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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 (Chairman)
WU Suojun (Chief Executive Officer)
YAN Ronghua
JIANG Guangqing

Registered office in the Cayman Islands:

P.O. Box 309
G.T. Ugland House
South Church Street, George Town
Grand Cayman, Cayman Islands

Independent non-executive Directors:

GAO Xiang
LEE Cheuk Yin, Dannis
WANG Xuesong

Registered office in Hong Kong:

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

Principal place of business:

Danbei Town Danyang City
Jiangsu Province The PRC

25 April 2017

To the Shareholders

Dear Sir/Madam,

**PROPOSALS RELATING TO
RE-ELECTION OF RETIRING DIRECTORS
GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES
FINAL DIVIDEND
PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME AND
TERMINATION OF THE EXISTING SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The directors (the “**Directors**”) of Tiangong International Company Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) wish to seek the approval of shareholders (i) to re-elect the retiring Directors; (ii) to obtain general mandates to the Directors to issue and repurchase ordinary shares of US\$0.0025 each in the share capital of the Company (the “**Share(s)**”); (iii) to approve the distribution of final dividend of RMB0.0100 per Share; and (iv) to adopt the New Share Option Scheme (as defined below) and to approve the termination of the 2007 Share Option Scheme (as defined below).

* for identification purpose only

This circular is to provide the shareholders with (i) information of the proposed re-election of the retiring Directors; (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**”); (iii) further information of the final dividend to be declared by the Company; and (iv) information in relation to the proposed adoption of the New Share Option Scheme (as defined below) and the termination of the 2007 Share Option Scheme (as defined below) 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 Cliftons, Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Friday, 26 May 2017 at 10:00 a.m. (the “**Annual General Meeting**”).

RE-ELECTION OF RETIRING DIRECTORS

In accordance with the articles of association of the Company (the “**Articles of Association**”), Mr. ZHU Xiaokun, Mr. WU Suojun and Mr. LEE Cheuk Yin, Dannis, 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. Pursuant to Code A.4.2 of Appendix 14 of the Listing Rules and Article 115 of the Company’s Articles of Association, all directors of listed issuers appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Mr. WANG Xuesong, who was appointed on 3 September 2016 as an independent non-executive Director of the Company, shall be subject to election at the Annual General Meeting. Ordinary resolutions will therefore be proposed at the Annual General Meeting to re-elect Mr. ZHU Xiaokun and Mr. WU Suojun as executive Directors, and Mr. LEE Cheuk Yin, Dannis and Mr. WANG Xuesong as independent non-executive Directors. Pursuant to Rule 13.74 of Listing Rules, the details of such Directors are set out below:

Mr. ZHU Xiaokun, aged 60, is an Executive Director and the Chairman of the Company. He is responsible for the overall business development strategy of the Group and has over 25 years of experience in HSS and cutting tools industry. Mr. Zhu graduated from the Economic and Management Department of Jiangsu Open University (formerly known as the Jiangsu Radio and TV University). In 1984, he joined Danyang Houxiang Television Antenna Factory (the predecessor of Jiangsu Tiangong Group Company Limited) as the general manager. He led the factory to transform from a television antenna factory to an enterprise of high speed steel (“**HSS**”) cutting tools in 1987 and also subsequently to expand to include the production of HSS in 1992, the production of die steel (“**DS**”) in 2005 and the production of titanium products in 2012. He has been acting as the Chairman of the Group since July 1997. In 1998, he was awarded as a National Township Factory Manager, named as a National Township Entrepreneur in 2004 by Ministry of Agriculture, awarded as Model of Work Force in the Jiangsu Province in 2006, Model of the National Steel Industry Work Force in 2008, Top Ten Annual Jiangsu Businessman in 2010, “Most Benevolent Model” on Charitable Donations in Jiangsu Province in 2011, awarded National Labor Medal in 2012, continuously awarded of “Most Honored Business Leader of the Twelfth Five-year Plan in Jiangsu” in 2013 to 2015 and awarded of “National Model Worker” in 2015. Mr. Zhu is the father of the chief investment officer of the Group, Mr. Zhu Zefeng.

Mr. WU Suojun, aged 44, is an Executive Director of the Company and a deputy general manager of Jiangsu Tiangong Tools Company Limited, and a deputy general manager of Danyang Tianfa Forging Company Limited. Mr. Wu joined the Group in 1993 as a workshop officer. He is in charge of the sales, production, operation management and purchase of HSS and DS. He is also responsible for the security and environmental works.

Mr. LEE Cheuk Yin, Dannis, aged 46, joined the Company as an Independent Non-executive Director in 2010. He obtained the Bachelor of Business Administration from Texas A & M University, the USA. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. He possesses over 20 years of experience in accounting and auditing field. Mr. Lee is an independent non-executive director of Geely Automobile Holdings Limited (HK Stock Code: 175). He was an executive director of AMCO United Holding Limited (formerly known as Guojin Resources Holdings Limited) (HK Stock Code: 630) (resigned in 2011), a non-executive director of Kam Hing International Holdings Limited (HK Stock Code: 2307) (resigned in 2011) and an independent non-executive director of U-Home Group Holdings Limited (HK Stock Code: 2327) (resigned in 2015).

