天工國際有限公司*

TIANGONG INTERNATIONAL COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 826

2024 ANNUAL REPORT

* For identification purposes only

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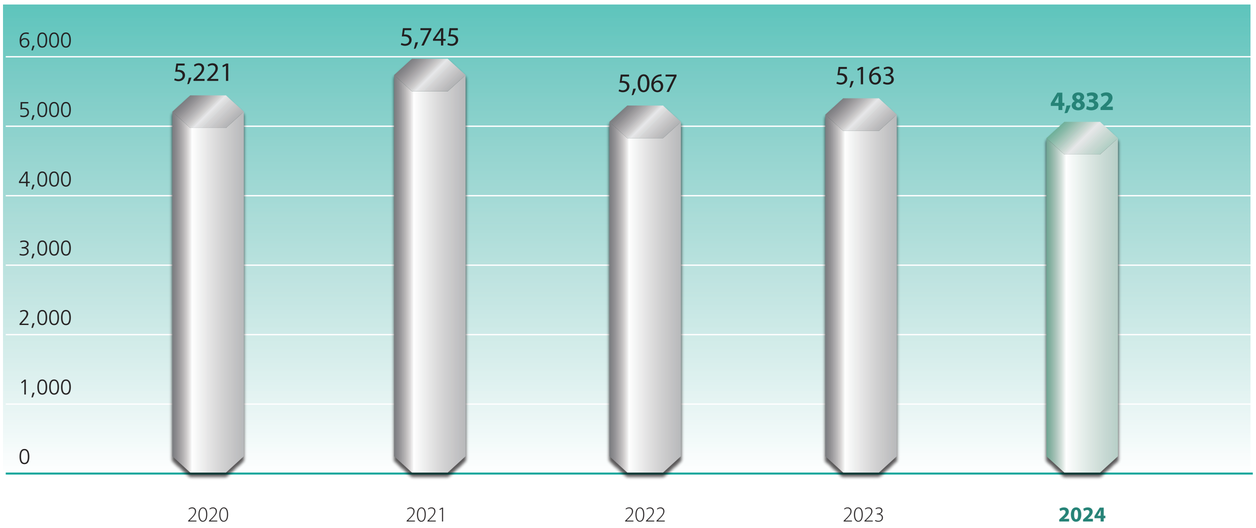
FINANCIAL HIGHLIGHTS

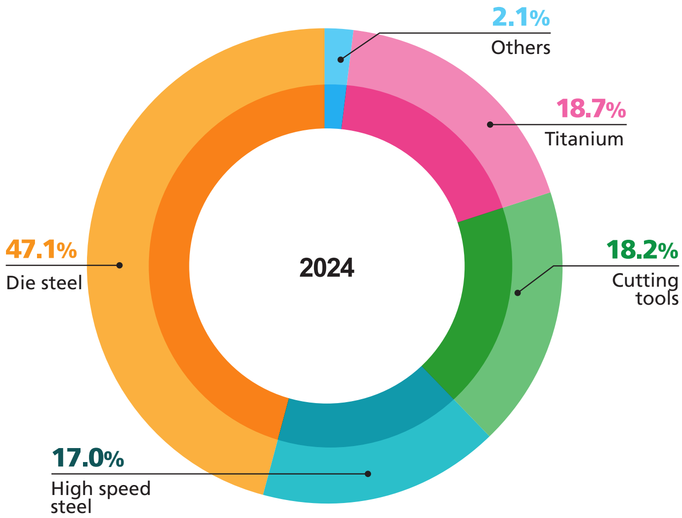
	2024	2023
Revenue (RMB'000)	**4,832,036**	5,163,306
Net profit for the year attributable to equity shareholders of the Company (RMB'000)	**358,757**	370,209
Basic earnings per share (RMB)	**0.131**	0.133
Proposed final dividend per share (RMB)	**0.0263**	0.0400

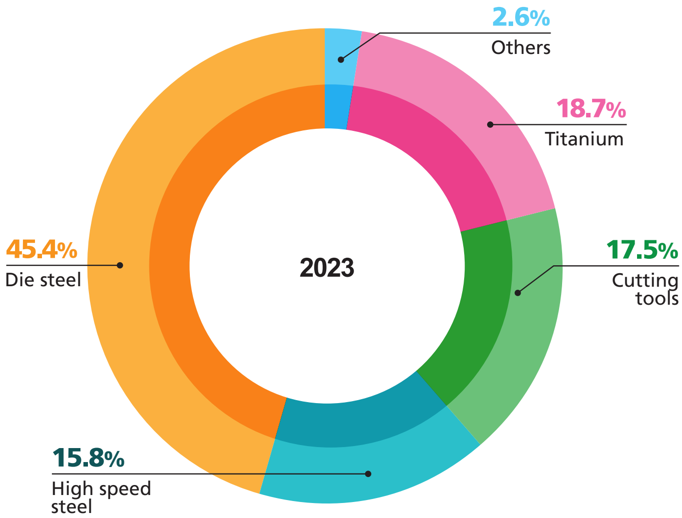
Revenue

RMB' million



Revenue by Product Mix





CHAIRMAN'S STATEMENT

In 2024, the Group steadily advanced its high-quality development strategy amid a complex landscape of internal and external challenges, achieving multiple breakthroughs in technological innovation, capacity expansion, and global layout. Looking ahead to 2025, the Group will continue focusing on high-end materials and intelligent manufacturing, deepening import substitution and international expansion while accelerating its transformation into a globally leading advanced materials technology enterprise.

Zhu Xiaokun
Chairman

Dear Shareholders,

On behalf of the board of directors (the "Board") of Tiangong International Company Limited (the "Company", together with its subsidiaries, collectively the "Group"), I am pleased to present the audited annual results for the year ended 31 December 2024.

In 2024, the global economic environment remained complex and volatile. The Chinese government continued to intensify its domestic demand policies, using financial subsidies and initiatives like the "trade-in (以舊換新)" programme to actively promote the transformation and upgrading of related industries towards intelligent and high-end development. In particular, the automotive sector saw growing consumer preference for high-tech, energy-efficient products, driving an upgrade in overall consumption structures. These policies not only stimulated domestic demand but also directly increased demand for high-end materials, creating positive momentum for the Group's core markets including specialty steel and titanium alloys.

Business Overview

Benefiting from robust domestic demand for high-performance materials and accelerated import substitution progress, China's high-end materials industry maintained stable development. Overseas, affected by slowing manufacturing demand and fierce price competition in export markets, the Group's total annual sales declined by 6.4% to approximately RMB4.832 billion, with gross profit reaching RMB984 million and net profit at RMB359 million.

In 2024, the Group steadily advanced its high-quality development strategy amidst an environment of coexisting challenges and opportunities, achieving positive results in product innovation, capacity expansion, and sustainable development. Throughout the year, the Group further enhanced its brand and industry position. Tiangong's TGE23 series products successfully obtained certification from the North American Die Casting Association (NADCA), making the company China's first enterprise to receive this certification. The Group took the lead in a national key R&D programme, collaborating with Tsinghua University, CATL, and other partners to promote new powder metallurgy and additive manufacturing technologies for die-casting die steel, facilitating rapid technological commercialisation and driving upgrades in the die-casting mould steel industry. Additionally, the official inauguration of the Tiangong Tools Joint Innovation Centre marked an important step in the Group's industry-academia-research integrated development.

The Group has consistently adhered to technology-driven innovation. During the year, the Group maintained an R&D expenditure ratio exceeding 6% for the second consecutive year, with 59 R&D projects in progress and active preparation of 16 "Champion Projects" for 2025, continuously deepening its technological moat. Construction of the Precision Tools Research Institute officially commenced during the year, providing strong support for the Group's product upgrading and innovation. Regarding products, the Group's premium titanium alloy products have obtained multiple authoritative certifications in aerospace and medical equipment fields, demonstrating broad potential for future application. The powder metallurgy business maintained steady growth, while the Group continued to explore new application scenarios market-oriented, successfully launching new products including taps, drills, hob cutters, broaches, lead screws and screws. Since its commissioning in August 2023, the Group's 7,000-ton fast forging project has achieved sales exceeding 14,000 tons, representing growth of over 600%. During the year, the Group successfully developed two large-sized die steels for integrated die-casting — TGE22 and TGE23 — which have already been delivered to downstream customers, further expanding applications in the NEV industry chain.

During the year, the Group also accelerated its global layout. The production capacity of the Thailand precision tools plant rapidly increased to monthly output of 12 million pieces; the Thailand tool and die steel production base also officially commenced construction, further optimizing global capacity layout. Meanwhile, the Group continued to implement green manufacturing concepts, with two subsidiaries awarded the title of "Jiangsu Green Factory (江蘇省綠色工廠)", while taking the lead in providing carbon content values for export products, enhancing international market competitiveness in sustainability. The second-phase electron beam furnace ("EB furnace") project successfully completed hot testing, further supporting premium titanium product production and resource recycling.

Despite challenging operating conditions, the Group demonstrated strong resilience and achieved breakthrough results across technological R&D, production capacity layout, and domestic and international market expansion, delivering encouraging performance.

Outlook

Looking ahead, China's manufacturing sector is embracing new transformation opportunities, with growing demand for high-strength, lightweight specialty steels and advanced performance materials across NEVs, aerospace and mechanical manufacturing industries. Policy-driven equipment upgrades and smart manufacturing initiatives will accelerate demand growth for die steels, powder HSS, cutting tools and titanium alloys, while simultaneously boosting both import substitution and export expansion. Despite ongoing global market uncertainties, the continued technological advancement and green transformation of Chinese enterprises are expected to propel the high-end materials industry into a new growth cycle, providing solid support for the Group's future development.

Moving forward, the Group will maintain its focus on core materials business, deepening its expertise in high-end tool and die steels while driving integrated upgrades across materials, technologies and applications. We are committed to becoming a leading comprehensive solutions provider for die-casting mold materials and technologies. The Group has established complete capabilities to supply all critical die-casting components including high-quality shot sleeves, ejector pins, sprue sleeves, runner nozzles, internal cavity inserts, and mold frameswhile progressively expanding into downstream value-added services like mold design and maintenance. As China's first enterprise capable of providing complete solutions for large-scale mold materials, 3D printing materials, near-net-shape forming materials and mold repair materials, our self-developed large-size high-hardenability mold blocks, powder metallurgy die-casting steels and additive manufacturing powders maintain industry-leading positions. Concurrently, we are actively promoting applications of nano-strengthened high-performance die steels and high-speed steels. These materials demonstrate exceptional thermal fatigue and wear resistance, significantly extending service life for molds and cutting tools while optimizing thermal balance design for integrated die-casting applications.

In addition, the Group's powder high-speed steels TPM330 and TPMD31, with outstanding strength and wear resistance, have found wide application in high-precision transmission components like lead screws and tools, demonstrating considerable market potential. For critical materials like high-nitrogen, high-strength corrosion-resistant steels that currently rely heavily on imports, our proprietary powder metallurgy technology is poised to achieve domestic production breakthroughs, enabling broader applications in energy & chemical, aerospace and marine sectors while supporting upgrades in China's high-end equipment manufacturing foundation and creating new revenue streams.

