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If you have sold or transferred all your shares in Tiangong International Company Limited, you should at once hand this circular and the enclosed proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

Executive Directors:

ZHU Xiaokun

ZHU Zhihe

YAN Ronghua

WU Suojun

Registered office in Cayman Islands:

P.O. Box 309

GT. Ugland House

South Church Street, George Town

Grand Cayman, Cayman Islands

Independent non-executive Directors:

LI Zhengbang

GAO Xiang

LEE Cheuk Yin, Dannis

Registered office in Hong Kong:

Unit 1303, 13/F, Jubilee Centre

18 Fenwick Street, Wanchai

Hong Kong

Principal place of business:

Houxiang Town

Danyang City

Jiangsu Province

The PRC

18 April 2011

To the Shareholders

Dear Sir/Madam,

**PROPOSALS RELATING TO
SUBDIVISION OF SHARES AND BOARD LOT CHANGE,
RE-ELECTION OF RETIRING DIRECTORS,
GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES,
FINAL DIVIDEND
AND
NOTICE OF ANNUAL GENERAL MEETING**

* For identification purpose only

INTRODUCTION

As announced by the Company on 8 April 2011, the board of Directors of the Company (the “**Board**”) proposes to subdivide each one (1) existing issued and unissued share of US\$0.01 of the Company (the “**Shares**”) into four (4) shares of US\$0.0025 each (the “**Subdivided Shares**”) and change the board lot size of the shares of the Company from 1,000 Shares per board lot to 2,000 Subdivided Shares per board lot (the “**Board Lot Change**”).

The Board also wish to seek the approval of shareholders to re-elect the retiring directors, to obtain general mandates to the Board to issue and repurchase shares in the share capital of the Company.

This circular is to provide the shareholders with (i) further information on the Share Subdivision and the Board Lot Change and the re-election of directors of the Company; (ii) the explanatory statement as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”); and (iii) further information of the final dividend to be declared by the Company and all other information reasonably necessary to enable them to make an informed decision on whether to vote for or against the resolutions as mentioned herein and which, inter alia, will be dealt with at the annual general meeting of the Company to be held at Queensway and Victoria Room, Level 3, J.W. Marriott Hotel, Queensway, Hong Kong on Monday, 23 May 2011 at 2:00 p.m. (the “**Annual General Meeting**”).

SHARE SUBDIVISION AND BOARD LOT CHANGE

Share Subdivision

As at 14 April 2011 (the “**Latest Practicable Date**” for the purpose of ascertaining information for inclusion in this circular), the authorised share capital of the Company was US\$10,000,000 divided into 1,000,000,000 Shares of US\$0.01 each, of which 419,500,000 Shares have been issued and are fully paid or credited as fully paid.

The Board proposes to subdivide each one (1) existing issued and unissued Share of US\$0.01 of the Company into four (4) Subdivided Shares of US\$0.0025 each. Upon the Share Subdivision becoming effective, the authorised share capital of the Company will be US\$10,000,000 divided into 4,000,000,000 Subdivided Shares, of which 1,678,000,000 Subdivided Shares will be in issue and fully paid or credited as fully paid, assuming that no further Shares are issued or repurchased prior to the Share Subdivision becoming effective. All Subdivided Shares will rank *pari passu* with each other in all respects with the Shares in issue prior to the Share Subdivision and the rights attached to the Subdivided Shares will not be affected by the Share Subdivision.

The Share Subdivision is conditional upon:

- (a) the passing by the Shareholders at the Annual General Meeting of an ordinary resolution approving the Share Subdivision; and

- (b) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the Subdivided Shares.

An application has been made to the Stock Exchange for the listing of and permission to deal in the Subdivided Shares arising from the Share Subdivision.