Mr. WANG Xuesong, aged 45, joined the Company as an Independent Non-executive Director in 2016. He is a holder of a Bachelor's Degree in Electronic Engineering from the Tsinghua University and a Master's Degree of Business Administration from the Columbia University. Mr. Wang has been the project manager of Sun Microsystems, Inc., responsible for the development of the world's leading fourth and fifth generations of UltraSPARC CPU chips. He has been awarded the second class National Science Progress Award of the People's Republic of China with his development in 32-bit slot in CPU technology. He has over 10 years of management and engineering experience in various industries in Silicon Valley in the United States and in China. Further, Mr. Wang has nearly 20 years of operating and investment experience in the United States and China. He has been a principal of China Renaissance Capital Investment, where he was responsible for private equity investments. He has also been an executive director and a senior investment member of China Everbright Investment and Assets Management Co., Ltd. Mr. Wang was a co-founding partner of Everbright ReinFore in 2013 and is currently a member of the firm's Investment Committee.

Save as disclosed above and as at 19 April 2017, being the latest practicable date for ascertaining information for inclusion in this circular (the "**Latest Practicable Date**"), each of Mr. ZHU Xiaokun, Mr. WU Suojun, Mr. LEE Cheuk Yin, Dannis and Mr. WANG Xuesong 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 any 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 within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Each of Mr. ZHU Xiaokun and Mr. WU Suojun (both being executive Directors) 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 2020, subject to rotation of Directors requirements under the Listing Rules and the Articles of Association. Mr. ZHU Xiaokun and Mr. WU Suojun received employee salaries of RMB168,000 and RMB149,000, respectively, for the year ended 31 December 2016. It is proposed that the annual basic salary of Mr. ZHU Xiaokun and

Mr. WU Suojun be fixed at RMB168,000 and RMB149,000, respectively, for 2017. In determining the remuneration, market rates and factors such as the Directors' workload and required commitment have been taken into account.

Each of Mr. LEE Cheuk Yin, Dannis and Mr. WANG Xuesong (both being independent non-executive Directors) will enter into a new appointment letter with the Company for a period of one year commencing from the date of the Annual General Meeting to the date of the annual general meeting of the Company to be held in 2018 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 Director's obligations under the appointment letter or serious misconduct. The Director's annual emoluments of RMB82,000 and RMB27,000 were paid to Mr. LEE Cheuk Yin, Dannis and Mr. WANG Xuesong, respectively, during the year ended 31 December 2016 according to the terms of their respective appointment letters. It is proposed that the remuneration of Mr. LEE Cheuk Yin, Dannis and Mr. WANG Xuesong both be RMB82,000 for 2017. In determining the remuneration, market rates and factors such as the Directors' workload and required commitment have been taken into account.

In relation to the re-election of Mr. ZHU Xiaokun, Mr. WU Suojun, Mr. LEE Cheuk Yin, Dannis and Mr. WANG Xuesong as 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)(w) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

The nomination committee of the Company has assessed the independence of Mr. LEE Cheuk Yin, Dannis and Mr. WANG Xuesong and considered that they have satisfied the criteria set out in Rule 3.13 of the Listing Rules. To the best knowledge of the Directors, as at the Latest Practicable Date, the Company is not aware of any matters or events that may occur and affect the independence of Mr. LEE Cheuk Yin, Dannis and Mr. WANG Xuesong. The Directors considers that each of Mr. LEE Cheuk Yin, Dannis and Mr. WANG Xuesong will give the board of Directors (the "**Board**") and its committees on which they will serve the benefit of their skills, expertise and qualifications.

SHARE ISSUE MANDATE

Resolution 5 to be proposed at the Annual General Meeting ("**Resolution 5**") relates to the granting of a general mandate (the "**Share Issue Mandate**") which will empower the Directors 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 5 by an ordinary resolution of the shareholders at general meeting, whichever is the earliest.

As at the Latest Practicable Date, there were 2,220,080,000 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 Share Issue Mandate to issue a maximum of 444,016,000 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 of Hong Kong Limited (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 is 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 6 to be proposed at the Annual General Meeting (“**Resolution 6**”) relates to the granting of a general mandate to the Directors 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 6 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 repurchased by the Company must be fully paid-up.

As at the Latest Practicable Date, there were 2,220,080,000 Shares in issue. Therefore, subject to 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, the Company would be allowed under the mandate to repurchase a maximum of 222,008,000 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 repurchase.

(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 would increase the trading volume of the Shares on the Stock Exchange. As such, the Directors 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 repurchase or, if authorised by the Articles of Association and subject to the Companies Law of the Cayman Islands (the "**Companies Law**"), out of capital and, in the case of any premium payable on the repurchase, 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 Directors 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 2016, as a result of repurchases made under the Repurchase Proposal even if the mandate is exercised in full. However, no repurchase 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 consider that such repurchases 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 6.

