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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

2022 Annual Report Highlight

This highlight is extracted from the 2022 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.

1. Important Notes

1.1 This annual report highlight is extracted from the full Annual Report. Investors should read the full Annual Report concurrently 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): Liang Weihao

Position: Secretary for the board of directors

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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 2022	31 December 2021	Change
Total Assets	846,208,257.29	717,890,419.66	17.87%
Total Liabilities	152,148,456.43	48,914,121.30	211.05%
Net assets attributable to the equity shareholders of TG Tech	680,297,649.57	668,976,298.36	1.69%
Net assets per share attributable to equity shareholders of TG Tech (RMB/share)	1.16	1.14	1.75%
Owner's equity attributable to the shareholders of TG Tech	680,297,649.57	668,976,298.36	1.69%
Share capital (shares)	586,600,015.00	586,600,015.00	0.00%
Revenue from operations	383,302,312.84	282,570,307.21	35.65%
Profit from operations	72,500,683.62	20,657,833.56	250.96%
Total profit	72,435,343.25	22,866,851.99	216.77%
Earnings before interest and tax	72,435,343.25	22,866,851.99	216.77%
Net profit attributable to the equity shareholders of TG Tech	69,981,352.71	20,343,157.72	244.00%
Net profit attributable to the equity shareholders of TG Tech after deduction of non-recurring profit and loss	64,012,421.85	15,387,633.52	316.00%
Net cash flows from operating activities	72,233,573.16	18,570,653.21	288.97%
Weighted average return on equity	10.081%	3.086%	N/A
Basic earnings per share (RMB/share)	0.119	0.035	240.00%
Diluted earnings per share (RMB/share)	0.119	0.035	240.00%

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	559,442,607	95.37%	3,258,889	562,701,496	95.93%
	Including:					
	1、Controlling shareholder, de facto controller	437,849,839	74.64%	-	437,849,839	74.64%
	2、Directors, supervisors and senior management	7,604,074	1.30%	-1,086,296	6,517,778	1.11%
	3、Key staff	-	0.00%	-	-	0.00%
Number of shares subject to selling restriction	Total number of shares subject to selling restriction	27,157,408	4.63%	-3,258,889	23,898,519	4.07%
	Including:					
	1. Controlling shareholder, de facto controller	10,862,963	1.85%	-	10,862,963	1.85%
	2. Directors, supervisors and senior management	22,812,223	3.89%	-14,121,852	8,690,371	1.48%
	3. Key staff	-	0.00%	-	-	0.00%
Total number of shares		586,600,015		-	586,600,015	
Total number of shareholders		72				

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.	105,293,979	-	105,293,979	17.95%	-	105,293,979
3	Zhu Xiaokun	14,483,951	-	14,483,951	2.47%	10,862,963	3,620,988
4	Jiang Rongjun	7,241,976	-	7,241,976	1.23%	5,431,482	1,810,494
5	Wang Gang	4,345,185	-	4,345,185	0.74%	-	4,345,185
6	Chen Jie	4,345,185	-	4,345,185	0.74%	3,258,889	1,086,296
7	Xu Shaoqi	4,345,185	-	4,345,185	0.74%	4,345,185	-
8	Zhu Hong	3,258,889	-	3,258,889	0.56%	-	3,258,889
9	Yang Zhao	3,213,330	-	3,213,330	0.55%	-	3,213,330
10	Liu Yanping	1,388,707	-16,700	1,372,007	0.23%	-	1,372,007
Total		582,145,238	-16,700	582,128,538	99.23%	23,898,519	558,230,019

Interpretations 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 Tiangong International Company Limited (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

As at the end of the reporting period, TG Investment held 434,228,851 shares of TG Tech, accounting for 74.02% of TG Tech's total share capital, and is the controlling shareholder of TG Tech. During the reporting period, there was no change in the 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 with a registered capital of RMB535,000,000. 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.