In future, the Group will advance construction of its Precision Tool Research Institute under the leadership of internationally renowned tooling experts, comprehensively developing R&D capabilities for high-performance cutting tool materials, designs, coatings and processing technologies to further expand our technological influence and market coverage.

Appreciation

Finally, I would like to take this opportunity to express my most sincere gratitude to all members of the Board. Thanks to your tremendous support and outstanding leadership throughout 2024, the Group achieved dual breakthroughs in both business and technology amidst a challenging operating environment. I would also like to wholeheartedly thank all shareholders, customers, suppliers and business partners for your continued support and trust. Going forward, the Group will maintain its commitment to both innovation-driven development and lean management principles, pursuing high-quality growth while striving to create value for all shareholders and customers.

Zhu Xiaokun
Chairman

31 March 2025

MANAGEMENT
DISCUSSION & ANALYSIS

Business Review

	For the year ended 31 December					
	2024		2023		Change	
	RMB'000	**%**	RMB'000	%	RMB'000	%
DS	**2,273,870**	**47.1**	2,345,986	45.4	(72,116)	(3.1)
HSS	**821,478**	**17.0**	815,904	15.8	5,574	0.7
Cutting tools	**879,342**	**18.2**	905,754	17.5	(26,412)	(2.9)
Titanium alloy	**756,370**	**15.6**	963,836	18.7	(207,466)	(21.5)
Others	**100,976**	**2.1**	131,826	2.6	(30,850)	(23.4)
	4,832,036	**100.0**	5,163,306	100.0	(331,270)	(6.4)

DS — accounted for 47.1% of the Group's revenue in FY 2024

	For the year ended 31 December					
	2024		2023		Change	
	RMB'000	**%**	RMB'000	%	RMB'000	%
DS						
Domestic	**1,008,398**	**44.3**	868,040	37.0	140,358	16.2
Export	**1,265,472**	**55.7**	1,477,946	63.0	(212,474)	(14.4)
	2,273,870	**100.0**	2,345,986	100.0	(72,116)	(3.1)

DS is a type of high alloy special steel manufactured using rare metals including molybdenum, chromium and vanadium. DS is mainly used in die and mould casting as well as machining processing. Many different manufacturing industries require moulds, including automotive, home appliances and electronic industries.

The sales volume of domestic DS increased by 6%, primarily driven by its applications in plastics, die-casting, stamping, and casting. Benefiting from the development of China's new energy vehicle (NEV) industry, there was a robust demand for components, part molds, and integrated large-scale die-casting, driving a 34.4% growth in production value in this downstream application. Consequently, domestic DS sales gradually improved from the fourth quarter of 2023 and experienced significant growth this year. The average selling price of domestic DS increased by 9% compared to the previous year, attributed to a favorable domestic sales environment for DS and adjustments to the product mix.

The export sales volume of DS decreased by 12%, primarily due to price competition from overseas competitors. The Group's major competitors in Europe, which previously maintained a high-quality, high-price strategy in the global market, adopted price reductions strategy amid the sluggish market demand and intense competition. The average sales price decreased by 2%, reflecting marginal fluctuations driven by weak overseas demand, market stagnation, and ongoing price competition.

Overall, sales revenue of the DS segment decreased by 3.1% to RMB2,273,870,000 (2023: RMB2,345,986,000).

HSS — accounted for 17.0% of the Group's revenue in FY 2024

	For the year ended 31 December					
	2024		2023		Change	
	RMB'000	**%**	RMB'000	%	RMB'000	%
HSS						
Domestic	**422,033**	**51.4**	384,336	47.1	37,697	9.8
Export	**399,445**	**48.6**	431,568	52.9	(32,123)	(7.4)
	821,478	**100.0**	815,904	100.0	5,574	0.7

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

The recovery in overseas DIY cutting tools demand drove increased raw materials demand from domestic export-oriented tools manufacturers. This, in turn, stimulated domestic revenue of HSS, a key material for cutting tools, to increase by 9.8% to RMB422,033,000 (2023: RMB384,336,000).

The export sales volume of HSS decreased by 7%, with the average selling price decreased by 1%. The situation was similar to our DS export performance. Amid intense price competition in overseas markets and Euro depreciation, the Group implemented a pricing strategy adjustments to maintain its market position while prioritizing product quality retention.

Overall, sales revenue of the HSS segment decreased by 0.7% to RMB821,478,000 (2023: RMB815,904,000).

Cutting tools — accounted for 18.2% of the Group's revenue in FY 2024

	For the year ended 31 December					
	2024		2023		Change	
	RMB'000	**%**	RMB'000	%	RMB'000	%
Cutting tools						
Domestic	**333,274**	**37.9**	385,726	42.6	(52,452)	(13.6)
Export	**546,068**	**62.1**	520,028	57.4	26,040	5.0
	879,342	**100.0**	905,754	100.0	(26,412)	(2.9)

Cutting tools segment includes HSS and carbide cutting tools. HSS cutting tools products are mainly twist drill bits and screw taps. All of these are used in industrial manufacturing and civil purposes. The Group's vertical integration extending from upstream HSS production to downstream HSS cutting tools production brought us a significant cost advantage over our peers. High-end carbide tools manufactured by the Group mainly comprised of carbide inserts and solid tools.

Domestic cutting tools sales revenue decreased by 13.6% to RMB333,274,000 in 2024. While China's manufacturing sector exhibited signs of broad-based recovery, domestic distributor clients continued to carry over cutting tools inventories from the previous fiscal year. The gradual digestion of these stockpiles throughout 2024 resulted in decreased domestic revenue.

Cutting tools export sales revenue increased by RMB26,040,000 in 2024, primarily driven by the global recovery of the cutting tools market. The North American market demonstrated particularly strong performance, with increasing demand for machine tools fueled by accelerated automation adoption, widespread implementation of CNC technology, and advancements in precision machining, which collectively stimulated downstream demand for cutting tools. The Group's cutting tools production base in Thailand enabled the capturing of opportunities in the North American market. Export revenue recorded an increase.

Despite divergent demand patterns for cutting tools across domestic and export markets, intense competition persists throughout the value chain. Downstream customers increasingly prioritize cost-optimized product configurations as their primary procurement focus, a strategic shift driven by macroeconomic pressures. This procurement strategy shift compelled the Group to implement price adjustments, resulting decrease in average selling price in both markets.

Overall, sales revenue of the cutting tools segment decreased by 2.9% to RMB879,342,000 (2023: RMB905,754,000).

Titanium alloy — accounted for 15.6% of the Group's revenue in FY 2024

	For the year ended 31 December					
	2024		2023		Change	
	RMB'000	**%**	RMB'000	%	RMB'000	%
Titanium alloy						
Domestic	**747,406**	**98.8**	956,050	99.2	(208,644)	(21.8)
Export	**8,964**	**1.2**	7,786	0.8	1,178	15.1
	756,370	**100.0**	963,836	100.0	(207,466)	(21.5)

The low density, high strength, high heat resistance and good corrosion resistance nature of titanium alloy promoted the extensive applications of titanium alloy in various industries, including chemical energy, consumer electronics, aerospace, marine engineering, biological sciences and other industries.

A certain end customer imposed higher requirements on utilization of recycled titanium alloy for titanium alloy wire materials used in consumer electronics, demanding titanium suppliers to further increase the reuse ratio of recycled materials. Considering the limited capacity of the existing production equipment to improve the reuse ratio of returned materials, the Group actively responded to client needs by deciding to construct new vacuum electron beam cooling bed ("EB") furnace production lines that offer greater advantages for reusing recycled materials. The new EB furnace production line was put into operation by the end of March 2024. However, due to the fact that main competitors already possessed EB furnace production lines within their original business scope, coupled with the required time for post-commissioning product optimization and verification processes, the Group's supply rhythm of titanium materials for the client's smartphones lagged behind competitors, resulting in decreased titanium alloy wire revenue in 2024.

At the same time, demand from another end customer in consumer electronics field increased, the Group has actively cooperated with the end customer on their pure titanium wire orders. However, compared to the titanium alloy wire, the average selling price of pure titanium wire was slightly lower. Despite a 9.1% increase in sales volume increase, there was a 28.4% decrease in average selling price. In all, titanium alloy segment domestic revenue decreased by 21.8% to RMB747,406,000 in 2024.

For the export, 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.

Our North American export initiative achieved strategic breakthroughs through premium titanium alloy wire specifically engineered for additive manufacturing applications. These high-precision products not only validated our technical capabilities in serving cutting-edge 3D printing sectors but also established critical supply chain credibility. This successful market penetration served dual purposes: commercially, it demonstrated our capacity to meet quality requirements for high-precision manufacturing applications; strategically, it created a replicable blueprint for global expansion into additive manufacturing markets and industrial laser sintering applications.

Others — accounted for 2.1% of the Group's revenue in FY 2024

	For the year ended 31 December					
	2024		2023		Change	
	RMB'000	**%**	RMB'000	%	RMB'000	%
Export	**100,976**	**100.0**	131,826	100.0	(30,850)	(23.4)

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

The others segment experienced a RMB30,850,000 sales contraction, primarily driven by weakened overseas demand for economy-tier hardware kits. This market downturn directly impacted downstream procurement patterns. Orders for entry-level hardware set reduced. The demand erosion reflected structural shifts in global DIY tool consumption, where inflationary pressures were accelerating market polarization between premium professional-grade equipment and budget-conscious consumer products.

In all, the total revenue from others segment decreased by 23.4% to RMB100,976,000 (2023: RMB131,826,000).

Financial Review

Net profit attributable to equity shareholders of the Company decreased by 3.1% from RMB370,209,000 in 2023 to RMB358,757,000 in 2024.

Revenue

Revenue of the Group for 2024 totalled RMB4,832,036,000 representing a decrease of 6.4% when compared with RMB5,163,306,000 in 2023. In 2024, the advanced materials industry was confronted with multidimensional market forces as our four core divisions charted divergent paths. DS and HSS achieved an increase in domestic revenue growth, while encountered intensifying export competition. Cutting tools achieved an increased export growth, while domestic sales experienced an erosion as domestic distributor clients continued to carry over cutting tools inventories from the previous fiscal year. Most critically, titanium alloy segment delivered 9.1% volume growth against 28.1% decrease in average selling price. This was mainly due to the increased requirements on utilization of recycled titanium alloy of a certain end customer. The completion time of the new EB furnace, for increasing the utilization of recycled titanium alloy, caused the Group to miss some orders for titanium alloy wire products with high average selling prices. The sales gap was filled by the pure titanium wire with lower average selling price. For an analysis of individual segments, please refer to the "Business Review" section.

Cost of sales

The Group's cost of sales was RMB3,848,493,000 in 2024 representing a decrease of 4.3% as compared with RMB4,019,922,000 in 2023, as a result of the decrease in revenue and related subcontracting fee.