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 repurchase its Shares from a core connected person and a core 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 repurchase of its Shares shall disclose to the Stock Exchange such information with respect to repurchases 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 inside information has come to its knowledge until the 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 repurchase its Shares on the Stock Exchange, unless the circumstances are exceptional.

The Company shall not repurchase its Shares on the Stock Exchange 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 of its Shares, 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 repurchase 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 repurchase of Shares (whether on the Stock Exchange or otherwise), the total number of Shares repurchased by the Company the previous day, the purchase price per Share or the highest and lowest prices paid for such repurchases, where relevant, and shall confirm that those repurchases 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 repurchases, where relevant, and the aggregate prices paid.

(g) Undertaking

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the proposed Resolution 6 in accordance with the Listing Rules and all applicable laws.

(h) Disclosure of interests

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

Meanwhile, the Company has not been notified by any core 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 of the Company at the Annual General Meeting.

(i) Takeovers 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 of voting rights for the purpose of rule 32 of the 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 is 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 are aware of, persons having interest in 10% or more of the issued share capital of the Company are as follows:

Name of shareholders	Capacity	No. of Shares held	% of shareholding	
			Current	Assuming the Repurchase Proposal is exercised in full
Yu Yumei (<i>Note 1</i>)	Spouse interest (<i>Note 3</i>)	791,690,000	35.66%	39.62%
		50,000,000	2.25%	2.50%
Zhu Xiaokun (<i>Note 2</i>)	Interest in controlled corporations	787,390,000	35.47%	39.41%
	Beneficial Owner	<u>4,300,000</u>	<u>0.19%</u>	<u>0.22%</u>
		791,690,000	35.66%	39.62%
		(<i>Note 3</i>) 50,000,000	2.25%	2.50%
Tiangong Holdings Company Limited (<i>Note 1</i>)	Beneficial Owner	743,458,000	33.49%	37.21%
	(<i>Note 3</i>)	50,000,000	2.25%	2.50%

Notes:

1. Tiangong Holdings Company Limited (“**THCL**”) was owned as to approximately 89.02% and 10.98% by Mr. Zhu Xiaokun (“**Mr. Zhu**”) and Madam Yu Yumei (“**Madam Yu**”), 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. Madam Yu is the spouse of Mr. Zhu.
2. Silver Power (HK) Ltd., which was wholly-owned by Mr. Zhu, held 43,932,000 Shares.
3. THCL has reported a short position of 50,000,000 Shares, representing approximately 2.25% of the issued share capital of the Company. Both Mr. Zhu and Madam Yu are deemed to be interested in such short position as a result of interest in controlled corporation and spouse interest accordingly.

In the event that the Directors 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 in exercising the powers under the mandate to be granted pursuant to Resolution 6 will take into consideration of such increase so as not to 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

During the year ended 31 December 2016, the Company has not repurchased any Share.

(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 2016 and up to the Latest Practicable Date were as follows:

	Highest Price (HK\$)	Lowest Price (HK\$)
April 2016	0.67	0.56
May 2016	0.65	0.47
June 2016	0.55	0.45
July 2016	0.62	0.47
August 2016	0.73	0.54
September 2016	0.86	0.70
October 2016	1.01	0.81
November 2016	1.02	0.91
December 2016	1.01	0.87
January 2017	1.10	0.97
February 2017	1.14	0.88
March 2017	0.99	0.93
1 April 2017 to 19 April 2017	0.93	0.77

EXTENSION OF SHARE ISSUE MANDATE

Resolution 7 to be proposed at the Annual General Meeting (“**Resolution 7**”) 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 5, Resolution 6 and Resolution 7, the Directors will be given a general mandate to add all those number of Shares which may from time to time be repurchased 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 of Directors has recommended a final dividend of RMB0.0100 per Share subject to shareholders’ approval at the Annual General Meeting.

The Hong Kong dollar: Renminbi 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 when licensed 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 2 June 2017 to 7 June 2017 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by not later than 4:30 p.m. on 1 June 2017.

PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME

The 2007 Share Option Scheme

The share option scheme adopted by the Company on 7 July 2007 (the “**2007 Share Option Scheme**”) had a term of 10 years and will expire on 6 July 2017. As at the Latest Practicable Date, a total of 16,200,000 Shares have been allotted and issued pursuant to the 2007 Share Option Scheme, 34,764,000 options granted under the 2007 Share Option Scheme were cancelled and lapsed and 41,117,000 options granted under the 2007 Share Option Scheme remain outstanding and exercisable upon the expiry of the 2007 Share Option Scheme. The outstanding options granted under the 2007 Share Option Scheme remain valid upon proposed termination of the 2007 Share Option Scheme.

Proposed adoption of the New Share Option Scheme

In view of the impending expiry of the 2007 Share Option Scheme and to enable the Company to grant options to participants as incentives or rewards for their contributions to the success of the Group, the Board proposes to recommend to the shareholders of the Company at the Annual General Meeting to terminate the 2007 Share Option Scheme and to approve and adopt the new share option scheme (the “**New Share Option Scheme**”). The New Share Option Scheme will become effective on the date of fulfilment of all the conditions precedent as referred to under the paragraph headed “Conditions precedent of the New Share Option Scheme” below.

