Tiangong International Company Limited

天工國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 826)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

RMB'million (unless otherwise specified)

	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)	**Change**
Revenue	**2,521.6**	2,496.4	1.0%
Gross profit	**558.5**	569.6	(1.9)%
Profit attributable to equity shareholders of the Company	**184.4**	218.7	(15.7)%
Basic earnings per share *(RMB)*	**0.067**	0.079	(15.2)%
Diluted earnings per share *(RMB)*	**0.067**	0.079	(15.2)%
Gross profit margin	**22.1%**	22.8%	(0.7)%
Net profit margin	**8.3%**	9.7%	(1.4)%

	At 30 June 2024 (unaudited)	At 31 December 2023 (audited)	**Change**
Net Assets	**7,406.9**	7,384.6	0.3%
Net Debt(1)	**780.7**	708.7	10.2%
Net Gearing(2)	**10.5%**	9.6%	0.9%

Notes:

(1) Net debt equals to total interest-bearing borrowings less pledged deposits, time deposits and cash and cash equivalents.

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

The board (the "Board") of directors (the "Directors") of Tiangong International Company Limited (the "Company") is pleased to announce the unaudited consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2024, together with the comparative figures for the same period of 2023, and the consolidated statement of financial position of the Group as at 30 June 2024, together with the comparative figures as at 31 December 2023, which have been reviewed by the Company's auditor, KPMG, and the audit committee of the Company (the "Audit Committee") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024 (unaudited)

		Six months ended 30 June	
		2024	2023
		(unaudited)	(unaudited)
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**2,521,648**	2,496,411
Cost of sales		**(1,963,178)**	(1,926,849)
Gross profit		**558,470**	569,562
Other income	*5*	**48,306**	101,969
Distribution expenses		**(63,686)**	(57,238)
Administrative expenses		**(83,348)**	(73,409)
Research and development expenses		**(146,994)**	(164,091)
Other expenses	*6*	**(15,946)**	(32,959)
Profit from operations		**296,802**	343,834
Finance income		**15,082**	23,460
Finance expenses		**(91,055)**	(105,241)
Net finance costs	*7(a)*	**(75,973)**	(81,781)
Share of profits less losses of associates		**1,758**	8,048
Share of profits less losses of joint ventures		**(405)**	(3,314)
Profit before income tax	*7*	**222,182**	266,787
Income tax	*8*	**(11,943)**	(24,449)
Profit for the period		**210,239**	242,338
Attributable to:			
Equity shareholders of the Company		**184,371**	218,700
Non-controlling interests		**25,868**	23,638
Profit for the period		**210,239**	242,338
Earnings per share *(RMB)*			
Basic and diluted	*9*	**0.067**	0.079

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024 (unaudited)

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Profit for the period	**210,239**	242,338
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income — net movement in fair value reserve (non-recycling)	**5,817**	1,457
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 (2023: nil))	**(8,122)**	(23,583)
Other comprehensive income for the period	**(2,305)**	(22,126)
Total comprehensive income for the period	**207,934**	220,212
Attributable to:		
Equity shareholders of the Company	**182,013**	196,552
Non-controlling interests	**25,921**	23,660
Total comprehensive income for the period	**207,934**	220,212

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024 (unaudited)

	Note	**At 30 June 2024 (unaudited)** *RMB'000*	At 31 December 2023 (audited) *RMB'000*
Non-current assets			
Property, plant and equipment		**4,403,041**	4,506,918
Lease prepayments		**245,942**	248,869
Intangible assets		**55,231**	57,721
Goodwill		**144,600**	144,600
Interest in associates		**100,296**	99,181
Interest in joint ventures		**26,269**	29,823
Other financial assets		**196,416**	192,840
Deferred tax assets		**81,496**	63,372
		5,253,291	5,343,324
Current assets			
Financial assets measured at fair value through profit or loss (FVPL)		**1,054**	1,111
Inventories		**2,524,593**	2,477,492
Trade and other receivables	*10*	**3,696,072**	3,552,788
Pledged deposits		**123,981**	129,288
Time deposits		**716,551**	1,307,985
Cash and cash equivalents		**1,106,487**	749,087
		8,168,738	8,217,751
Current liabilities			
Current taxation	*12*	**15,769**	26,729
Other financial liability		**1,609,550**	1,581,250
Interest-bearing borrowings		**2,111,819**	2,209,423
Trade and other payables	*11*	**1,579,352**	1,583,176
		5,316,490	5,400,578
Net current assets		**2,852,248**	2,817,173
Total assets less current liabilities		**8,105,539**	8,160,497

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2024 (unaudited) (Continued)

	Note	At 30 June 2024 (unaudited) *RMB'000*	At 31 December 2023 (audited) *RMB'000*
Non-current liabilities			
Interest-bearing borrowings		**615,871**	685,598
Deferred income		**33,808**	37,788
Deferred tax liabilities		**48,923**	52,523
		698,602	755,909
Net assets		**7,406,937**	7,384,588
Capital and reserves			
Share capital	*13*	**49,055**	49,055
Reserves		**7,013,251**	7,015,500
Total equity attributable to equity shareholders of the Company		**7,062,306**	7,064,555
Non-controlling interests		**344,631**	320,033
Total equity		**7,406,937**	7,384,588

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 interim financial report of the Company as at and for the six months ended 30 June 2024 comprises the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

2. BASIS OF PREPARATION

The unaudited interim financial information set out in this announcement does not constitute the unaudited interim financial report of the Company and the Group but is extracted from that unaudited interim financial report.

The interim financial report of the Company and the Group has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 30 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a period to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors will be included in the interim report.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. The Company's auditor has reported on those financial statements. The auditor's report was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following new and amended IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows and IFRS 7, Financial instruments: Disclosures — Supplier finance arrangements*

None of these developments have 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

Revenue represents mainly the sales value of high alloy steel (including die steel ("DS") and high speed steel ("HSS")), cutting tools, titanium alloy and others after eliminating intercompany transactions. Further details regarding the Group's revenue are disclosed in Note 4(b).

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
DS	**1,181,417**	1,145,497
HSS	**436,145**	381,901
Cutting tools	**463,607**	447,497
Titanium alloy	**384,832**	461,239
Others	**55,647**	60,277
	2,521,648	2,496,411

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

(b) Segment reporting

The Group has the following reportable segments, as described below, which are the Group's product divisions. For each of the product divisions, the Chairman (the chief operating decision maker) reviews internal management reports on at least a monthly basis. No operating segments have been aggregated to form the following reportable segments. The following describes the operations in each of the Group's 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.
—	Others	Others segment assembles and sells power tool 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 sales 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 periods are set out below.

	Six months ended 30 June 2024					
	DS	**HSS**	**Cutting tools**	**Titanium alloy**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from external customers	**1,181,417**	**436,145**	**463,607**	**384,832**	**55,647**	**2,521,648**
Inter-segment revenue	**–**	**179,145**	**2,634**	**–**	**–**	**181,779**
Reportable segment revenue	**1,181,417**	**615,290**	**466,241**	**384,832**	**55,647**	**2,703,427**
Reportable segment profit (adjusted EBIT)	**30,942**	**42,137**	**122,994**	**119,896**	**10,590**	**326,559**

	As at 30 June 2024					
	DS	**HSS**	**Cutting tools**	**Titanium alloy**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment assets	**5,255,802**	**2,851,745**	**1,874,739**	**827,354**	**227,932**	**11,037,572**
Reportable segment liabilities	**653,607**	**285,671**	**284,207**	**241,653**	**19,717**	**1,484,855**

	Six months ended 30 June 2023					
	DS	HSS	Cutting tools	Titanium alloy	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	1,145,497	381,901	447,497	461,239	60,277	2,496,411
Inter-segment revenue	–	130,150	–	–	–	130,150
Reportable segment revenue	1,145,497	512,051	447,497	461,239	60,277	2,626,561
Reportable segment profit (adjusted EBIT)	61,971	44,472	81,461	100,356	13,973	302,233