Gross margin

In 2024, the overall gross margin was 20.4% (2023: 22.1%). Set out below are the gross margin of the five segments of the Group in 2024 and 2023:

	2024	2023
DS	**12.1%**	15.5%
HSS	**15.2%**	17.2%
Cutting tools	**30.3%**	29.1%
Titanium alloy	**33.5%**	31.6%
Others	**15.5%**	17.1%

DS

One of the major export markets for the Group's high alloy steel products was Europe. Faced with the dual pressures of economic contraction in the region and fierce price competition from local competitors, adding the Euro exchange rate continued to be weak, resulting in products priced in Euros lowering the average selling price of the export products and compressed export gross margins. In all, the gross margin decreased to 12.1% in 2024 (2023: 15.5%).

HSS

Similar to the DS situation, intensifying competition in the overseas market, and the Euro exchange rate restricted product pricing. Both exerted pressure on the export gross margin. The overall gross margin was compressed to 15.2% in 2024 (2023: 17.2%).

Cutting tools

The gross margin of cutting tools increased from 29.1% in 2023 to 30.3% in 2024, primarily driven attributable to increased capacity utilization at the Thailand production facility driven by export growth, which reduced average unit costs.

Titanium alloy

The gross margin of titanium alloy increased from 31.6% in 2023 to 33.5% in 2024. The purchase price of its raw material, titanium sponge, decreased in 2024. In addition, the adoption of short-process technology and continuous optimization of production processes for titanium wire used in the consumer electronic industry reduced the production costs of titanium wire. All these caused an increase in gross margin.

Others

The procurement and assembly cost of power tool kits increased slightly during the period, causing the decrease of the gross margin of others segment from 17.1% in 2023 to 15.5% in 2024.

Other income

In 2024, USD appreciated significantly against the RMB. The Group's net monetary assets denominated in USD were higher in 2024 than in 2023, resulting in larger exchange gains on net monetary assets denominated in USD at the end of the year. On the other hand, fewer local government subsidies were received in 2024 than in 2023. Offsetting the above impact, other income increased from RMB127,253,000 in 2023 to RMB176,215,000 in 2024.

Distribution costs

Distribution costs in 2024 were RMB144,072,000 (2023: RMB118,053,000). Although export revenue decreased by 9.6% from RMB2,569,154,000 in 2023 to RMB2,320,924,000 in 2024, the freight and related logistics expenses increased due to (1) the unresolved Red Sea Crisis caused a longer route around the Cape of Good Hope, leading to an increase in shipping unit costs; and (2) the anticipation of increased tariffs causing orders from United States were placed in advance, resulting in tight shipping capacities and high sea freight rates. In 2024, distribution costs amounted to approximately 3.0% of revenue (2023: 2.3%).

Administrative expenses

Administrative expenses increased from RMB160,122,000 in 2023 to RMB172,675,000 in 2024. The increase was mainly due to (1) the increase in the number of administrative staff; and (2) increased depreciation and insurance costs on the newly added factory and office buildings. In 2024, administrative expenses amounted to approximately 3.6% of revenue (2023: 3.1%).

Research and development expenses

Major component of the research and development expenses was the material consumed in the projects. Projects that took place in 2024 used more relatively cheap recycled material, resulting in a decrease in the cost of materials consumed by the project. Further, some projects were in late stage which required less material input. As a result, the research and development expenses decreased from RMB312,361,000 in 2023 to RMB301,548,000 in 2024.

Other operating expenses

In 2023, an impairment provision of approximately RMB48,487,000 was provided according to the credit loss estimation policy of the Group. During 2024, tighter control was applied and no significant additional impairment provision was required. Other operating expenses decreased from RMB53,482,000 in 2023 to RMB(1,055,000) in 2024.

Net finance costs

The Group's net finance costs decreased from RMB156,963,000 in 2023 to RMB138,121,000 in 2024, primarily attributed to (1) lower average balance of interest-bearing borrowings, and (2) favorable monetary policy tailwinds that drove the average borrowing rate down from 4.77% to 4.10%.

Income tax

As set out in Note 8 to the consolidated statement of profit or loss, the Group's income tax expense decreased from debited RMB45,542,000 in 2023 to RMB7,974,000 in 2024.

Profit for the year attributable to equity shareholders of the Company

As a result of the factors set out above, the Group's share of profit decreased by 3.1% from RMB370,209,000 in 2023 to RMB358,757,000 in 2024. The margin of profit attributable to equity shareholders of the Company increased from 7.2% in 2023 to 7.4% in 2024.

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

In 2024, total comprehensive income for the year attributable to equity shareholders of the Company was RMB271,536,000 (2023: RMB349,996,000) after taking into account foreign currency translation differences and fair value adjustments on equity investments.

During the year, the Group debited to other comprehensive income a foreign currency translation difference of RMB107,458,000 (2023: credited RMB12,962,000) related to translation of financial statements of overseas subsidiaries and overseas equity accounted investees.

The Group also recognised a fair value loss in the consolidated statement of profit or loss and other comprehensive income of RMB19,782,000 (2023: loss of RMB7,328,000) on its equity investments.

Other financial assets

Other financial assets held by the Group mainly included equity interests in Bank of Jiangsu Co., Ltd., 雲南菲爾特環保科技股份有限公司 (Yunnan Filter Environment Protection S.&T. Co., Ltd.*), 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 Enterprise (Limited Partnership)*). All of these investments were stated at their fair value as at 31 December 2024. Other than the fair value loss, net of tax, of RMB19,782,000 (2023: loss of RMB7,328,000) recorded in the other comprehensive income in 2024, the fair value loss of RMB4,769,000 was recorded in other income (2023: loss of RMB4,420,000) for financial assets measured at fair value through profit or loss during the year.

Trade and bills receivable

Trade and bills receivable decreased from RMB2,915,486,000 in 2023 to RMB2,816,086,000 in 2024. This was mainly because tighter control applied on trade receivable.

Loss allowance of RMB143,288,000 (2023: RMB149,555,000) accounted for 4.8% (2023: 4.9%) of the trade and bills receivable.

Industry Review

In 2024, China's economy maintained steady growth amid internal and external challenges, with the annual gross domestic product (GDP) reaching RMB134.9 trillion, at a growth rate of 5.0%, which is in line with the target set by the government. During the year, the Chinese government intends to accelerate the establishment of a domestic circulation and promote high quality development by introducing several major policies to stimulate domestic demand and boost the economy. The large-scaled equipment replacement and consumer goods "trade-in" policy has successfully encouraged consumers to replace items such as old cars and household appliances with new products through fiscal subsidies and promotional activities, and supported upgrades in the industrial sector. This series of measures has directly boosted investments and consumer demands. Data showed that the "Two New" policy led to a year-on-year increase of 15.7% in investment in equipment and tools purchased during the year, contributing 67.6% to the overall investment growth for the year; meanwhile, the policy drove the sales of bulk consumer durables to exceed RMB1.3 trillion. The implementation of the policy has boosted the public's enthusiasm for replacement and prompted the related industries towards intelligence and high-end transformation and upgrades. For example, in the fields of automotive and household appliances, high-tech and high energy efficiency products are highly favored, which sales proportion of new energy vehicles and first grade energy-efficient household appliances increased significantly. Promoting these high-end products implies a simultaneous increase in demand for high-end materials, such as advanced alloy steel and new alloys, with policies exerting a positive pull effect on the high-end materials market.

Under this major premise, China's automobile production and sales in 2024 reached new highs again, with a similarly significant impact on the household appliance market. In 2024, more than 36 million consumers nationwide participated in the renewal of eight major categories of household appliances, purchasing a total of over 62 million units of household appliance products, driving sales revenue of approximately RMB270 billion. The scale of the automobile and household appliance industries continues to expand, indicating a simultaneous increase in demand for high-quality high-end materials required by the industry. The large-scale equipment replacement initiative directly benefits the machinery and machine tool industries. In 2024, the central budget for ultra-long-term special treasury bonds to support equipment upgrades in sectors such as industry and transportation. The total number of equipment updates in key areas nationwide exceeded 20 million units (sets). Industrial enterprises took advantage of the policy tailwind to accelerate the elimination of outdated equipment, purchase advanced equipment such as high-end CNC machine tools, creating a new market space for high strength and high performance alloys and other materials.

In recent years, the high-end materials market has shown a trend of "diminishing prices and growing sales volume", which the market demand and production volume grow simultaneously while product unit prices continue to decline. Such phenomenon is mainly due to multiple factors, among which the expansion of production capacity and increase in supply have intensified competition in the market, eventually, resulting in reduction of prices by some manufacturers to maintain their respective market share. At the same time, the lower prices of upstream raw materials and auxiliary materials, such as sponge titanium and specialty steel, provided room for downstream high-end material manufacturers to adjust their prices. In addition, technological advancements have improved production efficiency, reduced production costs, and facilitated a reasonable market price adjustment indirectly. Even so, the robust domestic demand and the acceleration of domestic substitution continue to create profit opportunities for domestic high-end material suppliers.

Tool Steel: Technological upgrades drive competitiveness, market applications continue to expand, leading to industry demand growth, achieving technological breakthroughs and import substitution.

In 2024, special steel became an important sector for the steel industry to compete in a new track and cultivate new quality productivity. The special steel industry maintained steady growth through increased technological innovation, adjustment of product structure, and active expansion into international markets, demonstrating higher application value in multiple fields.

With the rapid development of high-end manufacturing industries such as automotive, aerospace, machinery manufacturing and energy, the demand for high-performing special steel has significantly increased. The demand for light weight and high strength materials in the automotive industry has led to an increase in the application of special steel in components, while the aerospace sector continues to see a rising demand for high temperature resistant and high strength special steel. In addition, the improvement in domestic high-end special steel technology has accelerated the trend of import substitution, which further expanded the market share of domestic special steel and significantly enhanced the competitiveness among the industry.

In 2024, the market size of mold industry in China was approximately RMB302.833 billion, indicating its key position in the manufacturing industry. Domestic mold enterprises have achieved significant breakthroughs in technological upgrades, intelligence and digital applications, with the continuous growth in market demand, particularly in the fields of high precision and personalized customization. During the year, the total import of molds in China was USD1.458 billion, showing a declining trend as compared to previous years, which indicated a gradual improvement in the self-sufficiency of the domestic mold industry. With breakthroughs in high-end molding technology, the reliance of domestic enterprises on imported products has decreased, further consolidating China's position as a global molding manufacturing hub.

In terms of overseas markets, Europe has always been one of the important destinations for China's steel exports. Looking back at 2024, the European tool steel market faced the dual challenges of supply and demand imbalance and price pressure. The slowdown in the manufacturing sector have led to continued weak demand in the region, while the uncertainty in the global economy has prompted downstream companies to be highly sensitive to cost control and to favor more price-competitive materials.

In recent years, with the transformation and enhancement of China's manufacturing industry and the increasing demand for high-end manufacturing, the market demand for powder metallurgy HSS has been expanding continuously. Domestic enterprises are actively investing in research and development in order to enhance product quality and technological standards, gradually breaking the technological monopoly of foreign companies, and accelerating the import substitution process. In the past, powder metallurgy HSS technology was primarily controlled by foreign companies. However, as the Group made breakthroughs in key technological areas such as powder preparation, forming, sintering, and heat treatment, a relatively complete technological system has established. With the continuous advancement of technology, the performance of domestic powder metallurgy HSS products has gradually approached international standards and is widely used in the aerospace, automotive manufacturing, high-end tools, and mold industries. In addition, the Group not only introduces and assimilates international advanced technologies but also strengthens independent innovation and establishes deep cooperation with universities and research institutions, promoting technological upgrades and application expansion through industry-university-research joint development.

