Tiangong International Company Limited

天工國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 826)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

RMB' million (unless otherwise specified)

	Year ended 31 December 2022	Year ended 31 December 2021	Change
Revenue	**5,066.8**	5,744.9	(11.8%)
Gross profit	**1,148.5**	1,405.2	(18.3%)
Net profit attributable to equity shareholders of the Company	**503.5**	664.4	(24.2%)
Basic earnings per share *(RMB)*	**0.181**	0.244	(25.8%)
Gross profit margin	**22.7%**	24.5%	(1.8%)
Margin of profit attributable to equity shareholders of the Company	**9.9%**	11.6%	(1.7%)
Net Assets	**7,141.3**	6,892.6	3.6%
Net Debt(1)	**193.6**	–	–
Net Gearing(2)	**2.7%**	0.0%	2.7%

Notes:

(1) Net debt equal to total bank borrowings less pledged deposits, time deposits and cash and cash equivalents. Net debt of the Group as at 31 December 2021 was nil as total bank borrowings were less than pledged deposits, time deposits and cash and equivalents.

(2) Net gearing is measured as net debt to equity.

The board of directors (the "**Board**") of Tiangong International Company Limited (the "**Company**") is pleased to announce the audited consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2022 and the consolidated statement of financial position of the Group as at 31 December 2022, together with the comparative figures for the same period of 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	**2022** *RMB'000*	2021 *RMB'000*
Revenue	*4*	**5,066,807**	5,744,873
Cost of sales		**(3,918,320)**	(4,339,675)
Gross profit		**1,148,487**	1,405,198
Other income	*5*	**157,895**	129,387
Distribution costs		**(219,776)**	(217,737)
Administrative expenses		**(146,666)**	(134,575)
Research and development costs		**(288,456)**	(273,821)
Other operating expenses	*6*	**(31,947)**	(47,274)
Profit from operations		**619,537**	861,178
Finance income		**46,294**	27,563
Finance expenses		**(176,189)**	(159,047)
Net finance costs	*7(a)*	**(129,895)**	(131,484)
Share of profits less losses of associates		**16,470**	12,543
Share of profits less losses of joint ventures		**13,248**	9,418
Profit before taxation	*7*	**519,360**	751,655
Income tax	*8*	**4,750**	(80,025)
Profit for the year		**524,110**	671,630
Attributable to:			
Equity shareholders of the Company		**503,535**	664,371
Non-controlling interests		**20,575**	7,259
Profit for the year		**524,110**	671,630
Earnings per share *(RMB)*	*9*		
Basic		**0.181**	0.244
Diluted		**0.181**	0.244

Note: Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 13(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
Profit for the year	**524,110**	671,630
Other comprehensive income for the year (after tax adjustment)		
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income (FVOCI)		
— net movement in fair value reserve (non-recycling) (inclusive of tax effect of RMB2,720,000 (2021: RMB1,696,000))	**(22,806)**	24,430
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
— financial statements of entities with functional currencies other than RMB (inclusive of nil tax (2021: nil))	**(57,915)**	(12,086)
Other comprehensive income for the year	**(80,721)**	12,344
Total comprehensive income for the year	**443,389**	683,974
Attributable to:		
Equity shareholders of the Company	**422,697**	676,701
Non-controlling interests	**20,692**	7,273
Total comprehensive income for the year	**443,389**	683,974

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		**4,607,596**	4,273,366
Lease prepayments		**233,842**	163,214
Intangible assets		**65,333**	16,942
Goodwill		**144,600**	21,959
Interest in associates		**95,473**	61,814
Interest in joint ventures		**47,669**	38,699
Other financial assets		**189,694**	185,310
Deferred tax assets		**60,007**	42,209
		5,444,214	4,803,513
Current assets			
Financial assets measured at fair value through profit or loss (FVPL)		**1,041**	1,651
Inventories		**2,583,470**	2,277,610
Trade and other receivables	*10*	**2,632,708**	2,131,259
Pledged deposits		**140,041**	244,191
Time deposits		**1,341,834**	1,749,481
Cash and cash equivalents		**1,219,843**	1,356,881
		7,918,937	7,761,073
Current liabilities			
Trade and other payables	*11*	**1,659,779**	1,373,841
Interest-bearing borrowings		**1,866,813**	1,600,786
Other financial liability	*12*	**1,524,650**	1,468,050
Current taxation		**28,240**	40,955
		5,079,482	4,483,632
Net current assets		**2,839,455**	3,277,441
Total assets less current liabilities		**8,283,669**	8,080,954

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
Non-current liabilities		
Interest-bearing borrowings	**1,028,500**	1,038,000
Deferred income	**42,530**	50,306
Deferred tax liabilities	**71,306**	100,091
	1,142,336	1,188,397
Net assets	**7,141,333**	6,892,557
Capital and reserves		
Share capital	**49,231**	49,399
Reserves	**6,811,053**	6,580,846
Total equity attributable to equity shareholders of the Company	**6,860,284**	6,630,245
Non-controlling interests	**281,049**	262,312
Total equity	**7,141,333**	6,892,557

NOTES

1. REPORTING ENTITY

The Company was incorporated in the Cayman Islands on 14 August 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 26 July 2007. The Company and its subsidiaries are collectively referred to as the "**Group**".

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**") and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in the financial statements.

The financial information relating to the year ended 31 December 2022 that is included in this preliminary annual results announcement does not constitute the Group's consolidated financial statements for the year ended 31 December 2022 but is derived from those financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendment to IFRS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to IFRS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these developments had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the manufacturing and sales of high alloy steel, (including die steel ("**DS**") and high speed steel ("**HSS**")), cutting tools, titanium alloy, trading of goods and others after eliminating intercompany transactions. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by products divisions or business lines is as follows:

	2022	2021
	RMB'000	*RMB'000*
DS	**2,703,341**	2,391,914
HSS	**964,780**	1,005,436
Cutting tools	**756,726**	1,057,984
Titanium alloy	**362,420**	263,146
Trading of goods	**–**	1,026,393
Others	**279,540**	–
	5,066,807	5,744,873

The Group's revenue from contracts with customers is recognised at a point in time. Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Notes 4(b)(iii).

The Group's customer base is diversified and includes nil customer (2021: nil customer) with whom transactions have exceeded 10% of the Group's revenue.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for products such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of products that had an original expected duration of one year or less.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Chairman (the chief operating decision maker) for the purposes of resource allocation and performance assessment, the Group has presented the following six reportable segments. No operating segments have been aggregated to form the following reportable segments.

— *DS*	The DS segment manufactures and sells materials that are used in the die set manufacturing industry.
— *HSS*	The HSS segment manufactures and sells materials that are used in the tools manufacturing industry.
— *Cutting tools*	The cutting tools segment manufactures and sells HSS and carbide cutting tools to the tooling industry.
— *Titanium alloy*	The titanium alloy segment manufactures and sells titanium alloys to the titanium industry.
— *Trading of goods*	The trading of goods segment sells general carbon steel products that are not within the Group's production scope.
— *Others*	Others segment mainly assembles and sells power tools kits.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Chairman (the chief operating decision maker) monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all tangible, intangible assets and current assets with the exception of interest in associates, interest in joint ventures, other financial assets, deferred tax assets, financial assets measured at fair value through profit or loss (FVPL), pledged deposits, time deposits, cash and cash equivalents and other head office and corporate assets. Segment liabilities include trade and other payables and deferred income attributable to the manufacturing and sales activities of the individual segments with the exception of interest-bearing borrowings, other financial liability, current taxation, deferred tax liabilities and other head office and corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBIT", i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as net finance costs. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates and joint ventures and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter-segment revenue) generated by the segments in their operations. Inter-segment revenue is priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Chairman (the chief operating decision maker) for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below.