Share Capital

Authorised: US\$

Before Share Subdivision

1,000,000,000 Subdivided Shares of US\$0.01 each	10,000,000
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After Share Subdivision

4,000,000,000 Subdivided Shares of US\$0.0025 each	<u>10,000,000</u>
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In issue before Share Subdivision US\$

419,500,000 Shares of US\$0.01 each	4,195,000
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In issue and to be issued after Share Subdivision: US\$

1,678,000,000	Subdivided Shares in issue as at the effective date of the Share Subdivision	4,195,000
167,800,000	Subdivided Shares to be issued pursuant to the initial 10% mandate limit of the share option scheme of the Company adopted on 7 July 2007 (the “Share Option Scheme”)	419,500
128,000,000	Subdivided Shares to be issued upon the full exercise of the subscription rights attached to the 32,000,000 warrants of the Company created as per the announcements of the Company of 28 and 30 December 2010 (the “Warrants”)	320,000
1,973,800,000	Subdivided Shares in issue immediately after the full exercise of the subscription rights attached to the Warrants and options as per the 10% mandate limit of the Share Option Scheme	4,934,500

1. No part of the Shares and the Subdivided Shares is listed or dealt in any other stock exchange on which listing or permission to deal is being or is proposed to be sought.

2. All necessary arrangements have been made enabling the Subdivided Shares to be admitted into the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.
3. The rights as regards dividend, capital and voting attached to the Subdivided Shares rank *pari passu* with each others on the effective date of the Share Subdivision. Subject to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Board may determine.
4. All or any of the rights attached to the Subdivided Shares being issued may, subject to the provisions of the Cayman Islands law, be varied or abrogated with the consent in writing of the holders of not less than three fourths in nominal value of the issued Subdivided Shares or with the sanction of a special resolution passed at a meeting of the holders of Subdivided Shares.
5. As at the latest practicable date, 4,970,000 number of options were granted to the employees under the Share Option Scheme.

Board Lot Change

The Shares are currently traded on the Stock Exchange in board lot of 1,000 Shares. The Board proposes that subject to and upon the Share Subdivision becoming effective, the board lot size be changed from 1,000 Shares to 2,000 Subdivided Shares. Given the Board Lot Change will not result in odd lots, there will not be any odd lots matching arrangement.

Reasons for the Share Subdivision and Board Lot Change

The proposed Share Subdivision will decrease the nominal value and increase the total number of shares in issue. Although the Share Subdivision will result in downward adjustment to the trading price of the Shares, the Board believes that the Share Subdivision will decrease the trading spread as well as the volatility of the trading price of the Shares and thus result in the improved liquidity in trading of the Company's Subdivided Shares. Therefore, the Board considers that the Share Subdivision will enable the Company to attract more investors and broaden its Shareholder base.

Save for the expenses to be incurred by the Company in relation to the Share Subdivision, the implementation of the Share Subdivision will not, by itself, alter the underlying assets, business operations, management or the financial position of the Company or the proportionate interest of the Shareholders. The Board considers the Share Subdivision is in the interests of the Company and the Shareholders as a whole.

The Board Lot Change reduces the trading price per board lot but ensures that the value of each board lot of the Subdivided Shares would be more than HK\$2,000. The Board considers the Board Lot Change to be in the interests of the Company and its Shareholders as a whole.

Adjustments to the Exercise/Subscription Prices and Number of Shares to be issued under Options and Warrants

Implementation of the Share Subdivision will lead to pro rata adjustments to (i) the exercise prices and number of option shares granted pursuant to the employee share option scheme of the Company and (ii) the subscription prices and number of Subdivided Shares which may be subscribed upon exercise of the subscription rights attached to the warrants of the Company. Such adjustments have been certified by a financial advisor to the Company engaged for such purpose.

The Company will inform each of the grantees of the share options regarding the adjustments to be made pursuant to the respective terms and conditions of the share option scheme and each of the holders of the warrants regarding the adjustments to be made pursuant to the respective terms and conditions of the warrants.

Save as disclosed above, the Company has no other outstanding share options, warrants or convertible securities to subscribe for any Share.

