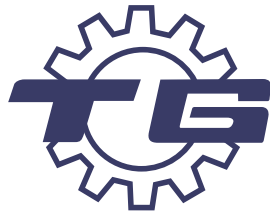

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Tiangong International Company Limited

天工國際有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 826)

Jiangsu Tiangong Technology Company Limited

Annual Report 2018 Highlight

This highlight is extracted from the Annual Report 2018 (the “Annual Report”) of Jiangsu Tiangong Technology Company Limited (“TG Tech”), a 74.03% owned subsidiary of Tiangong International Company Limited (the “Company”), published on the date of this announcement. The shares of TG Tech are quoted on the National Equities Exchange and Quotations System. Investors should read the full Annual Report simultaneously available on the information disclosure platform (www.neeq.com.cn or www.neeq.cc) designated by National Equities Exchange and Quotations Co., Ltd. for further detailed content.

1. Important Notes

1.1 This annual report highlight is extracted from the full Annual Report. Investors should read the full Annual Report simultaneously available on the information disclosure platform (www.neeq.com.cn or www.neeq.cc) designated by National Equities Exchange and Quotations Co., Ltd. for further detailed content.

1.2 The board of directors and its directors, the supervisory committee and its supervisors, and the senior management of TG Tech ensure that there is no false records, misleading statements contained in, or material omissions from, the Annual Report, and undertake several and joint responsibilities for the authenticity, accuracy and completeness of the contents of the Annual Report.

1.3 All the directors of TG Tech attended the board meeting for the approval of the Annual Report.

1.4 KPMG Huazhen LLP issued a standard unqualified audited report for TG Tech.

1.5 TG Tech contact information:

Board Secretary (Information Disclosure Officer): Xu Shaoqi

Position: Secretary for the board of directors

Phone: 0511-80767215

Fax: 0511-86321331

Email: xushaoqi@tggj.cn

Company website: www.jstgti.com

Office Address & ZIP: Tiangong Group, Houxiang, Danbei Town, Danyang City, Jiangsu Province, China 212312

Information disclosure platform designated by the company: www.neeq.com.cn

Archive site of annual report: Office of the secretary for the board of directors

2. Key Financial Information, Shareholding Structure and Shareholders Information

2.1 Key Financial Information

Unit: Yuan RMB

	2018	2017	Variance %
Total assets	643,439,818.44	605,352,990.99	6.29%
Net assets attributable to the equity holders of the company	583,198,972.53	551,875,155.66	5.68%
Revenue from operations	272,892,631.22	188,866,888.31	44.49%
Net profit attributable to the equity holders of the company	31,323,816.87	21,572,938.60	45.20%
Net profit attributable to the equity holders of the company after deduction of non-recurring profit and loss	28,310,469.10	18,797,395.47	50.61%
Net cash flows from operating activities	31,773,997.35	-39,493,554.70	-
Weighted average return on net assets	5.519%	3.987%	-
Basic earnings per share (RMB/share)	0.077	0.053	45.28%
Diluted earnings per share (RMB/share)	0.077	0.053	45.28%
Net assets per share attributable to equity holders of the company (RMB/share)	1.440	1.363	5.65%

2.2 Shareholding Structure

Unit: Share

Nature of shareholding		At the beginning of the year		Movement	At the end of the year	
		Total number of shares held	Holding percentage		Total number of shares held	Holding percentage
Number of shares not subject to selling restriction	Total number of shares not subject to selling restriction	384,750,000.00	95.00%	-	384,750,000.00	95.00%
	Including:					
	1、Controlling Shareholder, de facto controller	272,500,000.00	67.28%	-	272,500,000.00	67.28%
	2、Directors, Supervisors and Senior Management	6,750,000.00	1.67%	-750,000.00	6,000,000.00	1.48%
	3、Key Staff	3,000,000.00	0.74%	-3,000,000.00	-	0.00%
Number of shares subject to selling restriction	Total number of shares subject to selling restriction	20,250,000.00	5.00%	-	20,250,000.00	5.00%
	Including:					
	1. Controlling Shareholder, de facto controller	7,500,000.00	1.85%	-	7,500,000.00	1.85%
	2. Directors, Supervisors and Senior Management	20,250,000.00	5.00%	-2,250,000.00	18,000,000.00	4.44%
	3. Key Staff	-	0.00%	-	-	0.00%
Total number of shares		405,000,000.00			405,000,000.00	
Total number of shareholders		21				

