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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

2019 Annual Report Highlight

This highlight is extracted from the 2019 Annual Report (the “Annual Report”) of Jiangsu Tiangong Technology Company Limited (“TG Tech”), a 74.02% 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 joint and several 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

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Website: www.jstgti.com

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Information disclosure platform designated by TG Tech: 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: RMB Yuan

	31 December 2019	31 December 2018	Variance
Total assets	736,457,159.22	643,439,818.44	14.46%
Net assets attributable to the equity holders of TG Tech	636,514,423.80	583,198,972.53	9.14%
Revenue from operations	388,565,450.03	272,892,631.22	42.39%
Net profit attributable to the equity holders of TG Tech	53,315,451.27	31,323,816.87	70.21%
Net profit attributable to the equity holders of TG Tech after deduction of non-recurring profit and loss	33,931,294.54	28,310,469.10	19.85%
Net cash flows from operating activities	8,349,592.85	31,773,997.35	-73.72%
Weighted average return on net assets	8.742%	5.519%	-
Basic earnings per share (RMB/share)	0.091	0.053*	71.70%
Diluted earnings per share (RMB/share)	0.091	0.053*	71.70%
Net assets per share attributable to equity holders of TG Tech (RMB/share)	1.090	1.440	-24.31%

* The weighted average number of ordinary shares in 2018 was restated as a result of the capitalisation of undistributed profits and capital reserves in 2019.

2.2 Shareholding Structure

Unit: Share

Nature of shareholding		At the beginning of the year		Movement	At the end of the year	
		Number	Percentage		Number	Percentage
Number of shares not subject to selling restriction	Total number of shares not subject to selling restriction	384,750,000	95.00%	172,520,014	557,270,014	95.00%
	Including:					
	1、Controlling shareholder, de facto controller	272,500,000	67.28%	165,349,839	437,849,839	74.64%
	2、Directors, supervisors and senior management	6,000,000	1.48%	2,690,370	8,690,370	1.48%
	3、Key staff	-	0.00%	-	-	0.00%
Number of shares subject to selling restriction	Total number of shares subject to selling restriction	20,250,000	5.00%	9,080,001	29,330,001	5.00%
	Including:					
	1. Controlling shareholder, de facto controller	7,500,000	1.85%	3,362,963	10,862,963	1.85%
	2. Directors, supervisors and senior management	20,250,000	5.00%	5,821,112	26,071,112	4.44%
	3. Key staff	-	0.00%	-	-	0.00%
Total number of shares		405,000,000		181,600,015	586,600,015	
Total number of shareholders		29				

2.3 Information of top ten shareholders

Unit: Share

No.	Name of Shareholder	Number at the beginning of the year	Changes during the year	Number at the end of the year	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 Investment Management Company Limited (“TG Investment”)	-	434,228,851	434,228,851	74.02%	-	434,228,851
2	Nanjing Iron & Steel Co., Ltd.	72,697,000	32,596,979	105,293,979	17.95%	-	105,293,979
3	Zhu Xiaokun	10,000,000	4,483,951	14,483,951	2.47%	10,862,963	3,620,988
4	Jiang Rongjun	5,000,000	2,241,976	7,241,976	1.23%	5,431,482	1,810,494
5	Yang Zhao	3,000,000	1,534,185	4,345,185	0.74%	3,258,889	1,086,296
6	Wang Gang	3,000,000	1,534,185	4,345,185	0.74%	3,258,889	1,086,296
7	Xu Shaoqi	3,000,000	1,534,185	4,345,185	0.74%	3,258,889	1,086,296
8	Chen Jie	3,000,000	1,534,185	4,345,185	0.74%	3,258,889	1,086,296
9	Zhu Hong	-	3,258,889	3,258,889	0.56%	0	3,258,889
10	Tang Yu	-	1,593,235	1,593,235	0.27%	0	1,593,235
Total		99,697,000	484,540,621	583,481,621	99.47%	29,330,001	554,151,620

Explanations on the relationship among top ten shareholders: Among the shareholders of TG Tech, Zhu Xiaokun is the de facto controller of TG Investment. 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 controlling relationship among TG Tech, the controlling shareholder and the de facto controller

2.4.1. The controlling shareholder of TG Tech

During the reporting period, the controlling shareholder of TG Tech is changed.