Free Exchange of Share Certificates

Upon the Share Subdivision becoming effective, the Shareholders can submit their existing light blue share certificates for the Shares to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in exchange for new dark blue share certificates for the Subdivided Shares free of charge during the business hours from 24 May 2011 to 4 July 2011 (both days inclusive). After the expiry of such period, existing light blue certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each existing light blue share certificate cancelled or new dark blue share certificate issued (whichever number of share certificates involved is higher). It is expected that the new dark blue share certificates will be available for collection within a period of 10 business days after the submission of the existing light blue share certificates.

Expected Timetable

The expected timetable for the implementation of the Share Subdivision is set out below:

2011

Latest date and time to return form of proxy

for the Annual General Meeting 2:00 p.m. on Saturday, 21 May

Date and time of the Annual General Meeting 2:00 p.m. on Monday, 23 May

The following events are conditional on the fulfilment of the conditions for the implementation of the Share Subdivision as set out in the section headed “Share Subdivision” above.

2011

Effective date of the Share Subdivision Tuesday, 24 May

Dealings in Subdivided Shares commence 9:00 a.m. on Tuesday, 24 May

Temporary counter for trading in Subdivided Shares
in board lots of 4,000 Subdivided Shares (in the
form of existing light blue certificates) opens 9:00 a.m. on Tuesday, 24 May

Original counter for trading in Shares in board
lots of 1,000 Shares temporarily closes 9:00 a.m. on Tuesday, 24 May

Free exchange of existing light blue certificates
for the new dark blue certificates for the
Subdivided Shares commences Tuesday, 24 May

Original counter for trading in Subdivided Shares in
board lots of 2,000 Subdivided Shares (only new
dark blue share certificates for the Subdivided Shares
can be traded at this counter) reopens 9:00 a.m. on Wednesday, 8 June

Parallel trading in the Shares and Subdivided Shares
(in the form of existing light blue share certificates
and new dark blue share certificates) commences 9:00 a.m. on Wednesday, 8 June

Temporary counter for trading in board lots of
4,000 Subdivided Shares (in the form of
existing light blue share certificates) closes 4:00 p.m. on Tuesday, 28 June

Parallel trading in Subdivided Shares
(in the form of existing light blue share certificates
and new dark blue share certificates) ends 4:00 p.m. on Tuesday, 28 June

Free exchange of existing light blue certificates for
the Shares for new dark blue certificates for the
Subdivided Shares ends 4:00 p.m. on Tuesday, 4 July

Note: All times refer to Hong Kong local times and dates in this circular.

Dates or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

RE-ELECTION OF RETIRING DIRECTORS

Messrs. LEE Cheuk Yin, Dannis and WU Suojun were appointed as an independent non-executive Director and an executive Director of the Company on 1 September 2010 and 28 December 2010, respectively, after the date of the Company's latest annual general meeting held on 29 June 2010. They will hold office until the Annual General Meeting and will be eligible for re-election in accordance with the Articles of Association of the Company.

In accordance with the Articles of Association of the Company, Messrs. ZHU Xiaokun and ZHU Zhihe, being one-third of the number of directors who have been the longest in office since their last election, will retire by rotation at the Annual General Meeting and being eligible, offer themselves for re-election. Ordinary Resolutions will therefore be proposed at the Annual General Meeting to re-elect Messrs. ZHU Xiaokun, ZHU Zhihe and WU Suojun as executive directors of the Company and Mr. LEE Cheuk Yin, Dannis as independent non-executive director of the Company. Pursuant to Rule 13.74 of Listing Rules, the details of such Directors are set out below:

Mr. ZHU Xiaokun, aged 54, is an Executive Director and the Chairman of the Group. He is responsible for the overall business development strategy of the Group and has over 20 years of experience in HSS and cutting tools industry. Mr. Zhu graduated from the Economic and Management Department of Jiangsu Radio and TV University. In 1984, he joined Danyang Houxiang Television Antenna Factory (the predecessor of TG Group) as the general manager. He led the factory to transform from a television antenna factory to an enterprise of HSS cutting tools in 1987 and also subsequently to expand to include the production of HSS in 1992. He has been acting as the Chairman of the Group since July 1997. In 1998, he was awarded as a National Township Factory Manager and was named as a National Township Entrepreneur in 2004 by Ministry of Agriculture.