	As at 30 June 2023					
	DS	HSS	Cutting tools	Titanium alloy	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment assets	5,285,497	2,683,495	1,807,993	962,227	216,757	10,955,969
Reportable segment liabilities	790,334	303,962	287,618	198,385	18,715	1,599,014

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**2,703,427**	2,626,561
Elimination of inter-segment revenue	**(181,779)**	(130,150)
Consolidated revenue	**2,521,648**	2,496,411

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**326,559**	302,233
Net finance costs	**(75,973)**	(81,781)
Share of profits less losses of associates	**1,758**	8,048
Share of profits less losses of joint ventures	**(405)**	(3,314)
Other unallocated head office and corporate profit/(expenses)	**(29,757)**	41,601
Consolidated profit before income tax	**222,182**	266,787

	At 30 June	At 31 December
	2024	2023
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**11,037,572**	10,955,969
Interest in associates	**100,296**	99,181
Interest in joint ventures	**26,269**	29,823
Other financial assets	**196,416**	192,840
Deferred tax assets	**81,496**	63,372
Financial assets measured at fair value through profit or loss (FVPL)	**1,054**	1,111
Pledged deposits	**123,981**	129,288
Time deposits	**716,551**	1,307,985
Cash and cash equivalents	**1,106,487**	749,087
Other unallocated head office and corporate assets	**31,907**	32,419
Consolidated total assets	**13,422,029**	13,561,075

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Liabilities		
Reportable segment liabilities	**1,484,855**	1,599,014
Interest-bearing borrowings	**2,727,690**	2,895,021
Current taxation	**15,769**	26,729
Deferred tax liabilities	**48,923**	52,523
Other financial liability	**1,609,550**	1,581,250
Other unallocated head office and corporate liabilities	**128,305**	21,950
Consolidated total liabilities	**6,015,092**	6,176,487

(iii) ***Geographical information***

The Group's business is managed on a worldwide basis and divided into four principal economic regions, the People's Republic of China, and for the purposes 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).

In presenting geographical information, segment revenue is based on the geographical location of customers.

	Six months ended 30 June	
	2024 *RMB'000*	2023 *RMB'000*
Revenue		
The PRC	**1,329,097**	1,191,457
North America	**461,499**	482,558
Europe	**430,755**	553,511
Asia (other than the PRC)	**286,312**	255,878
Others	**13,985**	13,007
Total	**2,521,648**	2,496,411

5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Government grants	**6,837**	18,728
Sales of scrap materials and provide manufacturing service	**4,237**	4,583
Bonus deduction of input value-added tax	**25,322**	–
Net foreign exchange gains	**–**	66,631
Dividends income	**9,412**	5,149
Net unrealised fair value changes of other financial assets	**–**	5,435
Net gains on disposal of property, plant and equipment	**462**	–
Others	**2,036**	1,443
Total	**48,306**	101,969

The subsidiaries of the Group, including Jiangsu Tiangong Tools New Materials Company Limited ("TG Tools"), Tiangong Aihe Company Limited ("TG Aihe"), Jiangsu Tiangong Technology Company Limited ("TG Tech"), Jiangsu Weijian Tools Technology Company Limited ("Weijian Tools") and Jurong Tiangong New Materials Technology Company Limited ("TG New Materials") located in the PRC, collectively received unconditional grants amounting to RMB2,857,000 (six months ended 30 June 2023: RMB14,840,000) from the local government as a reward for their contribution to the local economy and to encourage technology innovation. TG Tools, TG Aihe and TG Tech also recognised amortisation of government grants related to assets of RMB3,980,000 (six months ended 30 June 2023: RMB3,888,000) during the six months ended 30 June 2024.

6. OTHER EXPENSES

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Provision for loss allowance on trade and other receivables	**9,122**	27,456
Charitable donations	**2,400**	2,873
Net unrealised fair value changes of other financial assets	**3,141**	–
Net realised and unrealised losses on trading securities	**62**	17
Losses from disposal of interests in subsidiaries	**185**	–
Losses from disposal and withdrawal of interests in joint ventures	**1**	–
Others	**1,035**	2,613
	15,946	32,959

7. PROFIT BEFORE INCOME TAX

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

(a) Net finance costs

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Interest income	**(15,082)**	(23,460)
Finance income	**(15,082)**	(23,460)
Interest on bank loans	**62,755**	76,941
Interest arising on other financial liability	**28,300**	28,300
Finance expenses	**91,055**	105,241
Net finance costs	**75,973**	81,781

(b) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Cost of inventories*	**1,963,178**	1,926,849
Amortisation of intangible assets	**3,960**	3,589
Depreciation of property, plant and equipment	**193,198**	183,287
Amortisation of lease prepayments (right-of-use assets)	**2,927**	2,902
Provision for write-down of inventories	**6,897**	10,999

* Cost of inventories includes amounts relating to depreciation expenses and provision for write-down of inventories, amounts of which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

8. INCOME TAX

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Current tax		
Provision for PRC Income Tax	**30,629**	29,175
Provision for Hong Kong Profits Tax	**3,234**	147
Provision for Thailand Corporate Income Tax	**704**	149
	34,567	29,471
Deferred tax		
Origination and reversal of temporary differences	**(22,624)**	(5,022)
	11,943	24,449

(a) 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.

(b) The provision for PRC 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.

TG Tools, TG Aihe, Jiangsu Tiangong Precision Tools Company Limited ("Precision Tools"), TG Tech and Weijian Tools are subject to a preferential income tax rate of 15% in 2024 available to enterprises which qualify as a High and New Technology Enterprise (2023: 15%).

The statutory corporate income tax rate applicable to the Group's other operating subsidiaries in the PRC is 25% (2023: 25%).

(c) 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% (2023: 16.5%).

(d) 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% (2023: 20%).

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 RMB184,371,000 (six months ended 30 June 2023: RMB218,700,000) and the weighted average of 2,760,750,961 ordinary shares in issue during the interim period (six months ended 30 June 2023: 2,782,365,956).

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2024 and 2023 are the same as the basic earnings per share as there are no dilutive potential ordinary shares during the periods.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
Trade receivables	**2,352,582**	2,246,281
Bills receivable	**872,443**	818,760
Less: loss allowance	**(159,419)**	(149,555)
Net trade and bills receivable	**3,065,606**	2,915,486
Prepayments	**206,317**	224,199
Non-trade receivables	**324,983**	311,133
Less: loss allowance	**(8,191)**	(7,907)
Current taxation	**107,357**	109,877
Net prepayments and non-trade receivables	**630,466**	637,302
	3,696,072	3,552,788

As at 30 June 2024, certain intercompany trade receivables of RMB140,347,000 (2023: RMB161,843,000) have been pledged to a bank as security for the Group's bank loans.

At 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:

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Within 1 year	**2,799,119**	2,723,866
1 to 2 years	**255,841**	172,756
Over 2 years	**10,646**	18,844
	3,065,606	2,915,486

Trade and bills receivables are due from 90 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

11. TRADE AND OTHER PAYABLES

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Trade and bills payable	**1,170,067**	1,246,803
Contract liabilities	**16,705**	13,394
Dividends payable	**109,073**	–
Non-trade payables and accrued expenses	**283,507**	322,979
	1,579,352	1,583,176

At 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:

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Within 1 year	**1,141,012**	1,217,139
1 to 2 years	**18,878**	17,056
Over 2 years	**10,177**	12,608
	1,170,067	1,246,803

12. OTHER FINANCIAL LIABILITY

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

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Contingent redeemable capital contributions in a subsidiary	**1,609,550**	1,581,250

On 28 December 2020, certain third party investors (the "Investors"), the Company, TG Tools, Jiangsu Tiangong New Materials Company Limited, China Tiangong (Hong Kong) Company Limited, Precision Tools, TG Aihe, Weijian Tools, TG New Materials and TG Development entered into an investment agreement, pursuant to which the Investors would 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 in TG Tools including redemption, anti-dilution and preferential liquidation rights are granted to the Investors. The Group received 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 simple interest method and recognised in the consolidated statement of profit or loss.