2.3 Information of top ten shareholders (Innovation Layer)/ Information of top five shareholders or holders of 10% or more of the shares (Basic Layer)

Unit: Share

No.	Name of Shareholder	Shareholding at the beginning of the year	Changes during the year	Shareholding at the end of the year	Holding Percentage at the end of the year	Number of shares subject to selling restriction	Number of shares not subject to selling restriction
1	Jiangsu Tiangong Tools Company Limited (“TG Tools”)	270,000,000.00	-	270,000,000.00	66.67%	-	270,000,000.00
2	Nanjing Iron & Steel Co., Ltd.	72,697,000.00	-	72,697,000.00	17.95%	-	72,697,000.00
3	Danyang Tianfa Forging Company Limited (“Tianfa Forging”)	29,800,000.00	-	29,800,000.00	7.36%	-	29,800,000.00
4	Zhu Xiaokun	10,000,000.00	-	10,000,000.00	2.47%	7,500,000.00	2,500,000.00
5	Jiang Rongjun	5,000,000.00	-	5,000,000.00	1.23%	3,750,000.00	1,250,000.00
6	Chen Jie	3,000,000.00	-	3,000,000.00	0.74%	2,250,000.00	750,000.00
7	Yang Zhao	3,000,000.00	-	3,000,000.00	0.74%	2,250,000.00	750,000.00
8	Xu Shaoqi	3,000,000.00	-	3,000,000.00	0.74%	2,250,000.00	750,000.00
9	Wang Gang	3,000,000.00	-	3,000,000.00	0.74%	2,250,000.00	750,000.00
10	Zhu Linfei	3,000,000.00	-	3,000,000.00	0.74%	-	3,000,000.00
Total		402,497,000.00	-	402,497,000.00	99.38%	20,250,000.00	382,247,000.00

Explanations on the relationship among top ten shareholders: Among the shareholders of TG Tech, TG Tools holds 75% of the interests in Tianfa Forging; Zhu Xiaokun is the de facto controller of TG Tools and Tianfa Forging. Wang Gang is the chief financial officer of the Company (the parent company of the controlling shareholder of TG Tech). Save for the above, there is no connected relationship among other top ten shareholders.

2.4 The ownership and control relationship among TG Tech, the controlling shareholder and the de facto controller

2.4.1. The controlling shareholder of TG Tech

As at the end of the reporting period, TG Tools held 270,000,000 shares of TG Tech, representing 66.67% of TG Tech's total share capital, and was the controlling shareholder of TG Tech. During the reporting period, the controlling shareholder of TG Tech did not change. The basic information of the controlling shareholder of TG Tech is as follows:

TG Tools was established on July 7, 1997 in Qianxiang Village, Hou Xiang, Danbei Town, Danyang City, with the organisation code of 91321181134795523R, and registered capital of RMB2.148128 billion. Mr. Zhu Xiaokun is the legal representative of TG Tools. According to the business licence, the scope of its business included manufacturing of tools, cutting tools, measuring tools, indoor and outdoor television antenna (except ground satellite receiving facilities), development, production and sales of construction hardware and hardware, tool steel smelting and sales, import and export business (except for goods and technology that is limited by or prohibited by the State from import and export).

During the reporting period, there was no change in the controlling shareholder and de factor controllers of TG Tech.

