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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)

CLARIFICATION ANNOUNCEMENT

This is a voluntary announcement made by Tiangong International Company Limited (the “**Company**”).

Reference is made to a report (the “**Report**”) issued by a financial research company, namely Emerson Analytics Co., Ltd, on 15 February 2022. The board of directors of the Company (the “**Board**”) vigorously denies the unfair negative statements/comments made against the Company in the Report, and considers such statements/comments are unsound and materially misleading. The Board recommends the shareholders of the Company and potential investors to exercise extreme caution when using the information in the Report.

In particular, the Report contains statements alleging the Company has overstated its production and profit margin on Die Steel (“**DS**”) in the annual reports and the Company has claimed to have a lion share of the national export of DS, such as:

1. OVERSTATEMENT OF DS PRODUCTION VOLUME

“our investigation shows that it has consistently overstated its DS production volume, with 2020 real output at about 100k tons rather than the reported 181,7k tons”

The Report’s analysis on the Company’s production were from two major aspects, namely reported production volume of 84.0k tons to the Special Steel Enterprise Association of China (“**SSEA**”) and the estimate from key raw materials consumed by a subsidiary, Tiangong Aihe Special Steel Company, Limited (“**TG Aihe**”).

The Report stated that “The production of DS and High Speed Steel is undertaken by Tiangong Aihe Special Steel Co., Ltd. and Jiangsu Tiangong Tools New Materials Co., Ltd., respectively”[#].

This statement is fundamentally incorrect. Both TG Aihe and Jiangsu Tiangong Tools New Materials Company Limited (“**TG Tools New Material**”) owned smelting production facilities and will be dynamically allocated to produce DS and HSS according to market demand. The Report simply ignored TG Tools New Materials.

[#] *Chinese names and definitions are omitted from the quotation to avoid confusion*

2. EXAGGERATED DS GROSS PROFIT

“We reckon that the company exaggerated its DS gross profit by 2.6x and that, all else being equal, real EBIT was only 33% of reported amount for 2020.”

Although EBIT was not an audited figure, it could be deduced from other audited financial figures. As such, the Company regrets on such allegation. Management would like to emphasis that cost control is one of the key focuses of the Group.

3. OVERSTATEMENT OF DS EXPORTS

“In 2019, the company’s claimed DS exports even exceeded national total!”

The Company did not made such claim. The export figures set out in the annual reports of the Company were based on invoices and export filings of the Group. Further, the Company notes the Report’s analysis on 2020 national export figure (and the deduced 2019 figure) was a summation of export figures of a selection of over 10 exporters followed by the author of an article published by mysteel.com, not a national figure. The Company does not comment on the accuracy of such summation and the Report’s inference on the Group’s share of national export.

The Company confirms that it is not aware of any inside information relating to the negative statements/comments made in the Report that need to be disclosed under Part XIVA of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong).

Further announcement will be made by the Company to clarify and address other negative statements/comments concerning the Group as raised in the Report in due course.

In view of the above risk factors, shareholders and investors are advised to pay attention to investment risks and exercise caution when dealings in the securities of the Company.

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

Hong Kong, 16 February 2022

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*