13. CAPITAL, RESERVES AND DIVIDENDS

Dividends

(i) Dividends payable to equity shareholders of the Company in respect of the interim period:

	2024	2023
	RMB'000	*RMB'000*
Dividend declared after the end of the reporting period of RMB0.0203 per ordinary share (six months ended 30 June 2023: nil)	**55,311**	–

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

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved but not paid during the interim period:

	2024	2023
	RMB'000	*RMB'000*
Dividends in respect of the previous financial year, approved but not paid during the interim period, of RMB0.0400 per share (six months ended 30 June 2023: RMB0.0362 per share)	**109,073**	100,459

In respect of the final dividend for the year ended 31 December 2023, there is a difference of RMB1,990,000 between the final dividend disclosed in the 2023 annual financial statements and amounts approved but not paid during the interim period, which is mainly due to the change in number of ordinary shares arising from repurchase and cancellation of shares from March to June 2024 and the RMB/HKD exchange rate difference between the fixed middle average exchange rate on the date of the 2023 annual result announcement and the actual exchange rate applied on the date of approval.

Purchase of own shares

The number of ordinary shares decreased due to the repurchase of shares conducted by the Company. For details, please refer to the section headed "Purchase, Sales or Redemption of Securities" to this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

	For the six months ended 30 June					
	2024		2023		**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Die steel ("DS")	**1,181,417**	**46.9**	1,145,497	45.9	35,920	3.1
High speed steel ("HSS")	**436,145**	**17.3**	381,901	15.3	54,244	14.2
Cutting tools	**463,607**	**18.4**	447,497	17.9	16,110	3.6
Titanium alloy	**384,832**	**15.2**	461,239	18.5	(76,407)	(16.6)
Others	**55,647**	**2.2**	60,277	2.4	(4,630)	(7.7)
	2,521,648	**100.0**	2,496,411	100.0	25,237	1.0

DS – accounted for approximately 46.9% of the Group's revenue in 1H2024

	For the six months ended 30 June					
	2024		2023		**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Domestic	**540,024**	**45.7**	374,722	32.7	165,302	44.1
Export	**641,393**	**54.3**	770,775	67.3	(129,382)	(16.8)
	1,181,417	**100.0**	1,145,497	100.0	35,920	3.1

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

Benefited from the development of the domestic new energy vehicle industry, there was a strong demand for components, component models, and integrated die-casting, leading to an increased demand for DS in applications such as die-casting, stamping, and casting. At the same time, the procurement unit price of the main raw materials for DS increased compared to the same period last year. The transmission of procurement costs resulted in an increase in average selling prices. Domestic revenue of DS segment increased by 44.1% to RMB540,024,000 (1H2023: RMB374,722,000) compared to the same period last year.

Export revenue of DS segment decreased by 16.8% to RMB641,393,000 (1H2023: RMB770,775,000) compared to the same period last year. It was mainly because (1) the significant decline in new overseas construction investments indirectly resulted in a lower demand for large and medium-sized industrial equipment and machinery. This decline in demand also significantly constricted the export market, adversely affecting the export sales of DS. The overall operating hours of Komatsu excavators, which is recognized as one of the key indices reflecting the construction activity in various countries, showed a year-on-year decline in all overseas regions: Japan dropped by 4%, Europe dropped by 9%, North America dropped by 12%, and Indonesia dropped by 3%. This reflected the overseas market are facing certain challenges in the current economic environment; and (2) the development of new energy vehicles overseas was lagging behind that in the domestic market, leading to a slow response to the growth of new energy vehicles. Additionally, the severe decline of traditional fuel vehicles under emission regulations contributed to a decrease in demand for DS. Furthermore, due to the sluggish demand in the overseas market and fierce price competition, resulting in certain pressures on price transmission.

In the first half of 2024, the Group's overall turnover of DS segment increased by 3.1% to RMB1,181,417,000 (1H2023: RMB1,145,497,000).

HSS – accounted for approximately 17.3% of the Group's revenue in 1H2024

	For the six months ended 30 June					
	2024		2023		**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Domestic	**227,657**	**52.2**	182,980	47.9	44,677	24.4
Export	**208,488**	**47.8**	198,921	52.1	9,567	4.8
	436,145	**100.0**	381,901	100.0	54,244	14.2

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

The domestic revenue of HSS segment increased by 24.4% to RMB227,657,000 (1H2023: RMB182,980,000) compared to the same period last year. The manufacturing industry's growing need for upgrading and replacing cutting tools has spurred the development of the domestic HSS market. This increased the demand for raw material HSS among domestic cutting tool manufacturers, leading to growth in domestic revenue of HSS segment.

Export revenue of HSS segment increased by 4.8% to RMB208,488,000 (1H2023: RMB198,921,000), of which the sales volume increased compared with the same period last year, while the average selling price saw a decline. The result is primarily driven by two key factors: (1) the overseas HSS cutting tools market showed improvement compared to the same period last year, leading to an increase in the export volume of HSS used for manufacturing standard HSS cutting tools; and (2) there was intense price competition in overseas markets, and it was necessary to implement a competitive pricing strategy.

Overall turnover of HSS segment increased by 14.2% to RMB436,145,000 (1H2023: RMB381,901,000).

Cutting tools – accounted for approximately 18.4% of the Group's revenue in 1H2024

	For the six months ended 30 June					
	2024		2023		**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Domestic	**168,631**	**36.4**	177,477	39.7	(8,846)	(5.0)
Export	**294,976**	**63.6**	270,020	60.3	24,956	9.2
	463,607	**100.0**	447,497	100.0	16,110	3.6

Cutting tools segment included 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 the Group's peers. High-end carbide tools manufactured by the Group mainly included bars, blades and integral tools.

The market conditions for domestic cutting tools are closely related to the machine tool industry. Since last year, the domestic computer numerical control (CNC) machine tool industry has shown an increase in demand for various grade of cutting tools, which stimulated an increase in sales volume but a decreased in average selling prices. Overall, the domestic revenue of cutting tools segment decreased by 5.0% to RMB168,631,000 (1H2023: RMB177,477,000) compared to the same period last year.

The export revenue of cutting tool segment increased by 9.2% to RMB294,976,000 (1H2023: RMB270,020,000) compared to the same period last year. It was mainly due to the overall recovery of the overseas DIY cutting tools market, especially in the North American market. Further, Thailand factory's production capacity offered a competitive pricing, which also stimulated the export sales volume.

In the first half of 2024, the revenue of the Group's cutting tools segment increased by 3.6% to RMB463,607,000 (1H2023: RMB447,497,000).

Titanium alloy – accounted for approximately 15.2% of the Group's revenue in 1H2024

	For the six months ended 30 June					
	2024		2023		**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Domestic	**379,375**	**98.6**	456,278	98.9	(76,903)	(16.9)
Export	**5,457**	**1.4**	4,961	1.1	496	10.0
	384,832	**100.0**	461,239	100.0	(76,407)	(16.6)

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

Consumer electronic industry remained the prime focus of titanium alloy segment. The Group continued to supply titanium alloy wire to consumer electronic industry as the raw material of the frame for high-end smartphones. In order to diversify the dependence on a specific brand and application, the Group began accepting orders from other internationally renowned consumer electronics manufacturers. These new orders were mainly for pure titanium materials. Compared with existing orders of titanium alloy materials, the average selling prices were slightly lower. At the same time, orders for different applications were added to the sales mix to achieve a higher capacity utilization. Overall average selling prices decreased while the sales volume increased during the current period. As a result, the domestic revenue of titanium alloys segment of the current period decreased by 16.9% to RMB379,375,000 (1H2023: RMB456,278,000) compared to the same period last year.

At present, the Group's titanium alloy segment is predominantly focused on the domestic market. However, certain amount of high-end titanium alloy wires were exported to North America as the raw material for the 3D printing application, serving as a touchstone for entering the global market.