With the increasing product competitiveness, powder metallurgy HSS enterprises in China are actively expanding into international markets, and increasing their global market shares continuously. Benefiting from enhanced technological capabilities and production cost advantages, the international competitiveness of China's powder metallurgy HSS products has significantly strengthened. At the same time, the application of intelligent production and digital management has further enhanced product quality and production efficiency, making China's powder metallurgy HSS more attractive in the global market.

Despite the fact that China's powder metallurgy HSS market shows a certain trade surplus, some high-end powder metallurgy HSS products still rely on imports. However, with the Group actively introducing advanced technologies and equipment, and accelerating independent research and development, the production capacity and technological level of domestic powder metallurgy HSS are expected to further improve, leading to a continuous decrease in import dependency. With the " Belt and Road initiative" advancement and the strengthened international trade cooperation, the international market competitiveness of China's powder metallurgy HSS products has further improved, aiding the development of China's manufacturing industry towards high-end.

Cutting Tools: Manufacturing Industry Recovery, Continuous High-End Transformation of the Industry, Accelerated Domestic Substitution Process

In 2024, driven by policy support and increased investment in equipment renewal, China's manufacturing PMI remained at the expansion level above 50 in the fourth quarter. Indicating a rebound in manufacturing production and demand. The industry has benefited significantly, among which, the metal cutting machine tools and metal forming machine tools industry continues to grow, further boosting the demand for cutting tools market. Metal-cutting machine tools rely on high performance cutting tools to enhance processing precision, while metal-forming machine tools require specialized tools for efficient processing, these demands have driven the continued expansion of the cutting tools market in China. In 2024, the total scale of the cutting tool market in China surpassed RMB55 billion, with high-end tools accounting for over 35%, representing a year-on-year growth of 15%.

With the rapid improvement of domestic technology levels, the import dependency of high-end cutting tools has further decreased to 35%, indicating an accelerated process of domestic substitution, promoting industrial upgrading. Domestic enterprises continue to innovate in material research and development, coating technology and manufacturing precision, enabling domestic cutting tools to approach or surpass imported products in terms of durability, processing efficiency, and stability. Moreover, and the price is generally lower than similar imported cutting tools, demonstrating significant advantages advantage in cost-effectiveness. However, in the overall market environment, downstream enterprises focus more on the cost-effectiveness of cutting tools, with a significant increase in price sensitivity, leading to a "diminishing prices and growing sales volume" trend in the domestic high-end cutting tool market. This phenomenon further prompts enterprises to enhance product competitiveness by upgrading technology, extending tool life, and improving processing efficiency in order to maintain profit margins and expand market share in a price-constrained market environment.

In addition to the upgrade and expansion of the domestic market, the global DIY retail market continues to grow, driving the expansion of China's tool product exports. In 2024, China has leveraged its comprehensive industrial system and strong supply chain advantages, which became an important support for the global export of tool products. With the recovery of overseas market consumption willingness and the increase in infrastructure and maintenance demand, according to statistics from the China Machine Tool Industry Association based on customs data, the export of China's cutting tools in 2024 was RMB25.7 billion, representing a year-on-year increase of 9.8%. This growth not only reflects China's critical position in the global supply chain but also indicates a strong recovery in global market demand for DIY tools, further driving the development of China's cutting tool industry.

Titanium alloy: Application fields continue to expand, driving high-end market demand

With the development of the global high-end manufacturing industry, the titanium alloy market is showing positive changes in terms of production growth, application expansion, and technological upgrades. As a significant participant in the global titanium industry, China is experiencing increasingly intense competition driven by the improvement of the industrial chain and market demand, leading to further optimization of the market structure.

In terms of application areas and market demand, titanium alloy is widely used in consumer electronics products such as smartphones and smart wearable devices due to its advantages of light weight, high strength, and corrosion resistance. Particularly, its penetration rate in the fields of smartphone mid-frames and folding screen hinges is continuously increasing, with the penetration rate of smartphone mid-frames expected to reach 40% by 2027. In the aerospace sector, titanium alloys are primarily used in critical components such as aircraft beams, bulkheads, engine cowlings, and exhaust systems. With the advancement of global aviation technology and the increase in aircraft orders, market demand continues to rise. In addition, due to its biocompatibility and corrosion resistance advantages, the application of titanium alloy in medical device fields such as artificial joints, orthopedic implants, and dental materials is also rapidly growing. Meanwhile, the applications in the fields of shipbuilding, chemical equipment, and sports equipment have also been further expanded due to the development of new material technology.

In recent years, competition in China's titanium alloy market has intensified, with state-owned enterprises maintaining an advantage in the high-end titanium material sector, while private enterprises have expanded their market share through technological upgrades and market expansion. The participation of foreign enterprises has further intensified competition, leading to a more diversified industry landscape. Currently, China has established a complete titanium industry chain, covering all aspects from mining and selection, metallurgy, processing, equipment manufacturing to engineering applications. With technological innovation and industrial upgrading, the market is developing towards high-end and high value-added directions. The government continues to intensify its support for the titanium industry, including policies to support technological innovation, promoting industrial upgrading and the development of the high-end titanium alloy market. Nevertheless, despite favourable policies and the continuous expansion of application scenarios, the external dependency on high-end titanium raw materials remains relatively high, and the competition in the international market is intensifying, posing certain challenges for enterprises. However, with the advancement of global technology and industrial transformation, the titanium alloy market still possesses vast growth potential, and the future market will further extend into high-end application fields.

Market Review

Tools steel

In 2024, China's special steel industry continued to grow. According to a report by China Steel News Network, the output of special steel, including stainless steel, will continue to grow in the future, with its proportion steadily increasing and quality further improving. This growth is mainly driven by the expanding demand from downstream high-end manufacturing industries, including the increasing demand for high performance materials in sectors such as machinery manufacturing, automotive, and aerospace. In addition, the development of the new energy industry and high-end equipment manufacturing has further driven the demand in the special steel market, promoting the industry's advancement towards higher technological standards. According to the report by Qianzhan Industrial Research Institute, as China's steel industry enters the stage of high quality development during the "14th Five-Year" period, the special steel market is expected to continue its steady growth. In the future, with technological upgrades, increased environmental protection requirements, and supply chain optimization, the special steel industry will further develop towards high added value and high performance, providing stronger support for the domestic high-end manufacturing industry.

In 2024, with the continued development of the automotive and household appliance industries, the demand for high-end DS will further expand. In the manufacturing processes of automobiles and household appliances, the demand for DS materials with high precision, high wear resistance, and high strength continues to rise. The development of new energy vehicles has increased the demand for light weight and high strength components, further driving the application of high performance DS. At the same time, the intelligent and high-end development of the home appliance industry has increased its reliance on precision molds, leading to a continuous rise in demand for high-wear-resistant and high-toughness DS.

During the year, China's automobile industry continued to improve, with annual production and sales exceeding 31 million vehicles, among which new energy vehicles surpassed 10 million vehicles, achieving a market penetration rate of 40.9% and an export growth of 19.3%. At the same time, the household appliance industry has been experiencing stable growth under policy support, with both domestic and international demand driving market expansion. These trends have provided strong demand support for the DS market. The National Development and Reform Commission and the Ministry of Finance jointly issued "Several Measures to Intensify Support for Large-scale Equipment Renewal and Old-for-new Replacement of Consumer Goods" (《關於加力支持大規模設備更新和消費品以舊換新的若干措施》), which includes supporting the scrapping and renewal of old operational trucks, raising subsidy standards for new energy busses and power batteries, and enhancing subsidy standards for vehicle scrapping and renewal. The policy also encourages consumers to replace old home appliances with new ones by providing purchase subsidies, thereby stimulating market demand growth. It is expected that the continuous development of the automobile and household appliance industries will further expand the demand for high-end DS.

During the year, China's integrated die-casting technology developed rapidly, becoming an important technology driving the transformation and upgrading of automobile manufacturing. The technology forms body structural components in one step through large die-casting equipment, significantly enhancing production efficiency and reducing costs compared to the traditional "stamping + welding" method. With the rapid growth of the new energy vehicle market, the application scope of integrated die-casting technology is expanding and has received strong support from national and local governments. It is expected that the application of relevant technologies will become more mature and popular in 2025.

As the core material of integrated die-casting processes, DS must possess excellent high-temperature strength, thermal fatigue resistance, and wear resistance to cope with the high-temperature and high-pressure environment in large-scale production processes. Therefore, the widespread adoption of integrated die-casting technology has further increased the market demand for high-end DS and driven enterprises to enhance technological research and development to meet the stringent requirements of die-casting molds in the new energy vehicle sector.

The powder metallurgy HSS market in China has currently reached a certain scale. With the enhancement of technological capabilities of domestic enterprises and the expansion of market demand, the market size is expected to further expand. However, with intensified market competition and increased demand for product differentiation, companies are enhancing technological innovation and brand building to increase product added value and market competitiveness, thereby consolidating their industry advantages. Within the year, the manufacturing industry both domestically and internationally has continued to recover, leading to increased demand for high performance cutting tools and molds, as well as rapid development in high-end manufacturing sectors such as aerospace and automotive. The market demand for powder metallurgy HSS is expected to continue expanding.

Cutting tools

The cutting tools market is closely related to the machine tool industry. With the downstream machine tool manufacturing enterprises strengthening cost control, and placing increasing emphasis on the cost-effectiveness of cutting tools, the domestic high-end cutting tool market has also undergone changes. In recent years, the technological advancements in domestic high-end cutting tools have enhanced the competitiveness of domestic products in terms of machining precision, durability, and price advantages. This has prompted downstream enterprises to accelerate their shift towards using domestic suppliers, reducing reliance on imported high-end cutting tools.

According to the research by Rui Lue Consulting (睿略咨詢研究), the global HSS metal cutting tools market size reached RMB21.749 billion in 2023, with the market size in China being RMB6.794 billion. It is expected that the global market will increase to RMB30.995 billion by 2029, with a CAGR of approximately 5.84%. With the recovery of the domestic machine tool industry and the growth in demand for high-end manufacturing, the Chinese market is expected to maintain stable growth and accelerate the process of import substitution. The report also anticipates that the global tool market size will exceed USD60 billion for the first time in 2024, and reach USD67.3 billion in 2026, with an average annual growth rate of approximately 4%, indicating a continuous increase in global market demand. With the U.S. market benefits from the growth in demand for construction maintenance, the deepening of DIY culture, and the need for product iteration, with the future market growth rate expected to reach 5.9%, driving the increase in export demand for China's tool products and providing broader development opportunities for the cutting tool market.

Titanium alloy

In 2024, China's sponge titanium market faces excess capacity and price pressure, with prices likely to remain low in the short term, while the price of titanium and titanium alloy materials fell less than that of sponge titanium, indicating a strong demand from the downstream applications. In particular the consumer electronics industry, which opened up a huge and ubiquitous new application field for titanium alloy. With the sustained growth in global high-end market demand, especially in the fields of aerospace, medical devices and new energy, it is expected that the titanium alloy market still has long-term growth potential, which provides a favourable operating environment for the Group. The Group will reduces production costs and enhances product added value by optimizing procurement and smelting processes to expand market opportunities.