There were a total of 2,220,080,000 shares of the Company in issue as at the Latest Practicable Date. Assuming that there is no change in issued share capital of the Company between the period from the Latest Practicable Date up to the adoption date (the “**Adoption Date**”) of the New Share Option Scheme, the maximum number of Shares which may be issued pursuant to the New Share Option Scheme and any other option schemes (if any) will be 222,008,000 Shares, representing 10% of the total number of Shares in issue as at the Adoption Date, unless the Company obtains a fresh approval from the shareholders of the Company to renew the 10% limit at the Annual General Meeting (as detailed in Appendix I to this circular), and which, together with the number of Shares which have been allotted and issued and which may fall to be allotted and issued upon exercise in full of the 41,117,000 options granted under the 2007 Share Option Scheme, are within the overall limit of 30% prescribed under the Listing Rules.

None of the Directors is a trustee of the New Share Option Scheme or has a direct or indirect interest in the trustees of the New Share Option Scheme (if any). There is no trustee appointed for the purposes of the New Share Option Scheme.

Termination of the 2007 Share Option Scheme

Under the terms of the 2007 Share Option Scheme, the Company may at any time by resolution in general meeting terminate the operation of the 2007 Share Option Scheme. It is proposed that the 2007 Share Option Scheme is to be terminated upon the adoption of the New Share Option Scheme subject to the approval of the shareholders of the Company. Upon termination of the 2007 Share Option Scheme, no further options may be granted thereunder but the provisions of the 2007 Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior to the termination. Therefore, the adoption of the New Share Option Scheme will not in any event affect the terms of the grant of such outstanding options that has already been granted under the 2007 Share Option Scheme and the above outstanding options granted under the 2007 Share Option Scheme shall continue to be valid and subject to the provisions of the 2007 Share Option Scheme.

Principal terms of the New Share Option Scheme

A summary of the principal terms of the New Share Option Scheme is set out in Appendix I to this circular. The terms of the New Share Option Scheme are in line with the provisions of Chapter 17 of the Listing Rules, which governs the terms of the share option schemes of listed companies.

The Directors consider that the New Share Option Scheme, which will be valid for 10 years from the date on which the New Share Option Scheme becomes unconditional, will provide the Company with more flexibility in long term planning of granting options to participants in a longer period in the future. The New Share Option Scheme does not provide for any minimum period for holding of options or any performance target before exercise of options, but the Board may add such terms at the time of the grant of any option, which can provide appropriate incentives or rewards to the participants for their contribution to the Group. Under the New Share Option Scheme, the Board will have discretion in determining the exercise price (subject to the requirements under the Listing Rules) in respect of any option. The Directors are of the view that the flexibility given to the Directors to determine the exercise price will place the Group in a better position to reward its employees and retain the participants that are valuable to the long-term growth and development of the Group as a whole.

Value of the Options

The Directors consider that it is not appropriate to disclose the value of all options that can be granted under the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the value of all options have not been determined. Such variables include but are not limited to the exercise price, exercise period and any performance targets to be set. The Directors believe that any calculation of the value of all options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the shareholders of the Company.

However, shareholders of the Company should note that, in compliance with the Listing Rules, estimated value of options granted during any financial period based on the Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology, and the accounting policy adopted for the option, will be provided in the Company's annual report and interim report.

Conditions precedent of the New Share Option Scheme

The adoption of the New Share Option Scheme is conditional upon:

- (1) the passing of the necessary resolution(s) by the shareholders of the Company at the Annual General Meeting to, among others, (a) terminate the 2007 Share Option Scheme; (b) approve the adoption of the New Share Option Scheme; (c) authorise the Board to grant options under the New Share Option Scheme; and (d) authorise the Board to allot and issue shares of the Company pursuant to the exercise of any options that may be granted under the New Share Option Scheme; and
- (2) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any new shares of the Company which may fall to be issued and allotted pursuant to the exercise of the options on the Stock Exchange.

An application will be made to the Stock Exchange for the approval for the listing of, and permission to deal in, any new shares of the Company which may fall to be issued and allotted pursuant to the exercise of the options granted under the New Share Option Scheme.

Once the New Share Option Scheme is adopted, any alterations to the terms and conditions thereof, which are of a material nature, must be approved by the shareholders of the Company in general meeting, except where the alterations take effect automatically pursuant to the terms originally provided in the New Share Option Scheme.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no shareholder of the Company is required to abstain from voting on the ordinary resolution to be proposed at the Annual General Meeting approving the adoption of the New Share Option Scheme.

ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting is set out on pages 26 to 30 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 registrar 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 (being no later than 10:00 a.m. on 24 May 2017). 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.

The Register of Members of the Company will be closed from 23 May 2017 to 26 May 2017 (both days inclusive), for the purpose of determining shareholders' entitlement to attend and vote at the Annual General Meeting, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar,

Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, No.183 Queen's Road East, Wanchai, Hong Kong, for registration by no later than 4:30 p.m. on 22 May 2017.