Mr. ZHU Zhihe, aged 60, is an Executive Director and the Chief Executive Officer (General Manager) of the Group. He is responsible for the daily operations of the Group and has over 20 years of experience in factory management. Prior to joining the Group, he worked for Feida Village in Houxiang Town and Jiangsu Danyang Houxiang Gaoshi Bridge Yuming Metallic Factory. He joined the Group in 1993. During July 2000 to August 2006, he was an executive director and the vice general manager of Jiangsu Tiangong Tools Company Limited. He is now in charge of the production, operation and sales of HSS and die steels for TG Tools and TG Aihe.

Mr. WU Suojun, aged 38, is an executive director and a deputy general manager of TG Tools, and a deputy general manager of Tianfa Forging. Mr. Wu joined the Group in 1993 as a workshop officer. He is in charge of the production, operation and management of HSS.

Mr. LEE Cheuk Yin, Dannis, aged 40, is a graduate of Bachelor of Business Administration from Texas A&M University in the United States and is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Lee worked in an international accounting firm and an international cigarette manufacturer. Mr. Lee is an independent

non-executive director of Geely Automobile Holdings Limited (stock code: 175) and a non-executive director of Kam Hing International Holdings Limited (stock code: 2307); both are listed companies in Hong Kong. Mr. Lee was a non-executive director of Norstar Founders Group Limited (10 October 2003 to 15 January 2009), and an executive director of AMVIG Holdings Limited (26 March 2004 to 1 March 2010).

Save as disclosed above and in the section "Repurchase of Shares" below and as at the Latest Practicable Date, each of Messrs. ZHU Xiaokun, ZHU Zhihe, WU Suojun and LEE Cheuk Yin, Dannis did not hold any directorship in any other listed public companies in the last three years and does not hold any position in any member of the Group, nor does each of them have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company or any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Each of Messrs. ZHU Xiaokun, ZHU Zhihe and WU Suojun (being executive Directors of the Company) will enter into a new service contract with the Company for a period of three years commencing from the date of the Annual General Meeting until the date of the annual general meeting of the Company to be held in 2014, subject to rotation of directors requirements under the Listing Rules and the Articles of Association of the Company.

Each of Messrs. LI Zhengbang, GAO Xiang and Mr. LEE Cheuk Yin, Dannis (all being independent non-executive Directors of the Company) will enter into a new appointment letter with the Company for a period commencing from the date of the Annual General Meeting to the date of the annual general meeting of the Company to be held in 2012 unless terminated by not less than three months' prior notice in writing served by either the relevant independent non-executive Director or the Company. In certain other circumstances, such appointment can also be terminated by the Company, including but not limited to serious breaches of the Directors' obligations under the appointment letter or serious misconduct.

Director's annual emoluments of RMB60,000, RMB36,000 and HK\$96,000 were paid to Messrs. LI Zhengbang, GAO Xiang and LEE Cheuk Yin, Dannis, respectively, during the year ended 31 December 2010 according to the terms of their respective appointment letter. It is proposed that the remuneration of Messrs. LI Zhengbang, GAO Xiang and LEE Cheuk Yin, Dannis be RMB60,000, RMB36,000 and HK\$96,000, respectively, for the above-mentioned new term. In determining of the remuneration, market rates and factors such as the Director's workload and required commitment have been taken into account.

Director's salary of RMB83,000 and RMB85,000 were paid to Messrs. ZHU Xiaokun and ZHU Zhihe, respectively, during the year ended 31 December 2010 according to the terms of their respective service contract. Mr. WU as senior management received RMB90,900 as salary. It is proposed that the annual basic salary of Messrs. ZHU Xiaokun, ZHU Zhihe and WU Suojun be RMB91,300, RMB93,500 and RMB99,990, respectively, for 2010. In determining of the remuneration, market rates and factors such as the Director's workload and required commitment have been taken into account.