With the increasing technological thresholds and the expansion of market demand, companies with advanced processes and international certifications will occupy a more significant position in the global titanium alloy industry chain, further promoting the development of China's titanium alloy industry towards the high-end market.

Group Achievements

The Group achieved a series of significant breakthroughs in technological innovation from the first quarter of 2024 to 2025, while actively promoting intelligent manufacturing, green development, and digital transformation. The Group has further consolidated its leading position in the global high-end materials market by successfully leading national key research and development projects, obtaining international certifications, optimizing industrial chain cooperation, and enhancing brand value, thereby laying a solid foundation for sustainable growth in the future.

At the beginning of 2024, the Group's tool steel and titanium products have been successfully passed the rigorous review by a renowned new energy vehicle company, marking a high recognition of the Group's product quality and technical strength by the leading automotive industry. This lays a solid foundation for direct cooperation with the new energy vehicle company in the future and further enhances the Group's market competitiveness in the new energy vehicle industry chain. With the sustainable growth in demand for new energy vehicles, the Group will continue to deepen cooperation with brands, promote the wider application of high-end materials within the industry, and accelerate market deployment in the new energy sector.

During the year in review, the Group officially established a technical committee to comprehensively integrate internal and external technical resources, deepen technological innovation and industrial upgrading, and further consolidate its technological advantages in the high-end materials and precision manufacturing sectors. To promote various technological breakthroughs, the Group has successively introduced top tool technology experts from Sweden and South Korea, comprehensively enhancing research and development capabilities and product competitiveness. Meanwhile, the Group has initiated the planning and construction of a Precision Tools Research Institute, focusing on the research and development of cutting-edge technologies and application breakthroughs, aiming to establish a globally leading precision tools technology platform and promote the advancement of China's high-end tools industry to a higher level.

In July 2024, the Group successfully developed double spiral hole carbide rods, which has passed the preliminary testing by customers and is ready for mass production and supply. The product could be used in the manufacturing of high-performance carbide drills, which are widely applied in the automotive, aerospace, and precision mold sectors. By optimizing the cooling effect through spiral hole design, the processing efficiency is enhanced and the useful life of the drills is extended. This technological breakthrough has enhanced the Group's market position in the field of hard alloys and provided superior material solutions for the global high-end manufacturing industry.

In November 2024, the Jiangsu Trademark Association officially announced the latest recognition results, and the trademark under the Group was included in the list of "Jiangsu Province Well-Known Trademarks" (江蘇省高知名商標) with a validity period of three years. This recognition not only reflects the market influence and industry credibility of the Tiangong brand, but also further strengthens the brand competitiveness of the Group in both domestic and international markets.

In January 2025, the TGE23 series products produced by the Group successfully passed the certification of the North American Die Casting Association (NADCA), becoming the first enterprise in China to receive this honor. The certification is highly authoritative, with only a limited number of companies worldwide having obtained it. The Group has successfully broken through with its excellent product quality and technological strength, providing strong endorsement for further expansion into the North American and international markets.

In February 2025, Jiangsu Tiangong Technology Company Limited and Jiangsu Tiangong Tools New Materials Company Limited, subsidiaries of the Company, were successfully selected for the Jiangsu Province 2024 "Green Factory" list. This honor highlights the Group's outstanding performance in green manufacturing, energy conservation and emission reduction, as well as sustainable development. In recent years, the Group has continuously optimized the production process, increased the proportion of recycled waste, and advanced carbon footprint management to provide carbon content values for export products, thereby meeting the stringent requirements of international markets for green environmental standards.

During the period, the Group collaborated with Tsinghua University, Contemporary Amperex Technology Co. Limited, and eight other renowned entities to jointly initiate the national key research and development project — 'Research and Application of Key Technologies in Powder Metallurgy and Additive Manufacturing for New Die Casting Mold Steel.' The implementation of this project will accelerate China's technological breakthroughs in the field of DS manufacturing and promote the industrial application of high-end die-casting mold materials. As the leading entity in DS manufacturing with powder metallurgy technology, the Group has not only enhanced its research capabilities in the field of advanced materials but also secured an important position in the layout of national strategic emerging industries.

In March 2025, second phase of EB Furnace project successfully completed its hot test on casting high-quality titanium ingots. This breakthrough further consolidates the Group's technological advantage in the high-end titanium and titanium alloy sector. Since the commissioning of the first EB furnace at the beginning of 2024, the Group has continuously optimized the smelting process, overcome challenges, and successfully smelted several high-end titanium alloy grades. In addition, the Group's innovations in return material processing and recycling technology have effectively improved resource utilization, reduced production costs, and met the stringent environmental and ESG standards required by domestic and international customers. This technological breakthrough not only strengthened the Group's competitiveness in the global high-end titanium alloy market but also promoted the expansion of the Group's products in the consumer electronics, aerospace fasteners, and medical devices sectors.

During the period, the Group successfully delivered its first aerospace-grade titanium alloy wire order for fasteners. The titanium alloy wires delivered have undergone multiple technical breakthroughs and process optimizations by the Group, ultimately meeting the high standard requirements of the aerospace sector. It successfully passed rigorous certification processes and material testing, earning customer recognition. This breakthrough not only demonstrates the Group's technological strength but also aligns with the nation's high attention to the aerospace industry. In recent years, China has actively promoted the development of the commercial space industry and has consistently emphasized its strategic importance in the Two Sessions work report. From the proposal of "actively creating new growth engines" in 2024 to further emphasizing "cultivating and expanding" and "promoting safe and healthy development" in 2025, national policies have provided ample development space for the aerospace industry. The Group will continue to increase investment in technology research and development, promote the localization process of high-end materials to meet the growing demand for commercial aerospace, and assist China's aerospace industry in reaching new heights.

As a leading enterprise in the new materials industry, the Group actively fulfills its social responsibilities while promoting technological innovation and business development. At the beginning of this year, the subsidiary of the Group, Jiangsu Tiangong Tools New Materials Company Limited, was awarded the title of the third "Jiangsu Charity Star" in recognition of its long-term contributions to charitable and public welfare undertakings. The Group has long been committed to funding education and rural revitalization, with a total donation amount of several ten million dollars. The Group will continue to fulfill its social responsibility and contribute to the sustainable development of the nation in the future.

In terms of the capital market, the Group has actively repurchased shares, conducting a total of 51 share repurchases in 2024, with an accumulated repurchase quantity reaching 50 million shares, marking the largest annual repurchase effort since its listing in 2007. This move demonstrates the Group's strong confidence in the future business development and helps to enhance earnings per share, further increasing shareholder value.

Operation Strategy of the Group

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 longstanding 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 world leading technology are the three cores of the Group.

Actively Respond to Changes in Domestic Demand

In response to the national initiative to expand domestic demand and in alignment with consumer upgrades and industrial transformation, the Group has actively responded to market changes on multiple fronts. We have accelerated the development of advanced material technologies and capacity layouts to meet the demands of core industries such as new energy vehicles and consumer electronics. To adapt to the trends of lightweight and cost-effective new energy vehicles, the Group has expedited the development of integrated die-casting DS, introducing materials with high wear resistance and toughness to enhance the lifespan and stability of die-casting DS. This aids new energy vehicle manufacturers in improving production efficiency and product performance. At the same time, the second phase of the Group's EB furnace project was successfully launched, expanding our refining capabilities for high-purity titanium and titanium alloys to meet the growing demands in the new energy, aerospace, and medical equipment sectors.

In the fields of powder metallurgy and precision manufacturing, the Group has strategically deployed to support smart manufacturing and high-end industrial applications. The Group has successfully led the national key research and development program on "Key Technologies in Powder Metallurgy and Additive Manufacturing for New Die-Casting Die Steels", further consolidating our technological edge in the field of high-end die materials. Additionally, with upgrades in our precision tools business, we have initiated the construction of a Precision Tools Research Institute and recruited industry experts from Sweden and South Korea to deepen our research capacity in high-end cutting tools, enhancing the competitiveness of domestically produced high-performance tools and meeting the domestic manufacturing industry's demand for cost-effective products. The Group will continue to drive industrial upgrades with technological innovation, actively expand into high-end markets, and support the development of China's high-end manufacturing sector, thereby providing strong support for the growth of the domestic market.

Export Business Expansion

The Group has profound insight into the industry's development trends and is committed to transitioning its products into the realm of deep processing. This strategic structural adjustment has allowed the Group to optimize its product structure and position itself at the forefront of the high-end market. The Group aims to develop and supply more refined, high value-added tool steel products, catering to the increasing global demand for high-quality special steel.

Guided by its globalisation 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, attempting to expand its annual production capacity to 140 million pieces. 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. In addition, the Group has actively pursued a global strategy, having earlier established a tool steel production base in Thailand to ensure products is produced locally. This is to respond to international market shifts and export tariff challenges, further reducing export costs and enhancing competitiveness. Through this strategic deployment, the Group not only effectively addresses trade barriers but also enhances the flexibility of our supply chain in providing more efficient products and services to global customers. 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"). 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 DS 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 DS. Simultaneously, the Group has established connections with several well-known new energy 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

TG Tech, a subsidiary of the Company, has entered into various important cooperation 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 formation of this cooperation, the average selling price, revenue, and business contribution of the Group's titanium alloy products have significantly increased, becoming a major driving force behind the overall revenue growth of the Group.

As at the date of this report, TG Tech is applying for a listing on the Beijing Stock Exchange to raise funds for its development and expansion plans, under which the production lines for high-end titanium and titanium alloy rods and wires will be constructed to further advance the strategy of providing of titanium materials with higher added value. Besides expanding the production of high-end titanium and titanium alloy wires, TG Tech will enhance its product performance, thereby improving the market competitiveness of the products to meet the growing market demand.

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.

The Group's technical strength in the field of advanced materials continues to receive high recognition in the international market. During the reporting period, we have officially received orders from leading North American metal 3D printing companies and have entered the initial supply phase, marking our successful entry into the global additive manufacturing industry chain and further verifying the Group's technological breakthroughs and market competitiveness in the field of titanium materials for additive manufacturing. This not only further consolidates our leading position in the global high-end materials market but also lays a solid foundation for more international collaborations in the future, accelerating the integration of Chinese high-end titanium alloy materials into the global supply chain.

Marketing strategy

The Group has gradually upgraded and transformed from a material supplier to a material service provider, deeply involved in all aspects of the industry chain and established close cooperation with downstream high-end heat treatment technical service and piece-cutting suppliers, establishing cooperation companies to provide technical support to downstream customers, enhancing product performance to reduce the defect rate of customer finished products, and enhancing the customer service system to improve after-sales service capability. Through understanding customers' needs, which strengthen product research and development and improvement and achieved closed-loop management of current development of product.