Others – accounted for approximately 2.2% of the Group's revenue in 1H2024

The other segment was the assembly and export sales business derived from the electric tools products of existing cutting tools customers, so as to extend downstream and provide more diversified products and services. By purchasing raw materials like hardware, plastic and electronic components from suppliers, after assembling and packaging, the products were finally sold 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 six months ended 30 June					
	2024		2023		**Change**	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Export	**55,647**	**100.0**	60,277	100.0	(4,630)	(7.7%)

The main application scenarios of power tools include construction, decoration, etc., and they are highly related to real estate in general. The Group's power tools sets was mainly sold to customers in U.S. Currently, the U.S. real estate market was characterized as high interest rates, high housing prices, low sales volume and low supply influenced by the Federal Reserve's cyclical interest rate hikes, revenue in others segment showed a decrease of 7.7% to RMB55,647,000 (1H2023: RMB60,277,000) compared with the same period last year.

FINANCIAL REVIEW

Net profit attributable to equity shareholders of the Company decreased by 15.7% from RMB218,700,000 in the first half of 2023 to RMB184,371,000 in the first half of 2024. Detailed review of the individual components were as follows:

Revenue

The recovered domestic demand and market conditions of DS and HSS, coupled with the improved overseas demand for cutting tools, provided a strong support for revenue recovery for these three segments. Although the revenue of titanium alloy segment was impacted by the change in sales product mix, revenue of the Group for the first half of 2024 totalled RMB2,521,648,000, still showed an increase of 1.0% when compared with RMB2,496,411,000 in the first half of 2023. For an analysis of individual segments, please refer to the "Business Review" section.

Cost of sales

The Group's cost of sales increased from RMB1,926,849,000 for the first half of 2023 to RMB1,963,178,000 for the first half of 2024, representing an increase of 1.9%. The increase was mainly due to the increase in average labour costs and depreciation incurred from capital investments made in recent years.

Gross margin

For the first half of 2024, gross margin was 22.1% (1H2023: 22.8%). Set out below is the gross margin for the five segments of the Group for the first half of 2023 and 2024:

	For the six months ended 30 June	
	2024	2023
DS	**13.3%**	16.4%
HSS	**14.1%**	17.6%
Cutting tools	**33.1%**	24.6%
Titanium alloy	**39.0%**	31.2%
Others	**19.2%**	23.2%

DS

The gross margin of DS decreased from 16.4% in 1H2023 to 13.3% in 1H2024. The main reasons were (1) the increase in the cost of raw materials for special steel (DS and HSS). Although the transmission of the increased cost began to recover alongside the resurgence in downstream demand, the results have not yet reached the level observed in the first half of 2023; and (2) in terms of export business, a competitive pricing strategy was adopted to maintain the overseas market share, narrowing the gross margin for the exports.

HSS

Similar situation as DS was noted in HSS segment. Despite higher valued added powder metallurgy products contributed an additional gross margin compared to DS, affected by the decline in the export gross margin caused by the adoption of a competitive pricing strategy, the overall gross margin of HSS decreased from 17.6% in 1H2023 to 14.1% in 1H2024.

Cutting tools

Gross margin of cutting tools increased from 24.6% in 1H2023 to 33.1% in 1H2024. The increase in gross margin was mainly due to (1) the increase in price of HSS as the raw material for cutting tools, which was passed on to the customers; (2) the Group's new coating technology is gradually mastered. Coated cutting tools offered higher gross margin began to be sold in this period; and (3) Thailand factory's full capacity operation offered a high utilization rate and eventually a cost saving.

Titanium alloy

Gross margin of titanium alloy increased from 31.2% in 1H2023 to 39.0% in 1H2024. The market price of its raw material, titanium sponge, decreased in this period, and therefore, the unit cost of titanium alloy wire in this period declined and the gross profit margin increased compared to the same period last year. Additionally, as the production technology became more mature, the quality and yield rate of titanium alloy wire improved, leading to a reduction of the manufacturing costs.

Others

Others segment related to the assembly and sales of power tool kits to an existing customer. The Group aimed to expand downstream and provide more diversified products and services. The gross margin of this segment might fluctuate depending on the demand from end market.

Other income

The Group's other income decreased from RMB101,969,000 in the first half of 2023 to RMB48,306,000 in the first half of 2024. It was the combined effect of (1) in the first half of 2023, there was an exchange gain resulted from the significant appreciation of USD and EUR against RMB. There was no such effect in the first half of 2024; (2) the PRC government launched more subsidy projects in the same period last year comparing to the reporting period; and (3) some subsidiaries of the Group qualified as advanced manufacturing enterprise under PRC tax law, entitling them to an additional 5% deduction on input value-added tax. The policy was not available in the same period last year.

Distribution expenses

The Group's distribution expenses were RMB63,686,000 (1H2023: RMB57,238,000), representing an increase of 11.3%. This was mainly caused by the increase in local and export transportation cost. Domestic revenue increased by 11.6% to RMB1,329,097,000 (1H2023: RMB1,191,457,000) and the increase was mainly related to the DS and HSS segments, where the products were all large and heavy special steel modules, causing increase in the local transportation cost. For the export, the unresolved Red Sea Crisis caused a longer route around the Cape of Good Hope. Further, in anticipation of increased tariffs, orders from United States and European Union zone were placed in advance, resulting in tight shipping capacities and high sea freight rates.

Administrative expenses

For the first half of 2023, the Group's administrative expenses was RMB83,348,000 (1H2023: RMB73,409,000) representing an increase of 13.5%. The increase was mainly due to the increase in number of administrative staffs and the bonuses rewarding the outstanding performance of the titanium alloy segment in 2023, causing a higher administrative salaries. For the first half of 2024, administrative expenses as a percentage of revenue was 3.3% (1H2023: 2.9%).

Research and development expenses

With some research and development projects completed in 2023, the number of research and development projects in progress decreased during the first half of 2024. As a result, the research and development expenses decreased from RMB164,091,000 in the first half of 2023 to RMB146,994,000 in the first half of 2024.

Net finance costs

During the reporting period, the Group's average time deposits decreased compared to the same period last year. Finance income decreased accordingly. Regarding finance expenses, the Group switched to loans with lower average interest rate with banks in the PRC during the period.

Combining the above effect, the Group's net finance costs decreased from RMB81,781,000 in the first half of 2023 to RMB75,973,000 in the first half of 2024,

Income tax expense

The Group's income tax expense decreased from RMB24,449,000 in the first half of 2023 to RMB11,943,000 in the first half of 2024. Certain subsidiaries were recognised as high-tech enterprise, where their R&D expenses were given an additional deduction. The additional deduction provided a tax allowance for offsetting future profit. Accordingly, deferred tax asset were recognised and leading to a reduction in total income tax expenses.

Profit for the period

As a result of the factors set out above, the Group's profit decreased by 13.2% to RMB210,239,000 for the first half of 2024 from RMB242,338,000 for the first half of 2023. The Group's net profit margin for the first half of 2024 was 8.3% (1H2023: 9.7%). The decrease was mainly due to sluggish overseas market condition and a decline in demand for DS products, causing a decrease in export revenue in DS segment.

Profit attributable to equity shareholders of the Company

For the first half of 2024, profit attributable to equity shareholders of the Company was RMB184,371,000 (1H2023: RMB218,700,000), representing a decrease of 15.7%.

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), 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)*) and 蘇州毅鳴新材料創業投資合夥企業(有限合夥) (Suzhou Yiming New Materials Venture Capital Partnership (Limited Partnership)*). All of these investments were stated at their fair value. The movement represented the net increase in fair market value of these financial assets.

Financial assets measured at fair value through profit or loss

The financial assets measured at fair value through profit or loss included trading securities. The decrease was caused by the price fluctuation of the investments.

Trade and bills receivable

Net trade and bills receivable increased from RMB2,915,486,000 as at 31 December 2023 to RMB3,065,606,000 as at 30 June 2024. Loss allowance of RMB159,419,000 (2023: RMB149,555,000) accounted for 4.9% (2023: 4.9%) of the trade and bills receivable.

