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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)

ANNOUNCEMENT POSSIBLE DEEMED DISPOSAL AND NOTIFIABLE TRANSACTION IN RELATION TO THE PROPOSED LISTING OF TG TECH ON BSE

For the purpose of the listing of the shares of TG Tech (an indirect non-wholly owned subsidiary of the Company) on the BSE, it is proposed that new shares will be allotted and issued to unspecified qualified investors (不特定合格投資者) by way of a combination of placing and online bidding, or other methods as agreed by the CSRC, subject to (among other things) approvals by relevant PRC regulators.

The allotment and issue of new TG Tech Shares by TG Tech under the IPO Proposal, if materialised, will constitute a deemed disposal of interest in a subsidiary of the Group under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules based on the expected size of the Deemed Disposal may be higher than 5% but less than 25%, the Deemed Disposal may constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and subject to the announcement requirement under the Listing Rule.

THE PROPOSAL

It is proposed that TG Tech will issue new shares to unspecified qualified investors by way of a combination of placing and online bidding, or other methods as agreed by the CSRC, subject to (among other things) approvals by relevant PRC regulators. The actual number of shares to be offered by TG Tech will depend on the market conditions and the relevant rules and regulations of the CSRC as amended from time to time.

Sets out below is a summary of the proposed offering structure of the Proposal:

Issuer:

TG Tech (an indirect non-wholly owned subsidiary of the Company)

Target subscribers:

Qualified investors who have completed and obtained the authorization for dealing of securities of companies listed on the BSE (except those who are prohibited to subscribe under laws, regulations and regulatory documents).

The subscribers of the TG Tech Shares in the Proposal are expected to be Independent Third Parties.

Expected size of the offer:

The number and offer price of TG Tech Shares to be offered under the Proposal are not yet determined at this stage. It will be determined between TG Tech and the main underwriter of the offer at a time closer to the listing date of TG Tech, based on the prevailing market conditions, and relevant rules and regulations.

Subject to the approval of the BSE and registration with the CSRC, it is expected that the number of TG Tech Shares to be offered will be: (i) not more than 60,000,000 TG Tech Shares (without taking into account exercise of any over-allotment option which may be granted); or (ii) not more than 69,000,000 TG Tech Shares (assuming full exercise of any over-allotment option which may be granted). Upon completion of the offer, at least 10% of the share capital of TG Tech shall be held by public shareholders. TG Tech and the main underwriter will determine whether an over-allotment option which will be granted by TG Tech will be exercised based on the actual prevailing circumstances at the time of the allotment and issue of new TG Tech Shares.

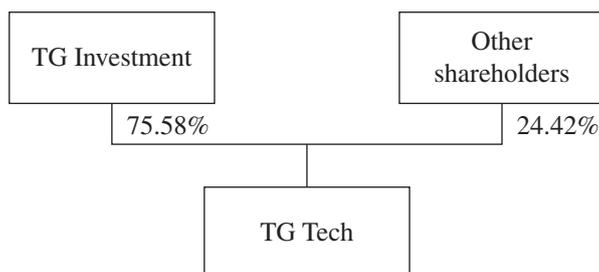
The final offer price will be determined between TG Tech and its main underwriter with reference to, among other things, the historical operating results and financial performance, its business prospects, growth potential, future plans and capital needs of TG Tech, and the prevailing market conditions through arm's length negotiation taking into account (among other things) the responses from the online bidding by qualified investors and offline price consultation, trading multiples of companies listed on the BSE and in similar industries and/or other methods recognised by the CSRC and the BSE.

The Company will make further announcement(s) as appropriate after the information relating to the final offer price and number of TG Tech Shares to be offered is available.

Effect on the Group's shareholding in TG Tech

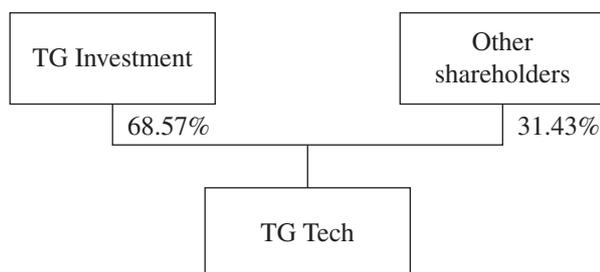
As of the date of this announcement, the Company indirectly holds 443,380,623 TG Tech Shares (representing approximately 75.58% of the issued share capital of TG Tech). Set out below are simplified diagrams illustrating the Group's shareholding in TG Tech as of the date of this announcement and upon completion of the Proposal:

As of the date of this announcement:

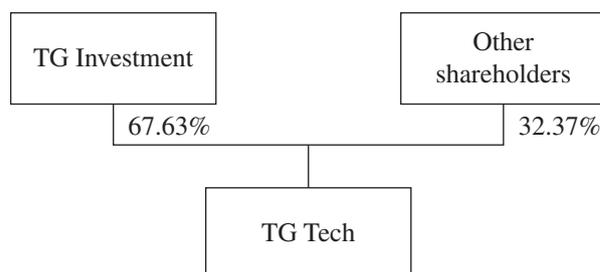


Upon the completion of the Proposal:

If the over-allotment option (if any) is not exercised:



If the over-allotment option (if any) is fully exercised:



Notes:

1. Assuming (a) the maximum number of TG Tech Shares under the Proposal will be issued, and (b) except for the Proposal, there being no changes in the shareholding in TG Tech from the date of this announcement up to the completion of the Proposal.
2. Figures are subject to rounding.
3. The TG Tech Shares are currently quoted on NEEQ. So far as the Company is aware of, as of the date of this announcement, other shareholders of TG Tech includes (but not limited to): Nanjing Iron & Steel Co., Ltd. (17.95%); Mr. Zhu Xiaokun (2.47%); Mr. Jiang Rongjun (1.16%); and directors, supervisors and senior management of TG Tech (0.84%).

Indicative timetable of the Proposal

TG Tech has appointed a sole sponsor for the Proposal. It has submitted a formal application to the BSE on 21 December 2023 in respect of TG Tech Listing and is currently pending approval by the BSE.

The TG Tech Shares will cease to be quoted on NEEQ on the first day of listing of TG Tech on the BSE.

Shareholders and potential investors are reminded that the above timetable is an estimation provided by TG Tech for reference only. There is no assurance that the Proposal will complete according to the timetable, or at all.

Conditions of the Proposal

The Proposal will be conditional upon, among other things, the following:

- (a) approval of the BSE and registration by the CSRC in relation to the TG Tech Listing;
- (b) TG Tech having satisfied all applicable issuance and listing conditions (including applicable financial performance requirements) and having met the relevant information disclosure requirements; and
- (c) any other PRC regulatory approvals required by the relevant laws and regulations.

As at the date of this announcement, the Proposal has been approved by the board of directors and shareholders of TG Tech. None of the above conditions is waivable. If any one of the conditions is not fulfilled, the Proposal will not proceed.

Lock up and non-competition undertakings

As required by the relevant listing rules of the BSE, TG Investment (an indirect wholly-owned subsidiary of the Company, and the direct controlling shareholder of TG Tech) and the Beneficial Owner(s) each undertakes that (among other things):

- (a) for the period commencing from the day following 8 June 2023, up to the BSE Listing Date (unless the Proposal is aborted earlier), it will not dispose of any TG Tech Shares^(Note);

Note: The lock-up undertaking was provided by TG Investment, Mr. Zhu Xiaokun (as one of the de facto controllers) and other relevant persons on a voluntary basis. For details, please refer to the “Announcement on Voluntary Lock-up of the Company’s Shares Held by Shareholders (關於股東所持公司股票自願限售的公告)” dated 12 June 2023 published by TG Tech on the website of National Equities Exchange and Quotations in the PRC.

- (b) for a period of 12 months commencing from the BSE Listing Date (the “**Lock-up Period**”), it will not dispose of its TG Tech Shares, it will not entrust other party to manage its TG Tech Shares, or agree to TG Tech’s repurchase of the TG Tech Shares held them. The undertakers shall also subject to any extension of the Lock-up Period or any selling restrictions imposed under the laws, administrative regulations, departmental rules or the requirements or any request by the BSE and/or the CSRC;
- (c) it will not directly or indirectly engage in any business or activity which competes or may compete with the principal business of TG Tech if such business or activity may have a material adverse impact on TG Tech; and if TG Tech further expands its business scope on the basis of its existing business, and that other entities controlled by the undertaker has already begun the production and operation of such business and have a material adverse impact on TG Tech, such undertaker shall dispose of its control of such entities, TG Tech and its subsidiaries shall have a pre-emptive right to acquire the control of such entities.