At the same time, the Group actively promotes the market development of high-end materials, such as powder metallurgy HSS 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 by recycling waste materials and optimizing production processes to reduce carbon emissions. The Group adopts an electron beam cold bed furnace for short-process smelting to effectively deploy alloys and reuse scrap materials for producing high-quality materials through the formation of alloy residue closed-loop recycling system. 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 not sacrifice the environment in exchange for business development. Instead, heavy investment has been made into environment protection equipment. Such steps not only improve our environmental, social and governance performance, but also 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 responsible corporate and environment protection so as to become a role model for the sustainable green manufacturing system.

Future Outlook

With the upgrading of the manufacturing industry and the development of emerging industries, China's manufacturing sector will embrace opportunities for sustained growth. In traditional application, such as the automotive, machinery, and energy industries, the demand for high strength, light weight special steel will continue to rise. In particular, the rapid development of new energy vehicles and smart vehicles will drive the growth in demand for high performance special steel materials, while the market demand for high precision, wear-resistant cutting tool products in the machinery manufacturing industry will also further expand. At the same time, the rise of emerging industries such as consumer electronics, aerospace and marine engineering will drive the demand for titanium and titanium alloy products, particularly for applications requiring corrosion resistance and high strength, which will become more urgent.

The pace of industrial upgrading will accelerate, and technological innovation will become the core driving force for industrial development. The Group will increase investment in basic research and frontier technology development, utilizing intelligent manufacturing technology to enhance the quality and manufacturing processes of special steel products. In addition, intelligent production will facilitate industry transformation. The Group will accelerate the introduction of intelligent production equipment and management systems to enhance production efficiency and product quality, promoting the construction of smart factories, and further boosting the international competitiveness of China's manufacturing industry.

Green and sustainable development will also become an inevitable trend in the industry. Against the backdrop of increasingly stringent environmental policies, the Group will strengthen the application of energy-saving and emission reduction technologies, enhance resource utilization efficiency, and promote the research, development, and market application of low-carbon and environmentally friendly products to meet the requirements for sustainable development both domestically and internationally.

Tools steel

Looking ahead to 2025, China's steel industry will encounter continuous growth opportunities in the automotive and home appliances sectors. According to a comprehensive calculation by the China Metallurgical Industry Planning and Research Institute (冶金工業規劃研究院), the steel consumption in the automotive industry is expected to be approximately 57.5 million tonnes in 2024, showing a year-on-year growth of 1.8%. In 2025, driven by the "Two New" policy and policies to encourage the purchase of new energy vehicles, the automotive industry is expected to maintain a growth trend, also taking into account maintenance and other needs., the growth rate of steel demand in the automobile industry is expected to be approximately 4% in 2025, with the increase in steel demand for new energy vehicles being particularly significant.

With the impetus of technological innovation and market demand, China's integrated die-casting industry is entering a phase of rapid growth. It is expected that by 2025, the market size will reach RMB38.9 billion to 40.5 billion, with applications in the new energy vehicle sector accounting for RMB25.8 billion to 30 billion. With the expansion of the pure electric vehicle and plug-in hybrid vehicle markets, the penetration rate of integrated die-casting technology continues to increase, becoming an important trend in automotive light weighting and cost reduction and efficiency enhancement. Under the dual impetus of policy and market demand, domestic vehicle and component enterprises will accelerate their deployment, promoting the industry's further development towards high-end and intelligent transformation.

On the other hand, the Chinese powder metallurgy HSS market is also in a rapid development phase, with technological advancement and market demand rising in tandem. With the transformation and upgrading of the manufacturing industry and the expansion of high-end manufacturing sectors, the application scope of powder metallurgy HSS will be further expanded. The Group will closely monitor market trends, intensify technological research and development efforts, consolidate the domestic market while actively expanding into international markets, enhance global competitiveness, and occupy a more significant position in the global high-end manufacturing supply chain.

It is expected that China's tool steel industry will develop towards intelligence, automation, greening, and customization, with technological innovation and globalization strategy becoming the main driving forces. The Group will closely follow market trends, strengthen research and development and technology upgrades to enhance competitiveness. However, the Group is mindful that the industry development still faces multiple risks, and changes in the international macroeconomic environment could have significant impacts, including the escalation of geopolitical risks, financial crises, and potential economic recession. In addition, changes in the United States tariff policy may exacerbate the uncertainty of China's exports. The Group will closely monitor the impact of policy changes on the market.

The current escalation of global trade barriers and the intensification of channel and logistics risks may further affect the stability of the global supply chain. Enterprises need to actively respond to changes in the international market and enhance industrial competitiveness through technological innovation, industrial upgrading, and global market expansion to ensure long-term competitive advantage.

Cutting tools

During the year under review, policy-driven market demand growth has presented new development opportunities for China's machine tool and cutting tools industry. In 2024, the State Council issued the "Action Plan for Promoting Large-Scale Equipment Renewal and Trade-In of Consumer Goods," proposing to deepen the remanufacturing of traditional equipment such as machine tools. It plans that by 2027, the penetration rate of digital research and development design tools in industrial enterprises above a designated size will exceed 90%, and the numerical control rate of key processes will exceed 75%. This policy will have a profound impact on China's cutting tool industry. With the popularization of CNC machine tools and the advancement of equipment remanufacturing, the market demand for high precision and high durability tools will significantly increase. Enterprises need to accelerate technological innovation and develop CBN tools and carbide tools suitable for intelligent machining centers to enhance processing precision and production efficiency. In addition, the policy emphasizes equipment remanufacturing and digital transformation, promoting the development of cutting tool regrinding and reuse technologies to enhance sustainability.

The promotion of policies will continue to drive the gradual expansion of domestic market demand, and the machine tool market is expected to continue recovering. With the improvement of domestic technology levels, the trend of import substitution will accelerate and help enhance export competitiveness. At the same time, the rapid growth of emerging industries such as new energy vehicles, aerospace, and artificial intelligence will bring new market opportunities to the machine tool industry. In the future, the industry will maintain a stable development trend. Enterprises need to closely follow market changes and policy directions, actively responding to industry challenges and opportunities to ensure sustainable growth.

Furthermore, the global DIY market is also steadily growing in 2024, with technological innovation, brand development, and channel integration becoming the core elements of corporate competition. It is expected that in the coming years, the market will continue to expand, providing more development opportunities for the cutting tools industry. The Group will strike to seize trends, promote product upgrades and market positioning to enhance competitiveness and expand market share.

Titanium alloy

The supply-demand balance of the global titanium alloy market will be affected by geopolitical factors, and changes in the Russia-Ukraine situation may bring new challenges and opportunities. If the ban on Russian titanium product exports is lifted, the global market will face increased supply and intensified competition. In the short term, the speed of Russian titanium products returning to the European and American markets may be affected by trade policies and geopolitical factors. However, in the long run, their return will reshape the market landscape, compress the market share of existing suppliers, and exert downward pressure on prices. In the mid to low-end market, the price advantage of Russian titanium products will intensify competition, while the high-end market, due to higher technical barriers, will be relatively less affected in the short term.

The advancement of new materials and processes will further expand the titanium alloy market, with high-end market demand driving companies to enhance technological innovation and improve product quality and performance. The application of titanium alloy is rapidly growing in sectors such as aerospace, medical devices, consumer electronics, and the automotive industry. For example, the aerospace sector extensively applies titanium alloy in aircraft engine blades, fuselage structures, and rocket casings, which helps reduce weight and enhance fuel efficiency. The medical industry utilizes the biocompatibility of titanium alloy to manufacture artificial joints, dental implants, and cardiovascular stents, enhancing the safety and durability of medical devices. The consumer electronics market has applied titanium alloy in smartphones, laptops, and smartwatches, enhancing product durability and light weight characteristics. In the automotive industry, titanium alloy is widely used in the exhaust systems of high performance sports cars and new energy vehicles, as well as in light weight car bodies and battery enclosures, optimizing vehicle performance and reducing energy consumption.

Broader downstream applications will drive the demand for high performance titanium alloys, accelerate the layout of the high-end market, and promote industrial upgrading.

Our Mission

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

Forward Looking Statements

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

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

Liquidity And Financial Resources

As at 31 December 2024, the Group's current assets included cash and cash equivalents of RMB1,068,922,000, inventories of RMB2,524,870,000, trade and other receivables of RMB3,543,048,000, pledged deposits of RMB134,494,000 and time deposits of RMB605,231,000. As at 31 December 2024, the interest-bearing borrowings of the Group were RMB3,284,666,000 (2023: RMB2,895,021,000), RMB1,827,473,000 of which was repayable within one year and RMB1,457,193,000 of which was repayable after one year. The Group's adjusted net debt-to-equity ratio, which is calculated based on adjusted net debt (defined as total interest-bearing borrowings plus other financial liabilities and unaccrued proposed dividends, less time deposits and cash and cash equivalents) divided by adjusted capital (comprising all components of equity, less unaccrued proposed dividends) as at 31 December 2024, was 36% (2023: 35%).

As at 31 December 2024, borrowings of RMB2,794,255,000 were in RMB, none were in USD, EUR50,435,000 were in EUR and HKD119,709,000 were in HKD. The borrowings of the Group were subject to interest payable at rates ranging from 2.60%–6.14% per annum. Approximately 54.9% (2023: 34.1%) of the interest-bearing borrowings was at fixed interest rates. There is no seasonality in borrowing requirements of the Group. The Group did not enter into any financial instruments to hedge itself against risks associated with interest rates and foreign currency exchange fluctuations.

During the year, net cash generated from operating activities was RMB501,762,000 (2023: RMB55,129,000). The increase was mainly due to stricter controls implemented throughout the year to manage accounts receivable which reduced their occupation of working capital.

Cash Conversion Cycle

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

The Group's turnover days of inventory for 2024 was 237 days (2023: 230 days). The increase in turnover days of inventory was mainly due to the inventory increase at Thailand's cutting tools production base primarily served to prepare for upcoming export orders. The Group maintained an effective and efficient balance between the stock level and sales forecasts.

The Group's turnover days of trade receivables for 2024 was 216 days (2023: 184 days) while the turnover days of trade payables for 2024 was 116 days (2023: 114 days).

Accordingly, the Group's cash conversion cycle for 2024 was 337 days (2023: 300 days). The increase in the Group's turnover days of trade receivables and accordingly the cash conversion cycle was mainly driven by export business, unstable shipping capacity required higher inventory level and the longer credit periods for overseas customers. The management will continue to monitor closely the operations in view of the changing business environment.

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

Capital Expenditure and Capital Commitments

For 2024, the Group's net decrease in property, plant and equipment amounted to RMB114,057,000. Major capital expenditures were completed in previous years and net depreciation began to reflect. As at 31 December 2024, capital commitments were RMB734,949,000 (2023: RMB591,863,000), of which RMB129,633,000 (2023: RMB46,122,000) were contracted for and RMB605,316,000 (2023: RMB545,741,000) were authorised but not contracted for. The majority of capital commitments related to expansion of titanium rod and wire production line, etc..

Foreign Exchange Exposure

The Group's revenues were denominated in RMB, USD, EUR and THB, with RMB accounting for the largest portion of 52%. 48% of total sales and operating profit were subject to exchange rate fluctuations. The Group has put in place measures such as monthly review of product pricing in the light of foreign exchange fluctuations and incentivising overseas customers to settle balances on a more timely basis to minimise the financial impact of exchange rate exposures.