	Year ended and as at 31 December 2022					
	DS	**HSS**	**Cutting tools**	**Titanium alloy**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from external customers	**2,703,341**	**964,780**	**756,726**	**362,420**	**279,540**	**5,066,807**
Inter-segment revenue	**–**	**271,369**	**–**	**107**	**–**	**271,476**
Reportable segment revenue	**2,703,341**	**1,236,149**	**756,726**	**362,527**	**279,540**	**5,338,283**
Reportable segment profit (adjusted EBIT)	**207,723**	**145,163**	**140,801**	**72,435**	**63,368**	**629,490**
Reportable segment assets	**5,189,444**	**2,668,476**	**1,696,313**	**596,843**	**82,780**	**10,233,856**
Reportable segment liabilities	**1,008,396**	**338,051**	**170,535**	**137,066**	**16,353**	**1,670,401**

	Year ended and as at 31 December 2021					
	DS	HSS	Cutting tools	Titanium alloy	Trading of goods	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	2,391,914	1,005,436	1,057,984	263,146	1,026,393	5,744,873
Inter-segment revenue	–	304,058	–	–	–	304,058
Reportable segment revenue	2,391,914	1,309,494	1,057,984	263,146	1,026,393	6,048,931
Reportable segment profit (adjusted EBIT)	336,391	312,359	236,846	22,098	306	908,000
Reportable segment assets	4,559,564	2,733,938	1,038,044	495,080	22,000	8,848,626
Reportable segment liabilities	688,833	438,775	206,843	46,361	22,000	1,402,812

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2022	2021
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**5,338,283**	6,048,931
Elimination of inter-segment revenue	**(271,476)**	(304,058)
Consolidated revenue *(Note 4(a))*	**5,066,807**	5,744,873

	2022	2021
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**629,490**	908,000
Net finance costs	**(129,895)**	(131,484)
Share of profits less losses of associates	**16,470**	12,543
Share of profits less losses of joint ventures	**13,248**	9,418
Unallocated head office and corporate expenses	**(9,953)**	(46,822)
Consolidated profit before taxation	**519,360**	751,655

	2022	2021
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**10,233,856**	8,848,626
Interest in associates	**95,473**	61,814
Interest in joint ventures	**47,669**	38,699
Other financial assets	**189,694**	185,310
Deferred tax assets	**60,007**	42,209
Financial assets measured at fair value through profit or loss (FVPL)	**1,041**	1,651
Pledged deposits	**140,041**	244,191
Time deposits	**1,341,834**	1,749,481
Cash and cash equivalents	**1,219,843**	1,356,881
Unallocated head office and corporate assets	**33,693**	35,724
Consolidated total assets	**13,363,151**	12,564,586

	2022	2021
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities	**1,670,401**	1,402,812
Interest-bearing borrowings	**2,895,313**	2,638,786
Other financial liability	**1,524,650**	1,468,050
Current taxation	**28,240**	40,955
Deferred tax liabilities	**71,306**	100,091
Unallocated head office and corporate liabilities	**31,908**	21,355
Consolidated total liabilities	**6,221,818**	5,672,029

(iii) Geographical information

The Group's business is managed on a worldwide basis, but participates in four principal economic geographies, the People's Republic of China, and for the purpose of this announcement only and except where the context requires otherwise, excluding Hong Kong, Macao Special Administrative Region and Taiwan (the "**PRC**"), North America, Europe and Asia (other than the PRC).

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered. Substantially all of the Group's assets and liabilities are located in the PRC and accordingly, no geographical analysis of segment assets and liabilities is provided.

	Revenues from external customers	
	2022	2021
	RMB'000	*RMB'000*
Revenue		
The PRC	**1,951,642**	3,358,645
North America	**1,037,725**	730,852
Europe	**1,301,421**	983,936
Asia (other than the PRC)	**695,123**	582,803
Others	**80,896**	88,637
Total	**5,066,807**	5,744,873

5 OTHER INCOME

		2022	2021
	Note	***RMB'000***	*RMB'000*
Government grants	*(i)*	**31,878**	66,017
Sales of scrap materials		**3,218**	4,356
Dividend income	*(ii)*	**9,232**	5,077
Unrealised fair value changes of other financial assets		**4,910**	11,502
Realised gains on structured deposits		**2,579**	21,492
Net gains on trading securities		**–**	3,816
Net foreign exchange gains		**92,871**	–
Gains from disposal of interest in associates, a joint venture and a subsidiary		**1,927**	1,125
Indemnity income		**–**	5,031
Others		**11,280**	10,971
		157,895	129,387

(i) The subsidiaries of the Company, located in the PRC collectively received unconditional grants amounting to RMB24,102,000 (2021: RMB58,241,000) from the local government. The Group also recognised amortisation of government grants related to assets of RMB7,776,000 (2021: RMB7,776,000) during the year ended 31 December 2022.

(ii) The Group received dividends totalling RMB9,232,000 (2021: RMB5,077,000) from listed equity investments, unlisted units in investment funds and trading securities.

6 OTHER OPERATING EXPENSES

	2022	2021
	RMB'000	*RMB'000*
Provision for loss allowance on trade and other receivables	**24,645**	5,318
Net losses on disposal of property, plant and equipment	**3,293**	3,002
Net foreign exchange losses	**–**	36,075
Charitable donations	**2,848**	2,610
Net losses on trading securities	**610**	–
Others	**551**	269
	31,947	47,274

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	2022	2021
	RMB'000	*RMB'000*
Interest income	**(46,294)**	(27,563)
Finance income	**(46,294)**	(27,563)
Interest on bank loans	**119,589**	113,261
Interest expenses arising on other financial liability	**56,600**	53,050
Less: interest expenses capitalised into property, plant and equipment under construction*	**–**	(7,264)
Finance expenses	**176,189**	159,047
Net finance costs	**129,895**	131,484

* The borrowing costs have been capitalised at a rate of 4.10% per annum in 2021.

(b) Staff costs

	2022	2021
	RMB'000	*RMB'000*
Contributions to defined contribution retirement plans	**25,388**	20,147
Salaries, wages and other benefits	**339,665**	339,922
	365,053	360,069

The Group participates in defined contribution pension funds managed by the PRC local government authorities. According to the respective pension fund regulations, the Group is required to pay annual contributions determined by the respective authorities in the PRC. The Group remits all the pension fund contributions to the respective social security offices, which are responsible for the payments and liabilities relating to the pension funds. The Group has no obligation for payment of retirement and other post-retirement benefits of employees other than the contributions described above.

(c) Other items

		2022	2021
	Note	***RMB'000***	*RMB'000*
Amortisation of intangible assets		**3,489**	1,900
Depreciation charge			
— owned property, plant and equipment		**324,436**	294,377
— lease prepayments (right-of-use assets)		**5,040**	3,417
		329,476	297,794
Net foreign exchange gains/(losses)	5/6	**92,871**	(36,075)
Auditor's remuneration			
— audit services		**6,695**	4,030
— other services		**960**	–
		7,655	4,030
Provision for write-down of inventories		**28,257**	2,486
Cost of inventories*		**3,918,320**	4,339,675

* Cost of inventories includes amounts relating to staff costs and depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2022	2021
	RMB'000	*RMB'000*
Current tax		
Provision for PRC Corporate Income Tax	**29,543**	72,340
Provision for Hong Kong Profits Tax	**20,880**	3,642
Provision for Thailand Corporate Income Tax	**996**	1,328
Provision for USA Corporate Income Tax	**931**	–
	52,350	77,310
Deferred tax		
Origination and reversal of temporary differences	**(57,100)**	2,715
	(4,750)	80,025

(i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or British Virgin Islands.

(ii) The provision for PRC Corporate Income Tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Jiangsu Tiangong Tools New Materials Company Limited (formerly known as Jiangsu Tiangong Tools Company Limited) ("**TG Tools**"), Tiangong Aihe Company Limited ("**TG Aihe**"), Jiangsu Weijian Tools Technology Company Limited ("**Weijian Tools**"), Jiangsu Tiangong Technology Company Limited ("**TG Tech**") and Jiangsu Tiangong Precision Tools Company Limited ("**Precision Tools**") are subject to a preferential income tax rate of 15% in 2022 available to enterprises which qualify as a High and New Technology Enterprise (2021: 15%).

The statutory corporate income tax rate applicable to the Group's other operating subsidiaries in the PRC is 25% (2021: 25%).

The income tax law of the PRC and its relevant regulations also impose withholding tax at 10%, unless reduced by a tax treaty/arrangement, on dividend distributions made out of the PRC from earnings accumulated from 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

(iii) Pursuant to the income tax rules and regulations of Hong Kong, the Group's subsidiaries in Hong Kong are liable to Hong Kong Profits Tax at a rate of 16.5% (2021: 16.5%) for the year ended 31 December 2022.

(iv) According to the policy of Industrial Promotion Act of Thailand, Tiangong Precision Tools (Thailand) Company Limited ("**TGPT**"), a subsidiary of the Group located in Thailand, is entitled to a preferential income tax rate of 0% for six years from May 2021, and 20% from May 2027 and thereafter.

Pursuant to the income tax rules and regulations of Thailand, Tiangong Special Steel Company Limited ("**TGSS**"), a subsidiary of the Group in Thailand are liable to Thailand Corporate Income Tax at a rate of 20% (2021: 20%) for the year ended 31 December 2022.

