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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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  
ZHU Mingyao  
YAN Ronghua

*Registered office in Cayman Islands:*

P.O. Box 309  
GT. Uglund House  
South Church Street, George Town  
Grand Cayman, Cayman Islands

*Non-executive Director:*

THONG Kwee Chee

*Registered office in Hong Kong:*

Unit 1303, 13/F, Jubilee Centre,  
18 Fenwick Street, Wanchai,  
Hong Kong;

*Independent non-executive Director:*

LI Zhengbang  
GAO Xiang  
LAU Siu Fai

*Principal place of business:*

Houxiang Town  
Danyang City  
Jiangsu Province  
The PRC

22 April 2008

*To the Shareholders*

Dear Sir/Madam,

**PROPOSALS RELATING TO  
RE-ELECTION OF RETIRING DIRECTORS  
GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES  
NOTICE OF ANNUAL GENERAL MEETING**

**INTRODUCTION**

The Directors wish to seek the approval of shareholders to re-elect the retiring directors, to obtain general mandates to the Directors of the Company to issue and repurchase shares of US\$0.01 each in the share capital of the Company (the “Share(s)”).

\* For identification purpose only

This circular is to provide the shareholders with the explanatory statement as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) 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 Elbrus Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Wednesday, 18 June 2008 at 2:00 p.m. (the “**Annual General Meeting**”).

## **RE-ELECTION OF RETIRING DIRECTORS**

In accordance with the Articles of Association of the Company, Messrs ZHU Xiaokun, THONG Kwee Chee and ZHU Zhihe who have been 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, THONG Kwee Chee and ZHU Zhihe as Directors of the Company. Pursuant to Rule 13.74 of Listing Rules, the details of such Directors are set out below:

**Mr. ZHU Xiaokun**, aged 51, 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 as 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. THONG Kwee Chee**, aged 35, is a Non-Executive Director of the Group. Mr. Thong is currently Vice President of the AIG Global Investment Corp’s (AIGGIG) Greater China direct investment team and actively manages AIGGIG’s China investments. Prior to joining AIGGIG (Asia), Mr. Thong is affiliated with Arthur Andersen, Median Asset Management (Malaysia) and China Development Industrial Bank — one of the largest Taiwan based investment bank. Mr. Thong has a BSc (Hons) in Accounting and Financial Analysis from Warwick University and a Chartered Financial Analyst (CFA) qualification, since 2001.

**Mr. ZHU Zhihe**, aged 57, 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 Yumeng 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 (“**TG Tools**”). He is now in charge of the production, operation and sales of HSS and die steels for TG Tools and TG Aihe Special Steel Company Limited.

Save as disclosed above and as at the Latest Practicable Date, each of Messrs ZHU Xiaokun, THONG Kwee Chee and ZHU Zhihe has not held any directorship in any listed public companies in the last three years and does not hold any position in any member of the Group nor does he have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company and 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 and ZHU Zhihe has entered into a service contract with the Company for an initial term of three years commencing on 26 July 2007, the listing date of the Company unless terminated by not less than three months’ notice in writing served by either the executive Directors or the Company. In certain other circumstances, the contract can also be terminated by the Company, including but not limited to serious breaches of the Directors’ obligations under the agreement or serious misconduct. The executive Directors officially stationed in the PRC, but may be required to work in Hong Kong or in other places, as may be determined by the board of Directors from time to time. The service contracts further provide that during the term of the service contract and within two years upon the termination of service, each executive director cannot engage in any business which is competing or is likely to compete, either directly or indirectly, with the business of the Group. Mr. THONG Kwee Chee has signed an appointment letter with the Company for a term of three years commencing from 20 June 2007. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles. All directors are subject to retirement by rotation at least once every three years at the annual general meeting of the Company since last re-election in accordance with the Company’s Articles.

The director's annual emoluments of RMB4,081,000, RMB nil and RMB99,000 were paid to ZHU Xiaokun, THONG Kwee Chee and ZHU Zhihe during the year ended 31 December 2007 according to the terms of their respective service contract and appointment letter. 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**

Resolution 4 to be proposed at the Annual General Meeting ("**Resolution 4**") relates to the granting of a general mandate which will empower the Directors of the Company to issue new 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 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 4 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. Therefore, subject to the passing of the proposed Resolution 4 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, the Company would be allowed under the mandate to issue a maximum of 83,900,000 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.

### **(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 5 to be proposed at the Annual General Meeting (“**Resolution 5**”) 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 5 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 passing of the proposed Resolution 5 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, the Company would be allowed under the mandate to repurchase a maximum of 41,950,000 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 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 and subject to the Companies Law, out of capital.

The Directors of the Company 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 2007, 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 5.

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 issuer, 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 Exchange such information with respect to purchases made on behalf of the issuer as the 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 Exchange in accordance with the Listing Rules) for the approval of the issuer'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 issuer 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 Exchange 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 issuer to issue securities, which were outstanding prior to that purchase of its own securities), without the prior approval of the 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 issuer 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 issuer 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 Exchange.