In relation to the re-election of the above Directors, there is no information to be disclosed pursuant to any of the requirements of the provisions of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

SHARE ISSUE MANDATE

Subject to the approval of the Share Subdivision, resolution 6 to be proposed at the Annual General Meeting (“**Resolution 6**”) relates to the granting of a general mandate which will empower the Directors of the Company to issue new Subdivided Shares not exceeding 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of the resolution (including making and granting offers, agreements and options which would or might require Subdivided Shares to be issued, allotted or disposed of) during the period up to the next annual general meeting of the Company, or at the expiration of the period within which the next annual general meeting of the Company is required by law to be held, or on revocation of Resolution 6 by an ordinary resolution of the shareholders at general meeting, whichever is the earliest.

As at the Latest Practicable Date, there were 419,500,000 Shares in issue. There would be 1,678,000,000 Subdivided Shares in issue on the effective date of the Share Subdivision. Subject to the approval of the Share Subdivision and the passing of the proposed Resolution 6 at the Annual General Meeting and on the assumption that no additional shares will be issued and that prior to the date of the proposed resolution, no shares will be repurchased by the Company and no subscription rights under the warrants issued and share options granted by the Company are exercised, the Company would be allowed under the mandate to issue a maximum of 335,600,000 Subdivided Shares.

REPURCHASE OF SHARES

The Company is allowed by its Memorandum and Articles of Association and the applicable laws and regulations of the Cayman Islands to repurchase its own shares. The Listing Rules permit shareholders to grant a general mandate to the directors to repurchase shares of such company that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by shareholders in general meeting. Set out below the “Explanatory Statement” in respect of such mandate as required under Rule 10.06(1)(b) of the Listing Rules:

Explanatory Statement

(a) Shareholders’ approval

All proposed repurchases of shares must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Resolution 7 to be proposed at the Annual General Meeting (“**Resolution 7**”) relates to the granting of a general mandate to the Directors of the Company to repurchase, on the Stock Exchange, the shares up to a maximum of 10 per cent of the issued share capital of the

Company as at the date of the proposed resolution (the “**Repurchase Proposal**”) during the period up to the next annual general meeting of the Company, or at the expiration of the period within which the next annual general meeting of the Company is required by law to be held, or on revocation of Resolution 7 by an ordinary resolution of the shareholders at general meeting, whichever is the earliest.

(b) Number of shares to be repurchased

The Shares to be purchased by the Company must be fully paid-up.

As at the Latest Practicable Date, there were 419,500,000 Shares in issue. Therefore, subject to the approval of the Share Subdivision and the passing of the proposed Resolution 7 at the Annual General Meeting and on the assumption that no additional shares will be issued and that prior to the date of the proposed resolution, no shares will be repurchased by the Company and no subscription rights under the warrants issued and share options granted by the Company are exercised, the Company would be allowed under the mandate to repurchase a maximum of 167,800,000 Subdivided Shares.

The listing of all shares which are repurchased by the Company will be automatically cancelled upon repurchase. The documents of title of repurchased shares will be cancelled and destroyed as soon as reasonably practicable following settlement of any such purchase.

(c) Reason for the repurchase

The existing mandate to repurchase shares will expire on the date of the next annual general meeting. Given trading conditions on the Stock Exchange have sometimes been volatile in recent months and there have been occasions when shares were trading at a substantial discount to their underlying net asset value, repurchases of the shares may enhance the Company’s net asset value per share and earnings per share. In these circumstances, the ability of the Company to repurchase the shares can be beneficial to those shareholders who retain their investment in the Company since their percentage interest in the assets of the Company would increase in proportion to the number of shares repurchased by the Company. Furthermore, exercise of the mandate granted under the Repurchase Proposal by the Directors of the Company would increase the trading volume of the shares on the Stock Exchange. As such, the Directors of the Company believe that the Repurchase Proposal is in the interests of the Company and its shareholders.