(v) Pursuant to the income tax rules and regulations of USA, the Group's subsidiary incorporated in the USA is subject to Federal Tax at a rate of 21% and State Profits Tax at a rate of 7%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2022	2021
	RMB'000	*RMB'000*
Profit before taxation	**519,360**	751,655
Notional tax on profit before taxation, calculated using the PRC statutory tax rate of 25% (2021: 25%)	**129,840**	187,914
Effect of preferential tax rates	**(9,426)**	(40,455)
Effect of different tax rates	**(18,398)**	(9,351)
Tax effect of non-deductible expenses	**10,148**	8,340
Tax effect of non-taxable income	**(11,273)**	(4,033)
Tax effect of unused tax losses not recognised	**4,929**	2,053
Tax effect of utilisation of previously unrecognised tax losses	**(873)**	(552)
Tax effect of recognition of previously unrecognised temporary difference	**(281)**	(6,176)
Tax effect of temporary difference not recognised	**500**	–
Effect of withholding tax on profit distribution	**(6,625)**	(2,431)
Tax effect of bonus deduction for research and development costs	**(68,941)**	(62,556)
Tax effect of additional deduction for purchase of equipment	**(9,354)**	–
Tax effect of reversal of deferred tax liabilities recognised previously	**(23,004)**	–
(Over)/under-provision in respect of prior year	**(2,137)**	7,252
Others	**145**	20
Actual tax expense	**(4,750)**	80,025

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB503,535,000 (2021: RMB664,371,000) and the weighted average of 2,787,658,500 ordinary shares (2021: 2,723,021,978 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2022	2021
Issued ordinary shares at 1 January	**2,795,000,000**	2,595,000,000
Effect of placing and subscription of shares	**–**	128,021,978
Effect of repurchase of own shares	**(7,341,500)**	–
Weighted average number of ordinary shares at 31 December	**2,787,658,500**	2,723,021,978

(b) Diluted earnings per share

The diluted earnings per share for 2022 and 2021 are the same as the basic earnings per share as there are no dilutive potential ordinary shares during the years.

10 TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**1,697,853**	1,305,126
Bills receivable	**699,453**	663,156
Less: loss allowance	**(111,645)**	(84,948)
Net trade and bills receivable	**2,285,661**	1,883,334
Prepayments	**223,327**	132,280
Non-trade receivables	**132,243**	122,278
Less: loss allowance	**(8,523)**	(6,633)
Net prepayments and non-trade receivables	**347,047**	247,925
	2,632,708	2,131,259

Substantially all of the trade and other receivables are expected to be recovered or recognised as an expense within one year.

Certain bills receivable held by the Group are achieved by both collecting contractual cash flows and sales, which are measured at fair value through other comprehensive income.

Trade receivables of RMB145,131,000 (2021: RMB175,195,000) have been pledged to a bank as security for the Group's bank loans.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**1,523,341**	1,498,858
4 to 6 months	**292,466**	108,920
7 to 12 months	**325,498**	116,536
1 to 2 years	**113,999**	150,321
Over 2 years	**30,357**	8,699
	2,285,661	1,883,334

Trade receivables are due from 90 to 180 days from the date of billing.

(b) Loss allowance of trade receivables

The Group measures loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("**ECLs**"), which is calculated using a provision matrix.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2022		
	Expected loss rate *%*	**Gross carrying amount** ***RMB'000***	**Loss allowance** ***RMB'000***
Current (not past due)	**5.0%**	**867,214**	**43,326**
1–9 months past due	**5.0%**	**650,401**	**32,437**
9–21 months past due	**10.9%**	**127,932**	**13,933**
More than 21 months past due	**42.0%**	**52,306**	**21,949**
		1,697,853	**111,645**

	2021		
	Expected loss rate *%*	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Current (not past due)	4.9%	878,767	43,065
1–9 months past due	5.0%	237,283	11,827
9–21 months past due	10.9%	168,786	18,465
More than 21 months past due	57.1%	20,290	11,591
		1,305,126	84,948

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Balance at 1 January	**84,948**	87,095
Amounts written-off during the year	**(233)**	(5,346)
Loss allowance recognised during the year	**23,505**	3,199
Exchange gain and loss adjustment	**3,425**	–
Balance at 31 December	**111,645**	84,948

11 TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade and bills payable	**1,272,129**	1,181,988
Contract liabilities	**23,476**	29,505
Non-trade payables and accrued expenses	**364,174**	162,348
	1,659,779	1,373,841

All trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**711,968**	608,438
4 to 6 months	**402,223**	223,973
7 to 12 months	**118,981**	304,886
1 to 2 years	**28,428**	22,688
Over 2 years	**10,529**	22,003
	1,272,129	1,181,988

12 OTHER FINANCIAL LIABILITY

The analysis of the carrying amount of other financial liability is as follows:

	2022	2021
	RMB'000	*RMB'000*
Contingent redeemable capital contributions in a subsidiary	**1,524,650**	1,468,050

On 28 December 2020, the Company, TG Tools, Jurong Tiangong New Materials Technology Company Limited, China Tiangong (Hong Kong) Company Limited, Precision Tools, TG Aihe, Weijian Tools, Jiangsu Tiangong New Materials Company Limited, TG Development and certain third party investors (the "**Investors**") entered into an investment agreement, pursuant to which the Investors will invest RMB1,415,000,000 to acquire 16.65% of the equity interest in TG Tools (collectively referred to as "**the Investment in TG Tools**"). The Investors are entitled to the same voting rights and dividend rights as other equity holders of TG Tools, whereas certain special rights including redemption, anti-dilution and preferential liquidation rights are granted to the Investors. As at 31 December 2021, the Group received all the capital contributions of RMB1,415,000,000 from the Investors.

At the date of issuance of the Investment in TG Tools, the Investment in TG Tools is initially recognised at fair value and is carried at amortised cost for subsequent periods. Interest on the Investment in TG Tools is calculated using the effective interest method and recognised in the consolidated statement of profit or loss.

13 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company in respect of the year

	2022	2021
	RMB'000	*RMB'000*
Dividend proposed after the end of the reporting period of RMB0.0362 per ordinary share (2021: RMB0.0594 per ordinary share)	**100,707**	166,093

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company in respect of the previous financial year, approved and paid during the year

	2022	2021
	RMB'000	*RMB'000*
Dividend in respect of the previous financial year, approved and paid during the year of RMB0.0594 per ordinary share (2021: RMB0.0732 per ordinary share)	**165,429**	206,848

In respect of the final dividend for the year ended 31 December 2021, there is a difference of RMB664,000 between the final dividend disclosed in the 2021 annual financial statements and amounts approved and paid during the year, which is mainly due to the change in number of ordinary shares arising from repurchase and cancellation of shares from March to May 2022 and the RMB/HKD exchange rate difference between the fixed middle average exchange rate on the date of the 2021 annual result announcement and the actual exchange rate applied on the date of payment.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

	For the year ended 31 December					
	2022		2021		Change	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
DS	**2,703,341**	**53.4**	2,391,914	41.6	311,427	13.0
HSS	**964,780**	**19.0**	1,005,436	17.5	(40,656)	(4.0)
Cutting tools	**756,726**	**14.9**	1,057,984	18.4	(301,258)	(28.5)
Titanium alloy	**362,420**	**7.2**	263,146	4.6	99,274	37.7
Trading of goods	**–**	**–**	1,026,393	17.9	(1,026,393)	(100.0)
Others	**279,540**	**5.5**	–	–	279,540	–
	5,066,807	**100.0**	5,744,873	100.0	(678,066)	(11.8)

DS — accounted for 53.4% of the Group's revenue in FY 2022

	For the year ended 31 December					
	2022		2021		Change	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
DS						
Domestic	**917,466**	**33.9**	1,216,376	50.9	(298,910)	(24.6)
Export	**1,785,875**	**66.1**	1,175,538	49.1	610,337	51.9
	2,703,341	**100.0**	2,391,914	100.0	311,427	13.0

DS is a type of high alloy special steel manufactured using rare metals including molybdenum, chromium and vanadium. DS is mainly used in die and mould casting as well as machining processing. Many different manufacturing industries require moulds, including automotive, high-speed railway construction, aviation and plastic product manufacturing industries.

