Zhu Zefeng.
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

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

During the past 12 months, an aggregate of 18,970,000 Shares have been allotted and issued pursuant to exercise of subscription rights of Share Options under Share Option Scheme, and Share Options which entitled holder to subscribe for 82,147,000 Shares have been granted. In case the outstanding Share Options are exercised in full, the gross proceeds to be received by the Company will be HK\$129,421,660. It is intended that the proceeds of the Shares issued under the Share Options 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 Placing 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 Agreements are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The gross proceeds of the Placing will be HK\$480.0 million. The net proceeds (after deducting all applicable costs and expenses of the Placing) of approximately HK\$477.7 million from the Placing are intended to be applied towards the powder metallurgy production facilities of the Group and as general working capital purposes of the Group. The net price of each Placing Share will be approximately HK\$1.59.

INFORMATION ON THE COMPANY, SUBSCRIBER A AND SUBSCRIBER B

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

The Placing Agent is ABCI Securities Company Limited.

Lion Rainbow No. 15 Fund is a single client asset management scheme invested and established by An Peng Fund with 諾安基金管理有限公司 Lion Fund Management Co., Ltd.[#] as the asset manager.

An Peng Fund is principally engaged in asset management services, such as trust management and operating investment funds, financing planning, investment consulting, etc. Currently, An Peng Fund has a scale of nearly RMB 5 billion. An Peng Fund was initiated and established by BAIC Group Industrial Investment Co., Ltd. (“**BAIC Capital**”) on May 4, 2014. BAIC Capital was established and wholly-owned by Beijing Automotive Group Co., Ltd. (“**BAIC Group**”). It is the unique platform for BAIC Group’s foreign investment and served as a core platform for capital operation, equity investment and innovation incubation. BAIC Capital invested not only in growing and emerging industries which related to the BAIC Group’s traditional auto parts and core components, but also in the strategic emerging industries which were representable in the new economic trend. BAIC Group is a state-owned large-scale enterprise engaged in automobile R&D and manufacturing, general aviation, automotive parts manufacturing, automotive service and trade, investment & financing, and other businesses.

Shagang HK is principally engaged in investment holding. It is a wholly-owned subsidiary of Jiangsu Shagang Group Co., Ltd. (“**Shagang Group**”). Shagang Group is a private steel enterprise in China. The group headquarter is located in Zhangjiagang City, Jiangsu Province. It possessed a total asset of more than RMB 150 billion and over 30,000 employees. Shagang Group has been awarded with title of “Chinese steel A+ level enterprise for extremely strong competitiveness”. Their main products are heavy-wide plate, hot strip, cold strip, wire rod, coiled bar, ribbed bar and special bar quality steel. Their products have been exported to East Asia, South Asia, Europe, America, Oceania, Africa and more than 80 countries and regions.

DEFINITIONS

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

An Peng Fund	深圳市安鵬股權投資基金管理有限公司 Shenzhen An Peng Equity Investment Fund Management Co., Ltd. [#] , a company established in the PRC, being the ultimate beneficiary of the Placing Shares subscribed under the An Peng Placing Agreement
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An Peng Placing Agreement	the subscription agreement dated 28 April 2018 entered into among Lion Rainbow No. 15 Fund (by its asset manager) and the Company in relation to the subscription of 150,000,000 Shares
AGM	the annual general meeting of the Company held on 26 May 2017
associate(s)	has the meaning ascribed to it under the Listing Rules
Board	the board of Directors
Company	Tiangong 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)
Closing Date	11 May 2018 (or such other date as the parties to the Placing Agreements may agree)
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
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Last Trading Day	27 April 2018, being the trading date immediately prior to the date of the Placing Agreements
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Lion Rainbow No. 15 Fund	諾安基金管理有限公司－諾安彩虹十五號資產管理計劃 Lion Rainbow No. 15 Fund [#] , a single client asset management scheme invested and established by An Peng Fund with 諾安基金管理有限公司 Lion Fund Management Co., Ltd. [#] as asset manager.
Option Shares	Shares to be allotted and issued upon exercise of subscription rights attached to the Share Options

Placees	Lion Rainbow No. 15 Fund and Shagang HK
Placing	the subscription for the 150,000,000 Placing Shares by Lion Rainbow No. 15 Fund pursuant to the terms and conditions of the An Peng Placing Agreement and subscription for the 150,000,000 Placing Shares by Shagang HK pursuant to the terms and conditions of the Shagang HK Placing Agreement
Placing Agent	ABCI Securities Company Limited, a corporation licensed by the Securities and Futures Commission to carry out business in Type 1 (dealing in securities) and Type 4 (advising on securities) under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Placing Agreements	the An Peng Placing Agreement and the Shagang HK Placing Agreement
Placing Price	HK\$1.60 per Placing Share
Placing Shares	300,000,000 new Shares
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
Shagang HK	Shagang International (Hong Kong) Co., Limited 沙鋼國際(香港)有限公司, a company incorporated in Hong Kong
Shagang HK Placing Agreement	the placing agreement dated 28 April 2018 entered into among Shagang HK and the Company in relation to the subscription of 150,000,000 Shares
Share(s)	ordinary share(s) of par value of US\$0.0025 each in the share capital of the Company
Shareholder(s)	holder(s) of the Shares
Share Options	the options granted by the Company to the directors and employees of the Group pursuant to the employee share option scheme adopted by the Company on 7 July 2007 or 26 May 2017
Stock Exchange	The Stock Exchange of Hong Kong Limited
%	per cent.

English name for identification purpose only

* *Chinese name for identification purpose only*

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

Hong Kong, 29 April 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 Xuesong