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) of the Listing Rules.

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.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the rules of the New Share Option Scheme will be available for inspection at the registered office of the Company in Hong Kong at Unit 1303, 13/F Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong during normal business hours on any business day from 11 May 2017 up to and including the date of the Annual General Meeting.

RECOMMENDATION

The Directors consider that the re-election of the retiring Directors, the Share Issue Mandate, the Repurchase Proposal, the extension of Share Issue Mandate, the final dividend, the adoption of the New Share Option Scheme and the termination of the 2007 Share Option Scheme 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

The following is a summary of the principal terms of the New Share Option Scheme to be approved at the Annual General Meeting. It does not form part of, nor is it intended to be part of the rules of the New Share Option Scheme and it should not be taken as affecting the interpretation of the rules of the New Share Option Scheme. The Directors reserve the right at any time prior to the Annual General Meeting to make such amendments to the New Share Option Scheme as they may consider necessary or appropriate provided that such amendments do not conflict with any material aspects with the summary of this Appendix I.

1. PURPOSE OF THE NEW SHARE OPTION SCHEME

The purpose of the New Share Option Scheme is to provide the Participants (defined in paragraph 2 below) who have been granted options (the “**Options**”) under the New Share Option Scheme to subscribe for Shares of the Company (the “**Grantees**”) with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its shareholders (the “**Shareholders**”) as a whole. The New Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

2. WHO MAY JOIN AND BASIS FOR DETERMINING ELIGIBILITY

- (a) The Directors may, at their discretion, invite any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisers, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group (the “**Participants**”) to participate in the New Share Option Scheme.
- (b) In order for a person to satisfy the Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) a Participant, such person shall provide all such information as the Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility).
- (c) Each grant of Options to a connected person (as defined in the Listing Rules) of the Company or any of his associate (as defined in the Listing Rules) must be approved in accordance with the requirements of the Listing Rules.
- (d) Any person whom the Board has resolved to be qualified to become a Participant must remain eligible during the period when any Option granted to him remains outstanding. In assessing such Grantee’s continuing eligibility under the New Share Option Scheme, the requirements set out in sub-paragraph (a) above and the views, if any, of the independent non-executive Directors shall be given due and careful consideration by the Board.

- (e) Should the Board resolve that a Grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the New Share Option Scheme as referred to subparagraph (d) above, the Company would be entitled to deem any outstanding Option or part thereof, granted to such Grantee and to the extent not already exercised, as lapsed.

3. GRANT OF OPTIONS

- (a) On and subject to the terms of the New Share Option Scheme, the Board shall be entitled at any time on a business day within 10 years commencing on the effective date of the New Share Option Scheme to offer the grant of an Option to any Participants as the Board may in its absolute discretion select in accordance with the eligibility criteria as set out in paragraph 2 above.
- (b) An offer of Option shall remain open for acceptance by the Participant to whom the offer is made for a period of 10 business days from the date on which the letter containing the offer of Option is issued to that Participant, provided that no such offer shall be open for acceptance after the tenth anniversary of the adoption date of the New Share Option Scheme or after the New Share Option Scheme has been terminated in accordance with the provisions thereof or after the person/entity to whom the offer is made has ceased to be a Participant. An offer shall be deemed to have been accepted and an Option to which the offer relates shall be deemed to have been granted and accepted and to have taken effect when the Company receives the duly signed offer letter from the Grantee together with the number of Shares in respect of which the offer is accepted clearly stated therein and a non-refundable payment of HK\$1.00 (or such other sum in any currency as the Board may determine) in favour of the Company as consideration for the grant thereof.
- (c) Without prejudice to the generality of the foregoing and subject to the Listing Rules and paragraph 5, the Board may grant Options in respect of which the Exercise Price for the Shares under the New Share Option Scheme is fixed at different prices for different periods during the applicable Option period.
- (d) The Board shall not offer the grant of an Option to any Participants:
 - (i) after an inside information has come to the Company's knowledge and until such inside information has been announced pursuant to the relevant requirements of the Listing Rules; or
 - (ii) within the period commencing one month immediately preceding the earlier of:
 - i. 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

- ii. the deadline for the Company to publish an announcement of its result for any year, 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 period during which no Option may be granted will cover any period of delay in the publication of a results announcement.

4. GRANT OF OPTIONS TO CONNECTED PERSONS

Without prejudice to paragraph 3, any grant of Options to any Director, chief executive or substantial shareholder of the Company or any their respective associates (as defined under the Listing Rules) must be approved by all of the independent non-executive Directors excluding, for all purposes, any independent non-executive Director who is a proposed Grantee.

Where any grant of Options to a substantial shareholder of the Company or an independent non-executive Director or their respective associates (as defined under the Listing Rules) would result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of Options must be approved by the Shareholders. The Company must send a circular to its Shareholders. Such Grantee, his associates (as defined in the Listing Rules) and all core connected persons (as defined in the Listing Rules) must abstain from voting in favour at such general meeting, except that they may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll in accordance with the Listing Rules.