In 2022, due to the COVID-19 outbreak, the normal business operations and logistics were affected, resulting in a decline in demand for steel in the downstream manufacturing industry. The decline in demand for steel led to a continued trend of reduction in steel production. Domestic supply and demand in steel industry were both weak and the sales volume of domestic DS decreased by 26%. Increase in cost of rare metals, which was used as raw materials for DS production, was passed to the downstream customers as usual. The price adjustment is limited by the weak domestic demand, allowing for the pass-through of part of the increased cost only. This narrowed the increase in average selling price to just 2% compared to 2021. Domestic revenue recorded a decrease of 24.6% to RMB917,466,000 (2021: RMB1,216,376,000).

In order to curb the high inflation, the Federal Reserve Board of the United States significantly increased the federal funds rate from 0.25% to 4.50% in 2022, resulting in a significant depreciation of RMB against the US dollar. As a result, Chinese's exports benefited from this over the course of the year. Further, the Russia-Ukraine war led to the continuous surge in energy prices such as oil and natural gas. Ukraine's steel production industry was badly hit and a number of steel plants were shut down due to the war. Russian steel exports were also sanctioned by the European Union. In addition, Europe has implemented the "green steel policy" to reduce carbon emissions in recent years, which led to an imbalance between supply and demand of European steel products. In contrast, China, as the leading country in steel export and processing, had a relatively stable steel supply. China's steel supply simply filled the gap in the international market. The above-mentioned reasons led to an increase in sales volume and average selling price by 26% and 20%, respectively, compared with 2021. As a result, the Group's export revenue increased significantly by 51.9% to RMB1,785,875,000 (2021: RMB1,175,538,000).

Overall, sales of the DS segment increased by 13.0% to RMB2,703,341,000 (2021: RMB2,391,914,000).

HSS — accounted for 19.0% of the Group's revenue in FY 2022

	For the year ended 31 December					
	2022		2021		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
HSS						
Domestic	**404,672**	**41.9**	570,361	56.7	(165,689)	(29.0)
Export	**560,108**	**58.1**	435,075	43.3	125,033	28.7
	964,780	**100.0**	1,005,436	100.0	(40,656)	(4.0)

HSS, manufactured using rare metals including tungsten, molybdenum, chromium, vanadium and cobalt, is characterised by greater hardness, heat resistance and durability. These attributes make HSS suitable to such applications as cutting tools and in the manufacture of high-temperature bearings, high-temperature springs, internal-combustion engines and rolls, with wide usage in specific industrial applications such as automotive, machinery manufacturing, aviation, and electronics industries.

Similar to DS, the domestic market experienced a decline in demand as a result of the COVID-19 outbreak. The sales volume of domestic HSS decreased by 37%. HSS experienced similar situation on cost transmission as DS. However, due to the increase in proportion of powder metallurgy products, which is of a higher average selling price, the overall average selling price of domestic HSS products increased by 12%. Domestic revenue decreased by 29.0% to RMB404,672,000 (2021: RMB570,361,000).

For export businesses, the demand of HSS was limited by the declined demand of its downstream cutting tools industry. There was a slight decrease in sales volume of 3% compared to 2021. However, for the average selling price, there was a remarkable increase of 33% compared to 2021. This was also due to the increase in proportion of exported powder metallurgy products. As a result, HSS export revenue increased substantially by 28.7% to RMB560,108,000 (2021: RMB435,075,000).

Overall revenue of HSS in 2022 remained relatively stable at RMB964,780,000 (2021: RMB1,005,436,000).

Cutting tools — accounted for 14.9% of the Group's revenue in FY 2022

	For the year ended 31 December					
	2022		2021		Change	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Cutting tools						
Domestic	**272,521**	**36.0**	285,420	27.0	(12,899)	(4.5)
Export	**484,205**	**64.0**	772,564	73.0	(288,359)	(37.3)
	756,726	**100.0**	1,057,984	100.0	(301,258)	(28.5)

Cutting tools segment includes HSS and carbide cutting tools. HSS cutting tools products can be categorised into four major types — twist drill bits, screw taps, end mills and turning tools. All of these are used in industrial manufacturing. The two main types of HSS cutting tools manufactured by the Group are twist drill bits and screw taps. The Group's vertical integration extending from upstream HSS production to downstream HSS cutting tools production brought us a significant cost advantage over our peers. High-end carbide tools manufactured by the Group mainly comprised of customised carbide tools.

Domestic downstream manufacturing industries were affected by the COVID-19 outbreak. Domestic demands for cutting tools in 2022 was concentrated in the computer numerical control ("CNC") machine tools application, which was relatively specialized and high-end in nature. This resulted an overall 17% decrease in sales volume and 15% increase in average selling price. Domestic revenue slightly decreased by 4.5% to RMB272,521,000 (2021: RMB285,420,000).

The export sales volume of cutting tools fell by 44% compared to 2021. It was mainly because the demand for household DIY cutting tools fell from the peak in 2021 after the removal of quarantine policy by foreign countries. At the same time, overseas distributors accumulated a large amount of inventory to cope with the demand increased during COVID-19 in 2021, resulting in a reduction in purchases in 2022. The average selling price increased by 11% compared to 2021, which was mainly due to the transmission effect of the increased upstream HSS price. In total, export revenue of cutting tools decreased by 37.3% to RMB484,205,000 (2021: RMB772,564,000).

Overall revenue of cutting tools segment decreased by 28.5% to RMB756,726,000 (2021: RMB1,057,984,000).

Titanium alloy — accounted for 7.2% of the Group's revenue in FY 2022

	For the year ended 31 December					
	2022		2021		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Titanium alloy						
Domestic	**356,983**	**98.5**	260,095	98.8	96,888	37.3
Export	**5,437**	**1.5**	3,051	1.2	2,386	78.2
	362,420	**100.0**	263,146	100.0	99,274	37.7

The corrosion resistance nature of titanium alloy promoted the extensive applications of titanium alloy in various industries, including aerospace, chemical pipeline equipment, nuclear and ocean industries.

The Group's titanium alloy products have obtained quality certification from international authoritative organizations such as Bureau Veritas and set a record for the largest specification of cold-drawn titanium alloy coil in the domestic industry. This helped the Group maintain its industry-leading position in terms of the quality of its titanium alloy coil.

With the successful strategic adjustment to focus on the consumer market, the Group introduced a new domestic manufacturer which specialised on making frame for branded consumer-electronic manufacturer using the titanium alloy coil produced by the Group. Sales to this new customer contributed around RMB107 million of revenue in 2022, which represented the major increment in the domestic revenue. We will continue to receive new orders from this customer in 2023. With the addition of this new product, the average selling price increased by 36%. The Group is considering to increase the capacity of titanium alloy production to fulfil the new coming orders.

Combining the minimal fluctuation of the export revenue, the overall revenue increased by 37.7% to RMB362,420,000 (2021: RMB263,146,000).

Trading of goods

This segment involved the trading of general carbon steel products outside of the Group's production scope. As the Group continued to focus on its principal and core businesses, the Group has ceased its operation in this segment since 1 January 2022.

Others — accounted for 5.5% of the Group's revenue in FY 2022

In the others segment, the Group mainly procures raw materials like hardware, plastic and electronic components from suppliers, which will then be commissioned to packagers for assembly and packed into power tool kits for sale to overseas customers. The power tools currently sold include electric drill sets, electric batch sets, electric toothbrush sets, hardware sets, small fans and safety lights, etc. The entire segment is an export operation.

	For the year ended 31 December					
	2022		2021		Change	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Export	**279,540**	**100.0**	–	–	279,540	–

The others segment is a new assembly and sales business derived from the power tools products of the existing cutting tools customers. Through this, the Group has achieved downstream extension enabling us to provide more diversified products and services. Currently, the entire others segment falls into export business with a total revenue of RMB279,540,000 for 2022 (2021: Nil).

FINANCIAL REVIEW

Net profit attributable to equity shareholders of the Company decreased by 24.2% from RMB664,371,000 in 2021 to RMB503,535,000 in 2022.

Revenue

Revenue of the Group for 2022 totalled RMB5,066,807,000, representing a decrease of 11.8% when compared with 5,744,873,000 in 2021. Due to the COVID-19 outbreak in China, the domestic demand shrinked in general. On the other hand, overseas demand for DS and HSS (collectively known as tools steel) has shown decent recovery with the resumption of economic activities in foreign counties. Rebound of overseas demand in tools steel products and the strategic adjustment to focus on the titanium alloy consumer market were the main driving force for the Group's revenue in 2022. For an analysis of individual segments, please refer to the "Business Review" section.

Cost of sales

The Group's cost of sales was RMB3,918,320,000 in 2022, representing a decrease of 9.7% as compared with RMB4,339,675,000 in 2021, as a result of the decrease in revenue.