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

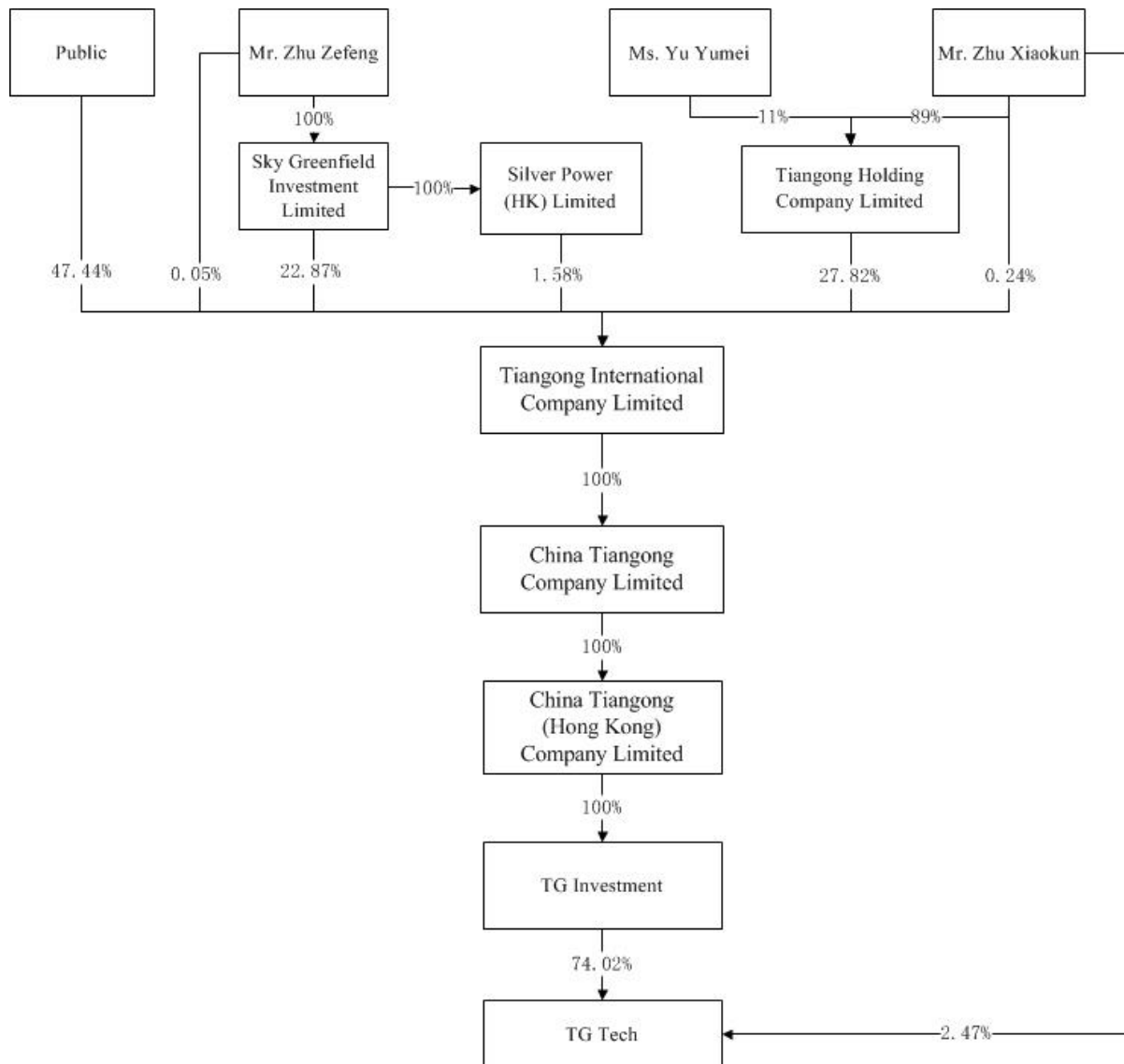
2.4.2. The de factor controllers of TG Tech

Mr. Zhu Xiaokun and Ms. Yu Yumei indirectly held 121,858,180 shares of TG Tech through Tiangong International Company Limited, and Mr. Zhu Xiaokun directly held 14,483,951 shares of TG Tech, 136,342,131 shares in total, representing an aggregate 23.24% effective interest in TG Tech. 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, with Chinese nationality, was born in January 1957. He has no permanent overseas residence. He has a college degree. He served as the Chairman and the general manager of Jiangsu Tiangong Group Co., Ltd. from October 1984 to February 2017. He has been the Chairman and the general manager of Jiangsu Tiangong Tools Company Limited from July 1997 to January 2020. Since August 2006, he has been the Chairman of Tiangong International Company Limited. Since January 2010, he has been the Chairman of TG Tech.