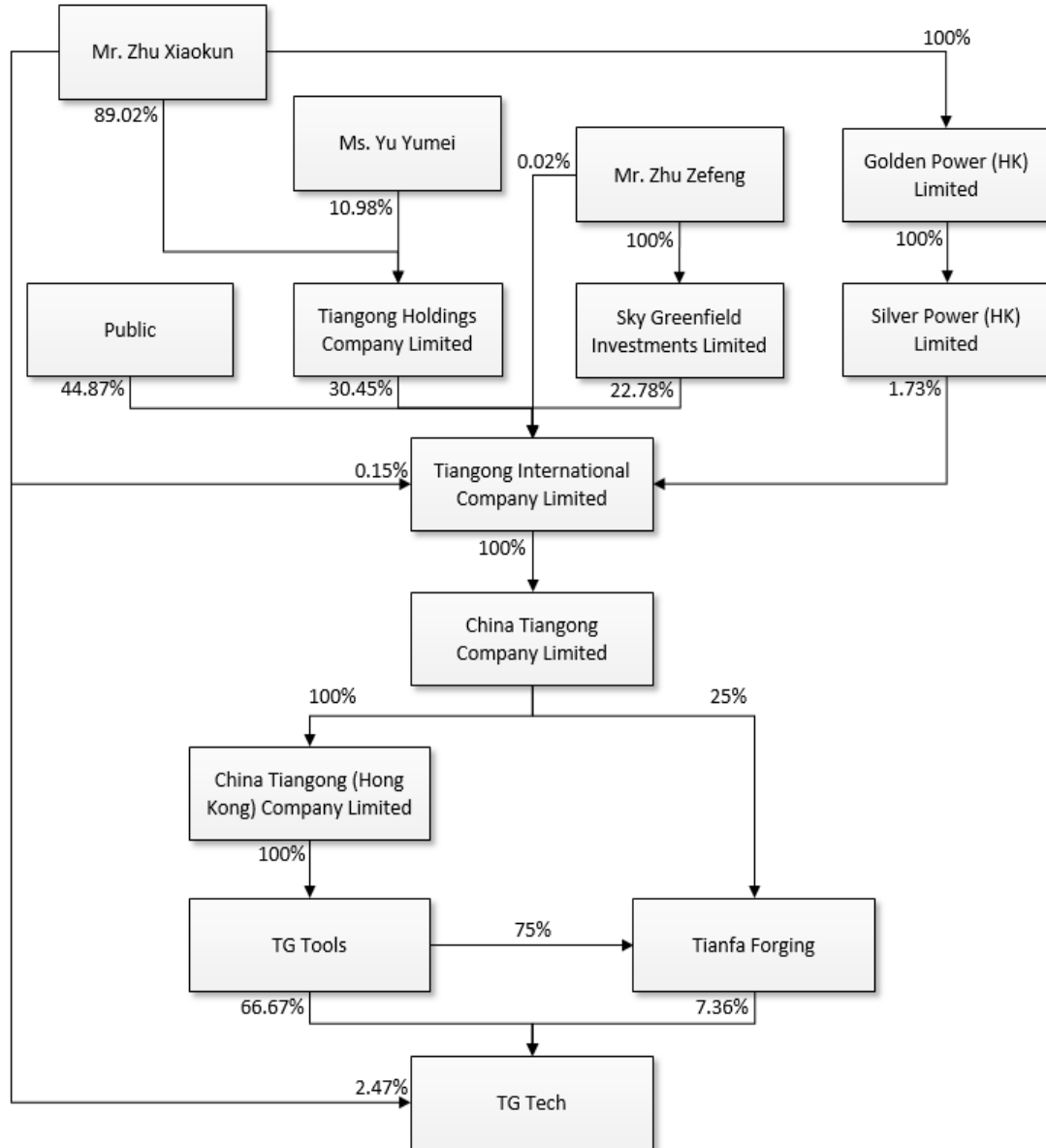
2.4.2. The de factor controllers of TG Tech

Mr. Zhu Xiaokun and Ms. Yu Yumei indirectly held 105.94 million shares of TG Tech through the Company, and Mr. Zhu Xiaokun directly held 10 million shares of TG Tech, 115.94 million shares in total, collectively representing 28.63% of TG Tech's total share capital. Since the establishment of TG Tech, Mr. Zhu Xiaokun served as the Chairman of TG Tech, responsible for its decision making and overall operation. Mr. Zhu Xiaokun and Ms. Yu Yumei are the joint de facto controllers of TG Tech. They are in a spousal relationship. During the reporting period, there was no change in de factor controllers of TG Tech.