5. EXERCISE PRICE OF SHARES

The Exercise Price for any Share under the New Share Option Scheme will be a price determined by the Board at its absolute discretion and notified to each Grantee and will be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant Option, which must be a business day; (ii) an amount equivalent to the average closing price of the Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant Option; and (iii) the nominal value of a Share on the date of the grant. The Exercise Price shall also be subject to any adjustments made in a situation contemplated under paragraph 11.

6. MAXIMUM NUMBER OF SHARES

- (a) The maximum number of Shares in respect of which Options may be granted under the New Share Option Scheme and any other schemes involving the issue or grant of options or similar rights over Shares or other securities by the Company shall not, in aggregate, exceed 10 % of the Shares in issue as at the date of approval of the New Share Option Scheme (such 10% limit represented 222,008,000 Shares as at the Latest Practicable Date) (the “**Scheme Mandate Limit**”) unless approved by the Shareholders pursuant to sub-paragraph (c) below. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (b) The Scheme Mandate Limit may be renewed by the Shareholders of the Company in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of approval of such renewal by Shareholders of the Company in general meeting. Upon such renewal, all Options granted under the New Share Option Scheme and any other share option schemes of the Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the New Share Option Scheme or any other share option schemes of the Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. A circular must be sent to the Shareholders containing such relevant information from time to time as required by the Listing Rules in connection with the general meeting at which their approval is sought.
- (c) The Board may seek separate Shareholders’ approval in general meeting to grant Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to the Participants specified by the Company before such approval is sought and the Company must issue a circular to the Shareholders containing such relevant information from time to time required by the Listing Rules in relation to any such proposed grant to such Participants.
- (d) The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other schemes involving the issue or grant of options or similar rights over Shares or other securities by the Company must not, in aggregate, exceed 30% of the Shares in issue from time to time. Notwithstanding anything contrary to the terms of the New Share Option Scheme, no Options may be granted under any scheme of the Company (including the New Share Option Scheme) if this will result in the said 30% limit being exceeded. As at the Latest Practicable Date, such 30% represented 666,024,000 Shares.
- (e) No Option may be granted to any Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the Options already granted or to be granted to such Participant under the New Share Option Scheme (including exercised, cancelled and outstanding share Options) in the 12-month period up to and including the date of such new grant exceeding 1% in aggregate of the Shares in issue as at the date of such grant. Any grant of further Options above this limit shall be subject to certain requirements provided under the Listing Rules.

- (f) The maximum number of Shares referred to in this paragraph shall be adjusted, in such manner as the auditors of the Company or the independent financial adviser of the Company shall certify as fair and reasonable in accordance with paragraph 11.

7. TIME OF EXERCISE OF OPTION

- (a) The period within which the Options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of Option (being the date on which the Board resolves to make an offer of Option to the relevant Grantee).
- (b) There is no general requirement on the minimum period for which an Option must be held or the performance targets which must be achieved before an Option can be exercised under the terms of the New Share Option Scheme. However, at the time of granting any Option, the Board may, on a case-by-case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the Options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

8. RIGHTS ARE PERSONAL TO GRANTEE

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option (where the Grantee is a company, any change of its major shareholder or any substantial change in its management as determined by the Board at its sole discretion will be deemed to be a sale or transfer of interest as aforesaid, if so determined by the Board at its sole discretion) except that the Grantee may nominate a nominee, of which the Grantee is the sole beneficial owner, in whose name the Shares issued pursuant to the New Share Option Scheme may be registered provided that evidence of such trust arrangement between the Grantee and the nominee has been provided to the satisfaction of, and on terms acceptable by, the Board. Any breach of the foregoing by a Grantee shall entitle the Company to cancel, revoke or terminate any Option granted to such Grantee to the extent not already exercised.

9. RIGHTS ON CEASING TO BE A PARTICIPANT

Where an Option was granted subject to certain continuing conditions, restrictions or limitations on the Grantee's eligibility and the Board resolves that the Grantee has failed or otherwise is or has been unable to meet such continuing eligibility criteria, the Option (to the extent it has not already been exercised) shall lapse.

10. RIGHTS ON DEATH/CEASING EMPLOYMENT

- (a) In the event a Grantee (being an employee or a director of any member of the Group) ceases to be a Participant for any reason other than (i) his or her death or (ii) on one or more of the grounds of termination of employment or engagement specified in paragraph 16(e) below, the

Option shall lapse on the date of cessation of such employment or engagement and not be exercisable unless the Board otherwise determines, in which event the Option shall be exercisable to the extent and within such period as the Board may determine. The date of cessation of employment of a Grantee (being an employee and who may or may not also be a director of any member of the Group) shall be the last actual working day on which the Grantee was physically at work with the relevant member of the Group, whether salary is paid in lieu of notice or not.

- (b) In the event the Grantee dies before exercising the Option in full and none of the events for termination of employment or engagement under paragraph 16(e) below then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death to exercise the Option up to the entitlement of such Grantee as at the date of death.