Gross margin

In 2022, the overall gross margin was 22.7% (2021: 24.5%). Set out below are the gross margin of the five segments of the Group in 2022 and 2021:

	2022	2021
DS	**19.1%**	26.6%
HSS	**20.8%**	32.5%
Cutting tools	**27.5%**	28.4%
Titanium alloy	**28.5%**	16.0%
Trading of goods	**nil**	0.03%
Others	**22.7%**	nil

DS

Demand was sluggish and the cost transmission of price increment in raw materials (i.e rare metals) was not as smooth as that of 2021. In addition, cost of energy (including electricity and natural gas) was also on the rise. As a result, the gross margin of DS decreased from 26.6% in 2021 to 19.1% in 2022.

HSS

Similar situation as DS was noted in HSS segment. HSS resulted a higher average gross margin than DS due to the contribution of high margin powder metallurgy products. The overall gross margin of HSS decreased from 32.5% in 2021 to 20.8% in 2022.

Cutting tools

Gross margin of cutting tools decreased from 28.4% in 2021 to 27.5% in 2022. It was mainly because the output of cutting tools decreased by about 20% compared to 2021. The decrease in scale effect led to an increase in average unit cost. On the other hand, the addition of high-margin powder metallurgy tap products partially offset the negative impact of scale effect.

Titanium alloy

Gross margin of titanium alloy increased from 16.0% in 2021 to 28.5% in 2022. Products in this segment were mainly divided into pure titanium and alloy products. In response to the needs of the titanium alloy in consumer market, the Group provided deep-processed products with higher added value. The sales of titanium alloy products accounted for 7.2% of the total segment revenue in 2022 (2021: 4.6%). Since the production process of titanium alloy products required a high melting point and the materials were easy to polarize, it brought great technical difficulties to the control of product composition uniformity and stability. Therefore, the titanium alloy products offered a higher average selling price and gross profit margin than the pure titanium products.

Others

Others segment was a new business for the Group related to the assembly and sales of power tools kits to overseas customers. The Group aimed to expand and diversify our products with this new line of business.

Other income

Other income increased from RMB129,387,000 in 2021 to RMB157,895,000 in 2022. In 2022, USD appreciated significantly against RMB. The Group's net monetary assets denominated in USD, which mainly arise from the export business, resulted in exchange gain in 2022. The increasing effect of exchange gain was partially offset by the decrease in local government grants received.

Distribution costs

Distribution costs in 2022 was RMB219,776,000 (2021: RMB217,737,000). As indicated by the Group's export revenue, 61.5% of the Group's revenue were export sales (2021: 41.5%), the Group incurred more expenses in the distribution of its products. On the other hand, the average shipping cost decreased with various preferential pricing policies as compared to 2021. Accordingly, freight and related logistic expenses increased 6%. In 2022, distribution costs amounted to approximately 4.3% of revenue (2021: 3.8%).

Administrative expenses

Administrative expenses increased from RMB134,575,000 in 2021 to RMB146,666,000 in 2022. The increase was mainly due to the increase in headcount and average salaries of administrative staffs. In 2022, administrative expenses amounted to approximately 2.9% of revenue (2021: 2.3%).

Other operating expenses

Other operating expenses decreased from RMB47,274,000 in 2021 to RMB31,947,000 in 2022.

In 2021, RMB appreciated against USD, EUR and HKD. Offsetting the assets and liabilities denominated in foreign currencies, the Group had a net assets position in USD, EUR and HKD. As a result, the Group recognised a net foreign exchange losses of RMB36,075,000 in 2021. In 2022, an exchange gain was recognized in other income as USD appreciated significantly against RMB.

Additional impairment provision of RMB24,645,000 was provided according to the credit loss estimation policy of the Group.

Net finance costs

In 2022, higher interest rate and average balance of bank deposit offered a higher finance income as compared to 2021.

For the finance expenses, in the high interest rate environment, the interest on bank loans increased. There was interest expenses of RMB7,264,000 being capitalized into property, plant and equipment in 2021 while nil was capitalized in 2022.

Taking effect of all the above, the Group's net finance costs was RMB129,895,000 in 2022, which was comparable to RMB131,484,000 in 2021. Please refer to Note 7(a) to the consolidated statement of profit or loss for a detailed breakdown of net finance costs.

Income tax

As set out in Note 8 to the consolidated statement of profit or loss, the Group's income tax expense decreased by 106% from RMB80,025,000 in 2021 to credited RMB4,750,000 in 2022. It was mainly due to (i) PRC tax policy to increase support for scientific and technological innovation tax deduction. It allowed enterprises to have full amount tax deduction immediately on fixed assets expenditure incurred during 2022Q4. In addition, an additional 100% super deduction was introduced on the same expenditure, and (2) there was a reversal of excessive withholding tax on dividend incurred in previous year.

Profit for the year attributable to equity shareholders of the Company

As a result of the factors set out above, the Group's share of profit decreased by 24.2% from RMB664,371,000 in 2021 to 503,535,000 in 2022. The margin of profit attributable to equity shareholders of the Company decreased from 11.6% in 2021 to 9.9% in 2022.

Total comprehensive income for the year attributable to equity shareholders of the Company

In 2022, total comprehensive income for the year attributable to equity shareholders of the Company was RMB422,697,000 (2021: RMB676,701,000) after taking into account foreign currency translation differences and fair value adjustments on equity investments.

During the year, the Group credited to other comprehensive income a foreign currency translation difference of RMB57,915,000 (2021: credited RMB12,086,000) related to translation of financial statements of Hong Kong subsidiaries and overseas equity accounted investees.

The Group also recognised a fair value loss in the consolidated statement of profit or loss and other comprehensive income of RMB22,806,000 (2021: gain of RMB24,430,000) on its equity investments.

Other financial assets

Other financial assets held by the Group included equity interests in Bank of Jiangsu Co., Ltd., 廈門創豐翌致投資管理合夥企業(有限合夥) (Xiamen Chuangfeng Yizhi Investment Management Partnership (Limited Partnership)*), Nanjing Xiaomuma Technology Co., Ltd., JM Digital Steel Inc., 寧波梅山保稅港區啟安股權投資合夥企業(有限合夥) (Ningbo Meishan Free Trade Port Qian Equity Investment Partnership (Limited Partnership)*), 中金佳泰叁期(深圳)私募股權投資基金合夥企業(有限合夥) (CICC Jiatai Private Equity Fund III (Shenzhen) Partnership (Limited Partnership)*), Ji'nan Financial Fosun Weishi Equity Investment Fund Partnership (Limited Partnership) and 丹陽博雲恒大天工產業投資中心(有限合夥)(Danyang Boyun Hengda Tiangong Industrial Investment Center (Limited Partnership)*). All of these investments were stated at their fair value as at 31 December 2022. Other than the fair value loss, net of tax, of RMB22,806,000 (2021: gain of RMB24,430,000) recorded in the other comprehensive income in 2022, the fair value gain of RMB4,910,000 was recorded in other income (2021: gain of RMB11,502,000) for financial assets measured at fair value through profit or loss during the year.

Trade and bills receivable

Trade and bills receivable increased from RMB1,883,334,000 in 2021 to RMB2,285,661,000 in 2022. This was mainly because export revenue represented a significant portion in current year. Credit periods given to overseas customers was slightly longer and the average shipping time this year was also delayed due to unable shipping capacity, resulting in an increase in trade and bills receivable balance.

INDUSTRY REVIEW

During the year under review, China's annual economic growth was still hindered by the turbulence in global financial markets and energy and price crises despite the recovery of the domestic economy due to the effective implementation of a package of policies to stabilize the economy by governments at all levels, as evidenced by a steady growth in China's GDP for the first and second quarters. According to the National Bureau of Statistics, China's GDP annual growth rate was 3% in 2022, slightly lower than the central government's forecast. In terms of domestic industrial production, the industrial economy was generally stable, thanks to a series of relief policies and measures introduced by the government.

In terms of overseas markets, the multiple downward pressures on the global macro-economy caused a slowdown in the economic growth and the lingering pandemic took its toll on the society and economy in 2022. The rapid interest rate hikes by the Federal Reserve has triggered significant volatility in the global economy and financial markets. In contrast, China has made steady growth a core target of its monetary policies and adopted relatively accommodative monetary policies such as interest rate cuts and reserve ratio cuts. The differences in monetary policies between US and China have created volatility in China's financial markets, bringing uncertainties to exchange rates, cross-border capital flows and other aspects. Furthermore, geopolitical risks have intensified. The Russia-Ukraine conflict has intensified the pressure on energy and grain supply and pushed up inflation. Lastly, the US continued to exert pressure on China's high-tech sector by means of export control, signifying the wrestling between the two countries have become a new normal.