(d) Source of funds

Repurchases by the Company must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchase of shares will be made out of the profits of the Company or out of a fresh issue of shares made for the purpose of the purchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in the case of any

premium payable on the purchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company, or if authorised by the Articles of Association and subject to the Companies Law of the Cayman Islands, out of capital.

The Board do not expect there to be any material adverse impact on the working capital or gearing position of the Company, as compared with the position disclosed in the latest audited financial statements of the Company for the year ended 31 December 2010, as a result of repurchases made under the Repurchase Proposal even if the mandate is exercised in full. However, no purchase would be made in circumstances that would have a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the latest published audited financial statements) unless the Directors of the Company consider that such purchases would be in the best interests of the Company notwithstanding such material adverse impact.

(e) Trading restrictions

The total number of shares which the Company may repurchase is up to 10% of the total number of the shares in issue as at the date of passing Resolution 7.

The Company shall not repurchase its shares on the Stock Exchange

- a. if the repurchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Stock Exchange; or
- b. for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

The Company shall not knowingly purchase its shares from a connected person and a connected person shall not knowingly sell shares to the Company, on the Stock Exchange.

The Company shall procure that any broker appointed by the Company to effect the purchase of its shares shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the Company as the Stock Exchange may request.

The Company shall not repurchase its shares on the Stock Exchange at any time after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of:

- a. the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- b. the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, the Company may not purchase its shares on the Stock Exchange, unless the circumstances are exceptional.

The Company shall not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange, currently, 25% of the total issued share capital of the Company.

The Company may not make a new issue of shares or announce a proposed new issue of shares for a period of 30 days, after any repurchase, whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to the exercise of warrants, share options or similar instruments requiring the Company to issue securities, which were outstanding prior to that purchase of its own securities), without the prior approval of the Stock Exchange.

(f) Procedure and reporting

The Company will submit for publication to the Stock Exchange through HKEx-EPS not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which the Company makes a purchase of Shares (whether on the Stock Exchange or otherwise), the total number of Shares purchased by the Company the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant, and shall confirm that those purchases which were made on the Stock Exchange were made in accordance with the Listing Rules and that there have been no material changes to the particulars contained in this circular. The Company should make arrangements with its brokers to ensure that they provide to the Company in a timely fashion the necessary information to enable the Company to make the report to the Stock Exchange.

In addition, the Company's annual report is required to disclose details regarding repurchases of Shares made during the financial year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(g) Undertaking

The Directors of the Company have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the proposed Resolution 7 in accordance with the Listing Rules and all applicable laws.

(h) Disclosure of Interests

None of the Directors of the Company nor, to the best of their knowledge having made all reasonable enquiries, any of their associates presently intend to sell the Shares to the Company under the Repurchase Proposal in the event that the Repurchase Proposal is approved by shareholders at the Annual General Meeting.

Meanwhile, the Company has not been notified by any connected persons of the Company that they have a present intention to sell any Shares, or that they have undertaken not to sell any Shares held by them to the Company, in the event that the Repurchase Proposal is approved by shareholders at the Annual General Meeting.

(i) Takeover Code Implication and Public Float

If, on the exercise of the powers granted under the Repurchase Proposal, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of rule 32 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). As a result, a shareholder or a group of shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of such increase, may obtain or consolidate control of the Company and thereby obliged to make a mandatory general offer in accordance with rule 26 of the Takeovers Code.

As at the Latest Practicable Date, and insofar the Directors of the Company are aware of, persons having interest in 10% or more of the issued share capital of the Company are as follows:

Name of shareholder	Capacity	No. of Shares held	% of shareholding	
			Current	Assuming the Repurchase Proposal is exercised in full
Zhu Xiaokun (Notes 1 and 2)	Interest in controlled corporations	220,183,000	52.49%	58.32%
Yu Yumei	Spouse interest	220,183,000	52.49%	58.32%
Tiangong Holdings Company Limited (Note 1)	Beneficial owner	210,000,000	52.49%	58.32%

Notes:

1. Tiangong Holdings Company Limited ("THCL") was owned as to approximately 89.02% and 10.98% by Mr. Zhu Xiaokun and Madam Yu Yumei, respectively. Mr. Zhu was deemed to be interested in Shares held by THCL and other companies held as to not less than one-third interests by him.
2. Silver Power (HK) Limited, which was wholly-owned by Mr. Zhu Xiaokun, held 10,183,000 Shares.