Pledge of Assets

As at 31 December 2024, the Group pledged certain bank deposits amounting to RMB134,494,000 (2023: RMB129,288,000) and certain trade receivables amounting to RMB137,751,000 (2023: RMB161,843,000). The increase in pledged bank deposits was mainly due to the increase in the outstanding balance of bank acceptance bills.

Employees' Remuneration and Training

As at 31 December 2024, the Group employed 3,527 employees (2023: 3,517 employees). Total staff costs for the year amounted to RMB421,605,000 (2023: RMB397,116,000). The increase was mainly resulted from increase in headcount and regular market rate adjustment on employees remuneration. The Group provided employees with remuneration packages comparable to market rates and employees are further rewarded based on their performance according to the framework of the Group's salary, incentives and bonus scheme. The Company has a share option scheme for the purpose of encouraging participants (including employees) to work towards enhancing the value of the Company and its shares. For further details of the share option scheme, please refer to the section headed "Share Scheme" in the Report of the Directors. In order to enhance the Group's productivity, and further improve the quality of the Group's human resources, the Group provides compulsory continuous training for all of its staff on a regular basis.

Contingent Liabilities

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

Principal Risks and Uncertainties

The main activities of the Group include production and sales of DS, HSS, cutting tools and titanium alloy. The Group is exposed to a variety of financial risks including credit risk, liquidity risk, currency risk and interest rate risk. In order to minimise the credit risk in relation to trade receivables, the Directors have delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that appropriate follow-up actions are taken to recover overdue debts. The Group has also purchased insurances relating to trade receivables. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Therefore, the Directors consider that the Group's credit risk is significantly reduced. Details of the above main risks and measures for risk reduction are set out in note 34 to the financial statements.

Apart from the financial risks mentioned above, the Group is exposed to certain operating risks and uncertainties including rare metal price volatility and market demand.

Risks and uncertainties arising from rare metal price volatility

Rare metals represented a significant portion in the cost of materials of the Group's products. The price of rare metals significantly affected the per unit production costs of the Group's products. In view of the risk of rare metal price volatility, the Group has already engaged with rare metal suppliers to obtain discounted prices for purchasing rare metals over a fixed period of time. Moreover, since the price of rare metal is publicly available market information, the Group was capable to partially transmit the effect of rare metal price volatility to downstream customers. However, because of the transparency of the rare metal prices, in extreme situations where the rare metal price remained low, the Group could be under pressure to make downward pricing adjustments on our products.

Risks and uncertainties arising from market demand of the Group's products

The Group's business and profitability growth were affected by the uncertainties of global macroeconomic situations, which could materially affect the manufacturing industry. These uncertainties would eventually affect the demand of the Group's products. To minimise the effect of global macroeconomic uncertainties, the Group continued to develop new markets all over the world. The Group believes that the best way to manage such risks and uncertainties is to avoid reliance on demand from a particular economy.

In Compliance with Laws and Regulations

As a company listed in Hong Kong, the Company is subject to the regulations of the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Stock Exchange"). Since the shares of TG Tech, a 75.58% owned subsidiary of the Company, are quoted on the National Equities Exchange and Quotations System (the "NEEQ System")(Note), TG Tech is subject to the regulations of the NEEQ System. Also, various PRC government authorities, particularly the State Environmental Protection Administration, have the authority to issue and implement regulations governing various aspects of special steel production. The Group will constantly update and ensure compliance with new rules and regulations issued by these regulators.

As at 31 December 2024 and up to the date of this report, the Board was unaware of any non-compliance with the relevant laws and regulations that had a significant impact on the Group.

Note: A formal application was submitted by TG Tech in respect of the proposed listing of TG Tech's shares on BSE. For further details, please refer to the paragraph headed "Material acquisition and disposal" of this Management Discussion and Analysis section.

Relationships with Key Stakeholders

(i) Employees

The Group recognises human resources as assets important to the Group's development and growth. Most of the Group's employees were working at the manufacturing plant in Zhenjiang City, the PRC. The Group provided employees with remuneration packages comparable to the market rates and employees were further rewarded based on their performance according to the framework of the Group's salaries, incentives and bonuses scheme. In order to enhance the Group's productivity, and further improve the quality of the Group's human resources, the Group provided compulsory continuous training for all of its staff on a regular basis.

As at 31 December 2024, the gender ratio of the Group's workforce (including the Company's senior management) was approximately 73% male to 27% female. The Company's hiring is merit-based and non-discriminatory. Due to the nature of the businesses involved, it is common for there to be a higher number of male employees hired and therefor the Board is satisfied that the Company has achieved gender diversity in its workforce.

(ii) Suppliers

The Group's suppliers mainly supplied us with raw materials and utilities in the PRC. The Group developed longstanding and good relationships with its suppliers. Our procurement department conducted regular meetings with the suppliers of raw materials and utilities to ensure that raw materials supplied and utilities were in stable supply and of good quality.

(iii) Customers

The Group established long-term cooperation relationships with major customers. The sales team in domestic and overseas sales offices visit and discuss with customers regularly so as to keep us well-informed of market information and changes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

REPORT

1 About This Report

1.1 Basis of Preparation

This report serves as the ninth Environmental, Social, and Governance (hereinafter referred to as "this ESG Report") released by Tiangong International Company Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), primarily presenting the Group's Environmental, Social, and Governance (hereinafter referred to as "ESG") performance for the year 2024.

The Company prepared this report in accordance with the Environmental, Social, and Governance Reporting Guide (hereinafter referred to as the "ESG Guide") in Appendix C2 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Listing Rules") issued by the Stock Exchange. This ESG Report was intended to be read in conjunction with the "Corporate Governance Report" section of the Tiangong International Company Limited Annual Report 2024 (hereinafter referred to as the "2024 Annual Report") to provide a thorough understanding of the Group's ESG performance.

1.2 Report Scope

The organizational scope of this ESG Report encompasses the Company and its major subsidiaries.

The scope of this ESG Report aligns with that of the 2024 Annual Report, covering the period from 1 January 2024 to 31 December 2024 (hereinafter referred to as the "reporting period"). In order to enhance the completeness of the report's narrative, some content exceeds the above scope.

1.3 Report Principles

Materiality Principle

The Group identifies and confirms the material issues applicable to the Group during the reporting period through a materiality issue review, and focuses on disclosing these relevant issues in this ESG Report.

Quantification Principle

To comprehensively assess the Group's ESG performance during the reporting period, the Group discloses quantitative key performance indicators applicable within the ESG guidelines. It also specifies the standards, methods, assumptions, and references used for the calculation of these quantitative key performance indicators, including the sources of major conversion factors.

Consistency Principle

Unless otherwise stated, this ESG Report adopts the same preparation and data calculation methods as the previous reporting period, allowing readers to make meaningful comparisons of the ESG information in this ESG Report.

Balance Principle

This ESG Report follows the balance principle, objectively presenting the Group's ESG performance and management status during the reporting period.

1.4 Publication Format

This ESG Report is published in both Traditional Chinese and English. In the event of any discrepancies or inconsistencies between the Traditional Chinese and English versions, the Traditional Chinese version shall prevail. You can obtain the Traditional Chinese and English PDF versions of this ESG Report through the Group's website homepage at http://www.tggj.cn/ and the Hong Kong Exchanges and Clearing disclosure website at https://www.hkexnews.hk/index_c.htm.

1.5 Report Feedback

If you have any valuable comments or questions regarding the Group's ESG efforts, please contact the Group via email.

Email: tiangongir@tggj.cn

2 Board of Directors' Statement

The Group strongly recognizes the importance of ESG for the long-term stable operation of a business. The Group strictly adheres to all requirements of the ESG guidelines, continuously improving the Group's ESG management system and oversight mechanisms. The Board is the highest responsible, decision-making, and supervisory body for the Group's ESG matters, primarily responsible for ESG-related management work and overseeing and coordinating the Group's ESG-related risk management.

The Group regularly conducts substantive assessments of environmental, social, and governance issues, with the specific assessment process and results detailed in the "Materiality Issue Assessment" section of this report. The Board has assessed the potential impact and opportunities of ESG-related matters on the Group's overall strategy and has reviewed the results of the substantive assessment of ESG issues. The Board is informed about the Group's ESG-related issues and confirms the current ESG-related management policies and ESG management philosophy. Detailed disclosures about the Group in important ESG issue on the environmental and social dimensions has been provided in this report.

The Board continuously strengthens its oversight and involvement in the Group's ESG governance and has completed the review of the progress and outcomes of the ESG-related goals set in the previous year. The Group continuously monitors the progress and achievement of the targets set for greenhouse gas emissions, energy and resource efficiency and waste management, and discloses them in this ESG report.

This report is truthful, accurate, and complete, containing no false records, misleading statements, or significant omissions.

3 Strengthen ESG Management

3.1 ESG Governance Structure

The Board is the highest responsible body for the Group's ESG matters, overseeing all ESG-related matters within the Group and responsible for the formulation and review of the Group's ESG development strategy and objectives. The Board leads and participates in the identification, assessment, determination and review of ESG risks and other related matters, establishes a list of potential ESG risks, and ensures that appropriate and effective risk management and internal control initiatives are put in place through well-established risk management and internal control procedures. Guided by the Board, the Group strictly adheres to the laws and regulations of the operating regions during the decision-making process on significant issues. Additionally, in accordance with the actual situation of the Group, internal regulations, policies, and procedures related to ESG matters are established to ensure the standardization and implementation of relevant management work.

Furthermore, to further integrate the ESG concept into corporate governance and comprehensively enhance the Group's ESG management level, an ESG working group has been established under the Board. This group is led by the Group's directors, Chief Financial Officer, and head of the securities investment department, with members appointed from various ESG-related departments of the Group and liaisons from the Company's subsidiaries.

The responsibilities of the ESG group include:

➢ Assisting the Board in coordinating and supervising the implementation of the Group's ESG policies and the realization of ESG strategies.

➢ Reviewing and examining the latest developments and trends in ESG sustainability.

➢ Continuously following the latest developments and trends in industry sustainability.

➢ Reporting significant ESG matters and potential ESG risks to the Board.

➢ Regularly collecting ESG-related data and information to assist in the preparation of this ESG report.