Mr. Zhu Xiaokun, was born in January 1957, with Chinese nationality. He has no permanent overseas residence. He has a college degree. He worked as the Chairman and the general manager of Jiangsu Tiangong Group Co., Ltd. since October 1984. He worked as the Chairman and the general manager of TG Tools since July 1997. Since August 2006, he is the Chairman of the Company. Since January 2010, he is the Chairman of TG Tech.

Ms. Yu Yumei, was born in January 1961, with Chinese nationality. She has no permanent overseas residence. She has a college degree. She worked as a teacher at Hou Xiang Center School, Danbei Town, Danyang City during September 1991 to June 2011. She was then retired since June 2011.

2.4.3. The ownership and control relationship diagram among TG Tech, the controlling shareholder and the de facto controllers



Note: Ms. Yu Yumei is the wife of Mr. Zhu Xiaokun, the Chairman of TG Tech. Mr. Zhu Zefeng is the son of Mr. Zhu Xiaokun. The above data was as of 31 December 2018.

3. Events related to financial reporting

3.1 Changes to accounting policies, accounting estimates and major accounting errors

Applicable Not Applicable

3.1.1. Description and reasons of changes in accounting policies

The MOF issued the following revised regulations and interpretations in 2017 and 2018:

- CAS Bulletin No.9 - Accounting of Net Investment Losses under Equity Method
- CAS Bulletin No.10 - Applying Revenue-based Depreciation Method on Fixed Assets
- CAS Bulletin No.11 - Applying Revenue-based Amortisation Method on Intangible Assets
- CAS Bulletin No.12 - Determination of Whether the Provider and Receiver of Key Management Personnel Services are Related Parties (collectively the “CAS Bulletins No.9-12”)
- Notice on Revision of the 2018 Illustrative Financial Statements (Caikuai [2018] No.15) and related interpretation

TG Tech has applied the above new / revised regulations and interpretations since 1 January 2018 and adjusted the related accounting policies.

Major impacts of the adoption of the above new / revised regulations and interpretations are as follows:

(i) CAS Bulletins No.9-12

TG Tech has reviewed the relevant accounting policies in accordance with the requirements related to the depreciation and amortisation methods of fixed assets and intangible assets and the related party identification and disclosure of key management personnel services of CAS Bulletins No.9-12.

The adoption of CAS Bulletins No.9-12 does not have material impact on the financial position and financial performance of TG Tech.

(ii) Presentation of financial statements

TG Tech has prepared financial statements for the year ended 31 December 2018 in accordance with the presentation format of the financial statements specified in Caikuai

[2018] No.15 and related interpretation. TG Tech has applied the new presentation requirements retrospectively.

3.1.2. The impact of changes on the financial statements of the year

The change has no effect on the financial statements of the year

3.2 Retrospective adjustment or restatement due to changes in accounting policies and correction of accounting errors

Applicable Not Applicable

The effect of adjustments is summarised below:

Affected assets and liabilities items in the balance sheet as at 31 December 2017:

	<i>Before adjustment</i>	<i>Adjustment</i>	<i>After adjustment</i>
Accounts receivable	52,965,712.28	-52,965,712.28	-
Bills receivable	77,784,035.38	-77,784,035.38	-
Bills and accounts receivable	-	130,749,747.66	130,749,747.66
Accounts payable	21,425,663.04	-21,425,663.04	-
Bills and accounts payable	-	<u>21,425,663.04</u>	21,425,663.04
Total		<u><u>-</u></u>	

Affected income and expenses items in the income statement for the year ended 31

December 2017:

	<i>Before adjustment</i>	<i>Adjustment</i>	<i>After adjustment</i>
General and administrative expenses	12,368,572.80	-8,499,026.98	3,869,545.82
Research and development expenses	-	<u>8,499,026.98</u>	8,499,026.98
Total		<u><u>-</u></u>	

3.3 Description of the change in the scope of the consolidated statement compared to the previous annual financial report

Applicable Not Applicable

3.4 Explanations to the non-standard audited financial report issued by the Auditor

Applicable Not Applicable

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

Hong Kong, 18 March 2019

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

Executive Directors: ZHU Xiaokun, WU Suojun, YAN Ronghua and JIANG Guangqing

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

* For identification purpose