On 27 December 2019, TG Tech’s former shareholders Jiangsu Tiangong Tools Company Limited (“TG Tools”) and Danyang Tianfa Forging Company Limited transferred their shares to

TG Investment. The total shares were 434,228,851, representing 74.02% of TG Tech's total shares, and therefore TG Investment has replaced TG Tools and become the largest shareholder and controlling shareholder of TG Tech.

The basic information of the controlling shareholder of TG Tech is as follows:

TG Investment was established on 9 March, 2017 in North Binjiang Avenue, Houxiang, Danbei Town, Danyang City, and registered capital of HKD35,000,000.00. Mr. Zhu Zefeng is the legal representative of TG Investment. The scope of its business includes investment management, and advisory service of business management, financial management, business information and economic information.

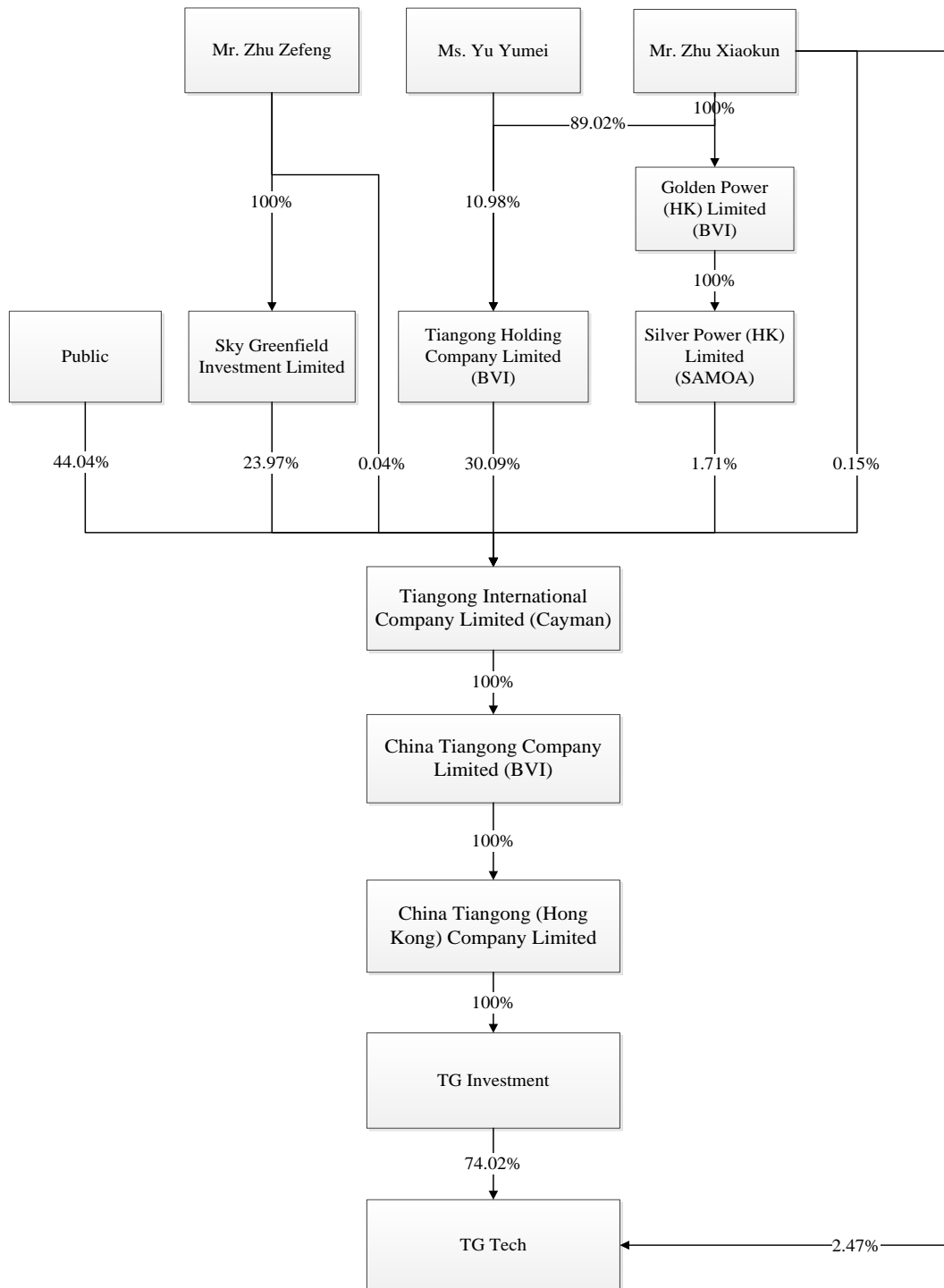
2.4.2. The de facto controllers of TG Tech