In general, the overall steel industry experienced decreasing demand and lower profits in 2022 as affected by multiple factors. The resurgence of the pandemic also led to a sharp decline in the industrial economy's demand for steel. As indicated by the statistics of the China Iron and Steel Association, the operating income of key iron and steel enterprises was approximately RMB6.59 trillion during the year under review, representing a year-on-year decrease of 6.35%; and the total profit was RMB98.2 billion, representing a year-on-year decrease of 72.27%.

MARKET REVIEW

Due to imbalance of supply and demand, the DS market experienced a muted peak season in 2022. However, the high-end manufacturing industry as represented by high-speed railways and the automobile industry experienced rapid and sustainable development, which is expected to boost the demand for medium and high-end DS products. For industries having higher quality requirements in steel, the scope of application of DS with high alloy content will continue to expand, thereby leading to a rapid increase in demand. In 2022, the automobile industry suffered greatly as a result of the pandemic. Although the government introduced corresponding support policy, the recovery in sales, especially fossil fuel vehicles, was still slow. Meanwhile, with the rapid emergence of smart electric vehicles, the automobile industry is expected to become one of the high-quality growth tracks in the long term after smartphones. It is expected to drive demand for large-scale DS with high alloy content with its integrated manufacturing flow.

Cutting tools are the main application market for HSS and some alloy steel. During the year under review, the CNC machine tool market was continuously stimulated by domestic demand, so it can be predicted that the demand for cutting tools will increase significantly in the future. Although the export environment was not very optimistic this year, mainly relying on national policies to support domestic sales to balance import and export volumes, export remains the pillar market for cutting tools in the long run. As the high-end manufacturing industry is expected to maintain robust demand, coupled with subsiding pandemic, the machine tool industry is expected to embrace a strong recovery, boosting sales amount of the industry.

In terms of policy, the year 2022 marked the second year of the "14th Five-Year Plan", during which China's steel industry continued to face issues such as great pressure of excess capacity, insufficient industrial safety and security capabilities, a need to enhance the green and low-carbon development level, and low industrial concentration ratio. Therefore, the government has introduced various policies to support the orderly and high-end development of the steel industry. Among which, the "Guiding Opinions on Promoting High-Quality Development of the Steel Industry" jointly issued by the Ministry of Industry and Information Technology, the National Development and Reform Commission and the Ministry of Ecology and Environment on 7 February, proposing that by 2025, the steel industry will basically form a high-quality development layout, encouraging steel enterprises to continuously improve their independent innovation, optimize industrial structure and develop green and low-carbon best practices. It aims to improve the quality of supply while protecting resources, which in turn will consolidate the development of China's steel industry and international convergence and the pursuit of high-quality global competitiveness.

Accomplishments

The Company and the specialised die material committee under China Die & Mould Industry Association, successfully co-organised the technology and industry forum on "Integrated Large-scale Die Materials and Manufacturing and Application" in Danyang. At the forum, the Company entered into Strategic Cooperation Agreements with 13 enterprises, symbolising the Company's strong foray into the field of integrated large-scale die-casting.

On the sixth China Brand Day, China Metallurgical News released the 2022 Steel Brand List in China, in recognition of a number of brands with international influence in the process of transforming from "Chinese steel products" to "Chinese steel brands". Tiangong International was awarded the "2022 Global Influential Brand in the Steel Industry".

Precision Tools, a wholly-owned subsidiary of the Company, acquired the entire equity interest of 江蘇天冠精密機械發展有限公司 (Jiangsu Tianguan Precision Machinery Development Co., Ltd.*) ("**Tianguan Precision**"), meaning that the Group has made another step forward in high-end precision cutting tools. Tianguan Precision is equipped with a production line with an annual output of approximately 5 million pieces of powder metallurgy taps. The acquisition of Tianguan Precision will help the Group achieve import substitution, promote the localisation of high-end cutting tools, and expand its presence in the international industrial market, automotive industry and aerospace precision industry while capturing domestic market share.

The "Research and Development of Key Technologies for Preparation of Powder Metallurgy Ultra-high Alloy High-speed Steel Micro-wire for Aviation Micro-drilling (航空微鑽用粉末冶金超高合金高速鋼微細絲製備關鍵技術研發)" as declared by Weijian Tools, a wholly-owned subsidiary of the Company was shortlisted in proposed project list under the special fund of the Science and Technology Plan of Jiangsu Province (key research and development plan, industry prospect and key core technologies).

TG Tools's plan for proposed Spin-off and Listing in the A-share market is under progress and is expected to be a significant milestone for the Group in the capital market. TG Tools, together with its subsidiaries, are engaged in the manufacture and sale of alloy tools steel, whose production processes include conventional metallurgy and powder metallurgy.

TG Tech has submitted the listing counseling materials relating to proposed listing on the Beijing Stock Exchange to the Jiangsu Securities Regulatory Bureau, and has entered the counseling stage.

The Group successfully completed and launched of its first large-scale tool steel powder metallurgy production line in the PRC in November 2019 and the second phase of the powder metallurgy project was put into operation with an expanded annual production capacity of 5,000 tons. For further details, please refer to the section headed "Future Outlook — Product Development Strategy — Powder Metallurgy Industry" of this announcement.

In the first half of 2022, the Group formally launched the 7,000 tons fast forging project, to meet the growing market demand. Meanwhile, the Group strengthened the upgrading of its internal product structure system, such as extensive demand for large-scale DS in the field of integrated moulding and casting.

Following its recognition as "'Small Giant' Enterprises with Specialized, Sophisticated Techniques and Unique, Novel Products of Zhenjiang in 2022 (二零二二年度鎮江市專精特新「小巨人」)", TG Tech, a subsidiary of the Company was successfully selected as "Small- and Medium-sized Enterprises with Specialized, Sophisticated Techniques and Unique, Novel Products of Jiangsu Province in 2022 (二零二二年度江蘇省專精特新中小企業)". This marked that TG Tech has made significant achievements in terms of independent innovation, enhancement of core competitiveness and continuous improvement in the quality and level of development.

FUTURE OUTLOOK

Operation Strategy

The Group has been leading the industry with its professional equipment, technology and management advantages. Over the year, the Group has been focusing on research and development and cost control, and is committed to transforming its long-standing achievements and experience into innovative applications in the steel metallurgy industry, thereby empowering the development and upgrade of the industry while also striving to meet the domestic market demand and gain international market share. Precise strategic layout, efficient execution ability and world-leading technology are the three cores of the Group.

Domestic industry development

During the year under review, the domestic industrial production market was affected by a new round of pandemic outbreak and international geopolitical turmoil. As a result, the demand for steel in the domestic market was relatively sluggish and the Group's revenue from DS and HSS business in the PRC also declined to varying degrees, adversely affecting the overall business performance of the Group. However, with the introduction of a variety of economic policies by the government in the third quarter and the continued implementation of these policies, China's economic activities have resumed successively and industrial production has also shown a positive recovery trend.

In order to thoroughly implement the decisions and arrangements of the CPC Central Committee and the State Council, China's taxation authorities actively promoted the implementation of the Development Plan for the New Energy Vehicle Industry (2021-2035) (《新能源汽車產業發展規劃(2021-2035年)》) in 2022, to inject new momentum into the new energy vehicle industry. As one of the Group's key downstream industries, the new energy vehicle market will benefit from these favourable policies and the epidemic relief in China, which will in turn boost demand from upstream industries.

Meanwhile, China has clarified the "30•60 Goals" early on. In response to national steel industry goals and the overall national strategy of carbon peaking and carbon neutrality, the Group continues to promote the innovation transformation of products. In order to keep pace with the market development speed, the "50,000 Tons Alloy Tool Steel Capacity Expansion Project" planned by the Group was carried out in an orderly manner, which is expected to unleash a production capacity of 300,000 tons of alloy tool steel. On the basis of expanding capacities, the Group will continue to strengthen its research and development of high-end alloy tool steel (including HSS and DS), so as to enhance the competitiveness of the Group's products.

As a pioneer in the industry, the Group will continue to overcome technical barriers in the field of alloy tool steel. As the cornerstone of the manufacturing industry, the Group will help the Chinese steel market break away from the passive situation of relying on imports from overseas steel market. Taking tackling the "bottleneck" technology at the material end as its core task, the Group will make active efforts to ensure the national security need of key special steel material through leading R&D technologies and strive to enhance its core competitiveness.