Industry Review

In the first half of 2024, China's gross domestic product (GDP) increased by 5%, reaching RMB61.68 trillion and demonstrating a momentum of steady economic recovery. Development in high-end manufacturing was particularly robust, significantly driving domestic demand and therefore furthering investment in the service sector and the manufacturing industry. As a result, China's economy has returned to steady development, which is in line with the national goal of achieving annual economic growth. During the same period, significant growth was recorded for trading in China. In the first quarter of 2024, total foreign trade volume exceeded RMB10 trillion for the first time, where import and export activities further increased by 7.4% quarter-on-quarter in the second quarter of 2024, of which, exports of machinery, electronic products and high-tech goods have distinctly increased. Not only did this development highlight China's rising position in the global value chain, but it also reflected the fruitful outcomes of its strategic diversification and its approach to managing the complex and changing international environment by strengthening domestic economic foundation.

Market Review

In the first half of 2024, the performance of high-end manufacturing was extraordinarily impressive, showing the national determination to facilitate technological innovation and high-quality development. During the period, China's industrial output increased by 6%, when the increase for high-tech fields such as 3D printing ever reached 51.6%, denoting that China is gradually reaping her returns from her investment in such technology. Meanwhile, strong demand in domestic and foreign markets for high-end technology was reflected, and support was also given to other economic activities by means of various policies. Driven by fiscal stimulus measures, tax incentives and R&D investment, key emerging fields such as information technology, biotechnology and green energy which are included in her "14th Five-Year Plan" and "Made in China 2025 (中國製造2025)" have all realized rapid development.

During the same period, the industrial output of China's new energy vehicle sector recorded a growth of 34.3%, which was an excellent performance. Such achievement is benefitted from the Action Plan for Large-scaled Equipment Replacement and Trade-in of Consumer Goods (推動大規模設備更新和消費品以舊換新行動方案) implemented by the Chinese government, especially the "Car Trade-in" measure which aims at encouraging consumers to upgrade their cars for more eco-friendly new energy vehicles. Not only did these policies stimulate the demand for new energy vehicles, but also they have driven the development of the automotive steel industry and other related industries. Market demand is expected to show a constant growth, further raising the demand for materials such as tools steel.

At the same time, as integrated die-casting technology becomes increasingly mature, the lightweight vehicle development, overall performance and sustainability of the automotive industry have been tremendously improved, positively influencing the popularity of new energy vehicles, especially electric vehicles, in the market. In order to enhance production efficiency and accuracy, the die-casting industry is transforming towards automation and intelligence, and robotics is widely used to optimize the production processes, to reduce costs and to increase the operating efficiency of the production line. With the continuous advancement in technology and the strong support from national policies, it is expected that the integrated die-casting industry will occupy a more important position in the automotive industry when leading the development of related upstream industries such as mold manufacturing, and will bring unprecedented development opportunities to the ecosystem of the entire automotive industry.

In the first half of 2024, the cutting tool industries, both globally and in China, experienced remarkable growth in market demand. In the United States and Europe, demand has further increased, under higher disposable income per capita and the persistence of a strong DIY culture. According to the statistics from the China Machine Tool Industry Association (中國工具機工具工業協會), in the first half of 2024, tool exports in China reached RMB12.391 billion, representing an annual increase of 9.75%. For the domestic market, manufacturers in China have adopted business models such as OEM and ODM during their cooperation with foreign supermarkets and brands. Not only did this cooperation model strengthen product quality management, but also it could enable domestic manufacturers to learn from international advanced standards, greatly improving the product research and development as well as production management capabilities of domestic manufacturers. This, in turn, has spurred rapid development within the industries in China.

With the optimized upgrade of China's industrial structure, the requirements for processing precision, efficiency and other indicators of machine tools have been refined, especially when the demand for mid-to-high-end CNC machine tools is rising. The support of national policies has played a key role in the development of the tool industries. For example, the national strategy of "Made in China 2025 (中國製造2025)" and the "Solid Industrial Foundation Project (工業強基工程)" aims at developing high-end CNC machine tools and intelligent manufacturing equipment, and encourage enterprises to increase R&D investment through tax incentives and other measures. In addition, with the advancement of Industry 4.0, the application of new technologies such as the Internet of Things, big data and artificial intelligence has provided new opportunities for the development of the tool industries.

During the period under review, China has steady development in her spongy titanium and titanium alloy industries. Under the dual drive of policy support and market demand, it is obvious that products from the industry are more deployed in high-end fields such as aerospace, consumer electronics, medical equipment and advanced industrial manufacturing. The strategic position of the titanium material industry has been particularly emphasized in national strategy of "Made in China 2025 (中國製造2025)" which has clearly pointed out the development needs for high-end CNC machine tools and precision components. Not only did these policies expedite the demand for quality spongy titanium, but also they have promoted the advancement in domestic titanium material processing technology. Domestic securities firms have predicted that China's production capacity on spongy titanium will reach 424,000 tons in 2026, which will be helpful for the industry to rapidly expand as well as for technology advancement. Improvement in production capacity for high-end spongy titanium in China is gradually alleviating the shortage in supply in the global market. Not only would it relieve the problem of undersupply worldwide, but also it could solidify China's influence in the international titanium market.

In the field of consumer electronics, by virtue of its light weight and high strength, titanium alloy materials have been widely applied in key components of smartphones and wearable devices such as middle frames of mobile phones as well as hinges and shaft covers (軸蓋) of mobile phones with foldable screen in recent years. In 2023, the use of titanium materials in the 3C (computer, communication and consumer-electronics) field accounted for more than 6%, and the scope of applications is expected to further expand in the future.

In addition, given the 3D printing technology, incredible innovation has appeared for the titanium alloy market. Not only did the application of metal 3D printing technology solve the difficulties and inefficiencies of traditional processing methods for titanium alloy, raise production efficiency and reduce the loss of raw materials, but also it could enhance the flexibility of production processes with its ability to produce complex structures that are difficult to achieve with traditional methods, thereby profoundly improving production capacity and yield. In addition, 3D printing of titanium alloys also supports customized production, which is of great significance to fields such as aerospace and medical services. It signifies that the deep integration of titanium alloy materials and the 3D printing technology will open a new chapter for the development of the titanium alloy market.

With the strategic adjustment on the domestic economic structure as well as industrial transformation and upgrade, the titanium industry is facing opportunities from more high-end manufacturing fields. The growing demand is expected to further underpin the innovation on titanium material technology and the improvement in production efficiency.

According to the statistics of a report published by a leading industry expert, it is also predicted that the global power tool market will continue to grow. In particular, electric tools are expected to maintain a compound annual growth rate of 5.9% from 2020 to 2025. In 2025, the electric tool market is expected to reach USD38.6 billion, with its share to be increased to 75.2% of the entire power tool market. Whether in the domestic or the international markets, regular growth momentum is shown in the power tool and the cutting tool fields. With the application of new technologies and the expansion of market demand, this field is expected to maintain a positive development trend.

Achievement

For the capital market in Hong Kong, China, the Group has been repurchasing our shares since 2023, with 17 repurchases in 2023 involving a total of 10 million repurchased shares. Entering 2024, the Group further increased its efforts thereon, with 49 repurchases during the period under review, and 48.144 million shares have been repurchased cumulatively. The repurchases demonstrate the Group's confidence in its own share price and has positive expectation for future development and prospects, reflecting the management's commitment to the Group's long-term development and shareholders' interests.

In addition, in July 2024, the Group was included into a basket of value stocks by Hang Seng Indexes Company Limited (HSI Co.), which selects the stocks satisfying relevant parameters from the Hong Kong market (represented by the Hang Seng Composite Index) based on seven conditions including quality, financial leverage, liquidity, earning growth, price-to-earnings ratio, price-to-book ratio and dividend yield. 36 enterprises are selected into a basket of value stocks covering enterprises with high, average or low market value. This selection highlighted the investment value of the Group and was also a significant recognition of the Group's growth potential in the capital market.

Future Outlook

Operation Strategy

The Group has been leading the industry with its professional equipment, technology and management advantages. Over the years, the Group focused on research and development as well as cost control. It is committed to transforming its long-standing achievements and experience into innovative applications in the advanced materials industry. This effort aims to empower the industry's development and upgrade, while also striving to meet the domestic market demand and gain international market share. Precise strategy, efficient execution ability and worldleading technology are the three cores of the Group.