In addition, the Company's annual report is required to disclose details regarding repurchases of Shares made during the 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 5 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 17 April 2008, the latest practicable date for ascertaining information for inclusion in this circular (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 ( <i>Note 1</i> )	Interest in controlled corporations	213,109,000	50.80%	56.45%
Tiangong Holdings Company Limited ( <i>Note 1</i> )	Beneficial owner	210,000,000	50.06%	55.62%
American International Group, Inc. ( <i>Note 2</i> )	Interest in controlled corporations	60,000,000	14.30%	15.89%

*Notes:*

1. Tiangong Holdings Company Limited (“THCL”) is owned as to approximately 89.02% and 10.98% by Mr. Zhu Xiaokun and Madam Yumei, respectively. Mr. Zhu is deemed to be interested in Shares held by THCL and other companies held as to not less than one-third interests by him.
2. American International Group, Inc. is deemed to be interested in 21,000,000 Shares held by AIG Global Emerging Markets Fund II, L.P., 30,000,000 Shares held by AIG Asian Opportunity Fund II, L.P. and 9,000,000 Shares held by American International Assurance Company (Bermuda) Limited. For details description of the interests, please refer to the annual report of the Company.

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 7 July 2007.

**(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 since 26 July 2007 (the date on which dealings in the Shares on the Stock Exchange commenced) to the Latest Practicable Date were as follows:–

	<b>Highest Price</b> <i>(HK\$)</i>	<b>Lowest Price</b> <i>(HK\$)</i>
July 2007 (from 26 July 2007)	12.10	10.70
August 2007	11.60	6.40
September 2007	9.18	7.81
October 2007	8.69	7.16
November 2007	7.70	5.85
December 2007	6.49	4.90
January 2008	6.90	4.25
February 2008	4.50	3.79
March 2008	4.22	2.35
April 2008, up to 17 April 2008, the Latest Practicable Date	3.64	2.76

## **EXTENSION OF SHARE ISSUE MANDATE**

Resolution 6 to be proposed at the Annual General Meeting (“**Resolution 6**”) relates to the extension of the 20 per cent general mandate to be granted pursuant to Resolution 5. Subject to the passing at the Annual General Meeting of Resolution 4, Resolution 5 and Resolution 6, 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.

## **ANNUAL GENERAL MEETING**

The notice convening the Annual General Meeting is set out on pages 11 to 13 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.

## **PROCEDURES BY WHICH SHAREHOLDERS MAY DEMAND POLL**

At the Annual General Meeting, all resolutions put to the vote of the meeting shall be decided on a show of hands unless before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll, a poll is duly demanded.

A poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least five members of the Company present in person (or in the case of a corporation, by its duly authorized representative) or by proxy and entitled to vote; or
- (c) any member or members of the Company present in person (or in the case of a corporation, by its duly authorized representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members of the Company having the right to attend and vote at the meeting; or
- (d) any member or members of the Company present in person (or in the case of a corporation, by its duly authorized representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

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 authorized 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 re-election of the retiring Directors, the Share Issue Mandate, the Repurchase Proposal and the Extension of Share Issue Mandate 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*

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## NOTICE OF ANNUAL GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Shareholders of the Company will be held at Elbrus Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Wednesday, 18 June 2008 at 2:00 p.m to consider and if thought fit, pass with or without modification the following resolutions as ordinary resolutions:-

**As Ordinary Business,**

1. The audited financial statements and the Reports of the Directors and Auditors for the year ended 31 December 2007 be and are hereby approved.
2. (a) (i) The re-election of Mr Zhu Xiaokun as a director of the Company be and is hereby approved.  
  
(ii) The re-election of Mr Thong Kwee Chee as a director of the Company be and is hereby approved.  
  
(iii) The re-election of Mr Zhu Zhihe as a 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.
3. The re-appointment of KPMG as auditors of the Company be and is hereby approved and that the Board of Directors be to fix their remuneration.

**And as Special Business,**

4. **“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;

\* *For identification purpose only*

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## NOTICE OF ANNUAL GENERAL MEETING

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- (b) the approval in paragraph (a) shall authorize 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
- (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).”

5. **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as defined in Resolution 4(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

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## NOTICE OF ANNUAL GENERAL MEETING

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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.”
6. “**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 4 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 capital of the Company, repurchased by the Company under the authority granted pursuant to Ordinary Resolution set out in Resolution 6, 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**  
**Leung Wai Yip**  
*Company Secretary*

Hong Kong, 22 April 2008

*Registered office in Cayman Islands:*  
P.O. Box 309  
GT. Uglan 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

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## NOTICE OF ANNUAL GENERAL MEETING

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**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, in the event of a poll, 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 2 to 3 to the circular of the Company to which this notice forms part.