Other undertakings, documents or agreements required by the relevant listing rules of the BSE, or which are customarily provided by an issuer, controlling shareholder and/or the beneficial owner of an issuer (as may be applicable) in a transaction of similar nature will also be entered into by the Group as part of the Proposal.

Intended use of proceeds

According to the Proposal, the expected gross proceeds to be raised by TG Tech will be approximately RMB360 million, after deducting the related fees and expenses, the net proceeds from the Proposal are intended to be used primarily for the construction of a high-end titanium and titanium alloy rod and wire production line with an annual output of 3,000 tons. This will increase TG Tech’s production output, improving the performance and quality of its products which will in turn enable TG Tech to venture into high value-added application fields of titanium and titanium alloys.

INFORMATION ON TG TECH

TG Tech is an indirect non-wholly owned subsidiary of the Company. Its shares are currently quoted on the Innovation Tier of NEEQ (NEEQ stock code: 834549). As of the date of this announcement, TG Tech has a registered capital of RMB586,600,015, divided into 586,600,015 TG Tech Shares. TG Investment (an indirect wholly-owned subsidiary of the Company) holds approximately 75.58% of TG Tech’s issued share capital as of the date of this announcement.

TG Tech is principally engaged in research and development, production and sales of titanium and titanium alloy materials.

Set out below a summary of the selected consolidated financial information of TG Tech prepared under the PRC Generally Accepted Accounting Principles for the periods/dates indicated:

RMB

	Year ended 31 December 2021 (audited)	Year ended 31 December 2022 (audited)	Six months ended 30 June 2023 (audited)
Net profit (before taxation)	22,866,851.99	72,435,343.25	91,010,964.95
Net profit (after taxation)	20,343,157.72	70,306,897.56	79,382,122.97
Revenue	282,570,307.21	383,302,312.84	487,581,301.86
	As of 31 December 2021 (audited)	As of 31 December 2022 (audited)	As of 30 June 2023 (audited)
Total assets	723,598,372.66	846,208,257.29	1,227,775,285.22
Net assets	668,976,298.36	694,059,800.86	773,441,923.83

It is expected that TG Tech will continue to be regarded as a subsidiary of the Company and its financial results will continue to be accounted for and consolidated into the financial results of the Company upon completion of the Proposal. It is expected the Deemed Disposal would not result in disposal gain or loss on the Group's consolidated financial results.

INFORMATION OF THE COMPANY

The Company is an investment holding company and its subsidiaries are engaged in the manufacturing and sales of die steel, high speed steel, cutting tools, titanium alloy and powder metallurgy products.

REASONS FOR AND THE BENEFITS OF THE PROPOSAL AND THE DEEMED DISPOSAL

The TG Tech Shares have been quoted on NEEQ since December 2015. The Group believes that TG Tech's listing on the BSE is commercially beneficial to the Company and TG Tech. The Company believes that the Proposal will strengthen TG Tech's competitiveness and market position in the innovative industry, and contribute to its long-term development.

With the gradual improvement of industrial systems such as petrochemicals and aerospace, as well as the expansion of consumer electronics, 3D printing, medical equipment and fastener application, demands on titanium continue to grow. According to statistics from the China Titanium Industry Development Report* (中國鈦工業發展報告) published by Titanium Zirconium Hafnium Branch of China Nonferrous Metals Industry Association (中國有色金屬工業協會鈦銻鉛分會), domestic titanium material sales showed a trend of growth, increasing from 42,730 tons to 114,703 tons during the period 2014 to 2021, an average annual compound growth rate of 15.15%. In the fierce market competition, the domestic production capacity of high-end products in titanium industry market is insufficient while the competition for mid-range and low-end products is fierce due to the trend of product homogeneity. There is room for improvement in market supply and demand structure. Therefore, there is an overall trend in the domestic titanium industry to develop their high-end products, and industry concentration is expected to further increase.

Through the construction of a high-end titanium and titanium alloy rod and wire production line, TG Tech plans to further promote the strategy of deep processing of titanium materials, expand production of high-end titanium and titanium alloy wire, improve product performance, thereby improve the market competitiveness of products to meet the growing market demand.