Domestic Industry Development

New materials are important support for new industrialization, one of the strategic emerging industries vigorously developed by the country and essential industrial directions for accelerating the development of new productive forces and solidly realizing high-quality development. In recent years, new material industries in China entered the stage of aggressive growth, with the scale of the industries inflating. According to the statistics from the Ministry of Industry and Information Technology of the PRC, more than 7 national innovation centres for manufacturing as to the field of new materials have been established, and 35 key platforms for new materials have been planned and constructed. A number of major key materials and cutting-edge technologies have been making breakthroughs, when the numbers of domestic new material enterprises with qualifying scale, "Small Giant" enterprises with specialized, refined and distinctive operations and outstanding innovation and leading enterprises in each field of the manufacturing industry are rising. National advanced manufacturing clusters are, therefore, gradually emerged.

In recent years, as a result of the rapid development of emerging industries represented by new generations of information technology, new energy, intelligent manufacturing and so forth, more requirements are imposed on materials, speeding up the innovation for new materials. Among them, 3D printing technology and other technologies are deeply integrated with new materials, achieving breakthroughs in the field of material technology. In view of "One generation of materials for one generation of technology" (一代材料, 一代技術), the strategic position of the domestic new material industry is currently rising. In recent years, the country has attached great importance to the development of the new materials industry. Hence, relevant departments have successively issued a series of policies and measures such as the Development Guide for New Material Industries (新材料產業發展指南), the National Construction Plan of Demonstration Platform for New Material Production and Application (國家新材料生產應用示範平台建設方案), the Raw Material Industry Development Plan under the "14th Five-Year Plan (「十四五」原材料工業發展規劃)" and the Digital Transformation Work Plan for the Raw Material Industries (2024–2026) (原材料工業數字化轉型工作方案 (二零二四–二零二六年)) to facilitate continuous innovation and development of new material industries.

In the first half of 2024, good development trend was maintained in China's automobile industry. The China Association of Automobile Manufacturers recently pointed out recently that the sales volume of new energy vehicles during the period reached 4.944 million vehicles, representing a year-on-year increase of 32%, and the market share reached 35.2%. It is also predicted that the annual total sales volume of new energy vehicles is expected to reach 11.5 million vehicles in China in 2024. Although anti-globalization and a new round of trade protection measures have brought challenges to the new energy vehicle industry, addressing climate change and achieving green development have emerged as global priorities, ensuring that new energy vehicles will continue to receive widespread attention and application.

In the current new technological era, the titanium alloy industry and the new generation of titanium materials are in front of the tailwind for development, encountering brand-new development opportunities. In addition to being widely used in key fields such as aerospace, automotive industry, chemistry and energy, titanium materials can also be utilized in the field of medical equipment, which is a vital sector for the development of titanium materials. The biocompatibility of titanium makes it an ideal material for manufacturing artificial implants and various types of surgical instruments. Given the intensified ageing of the global population and the advancing medical technologies, the demand for high-performing medical equipment has been growing steadily, further driving the application of titanium materials.

National policy support is indispensable for inducing innovation and development of the titanium industry. In recent years, by formulating policies to encourage technological innovation and providing tax incentives and funding to support scientific research, China is eager in making technological progress on, upgrading and transforming the titanium industry, which is steadily moving towards high-end development with huge development potential.

Export Operation

China has been globalizing her special steel deep processing industry and has been encouraging its high-end development, revealing the strong growth and development potential of the industry. Driven by continued policy support and market demand, the demand for special steel from the perspective of high-end application has kept increasing. With the strengthening of environment protection regulations and the rising demand for high-performing materials with low-environmental impact in the global market, the special steel deep processing business has gradually expanded into the larger international market. Special steel manufacturers in China are perfecting their product quality and reducing their costs through technological innovation and optimized production processes to better adapt to competition in the international market.

The Group has a profound insight into the development trend of the industry and unswervingly promotes the transformation of our products into the field of deep processing. Through this strategic structural alignment, product portfolio of the Group has been optimized, striving to be a leader of the high-end markets. The Group aims at developing and supplying more refined, high value-added tool steel products, catering to the increasing global demand for high-quality special steel.

Overseas Expansion

Guided by its globalization strategy, the Group has established a diversified overseas sales network. The second phase of the plants in Rojana Rayong Pluak Daeng Industrial Park, Rayong, Thailand was officially completed. The total annual production capacity of the two-phase project amounted to approximately 100 million pieces, doubling the cutting tools overseas production capacity. This project not only strengthens the production capacity of the Group but also actively responds to the demand in overseas markets. It also demonstrates the Group's keen insight into global market trends. The Group will continue to optimize and consolidate its current overseas layout in respond to the recovery of overseas demand and global uncertainties.

Product Development Strategy

Powder Metallurgy Industry

With the official completion and launch of its first large-scale tool steel powder metallurgy production line in the PRC in December 2019, the Group successfully entered the powder metallurgy industry. As the only enterprise in the domestic cutting tool sector with a complete industry chain from producing high-end powder materials to powder tools, the Group has made significant breakthroughs in overcoming foreign technical monopoly and expending into the high-end market.

In the first half of 2024, the Group continued with the transformation towards high-end powder metallurgy products, vigorously promoted the application of powder metallurgy HSS cutting tools, including powder metallurgy taps and powder metallurgy drill bits and achieved import substitution. As these projects continue to advance, the Group's high-end product matrix has been further improved, driving the steady growth of product sales, unleashing our profitability gradually and, therefore, demonstrating higher competitive advantages and market expansion potential.

In respect of policies, the "Resolution of the Central Committee of the Communist Party of China on Further and Comprehensively Deepening Reform to Advance Chinese Modernization (中共中央關於進一步全面深化改革、推進中國式現代化的決定)" had been reviewed and approved on the Third Plenary Session of the 20th Central Committee of the Communist Party of China (二十屆三中全會). The "Resolution" has indicated that the long-term mechanism by which private enterprises could participate in the construction of major international projects will be improved, to support capable private enterprises in leading major national technological breakthroughs. As the first domestic enterprise equipped with powder metallurgy technology, the Group has ended the foreign monopoly and will continue to benefit from the implementation of the policy in relation to the "Resolution".

Integrated Die-casting of Die Steel Industry

The Group initiated the construction of a 7,000-ton fast forging project in 2022. The goal of this project is to further enhance the Group's product structure system to meet the increasing demands for mold materials amid the comprehensive technological and equipment upgrades in downstream industries, including the integrated die-casting sector. In August 2023, the 7,000-ton fast forging project was officially launched, marking an end to domestic reliance on imported oversized die steel. Simultaneously, the Group has established connections with several automobile manufacturers, laying the groundwork for future material research and development, as well as market expansion.

Diversified Cutting Tool Industry

As the only domestic enterprise with a full industrial chain from the production of high-end materials to cutting tools, in recent years, the Group has continuously improved material performance and led the upgrading of cutting tools. During the year under review, the Group's cutting tools products covered traditional HSS cutting tools, powder metallurgy HSS cutting tools and carbide cutting tools. In particular, carbide products included three major products, namely blades, cutting tools and rods. These products collectively form a complete and specialized cutting tools product system capable of meeting cutting needs in different fields and levels.

During the period under review, the Group achieved a major technological breakthrough in carbide products. Showing excellent product performance, the self-developed double spiral hole rod (雙螺旋孔棒材) has passed the preliminary testing by customers and is ready for mass production and supply. Designed with screw holes for producing internal cooling carbide drills, the bar can effectively reduce the heat generated during high-speed cutting, and thus extend the useful life of the drills, thereby enhancing processing efficiency.