In the event that the Directors of the Company shall exercise in full such powers under the Repurchase Proposal and on the basis that there is no other change in the then issued share capital of the Company, the interest of the above substantial shareholders would be increased to approximately the percentage shown in the last column above. The Directors of the Company consider that such increase would not give rise to an obligation to make a mandatory offer under rule 26 of the Takeovers Code. The number of shares held by the public would not fall below 25% of the issued share capital of the Company.

(j) Repurchase in the previous six months

The Company has not repurchased any Shares pursuant to the mandate to repurchase Shares granted by shareholders of the Company on 29 June 2010.

(k) Trading prices of the Shares

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each month from April 2010 and up to the Latest Practicable Date were as follows:

	Highest Price (HK\$)	Lowest Price (HK\$)
April 2010	3.89	3.21
May 2010	3.50	2.90
June 2010	3.30	2.72
July 2010	3.23	2.80
August 2010	3.90	3.10
September 2010	4.29	3.61
October 2010	4.00	3.70
November 2010	4.08	3.48
December 2010	4.28	3.51
January 2011	5.58	3.86
February 2011	6.97	5.15
March 2011	6.96	5.77
1 April 2011, up to 14 April 2011	7.30	6.53

EXTENSION OF SHARE ISSUE MANDATE

Resolution 8 to be proposed at the Annual General Meeting (“**Resolution 8**”) relates to the extension of the 20 per cent general mandate to be granted pursuant to Resolution 6. Subject to the passing at the Annual General Meeting of Resolution 6, Resolution 7 and Resolution 8, the Directors of the Company will be given a general mandate to add all those number of shares which may from time to time be purchased under the Repurchase Proposal to the 20 per cent general mandate, thus, the limit of the share issue mandate would include, in addition to the 20 per cent limit as aforesaid, the number of shares repurchased under the Repurchase Proposal.

FINAL DIVIDEND

The Board has recommended a final dividend of RMB0.1125 per share of US\$0.01 each subject to shareholders' approval at the Annual General Meeting.

The HK dollar: Reminbi exchange rate to be adopted to determine the Hong Kong dollars equivalent of the final dividend and the payment date (which will be a day where licenced banks of Hong Kong will be generally open for business) will be announced after the shareholders' approval.

The Register of Members of the Company will be closed from 18 May 2011 to 23 May 2011 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend and attending the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 17 May 2011.

ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting is set out on pages 17 to 20 of this circular. A form of proxy for use at the Annual General Meeting is being sent to the shareholders together with this circular. Whether or not you are able to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Annual General Meeting if you so wish.

VOTING PROCEDURES

Pursuant to Rule 13.39(4) of the Listing Rules, at the Annual General Meeting, all resolutions put to the vote of the meeting shall be decided by poll. The Company will then announce the results of the poll in the manner prescribed under rule 13.39(5).

On a poll, votes may be given either personally or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

RECOMMENDATION

The Directors consider that the Share Subdivision, the re-election of the retiring Directors, the Share Issue Mandate, the Repurchase Proposal and the Extension of Share Issue Mandate and final dividend are in the best interests of the Company and its shareholders and accordingly recommend all the shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

Yours faithfully
For and on behalf of the Board
Tiangong International Company Limited
ZHU Xiaokun
Chairman



Tiangong International Company Limited

天工國際有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 826)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of the Company will be held at Queensway and Victoria Room, Level 3, J.W. Marriott Hotel, Queensway, Hong Kong on Monday, 23 May 2011 at 2:00 p.m. to consider and if thought fit, pass with or without modification the following resolutions:

As Ordinary Business,

Ordinary Resolutions

1. The audited financial statements and the Reports of the Directors and Auditors for the year ended 31 December 2010 be and are hereby approved.
2. The proposed final dividend of RMB0.1125 per share with per value of US\$0.01 be and is hereby approved.
3. (a) (i) The re-election of Mr. ZHU Xiaokun as an executive director of the Company be and is hereby approved.