11. EFFECTS OF ALTERATIONS TO CAPITAL

In the event of capitalisation issue, rights issue, consolidation, sub-division, or reduction of the share capital of the Company, other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party, whilst any Option remains exercisable, corresponding alterations (if any) shall be made to (i) the number or nominal amount of Shares which are the subject of unexercised Options; (ii) the Exercise Price; (iii) the method of exercise of the Options; and/or (iv) the maximum number of Shares subject to the New Share Option Scheme. Any adjustments required under this paragraph must give a Grantee the same proportion of the equity capital as that to which that Grantee was previously entitled but no such adjustments may be made to the extent that Shares would be issued at less than nominal value. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial adviser of the Company or the auditors of the Company must confirm to the Directors in writing that the adjustments satisfy the requirements set out in this paragraph.

Any adjustment to be made to the Exercise Price of, and/or the number of Shares subject to, and any Options to be granted under, the New Share Option Scheme will comply with Chapter 17 of the Listing Rules and all guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

12. RIGHTS ON A TAKEOVER

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Takeovers Code), the Grantee shall be entitled to exercise the Option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within one month after the date on which the offer becomes or is declared unconditional (within the meaning of the Takeovers Code). The Company may in its discretion and notwithstanding the terms of the relevant Option also give notice to a Grantee that his or her Option may be exercised at any time within such period as shall be notified by the

Company and/or to the extent (not being less than the extent to which it could then be exercised in accordance with its terms) notified by the Company. If the Company gives such notice that any Option shall be exercised in part only, the balance of the Option shall lapse.

13. RIGHTS ON A SCHEME OF ARRANGEMENT

In the event of a compromise or arrangement (other than a scheme of arrangement contemplated in paragraph 12 above) between the Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the Grantee may, by notice in writing to the Company accompanied by the remittance for the total Exercise Price payable in respect of the exercise of the relevant Option (such notice to be received by the Company not later than two business days (excluding any period(s) of closure of the Company's share registers) prior to the proposed meeting or such time as shall be notified by the Company) exercise the Option (to the extent exercisable as at the date of the notice to the Grantee and not exercised) either in full or in part and the Company shall, as soon as possible and in any event no later than three business days (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and register the Grantee as holder thereof. The Company may in its discretion and notwithstanding the terms of the relevant Option also give notice to a Grantee that his or her Option may be exercised at any time within such period as shall be notified by the Company and/or to the extent (not being less than the extent to which it could then be exercised in accordance with its terms) notified by the Company. If the Company gives such notice that any Option shall be exercised in part only, the balance of the Option shall lapse.

14. RIGHTS ON A VOLUNTARY WINDING UP

In the event notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee may, by notice in writing to the Company accompanied by the remittance for the total Exercise Price payable in respect of the exercise of the relevant Option (such notice to be received by the Company not later than two business days (excluding any period(s) of closure of the Company's share registers) prior to the proposed meeting or such time as shall be notified by the Company) exercise the Option (to the extent exercisable as at the date of the notice to the Grantee and not exercised) either in full or in part and the Company shall, as soon as possible and in any event no later than three business days (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise and register the Grantee as holder thereof. The Company may in its discretion and notwithstanding the terms of the relevant Option also give notice to a Grantee that his or her Option may be exercised at any time within such period as shall be notified by the Company and/or to the extent (not being less than the extent to which it could then be exercised in accordance with its terms) notified by the Company. If the Company gives such notice that any Option shall be exercised in part only, the balance of the Option shall lapse.

15. RIGHTS ATTACHING TO SHARES UPON EXERCISE OF AN OPTION

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the memorandum and Articles of Association of the Company for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of the Company and accordingly shall entitle the holder to participate in all dividends or other distributions (including those arising on a liquidation of the Company) paid or made after the date the name of the Grantee is registered on the register of members of the Company other than any dividend or other distribution (including those arising on a liquidation of the Company) previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before such date. Any Share allotted upon the exercise of an Option shall not carry voting rights until the name of the Grantee has been duly entered into the register of members of the Company as the holder thereof.

16. LAPSE OF OPTIONS

An Option (to the extent such Option has not already been exercised) shall lapse and not be exercisable on the earliest of:

- (a) the expiry of the Option period;
- (b) the expiry of the periods referred to in paragraph 10;
- (c) the date of commencement of the winding-up of the Company;
- (d) the date on which the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph 13;
- (e) the date of which the Grantee who is a director or an employee of the Group when an offer is made to him/her and he/she subsequently ceases to be a Participant by reason of the termination of his/her employment or engagement on any one or more on the grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment or engagement at common law or pursuant to any applicable laws or under the Grantee's service contract with the Group. A resolution of the Board to the effect that the employment or engagement on any one or more of a Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph shall be conclusive and binding on the Grantee;
- (f) the happening of any of the following events, unless otherwise waived by the Board:
 - (i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Grantee (being a corporation);