Besides, the construction of a high-end titanium and titanium alloy rod and wire production line includes adding vacuum electron beam cooling bed smelting furnace and titanium rod and wire rolling equipment. The new rolling facility will better leverage the scale effect of the existing precision forging and rapid forging equipment and reduce reliance of current related-party transactions on outsourced rolling process. At the same time, the new smelting facility will enhance the uniformity of product ingredients, and thereby comprehensively improve quality of the titanium and titanium alloy materials and achieve sustainable development.

The listing on the BSE will enable TG Tech to further enhance its corporate branding and identity, revealing a clearer picture to the public, potential investors and business partners of its business and operations. The Proposal could provide TG Tech a broader and more diversified shareholders base in the long run, and enhance its corporate governance standard, bringing additional value and facilitate the growth of TG Tech.

The Proposal would bring TG Tech proceeds for its development and expansion, provide TG Tech a broader fundraising platform in the capital market, and improve its financial flexibility and resources. While there will be dilution in the Company's shareholdings in TG Tech as a result of the Proposal, the Company will retain control over TG Tech immediately following the TG Tech Listing and the financial results of the TG Tech Group will continue to be consolidated into the accounts of the Company. The Company believes that the Proposal will allow the Company (who will remain as TG Tech's ultimate controlling shareholder) and its shareholders to enjoy the enhanced value of TG Tech.

Having considered the benefits of the Proposal, its terms and how the offer size and offer price will be determined, the Directors believe that the terms of the Proposal (including the Deemed Disposal) will be fair and reasonable, and the Proposal (including the Deemed Disposal) is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As part of the Proposal, TG Tech will allot and issue new TG Tech Shares, which will reduce the Group's shareholding in TG Tech. Such allotment and issue, if materialised, will constitute a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules based on the expected size of the Deemed Disposal may be higher than 5% but less than 25%, the Deemed Disposal may constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and subject to the announcement requirement under the Listing Rule.

Given current listing of TG Tech on NEEQ has gone through the "spin-off" procedure under Practice Note 15 of the Listing Rules, to the best of the knowledge and belief of the Company, the Proposal is not regarded as a "spin-off" under Practice Note 15 of the Listing Rules.

GENERAL

The Proposal and its structure are subject to, among other things, approval of the relevant authorities (including the BSE and the CSRC), market conditions, fulfillment of applicable conditions and listing requirements, and other consideration. A formal application to the BSE was made on 21 December 2023 in relation to TG Tech Listing and is currently pending approval by the BSE. There is no assurance that the Proposal will take place, and if so, when it will take place. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

Any person who is in doubt about his/her/its position or any action to be taken is recommended to consult his/her/its professional adviser(s).

DEFINITIONS

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

"Beneficial Owner(s)"	natural persons who beneficially control TG Tech, refer to Mr. Zhu Xiaokun, Ms. Yu Yumei and Mr. Zhu Zefeng
"BSE"	Beijing Stock Exchange
"BSE Listing Date"	the date on which the shares of TG Tech are listed on the BSE
"Company"	Tiangong International Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
"connected person"	has the meaning ascribed to it under the Listing Rules
"CSRC"	China Securities Regulatory Commission

“Deemed Disposal”	the reduction of the Company’s shareholding interest in TG Tech as a result of allotment and issue of new TG Tech Shares under the Proposal
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Independent Third Parties”	party(ies) whose ultimate beneficial owner(s) is/are independent of the Company and connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lock-up Period”	has the meaning ascribed to it under the paragraph headed “Lock up and non-competition undertakings”
“NEEQ”	National Equities Exchange and Quotations
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“Proposal”	the proposed public offering of shares to unspecified qualified investors by TG Tech and listing of TG Tech on the BSE
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TG Investment”	Jiangsu Tiangong Investment Management Company Limited, an indirect wholly-owned subsidiary of the Company, and a direct shareholder of TG Tech
“TG Tech”	Jiangsu Tiangong Technology Company Limited
“TG Tech Group”	TG Tech and its subsidiaries

“TG Tech Listing” the proposed listing of the TG Tech Shares on the BSE
“TG Tech Shares” ordinary share(s) of TG Tech with a nominal value of RMB1 each

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

Hong Kong, 21 December 2023

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

Executive Directors: ZHU Xiaokun, ZHU Zefeng, WU Suojun and JIANG Guangqing

Independent non-executive Directors: GAO Xiang, LEE Cheuk Yin, Dannis and WANG Xuesong

* *For identification purpose*