Mr. Zhu Xiaokun and Ms. Yu Yumei indirectly held 138,766,293 shares of TG Tech through the Company, and Mr. Zhu Xiaokun directly held 14,283,951 shares of TG Tech, 153,250,244 shares in total, collectively representing 26.13% 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 facto 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. From January 2010 to July 2015, he was the Chairman of Jiangsu Tiangong Titanium Technology Company Limited. Since August 2015, 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 spouse of Mr. Zhu Xiaokun. Mr. Zhu Zefeng is the son of Mr. Zhu Xiaokun and Ms. Yu Yumei. The above data was as of 31 December 2019.

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

In 2019, TG Tech has adopted the following revised accounting standards issued by the Ministry of Finance (“MOF”) recently:

- CAS No.22 - Financial instruments: Recognition and measurement (Revised), CAS No.23 - Transfer of Financial assets (Revised) and CAS No.24 – Hedging(Revised) and CAS No.37 - Presentation and Disclosures of Financial Instruments (Revised) (collectively, “New Financial Instruments Standards”)
- Notice on Revision of the 2019 Illustrative Financial Statements (Caikuai [2019] No.6)
- CAS No.7 – Exchange of Non-monetary Assets (Revised) (“CAS 7 (2019)”)
- CAS No.12 – Debt Restructuring (Revised) (“CAS 12 (2019)”)

The material impact of TG Tech’s adoption of the above corporate accounting policies and rules are as follows:

(a) Caikuai [2019] No.6

TG Tech has prepared financial statements for the year ended 31 December 2019 in accordance with the financial statement format specified in Caikuai [2019] No.6. TG Tech has applied the new presentation requirements retrospectively.

Income Statement and Statement of Cash Flow of TG Tech for the year ended 31 December 2019 are not affected.

(b) New Financial Instruments Standards

TG Tech retroactively adjusts the classification and measurement (including impairment) of financial instruments that were not derecognized on the implementation date of the New Financial Instruments Standards (January 1, 2019) in accordance with the regulation of the New Financial Instruments Standards. TG Tech has not adjusted the comparative figures in financial statements, and there is no significant difference between the original book value of the financial instruments and the new book value at the implementation date of the New Financial Instruments Standards.

(c) CAS 7 (2019)

The effective date of CAS 7 (2019) is 10 June 2019. Exchanges of non-monetary assets that occurred between 1 January 2019 and the effective date shall be adjusted according to CAS 7 (2019). Retrospective adjustment is not required for exchanges of non-monetary assets prior to 1 January 2019. The adoption of CAS 7 (2019) has no material effect on the financial position and financial performance of TG Tech.

(d) CAS 12 (2019)

The effective date of CAS 12 (2019) is 17 June 2019. Debt restructuring that occurred between 1 January 2019 and the effective date shall be adjusted according to CAS 12 (2019). Retrospective adjustment is not required for debt restructuring prior to 1 January 2019. The adoption of CAS 12 (2019) has no material effect on the financial position and financial performance of TG Tech.

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 2018:

	<i>Before adjustment</i>	<i>Adjustment</i>	<i>After adjustment</i>
Bills and accounts receivable	154,404,121.58	(154,404,121.58)	-
Bills receivable	-	83,136,859.84	83,136,859.84
Accounts receivable	-	71,267,261.74	71,267,261.74
Bills and accounts payable	29,278,122.37	(29,278,122.37)	-
Accounts payable	-	29,278,122.37	29,278,122.37
Total	183,682,243.95	-	183,682,243.95

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, 20 March 2020

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