In recent years, the Group has conducted in-depth optimization on the material composition, structure and manufacturing process through numerous experiments, simulation and analyses, and has successfully developed 44 specifications of double spiral hole rod (雙螺旋孔棒材) to meet the production needs of various carbide drills, which gradually increase the market influence of the Group's products in automotive, aerospace and precision mold industries. The Group intends to actively develop into a one-stop solution provider for cutting tools, which could seize the opportunities brought by the continuous growth in demand for different cutting tools products and further consolidate the Group's leading position in the global cutting tools market.

Titanium Alloy Industry

According to the estimation by a domestic securities firm, the proportion of titanium materials used in the 3C field exceeded 6% in 2023, indicating the widespread use of titanium alloys in the field of consumer electronics. Especially for key parts of high-end smartphones like flat-panel mobile phones and those with foldable screen, the use of titanium alloys in middle frames and hinges is expected to increase significantly. The report has also predicted that the demand for titanium alloy middle frames and hinges in mobile phones between 2024 and 2026 will reach 11,192 tons, 12,756 tons and 14,584 tons, respectively.

Titanium alloy materials is going to become the preferred materials for smartphone manufacturers due to their lightweight and high-strength properties. As technology matures and production efficiency improves, it is expected that titanium alloys will be largely deployed in bulk by first-tier mobile phone manufacturers, driving further growth in the demand for titanium alloys. Considering iPhone and Android phone together, according to a domestic securities firm, the volume of titanium alloy used in middle frames between 2024 and 2026 is expected to reach 12,411.2 tons, 14,136.8 tons and 16,131.6 tons, respectively, reflecting that titanium alloys will be more widely applied in the high-end smartphone market with the formation of scale effect and the continuous improvement in processing.

TG Tech, a subsidiary of the Company, has acquired orders from a domestic consumer electronics supply chain processor, involving the use of titanium and titanium alloy wire produced by TG Tech to manufacture frames which are then used by renowned consumer-electronics manufacturers as a key component of their end products. Since the acquisition of such orders, the average selling price, revenue and business contribution of the Group's titanium alloy segment have significantly increased, becoming a major driving force behind the overall revenue growth of the Group.

As a leading private enterprise in the Chinese titanium alloy industry, the Group has gradually developed into a leading enterprise in the civilian titanium alloy sector. The rapid growth of the titanium alloy business is expected to become a new growth engine for the Company, driving the Group's continuous advancement in diversification and high-end development, further reinforcing its leading position in the industry.

3D Metal Printing Industry

Additive manufacturing technology, especially metal 3D printing, continues to demonstrate its importance and widespread application in the high-end manufacturing sector in 2024, the development of which in the fields such as aerospace, medical equipment, automobile manufacturing and consumer electronics is particularly evident.

3D metal printing, one of the Additive Manufacturing (AM), revolutionizes manufacturing by building parts layer by layer using three-dimensional model data. Unlike traditional subtractive manufacturing methods, 3D printing deposits materials such as metal powder or resin to create complete objects. Especially, metal 3D printing technology provides various advantages such as shortened product research and development cycle, efficient formation of intricate structures, integration and lightweight design. Such advantages make additive manufacturing a powerful complement to traditional precision machining, particularly in productions which require a high degree of customization and smaller lot sizes, significantly reducing costs and improving material utilization.

According to a report at the 2023 Additive Manufacturing Industry Annual Conference, the Chinese 3D printing market is projected to reach nearly RMB100 billion by 2027, driven by an average annual growth rate of 25%, mainly benefitted from the exclusive advantages of metal 3D printing in terms of design flexibility, performance optimization and material saving. In addition, as the technology matures and production efficiency improves, the unimaginable applications of metal 3D printing in traditional fields such as mold manufacturing are gradually emerging, indicating that such technology will continue to expand its influence in the global manufacturing industry in the coming years.

Looking forward, the development direction of metal additive manufacturing will focus on certain key areas, including the optimization of production processes such as the development of combining additive and subtractive manufacturing technologies; increase in the scalability, specialization and intelligence of equipment; variety diversification of raw materials and quality improvement; as well as design optimization, including topology optimization and integrated structural design. Such advancements are expected to further improve the performance and precision of metal additive manufacturing technology, reduce costs and expand its market share in more high-end applications.

The Group, being the leading manufacturer and supplier in the metalworking industry, is at the forefront of this transformative shift. With its expertise in metal fabrication and commitment to innovation, the Group has actively researched and developed metal powder technology, including tools steel powder and titanium and titanium alloy wires for additive manufacturing, where the Group's high-end titanium alloy wires have been recognized by well-known overseas manufacturers as raw materials for 3D printing powder. This supports the development of the additive manufacturing from the advanced material perspective.

Marketing Strategy

The Group has been operating in collaboration with downstream mid-to-high end heat treatment technology and piece cutting service providers by establishing cooperation companies in eastern, southern and western China, and other regions to provide technical support to downstream customers. This achieved 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.

At the same time, the Group actively promotes the market development of high-end materials, such as powder metallurgy high-speed steel and large-size mold steel. By establishing direct contact with end-users, the Group gains an in-depth understanding of market needs, thereby providing professional and customized services.

Green Development

The Group actively advocates for a circular economy model and is committed to recycling and sustainable resource management with a special emphasis on saving materials during our production processes. As a model in the new material industry adopting the shortened production processes, the Group consistently focuses on green development, aiming at building “a garden factory and a civilized enterprise” through recycling waste materials and optimizing production processes to reduce carbon emissions. The Group utilizes electric furnace for short-process smelting to effectively deploy alloys and reuse scrap materials for producing high-quality materials. Not only did such measures optimize production processes, but also they could reduce energy consumption and emissions, greatly enhancing resource efficiency. Moreover, through regular innovation and by means of the production technology for the shortened processes, the Group has significantly streamlined our production cycles and enhanced our product quality control, thereby enabling the market to evolve. This approach has minimized material waste and environmental pollution, further solidifying the Group’s commitment to green production principles.

Relevant policies and industrial guidelines have recognized low-carbon and eco-friendly development as the prerequisite for the survival and growth of advanced material enterprises. Not only did they clarify the social responsibility of corporates, but also they have become the key drivers for the manufacturing industry to move towards high-quality and sustainable development. The Group adheres to the core concept of “Green Development” and would never sacrifice the environment in exchange for business development. Instead, heavy investment has been made into environment protection equipment. For instance, over RMB20 million is invested in a large-scaled wastewater treatment centre and a rooftop photovoltaic project. Not only did such steps improve our environmental, social and governance performance, but also it has demonstrated the Group’s commitment to sustainable development. In the future, while developing our business, the Group will continue to devote itself to the concept of environment protection so as to become a role model for the “green manufacturing” system.

Information Technology

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 to develop an integrated 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. 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 further scalable development.

The Group's Tiangong Alloy Melting Smart Factory Project was officially launched in 2023. The completion of this comprehensive digitalization and informatization of the alloy melting workshop will establish 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.

We re-affirm our 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 potential 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 30 June 2024, the Group's current assets mainly included cash and cash equivalents of RMB1,106,487,000, inventories of RMB2,524,593,000, trade and other receivables of RMB3,696,072,000, time deposits of RMB716,551,000 and pledged deposits of RMB123,981,000. The Group's current assets were RMB8,168,738,000 compared to RMB8,217,751,000 as at 31 December 2023, an decrease of 0.6%.

As at 30 June 2024, interest-bearing borrowings of the Group were RMB2,727,690,000 (31 December 2023: RMB2,895,021,000), RMB2,111,819,000 (31 December 2023: RMB2,209,423,000) of which were repayable within one year and RMB615,871,000 (31 December 2023: RMB685,598,000) of which were repayable over one year. The Group's net gearing ratio (calculated based on the total outstanding interest-bearing debt less pledged deposits, time deposits and cash and cash equivalents and divided by the total equity) was 10.5% (31 December 2023: 9.6%).

As at 30 June 2024, interest-bearing borrowings of RMB2,220,023,000 (31 December 2023: RMB2,233,670,000) were denominated in RMB, nil (31 December 2023: USD13,414,000) were denominated in USD, EUR53,038,000 (31 December 2023: EUR52,263,000) were denominated in EUR and HKD111,000,000 (31 December 2023: HKD111,000,000) were denominated in HKD. The majority of the borrowings of the Group were subject to interest payable at rates ranging from 2.70% to 6.43% (31 December 2023: 2.60% to 6.44%) per annum. Net cash generated from operating activities during the period was RMB150,229,000 (1H2023: net cash generated from operating activities RMB153,695,000).