Ms. Yu Yumei, with Chinese nationality, was born in January 1961. She has no permanent overseas residence. She has a college degree. She worked as a teacher at Houxiang Center School, Danbei Town, Danyang City from September 1991 to June 2011. She then retired in 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 2022.

3. Events related to financial reporting

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

Applicable Not Applicable

Description and reasons of changes in accounting policies

TG Tech has adopted the following relevant provisions of the accounting standards for enterprises issued by the Ministry of Finance in recent years since 2022:

- “Interpretation No. 15 of the Accounting Standards for Business Enterprises” (No. 35 [2021] of the Ministry of Finance) (“Interpretation No. 15”) “Accounting treatment for the sale of products or by-products produced by the enterprise before the fixed assets reach the intended usable state or during the research and development process”;
- The interpretation of the “Judgment on loss-making contracts” of the Interpretation No. 15
- “Notice on issues concerning the application of the “Provisions on the Accounting Treatment of Rent Concessions Related to the New Coronary Pneumonia Epidemic”” (No. 13 [2022] of the Ministry of Finance).
- “Interpretation No. 16 of the Accounting Standards for Business Enterprises” (No. 31 [2021] of the Ministry of Finance) (“Interpretation No. 16”) “Accounting Treatment on the Income Taxation of Financial Division Classification of Publisher Classification”; and
- The regulation of the “Accounting Treatment of Enterprise Payment of Share Payment of Enterprises with Cash Settlement” of the Interpretation No. 16.

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

Applicable Not Applicable

According to the Interpretation No. 15, the revenue and costs obtained by TG Tech from the external sales of products or by-products produced during the research and development process (hereinafter collectively referred to as “trial operation sales”) shall be accounted for separately in accordance with the “Accounting Standards for Enterprises No. 14 – Revenue”, The “Accounting Standards for Enterprises No. 1 – Inventory” and other provisions. They should be included in the current year profit and loss, instead of offsetting the net amount of the trial operation sales related revenue and the relevant costs against the research and development expenses.

The above regulations was effective on 1 January 2022. TG Tech made retroactive adjustments in accordance with the above regulations regarding the trial operation sales that occurred between 1 January 2021 and the first implementation date.

Impact of changes on financial statements for the year

The impact of the above accounting policy changes on the 2022 consolidated income statement and the income statement of TG Tech is summarized as follows:

	Increase/(decrease) the amount of statement items after adopting the changed accounting policy	
	TG Tech Group	TG Tech
Revenue from operations	3,493,142.94	3,493,142.94
Cost from operations	3,366,490.25	3,366,490.25
Research and development costs	126,652.69	126,652.69

Impact of changes on the financial statements of the comparative period

The impact of the above accounting policy changes on the 2021 consolidated income statement and the income statement of TG Tech is summarized as follows:

	Increase/(decrease) the amount of statement items after adopting the changed accounting policy	
	TG Tech Group	TG Tech
Revenue from operations	2,676,865.02	2,676,865.02
Cost from operations	2,568,124.49	2,568,124.49
Research and development costs	108,740.53	108,740.53

3.3 Changes in the scope of consolidated statements

Applicable Not Applicable

江蘇天工優材科技有限公司(Jiangsu Tiangong Youcai Technology Co., Ltd.*), the former wholly-owned subsidiary of TG Tech, completed the deregistration approval on 30 June 2022. TG Tech held the fifth meeting of the third board of directors on 29 August 2022 and approved the “Proposal on Deregistration of Subsidiaries”.

TG Tech completed the capital injection to its subsidiary 江蘇天工索羅曼合金材料有限公司(Jiangsu Tiangong Soloman Alloy Material Co., Ltd.*) (“Tiangong Soloman”) on 13 October 2022. After the capital injection, TG Tech held RMB16.5 million equity interest in Tiangong Soloman, accounting for 55% of the total registered capital. According to the

relevant provisions of the “Articles of Association”, the capital injection of the subsidiary did not need require the approval from TG Tech’s board of directors but was subject to the approval of the general manager.

3.4 Explanation on non-standard audit opinion

Applicable Not Applicable

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

Hong Kong, 27 March 2023

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*