(ii) The re-election of Mr. ZHU Zhihe as an executive director of the Company be and is hereby approved.

(iii) The re-election of Mr. LEE Cheuk Yin, Dannis as an independent non-executive director of the Company be and is hereby approved.

(iv) The re-election of Mr. WU Suojun as an executive director of the Company be and is hereby approved.
- (b) The Board of Directors be and is hereby authorised to fix the remuneration of the Directors.
4. The re-appointment of KPMG as auditors of the Company be and is hereby approved and that the Board of Directors be authorised to fix their remuneration.

* For identification purpose only

NOTICE OF ANNUAL GENERAL MEETING

And as Special Business,

Special Resolution

5. “**THAT** conditional on the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the shares with par value of US\$0.0025 each in the issued share capital of the Company, with effect from 9:00 a.m. on the business day next following the day on which this resolution is passed by the shareholders of the Company, each of the issued and unissued shares with par value of US\$0.010 in the share capital of the Company be sub-divided into five shares of US\$0.0025 each (“Share Subdivision”) so that the authorised share capital of the Company will be US\$10,000,000 divided into 4,000,000,000 shares with par value of US\$0.0025 each immediately following the Share Subdivision, and any director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to any of the foregoing as he considers necessary, desirable or expedient in connection with the implementation of or giving effect to any of the foregoing and the transactions contemplated thereunder.”

Ordinary Resolutions

6. “**THAT:**
- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) the exercise of subscription rights under any share option scheme of the Company or (iii) an issue of shares as scrip dividends pursuant to the Articles of Association of the Company from time to time, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or any applicable law of the Cayman Islands to be held; and
- (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means the allotment, issue or grant of shares pursuant to an offer (open for a period fixed by the Directors of the Company) made to shareholders or any class thereof whose names appeared on the register of members of the Company on a fixed record date pro rata to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements of having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

7. **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as defined in Resolution 6(d) above) all powers of the Company to repurchase its shares in the capital of the Company, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time, be and is hereby generally and unconditionally approved; and
- (b) the aggregate nominal amount of shares to be purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company on the date of this Resolution and the authority pursuant to paragraph (a) above shall be limited accordingly.”

8. **“THAT** the general mandate granted to the Directors of the Company to allot, issue and deal with additional shares pursuant to Ordinary Resolution set out in Resolution 6 be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted pursuant to such general mandate the aggregate nominal amount of share in the

NOTICE OF ANNUAL GENERAL MEETING

capital of the Company, repurchased by the Company under the authority granted pursuant to Ordinary Resolution set out in Resolution 7, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of this Resolution.”

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

Hong Kong, 18 April 2011

Registered office in Cayman Islands:

P.O. Box 309

GT. Ugland House

South Church Street, George Town

Grand Cayman, Cayman Islands

Registered office in Hong Kong:

Unit 1303, 13/F, Jubilee Centre

18 Fenwick Street, Wanchai

Hong Kong

Principal place of business:

Houxiang Town

Danyang City

Jiangsu Province

The PRC

Notes:

- (a) A member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and to vote in his stead. A proxy need not be a member of the Company.
- (b) In order to be valid, a form of proxy, together with the power of attorney or other authority (if any), must be deposited at the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting.
- (c) An explanatory statement regarding the proposals of re-electing the retiring Directors of the Company, granting general mandates to issue new shares and to repurchase own shares of the Company will be despatched to the members of the Company together with this notice.
- (d) Information on the retiring Directors is set out in pages 7 to 8 to the circular of the Company dated 18 April 2011.