Export operation

During the year under review, the global economy was confronted with multiple challenges during its recovery process, and even fell into a slump at one point. To alleviate the sustained rising inflation levels in the United States, the Federal Reserve initiated a round of interest rate hike. A slowdown in economic growth led to significant fluctuations in the currencies of emerging economies, which in turn affected international steel trade. The RMB was also somewhat impacted. As affected by uncertain factors such as mounting downward pressure on the global economy and rising geopolitical risks, the Group will keep a close eye on the drastic changes in the demand from overseas market and adjust its export operation strategies in a timely manner.

After fully digesting excess inventory in 2022, the overseas market for cutting tools witnesses its demand returning to normal levels and is expected to provide strong export orders in 2023.

Overseas expansion

Under the guidance of its globalisation strategy, the Group has formed a rather diversified overseas sales network. As the pandemic subsides, the Group's overseas production bases have resumed full operation and is in continuous expansion. During 2022, the second phase of the plants in Rojana Rayong Pluak Daeng Industrial Park, Rayong, Thailand was officially launched and is expected to be completed in the second half of 2023. At that time, the project's production capacity will be increased by 50 million pieces, bringing the total production capacity of the two-phase project to nearly 100 million pieces, doubling the cutting tool production capacity. The Group will continue to optimize and consolidate its current overseas layout to respond to the recovery of overseas demand and global uncertainties.

Product Development Strategy

Powder Metallurgy Industry

In recent years, thanks to the rapid development of the automobile, machinery manufacturing, metal industry, aerospace, instrumentation, hardware tools, engineering machinery, electronic household appliances and high-tech industries, the capacity of powder metallurgy has been expanding. With the continuous improvement, innovative development, and application of existing products and production processes in the powder metallurgy market, it is expected that the Chinese powder metallurgy industry will continue to grow.

With the official completion and launch of its first large-scale tool steel powder metallurgy production line in the PRC in November 2019, the Group successfully entered the powder metallurgy industry. As the only enterprise in the domestic cutting tool market with a complete industry chain from producing high-end powder materials to powder tools, the Group has broken foreign technical monopoly and opened the high-end market. Currently, powder metallurgy products mainly include HSS as it has a higher unit price. During the year under review, the performance of the Group's powder metallurgy business met expectations. With the second phase of the powder metallurgy project being put into operation, the expanded annual production capacity was 5,000 tons. It is expected that the production capacity and sales of powder metallurgy will significantly increase in line with further recovery in the HSS market.

In addition, the Group will continue to deepen the transformation of high-end products and make unremitting efforts in the research and development of new production methods for powder metallurgy. During the year under review, the Group overcame various technical difficulties and broke a number of bottlenecks. The Group also spared no effort in expanding distribution in overseas markets and actively promoted the overseas expansion of its powder metallurgy business. Meanwhile, the Group is vigorously promoting the application of powder metallurgy HSS cutting tools, including powder metallurgy taps. It is expected to complete the annual production of 10 million powder metallurgy taps by end of 2023 to achieve import substitution and greatly improve the machine tool processing capacity of China's manufacturing industry.

Carbide Cutting Tools Industry

Cutting tools are the foundation of the machinery manufacturing industry and major technical fields. The quality of cutting tools directly determines the production level of the machinery manufacturing industry and is one of the most important factors for the manufacturing industry to improve production efficiency and product quality. In addition to HSS cutting tools, the Group has actively sought product upgrading and diversification and focused on the high-end carbide cutting tools market in recent years, providing cutting tools with higher alloy content and higher added value to seize the opportunities brought by the continuous growth of demand for high-end carbide cutting tools in China.

During the year under review, the Group made phased progress in carbide. Firstly, the Group has established close cooperation with an experienced expert team specializing in carbide and successfully set up an affiliated company with it. The expert team will be able to provide technical support to assist the Group in building production capacity of carbide cutting tools, and is expected to officially commence production by the end of 2023, with production capacity designed for blades, cutting tools, and rods. Secondly, with the arrival of the first batch of equipment for carbide cutting tools, the Group successfully produced its first indexable carbide blade, marking a breakthrough in the Group's carbide project. The Group's carbide cutting tools will be widely used in CNC machine tools.

Titanium Alloy Industry

Titanium alloy coils made from titanium are used in a wide range of applications, and its customizable characteristic enables it to be used in downstream scenarios such as eyeglass frames, 3D printing and 3C (computer, communication and consumer-electronics) products. In the future, the Group will continue to explore the market for titanium alloy coils by actively coordinating with downstream customers to help them with better application in their projects. Meanwhile, the Group also hopes to move forward to the application scenarios of refined titanium alloys through more research and development application projects, further open up downstream markets and facilitate the mid-to-high end development of titanium alloys.

Since its formal introduction into the consumer goods market at the end of 2022, the Group's titanium alloy coil material has received wide recognition from end customers. The successful expansion of business channels for application of fine titanium alloy products into high-end consumer goods was of great significance for enhancing the Group's brand awareness and market competitiveness.

Marketing Strategy

The Group has been operating in collaboration with downstream mid-to-high end heat treatment technology and piece cutting service providers to achieve agile closed-loop management of after-sales services and enhance the customer service system in order to improve after-sales service capability and strengthen the understanding of customer needs.

Green Development

The Group has always been adhering to the core concept of "Green Development" and would never sacrifice the environment in exchange for corporate development. Over the years, the Group has invested heavily in environmental protection equipment, such as a large-scale wastewater treatment centre with a total investment of over RMB20 million. TG Tools, a subsidiary of the Company, was included in the list of "'City-level Green Factory' in 2022" released by the Industry and Information Technology Bureau of Zhenjiang City, becoming a city-level green factory. In the future, while vigorously developing its business, the Group will continue to devote itself to the cause of environmental protection and play a leading role in the "green manufacturing" system.

Information Technology

In order to cope with the Group's expansion of production capacity, international development, expansion of product lines, more precise and professional production processes and more diversified sales channels, the Group has invested heavily and developed a digital information system, "Digital Tiangong", which covers all business areas of the Group. The system completes the digital development of five areas: from sales to payment collection, purchases to payment, planning to resources, manufacturing to costs, and order to delivery, which will effectively improve the performance of network procurement, comprehensively enhance the synergy of the industrial supply chain, greatly enhance the competitiveness of the Group, and make the best preparation for transforming the Group to an amoeba management model. In the meantime, the second phase of the smart manufacturing project "Digital Tiangong" was officially launched in June 2021, enabling the Group to transform from traditional manufacturing to advanced manufacturing. "Digital Tiangong" is a project involving reform of management technology and methods. After two years of efforts, the Group has built a unified digital platform, which enables efficient operation of various business units of the Group, thus laying the foundation for more scalable development.

During the year under review, the Group's Tiangong Alloy Melting Smart Factory Project was officially launched. The completion of this comprehensive digitalization and informatization of the alloy melting workshop established a systematic management of the whole process from raw material warehouse to production workshop and then to finished product warehouse, as well as the transparent management of the production process.

OUR MISSION

The Group has always strived for innovation and advancements in competitiveness to consolidate its leading market position. The Group re-affirms its mission to maximise shareholder value, uphold high corporate governance standards and lead the industry to move forward.

FORWARD LOOKING STATEMENTS

This management discussion and analysis contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Forward looking statements involve inherent risks and uncertainties. Readers including shareholders and investors should be cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward looking statement.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group's current assets included cash and cash equivalents of RMB1,219,843,000, inventories of RMB2,583,470,000, trade and other receivables of RMB2,632,708,000, pledged deposits of RMB140,041,000 and time deposits of RMB1,341,834,000. As at 31 December 2022, the interest-bearing borrowings of the Group were RMB2,895,313,000 (2021: RMB2,638,786,000), RMB1,866,813,000 of which was repayable within one year and RMB1,028,500,000 of which was repayable after less than one year. The Group's adjusted net debt-to-equity ratio, which is calculated based on adjusted net debt (defined as total interest-bearing borrowings plus unaccrued proposed dividends, less time deposits and cash and cash equivalents) divided by adjusted capital (comprising all components of equity, less unaccrued proposed dividends) as at 31 December 2022, was 6.2% (2021: 0.0%).

As at 31 December 2022, borrowings of RMB1,954,000,000 were in RMB, USD15,705,000 were in USD, EUR88,732,000 were in EUR and HKD194,115,000 were in HKD. The borrowings of the Group were subject to interest payable at rates ranging from 0.79%–4.75% per annum. There is no seasonality in borrowing requirements of the Group. The Group did not enter into any financial instruments to hedge itself against risks associated with interest rates and foreign currency exchange fluctuations.