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

For the first half of 2024, the Group's net decrease in property, plant and equipment amounted to RMB103,877,000 (1H2023: net increase of RMB31,361,000). The net decrease was mainly caused by the depreciation for the period. As at 30 June 2024, capital commitments were RMB524,981,000 (31 December 2023: RMB591,865,000), of which RMB87,820,000 (31 December 2023: RMB46,122,000) was contracted for and RMB437,161,000 (31 December 2023: RMB545,741,000) was authorised but not contracted for. The majority of capital commitments related to expansion of capacity for titanium alloy segment and upgrade of other production lines.

RISK AND PREVENTION

Operating Exposure

In the first half of 2024, China's economy maintained stable growth, mainly benefited from the steady rebound in consumption and investment and the significant growth in the export of high-tech products. As emphasized in the government's work report, key policies in 2024 are formulated to prompt high-quality development and endeavour to create urban job opportunities. In addition, the government has plans to implement a series of growth-driving measures in the areas of consumption and environment protection to stimulate domestic demand and realize industrial upgrade. In terms of foreign trade, China's total import and export value reached RMB21.17 trillion in the first half of 2024, with an annual growth rate of 6.1%, mainly due to the substantial increase in automobile demand. Moreover, China is also actively expanding economic cooperation with her trading partners, which may be helpful to the further growth of foreign trade. Under the relentless alignment made on domestic economic structure and the regular "open door policy" by the Chinese government, larger support has been given to enterprises to cope with the uncertainty in relation to international economy and trade.

As a renowned manufacturer of advanced basic materials such as HSS, DS, precision cutting tools, and key strategic materials such as titanium alloys, the Group has developed into a high-quality enterprise with global competitiveness as a leading international player in the tools steel industry. The Group continues to concentrate on the field of high-end manufacturing, with a view to ending the foreign monopoly on technology and materializing substitution against import, and also takes the initiative to escalate our market share in the automotive, aerospace and other industries. In recent years, the Group has been committed to promoting vertical integration and transformation by refining its precision manufacturing through penetrating into the entire industry chain, so as to expedite the substitution with domestic products. In face of global macroeconomic uncertainty, the Group keeps exploring new markets to reduce its reliance upon a single economy.

As global energy prices steadily rebound together with policy alignment in countries for new energy vehicles, consumer demand for new energy vehicles may be affected. In many countries, tax incentives and subsidies, in particular, originally intended to market new energy vehicles are being reduced or are expiring gradually. This may lessen consumers' desire to purchase and thus pose challenges to mold steel production that relies on the new energy vehicle market. Therefore, the Group should continuously monitor market trends and flexibly adjust our production strategies to mitigate the operating risks associated with these changes.

Enhancing efficiency and reducing costs are essential strategies for enterprises to boost their competitiveness. Rare metals constitute an integral part of the material cost of the Group's products. The Group has worked closely with its suppliers to strictly control the risk of price fluctuations of rare metals. At the same time, the " Digital Tiangong" project of the Group is carried out smoothly, successfully accelerating the digitalization and information construction and upgrade for our production facilities and strengthening our transparent production management. Technology is deployed to effectively stabilize the labour volatility and implement intelligent logistics, reducing our overall production costs and reinforcing our competitiveness which may further control the risk of rising production costs.

Furthermore, sustainability of the industry is also crucial to high-end manufacturing enterprises. In recent years, the Group has invested a large amount of resources in green development aiming at actively giving a helping hand to the national dual carbon goals. By optimizing our manufacturing processes, innovative technologies and production processes, the Group strives to reduce emissions and consumption and to protect the environment, responding to the national and social expectations for green living with practical actions.

In face of a complex and ever-changing business environment, the Group will continue to leverage clear and targeted strategies, our leading industry position, internationally advanced product technology and excellent quality to actively respond to market challenges and lead the industry forward.

Foreign Exchange Exposure

The Group's revenue was denominated in RMB, USD and EUR, with RMB accounting for 52.7% (1H2023: 47.7%). 47.3% (1H2023: 52.3%) of the total sales and operating profit was subject to exchange rate fluctuations. The Group did not enter into any financial instruments to hedge against foreign exchange risk. The Group has put into place measures such as monthly reviews of product pricing in light of foreign exchange fluctuation and incentivising overseas customers to settle balances on a timely basis to minimise any significant financial impact from exchange rate exposure.

PLEDGE OF ASSETS

As at 30 June 2024, the Group pledged certain bank deposits amounting to approximately RMB123,981,000 (31 December 2023: RMB129,288,000) and certain intercompany trade receivables amounting to RMB140,347,000 (31 December 2023: RMB161,843,000). Details are set out in the notes to the interim financial statements.

EMPLOYEE'S REMUNERATION AND TRAINING

As at 30 June 2024, the Group employed 3,726 employees (31 December 2023: 3,548). The Group provided employees with remuneration packages comparable to the 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 education and training for all of its staff on a regular basis.

CONTINGENT LIABILITIES

Both the Group and the Company had no material contingent liabilities as at 30 June 2024 (31 December 2023: No material contingent liabilities).

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

On 30 August 2024, the Board has declared an interim dividend of RMB0.0203 per share for the six months ended 30 June 2024 (six months ended 30 June 2023: nil) to shareholders of the Company whose names appear on the register of members of the Company on 13 September 2024. The register of members will be closed from 16 September 2024 to 19 September 2024, both days inclusive. For the payment of dividend in HKD, the average mid-exchange rate of RMB to HKD as quoted by the People's Bank of China for the five business days prior to the date of this announcement (which was HKD100: RMB91.3702) was adopted by the board of directors of the Company. Accordingly, the interim dividend for each Share with par value of USD0.0025 would be HKD0.0222 and the interim dividend is expected to be paid on or before 16 October 2024. In order to qualify for the interim 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 13 September 2024.

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 six months ended 30 June 2024 and there were no outstanding share options as at 30 June 2024.

During the six months ended 30 June 2024, the Company did not have any share award scheme in place.

PURCHASE, SALES OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2024, the Company repurchased 48,144,000 shares in total, at an aggregate consideration of HKD82,791,380 (equivalent to approximately RMB75,189,000) on The Stock Exchange of Hong Kong Limited. The shares repurchased were subsequently cancelled on 2 July 2024. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	No. of ordinary shares repurchased	Price per ordinary shares Highest *(HKD)*	Lowest *(HKD)*	Aggregate consideration paid *(HKD)*
March 2024	1,664,000	1.53	1.37	2,415,900
April 2024	24,950,000	1.87	1.56	42,674,200
May 2024	7,660,000	1.92	1.74	13,962,640
June 2024	13,870,000	1.84	1.53	23,738,640
Total	48,144,000			82,791,380

Save as disclosed, during the six months ended 30 June 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities and the Company does not have any treasury shares, whether registered in its own name or deposited with Central Clearing and Settlement System.

CORPORATE GOVERNANCE

During the six months ended 30 June 2024, the Company has, so far where applicable, complied with the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix C1 (formerly, Appendix 14) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

EVENTS AFTER REPORTING PERIOD

There were no important events affecting the Company and its subsidiaries which have occurred since the end of the reporting period and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs. The Audit Committee held a meeting on 29 August 2024 to consider and review the interim report and interim financial statements of the Group and to give their opinion and recommendation to the Board. The Audit Committee considers that the 2024 interim report and interim financial statements of the Group have complied with the applicable accounting standards and the Group has made appropriate disclosure thereof.

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, 30 August 2024

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

Executive Directors: ZHU Xiaokun, ZHU Zefeng, WU Suojun and JIANG Guangqing

Independent non-executive Directors: LEE Cheuk Yin, Dannis, WANG Xuesong and QIN Ke

* *For identification purposes only*