- (ii) the Grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or any similar provisions under the Companies Law) or otherwise become insolvent or has made any arrangement or composition with its creditors generally;
- (iii) there is unsatisfied judgment, order or award outstanding against the Grantee or the Company has reason to believe that the Grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
- (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (i), (ii) and (iii) above;
- (v) a bankruptcy order has been made against the grantee or any Director of the Grantee (being a corporation) in any jurisdiction; or
- (vi) a petition for bankruptcy has been presented against the Grantee or any Director of the Grantee (being a corporation) in any jurisdiction;
- (g) the date on which a situation as contemplated under paragraph 8 arises;
- (h) the date on which the Grantee commits a breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by the Board;
- (i) the date on which the Board resolves that the Grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to paragraph 9;
- (j) where the Grantee is a director or an employee of a member of the Group (other than the Company), the date on which such member ceases to be a subsidiary of the Company; or
- (k) unless the Board otherwise determines, and other than in the circumstances referred to in paragraph 10, the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any reason.

17. CANCELLATION OF OPTIONS GRANTED

The Board shall have the absolute discretion to cancel any Options granted at any time if the Grantee so agreed provided where an Option is cancelled and a new Option is proposed to be granted to the same Grantee, the issue of such new Option may only be made with available but unissued Shares in the authorised share capital of the Company, and available ungranted Options (excluding for this purpose all the cancelled Options) within the limits referred to in paragraph 6.

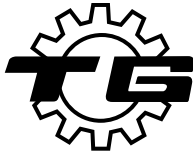
18. PERIOD OF THE NEW SHARE OPTION SCHEME

Options may be granted to Participants under the New Share Option Scheme during the period of 10 years commencing on the effective date of the New Share Option Scheme.

19. ALTERATION TO NEW SHARE OPTION SCHEME AND TERMINATION

- (a) The New Share Option Scheme may be altered in any respect by a resolution of the Board except that those specific provisions relating to matters contained in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) which cannot be altered to the advantage of Grantees or prospective Grantees except with the prior approval of the Shareholders in general meeting.
- (b) Any alteration to the terms and conditions of the New Share Option Scheme which is of a material nature must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.
- (c) The Company by resolution in general meeting or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but the provisions of the New Share Option Scheme shall remain in force in all other respects. All Options granted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the New Share Option Scheme.
- (d) The amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (e) Any change to the authority of the Board in relation to any alteration to the terms of the New Share Option Scheme must first be approved by the Shareholders in general meeting.
- (f) Any amendment to the terms of Options granted must be approved by the Shareholders in general meeting, except where such amendment takes effect automatically under the existing terms of the New Share Option Scheme.
- (g) Notwithstanding any approval obtained from the general meeting, no amendment shall operate to adversely affect the terms of issue of any Option granted or agreed to be granted prior to such amendment except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the options granted under the New Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the New Share Option Scheme.

NOTICE OF ANNUAL GENERAL MEETING



Tiangong International Company Limited

天工國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 826)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of the Company will be held at Cliftons, Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Friday, 26 May 2017 at 10:00 a.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 2016 be and are hereby approved.
2. The proposed final dividend of RMB0.0100 per Share with par value of US\$0.0025 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. WU Suojun 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. WANG Xuesong as an independent non-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,

5. **“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
- (d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest 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.

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“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 or 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).”

6. **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as defined in Resolution 5(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 repurchased 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.”

7. **“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 5 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.”

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8. “THAT:

- (a) subject to and conditional upon the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the new shares of the Company which may fall to be issued pursuant to the exercise of any options that may be granted under the new share option scheme of the Company (the rules of which are contained in the document marked “A” and the summary of which marked “B” produced to the meeting and signed by the chairman of the meeting for the purpose of identification) (the “**New Share Option Scheme**”), the New Share Option Scheme be and is hereby approved and adopted; and the Board of Directors of the Company or persons authorised by it be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme, including but without limitation:
 - (i) to administer the New Share Option Scheme and to grant options in accordance with the terms of the New Share Option Scheme;
 - (ii) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to the modification and/or amendment and subject to Chapter 17 of the Listing Rules;
 - (iii) to allot and issue from time to time such number of shares in the share capital of the Company as may be required to be allotted and issued pursuant to the exercise of the share options under the New Share Option Scheme and subject to the Listing Rules;
 - (iv) make application at appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any shares of the Company which may hereafter from time to time be allotted and issued pursuant to the exercise of the share options under the New Share Option Scheme; and
 - (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme; and

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- (b) subject to and conditional upon the New Share Option Scheme becoming effective, the 2007 Share Option Scheme (the “**2007 Share Option Scheme**”) for the Company which was adopted by the Company pursuant to the written resolution passed by the shareholders of the Company on 7 July 2007 be and is hereby terminated upon the New Share Option Scheme becoming effective (without prejudice to the rights and benefits of and attached to any outstanding options which have been granted under the 2007 Share Option Scheme prior to the date of the passing of this resolution).”

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

Hong Kong, 25 April 2017

Registered office in the Cayman Islands:

P.O. Box 309
G.T. 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:

Danbei 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 registrar 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 (being no later than 10:00 a.m. on 24 May 2017).
- (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 on pages 2 to 3 to the circular of the Company to which this notice forms part.