During the year, net cash generated from operating activities was RMB303,553,000 (2021: RMB542,300,000). The decrease was mainly attributable to: (i) decrease in operating profit; and (ii) increase in the occupied working capital caused by the export sales to overseas customers.

CASH CONVERSION CYCLE

The cash conversion cycle, calculated as turnover days over inventory, plus turnover days over trade receivables, minus turnover days of trade payables, attempts to measure the amount of time each net input dollar is tied up in the production and sales process before it is converted into cash through sales to customers. It is important to manufacturers because it measures the efficiency of their capital chain management.

The Group's turnover days of inventory for 2022 was 226 days (2021: 167 days). The increase in turnover days of inventory was mainly due to the stock up in preparation for expected overseas demand on tools steel and cutting tools products and the increasing cost of materials which boosted the average cost of inventories balance. The Group maintained an effective and efficient balance between the stock level and sales forecasts.

The Group's turnover days of trade receivables for 2022 was 150 days (2021: 124 days) while the turnover days of trade payables for 2022 was 114 days (2021: 110 days).

Accordingly, the Group's cash conversion cycle for 2022 was 262 days (2021: 181 days). The increase in cash conversion cycle was mainly driven by export business, unstable shipping capacity required higher inventory level and the longer credit periods for overseas customers. The management will continue to monitor closely the operations in view of the changing business environment.

It should be noted that the calculation of the aforesaid indexes may not be consistent with those measurement indexes published by other issuers.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

For 2022, the Group's net increase in property, plant and equipment amounted to RMB334,230,000, which was mainly related to addition of factory building after the acquisition of Tianguan Precision and expenditure on heavy-duty (7,000 tons) fast forging production line and was financed by a combination of our internal cash resources, operating cashflows and bank borrowings. As at 31 December 2022, capital commitments were RMB268,986,000 (2021: RMB1,022,087,000), of which RMB58,268,000 (2021: RMB138,169,000) were contracted for and RMB210,718,000 (2021: RMB883,918,000) were authorised but not contracted for. The majority of the capital commitments related to the construction of powder metallurgy tap production line and 1,600 tons fast forging machine production line and upgrading of metal wire production line and will be funded by internal resources and operating cash flows of the Group.

PLACING OF SHARES AND USE OF PLACING PROCEEDS

The Group placed an aggregate of 200,000,000 ordinary shares of par value of USD0.0025 each and representing 7.16% of the enlarged issued share capital of the Company at the placing price of HKD4.22 per share to not less than six placees (the "**Placing**"). The aggregate nominal value of the placing shares under the Placing was USD500,000. The placing of the 200,000,000 shares was completed on 7 May 2021 with the net proceeds of approximately HKD834 million representing a net issue price of approximately HKD4.17 per share. The market price of the placing share was HKD4.88 per share as quoted on the Stock Exchange on 4 May 2021, the last full trading day immediately before the time at which the Placing and Subscription Agreement was signed.

The proceeds from the Placing have been used as follows:

Intended use of proceeds from the placing	**Actual use of proceeds (as at 31 December 2022)**	**Proposed use of the remaining unutilised proceeds (as at 31 December 2022)**
(i) Expansion of the industrial park of the Group in Thailand	HK$59.9 million was used in the expansion of the industrial park of the Group in Thailand	The remaining unutilised proceeds was nil
(ii) Development of the new precision tools products of the Group	HK$359.2 million was used in development of the new precision tools products of the Group	The remaining unutilised proceeds was nil
(iii) Replenishment of Group's working capital to procure raw materials and meet any cashflow requirements that may arise from daily operations	HK$415.3 million was used as working capital and for daily operation, including payment of electricity, staff salaries and procurement of raw materials	The remaining unutilised proceeds was nil

The proceeds from the placing was fully utilised.

FOREIGN EXCHANGE EXPOSURE

The Group's revenues were denominated in RMB, USD, EUR and THB, with RMB accounting for the largest portion of 38.5%. 61.5% of total sales and operating profit were subject to exchange rate fluctuations. The Group has put in place measures such as monthly review of product pricing in the light of foreign exchange fluctuations and incentivising overseas customers to settle balances on a more timely basis to minimise the financial impact of exchange rate exposures.

PLEDGE OF ASSETS

As at 31 December 2022, the Group pledged certain bank deposits amounting to RMB140,041,000 (2021: RMB244,191,000) and certain trade receivables amounting to RMB145,131,000 (2021: RMB175,195,000). The decrease in pledged bank deposits was mainly due to the decrease in the outstanding balance of bank acceptance bills.

EMPLOYEES' REMUNERATION AND TRAINING

As at 31 December 2022, the Group employed 3,134 employees (2021: 3,108 employees). Total staff costs for the year amounted to RMB365,053,000 (2021: RMB360,069,000). The increase was mainly resulted from increase in headcount. The Group provided employees with remuneration packages comparable to market rates and employees are further rewarded based on their performance according to the framework of the Group's salary, incentives and bonus scheme. In order to enhance the Group's productivity, and further improve the quality of the Group's human resources, the Group provides compulsory continuous training for all of its staff on a regular basis.

CONTINGENT LIABILITIES

Neither the Group, nor the Company, had any significant contingent liabilities at the end of the reporting period.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for transfer from 1 June 2023 to 6 June 2023 (both days inclusive), for the purpose of determining shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company (the "**Annual General Meeting**") on 6 June 2023, during which period no transfer of issued shares of the Company 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, 183 Queen's Road East, Wan Chai, Hong Kong, for registration by no later than 4:30 p.m. on 31 May 2023.

The Board has resolved on 24 March 2023 to recommend the payment of a final dividend of RMB0.0362 per share for the year ended 31 December 2022 (2021: RMB0.0594) to shareholders of the Company whose names appear on the register of members of the Company on 27 June 2023. The register of members will be closed from 28 June 2023 to 30 June 2023, both days inclusive, and the proposed final dividend is expected to be paid on or before 14 July 2023. The payment of dividends shall be subject to the approval of the shareholders of the Company at the Annual General Meeting expected to be held on 6 June 2023. In order to qualify for the proposed dividend, shareholders of the Company 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, 183 Queen's Road East, Wan Chai, Hong Kong, for registration by no later than 4:30 p.m. on 27 June 2023.

SHARE SCHEME

The current share option scheme of the Company was approved by the Company in the Annual General Meeting held on 26 May 2017.

No share options were granted under the current share option scheme in the financial year ended 31 December 2022 and there were no outstanding share options as at 31 December 2022.

During the year ended 31 December 2022, the Company did not have any share award scheme in place.

PURCHASE, SALES OR REDEMPTION OF SHARES

During the year ended 31 December 2022, the Company repurchased 10,000,000 shares in total, at an aggregate consideration of HKD32,015,060 (equivalent to approximately RMB26,018,000) on the Stock Exchange. The shares repurchased were cancelled on 13 May 2022. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	No. of ordinary shares repurchased	Price per ordinary shares		Aggregate consideration paid
		Highest	Lowest	
		(HKD)	*(HKD)*	*(HKD)*
March 2022	1,648,000	3.20	3.06	5,176,020
April 2022	8,352,000	3.43	2.98	26,839,040
	10,000,000			32,015,060

Save as disclosed, during the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

CORPORATE GOVERNANCE

The Company has, so far where applicable, adopted and complied with the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules during the year ended 31 December 2022, except for the following deviation:

Code Provision C.1.6

Code provision C.1.6 of the CG Code stipulates that independent non-executive directors ("**INEDs**") and other non-executive directors should also attend general meetings. Mr. Gao Xiang was unable to attend the annual general meeting of the Company held on 2 June 2022 due to the COVID-19 pandemic.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs. The Audit Committee held a meeting on 23 March 2023 to consider and review the 2022 annual report and annual financial statements of the Group and to give their opinion and recommendation to the Board. The Audit Committee considered that the 2022 annual report and annual financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Group has adopted a code of conduct governing securities transactions by Directors in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix10 of the Listing Rules (the "**Model Code**"). All of the Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Group's code of conduct governing securities transactions by Directors and employees who may possess or have access to price sensitive information or inside information during the year ended 31 December 2022.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE WEBSITE

The Company's 2022 annual report will be submitted to the Stock Exchange for uploading onto the Stock Exchange's website (www.hkexnews.hk) as well as the Company's website (www.tggj.cn) in due course.

APPRECIATION

The Board would like to take this opportunity to express gratitude to our shareholders, customers, the management and employees for their unreserved support to the Group.

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

Hong Kong, 24 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, WANG Xuesong

* *For identification purpose*