3.2 Stakeholder Engagement

The Group established a regular communication mechanism with various stakeholders to fully understand their expectations and requirements on the Group's implementation of sustainable development concepts and ESG management, through questionnaires, surveys, interviews, and other forms. The main issues of concern to stakeholders and the Group's primary methods of communication and response were as follows:

Stakeholder Category	Main Concerns	Communication Response Methods
Shareholders and Investors	Corporate Governance, Investment Returns, Operational Performance, Compliance and Risk Control	Shareholders' meetings, Earnings release conferences, Regular and ad hoc announcements, Investor relations activities
Directors	Corporate Governance, Operational Performance, Compliance and Risk Control	Board meetings, Internal meetings and reports
Senior Management	Corporate Governance, Operational Performance, Compliance and Risk Control, Product Quality, Safe Production, R&D Innovation	Internal meetings and reports, Internal information communication platforms
Employees	Protection of Employee Rights, Employee Development and Training, Diversity and Equality, Employee Welfare and Care, Occupational Health and Safety	Workers' congress, Internal information communication platforms, Internal newsletters, Multimedia (WeChat subscription accounts and other social platforms)

Stakeholder Category	Main Concerns	Communication Response Methods
Government and Regulatory Bodies	Compliance and Risk Control, Business Ethics, Lawful Taxation, Social Contributions, Green and Environmental Protection	Government visits, On-site research, Official correspondence, Information disclosure
Customers	R&D Innovation, Green and Low-Carbon Products, Customer Service Experience, Innovation and Smart Manufacturing	Customer satisfaction surveys, Customer hotline, Official media platforms, Customer/User conferences
Suppliers	Fair Trading, Supply Chain ESG Risk Management, Corporate Empowerment Support	Supplier qualification audits, Supplier exchange conferences
Industry Associations	Innovation and Smart Manufacturing, Industry Co-creation and Development, Green and Low-Carbon Products, Product Quality Assurance	Industry associations, Exchange and visitation, Information disclosure, Exhibition activities
Media	Corporate Brand Image, Corporate Strategic Development, Innovation and Smart Manufacturing	Media briefings, Press releases/Announcements, Media exchange activities
Community	Public Welfare and Charity, Community Involvement, Green and Environmental Protection	Social welfare projects, Community volunteer activities, Community engagement

3.3 Materiality Issue Assessment

To fully understand the focus of stakeholders, respond to their expectations and demands, and integrate their suggestions into its ESG management practices, the Group regularly conducts assessment and analysis of ESG materiality issues, and reviews and examines the assessment results.

ESG Materiality Issue Analysis Process:

Issue Identification

- ➢ Refer to the ESG Reporting Guide of the Stock Exchange and capital market ratings, benchmark against excellent management practices in the same industry to identify and organize substantive issues covering governance, economic, social, and environmental dimensions, forming its own issue library

Stakeholder Survey

- ➢ Determine the key stakeholder groups and the methods and channels of communication with them
- ➢ Invite key internal and external stakeholders to fill in online or offline survey questionnaires to rank the importance of issues in the ESG issue library based on their impact

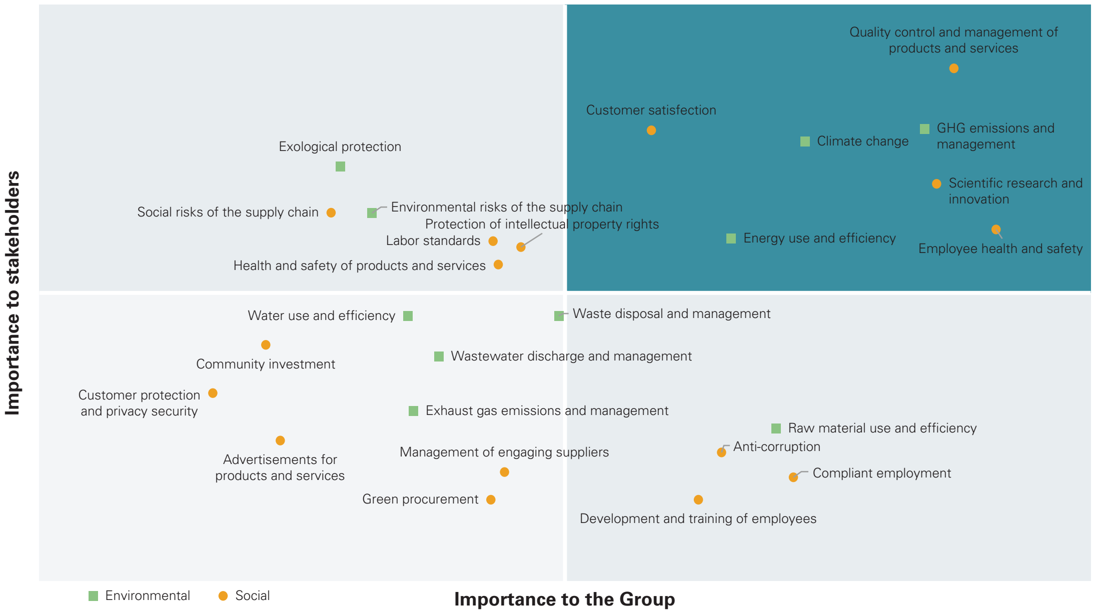
Analysis and Assessment

- ➢ Organize questionnaire feedback and survey results
- ➢ Combine issue maturity, stakeholder concern, and materiality to the Group for ranking
- ➢ Produce a materiality matrix, from which genuinely materiality issues are identified through matrix analysis

Review and Confirmation

- ➢ Confirm materiality issues in conjunction with expert opinions
- ➢ The Board of Directors reviews and confirms high-impact materiality issues to be prominently disclosed in the annual ESG report

During the reporting period, the Group reviewed and updated the results of the previous year's materiality issues. The following are two materiality issue matrices for environmental and social aspects:



Materiality Matrix of the Group

4 Forging Excellent Products

Adhering to the principles of innovation leadership and quality supremacy, the Group has established a comprehensive scientific innovation and quality management mechanism. In scientific innovation, the Group is committed to fostering a strong innovation culture and promoting the transformation and application of internal innovation achievements. In quality management, the Group has implemented a rigorous product quality control system, ensuring every process from raw materials to finished products meets exceptional quality standards to satisfy customers' increasingly diverse needs. TG Tools has been awarded the "Zhenjiang High-Quality Development Comprehensive Award" for the year 2024.

4.1 Fostering an Innovation Culture

The Group strongly supports scientific innovation through a tiered management, evaluation, and reward framework, along with a series of innovation-related policies and measures, to stimulate employees' innovative potential and drive the application and transformation of technological achievements. During the reporting period, the Group's R&D investment reached RMB301.55 million, exceeding 6% of total annual revenue.

- *R&D Innovation Management*

  The Group has formulated policies such as the *Tiangong International Scientific Innovation Management Implementation Measures, Tiangong International Research Project Management Rules, Rationalization Proposal Management System*, and *Project Achievement Reward Management System*. These clearly define the processes, requirements, submission, evaluation, implementation, and reward mechanisms for innovation activities. The Group established a Scientific Innovation Management Committee, with subordinate evaluation committees and innovation teams, creating a structured framework for tiered management, evaluation, and rewards.

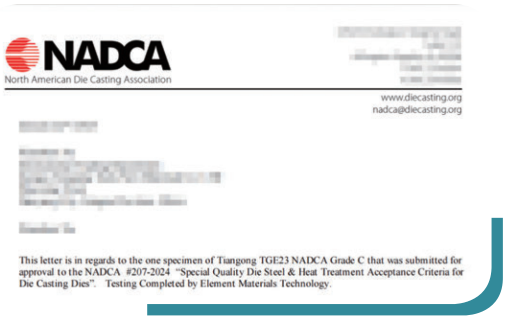
  Case: Annual Scientific Innovation Summary & Recognition Conference

  For 17 consecutive years, the Group has held this conference to recognize teams and individuals with outstanding innovation performance, fostering a culture of innovation. During the reporting period, 69 team and individual innovation awards were granted.

- *R&D Achievements*

  The Group accelerated the transformation of research outcomes. Significant progress was made in new product development, including multi-grade powder steel wires, high-wear-and-corrosion-resistant mold steel, and powder stainless steel modules. These products, comparable to international advanced standards, are widely used in high-end molds, aerospace components, and cutting tools. The Group also expanded titanium alloy applications, developing carbide cutting tools for electronic molds and alloy steel machining. Subsidiary Precision Tools was named a 2024 Jiangsu Provincial "Specialized, Refined, Distinctive, and Innovative" SME.

In early 2025, the Group's TGE23 series became the first Chinese product certified by NADCA (North American Die Casting Association) for large die-casting molds, solidifying its global leadership in tool and mold steel and once again proving our competitiveness in the international market.



NADCA
North American Die Casting Association

www.diecasting.org
nadca@diecasting.org

This letter is in regards to the one specimen of Tiangong TGE23 NADCA Grade C that was submitted for approval to the NADCA #207-2024 "Special Quality Die Steel & Heat Treatment Acceptance Criteria for Die Casting Dies". Testing Completed by Element Materials Technology.

中国特钢企业协会

贺　信

天工国际有限公司：

欣闻贵公司产品荣获北美压铸协会的认证，成为中国特钢企业中的首个获此殊荣者，我们谨代表中国特钢企业协会，向你们表示最热烈的祝贺！

The Group's TGE23 series products have passed NADCA and received a congratulatory letter from the Special Steel Enterprise Association of China

Case: Leading a National Key R&D Program

In early 2025, the Group partnered with Tsinghua University to lead the national key project "*R&D and Application of Key Powder Metallurgy and Additive Manufacturing Technologies for New Die-Casting Mold Steels*." This project addresses the emerging demand for integrated die-casting in industries like NEVs, combining expertise in alloy design, powder production, and additive manufacturing. Leveraging its internationally leading position in powder metallurgy technology and production capacity, as well as the advanced third-generation gas atomization powder-making technology, the Group continuously promotes the research, development and application of high-performance powder materials.

- *Participation in Standard Formulation*

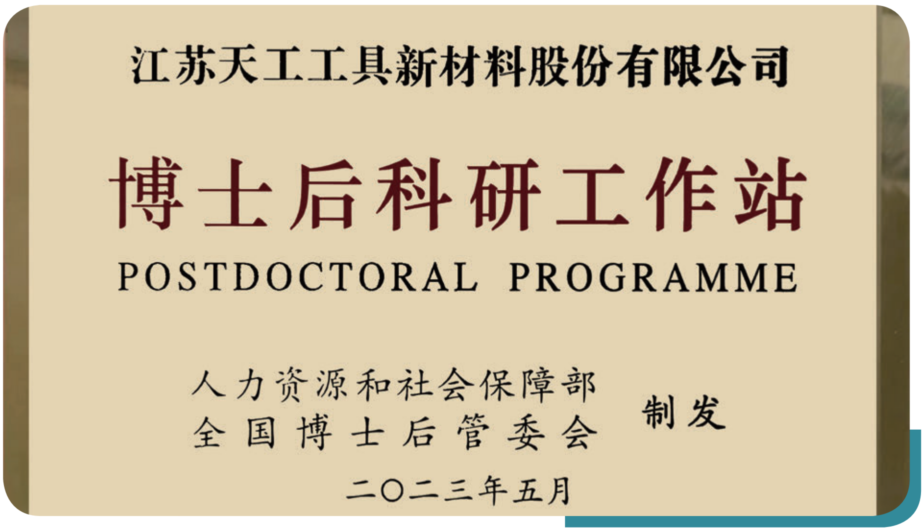
  The Group actively participates in standard-setting activities to promote collaborative innovation and progress within the industry. Since 2013, the Group has led or participated in the formulation of a total of 11 standards, including 3 national standards, 2 industry standards, 5 association standards and 1 local standard.

Partial List of Standards Led/Participated by the Group

Standard Name	Level	Contribution
GB/T 34564.1-2017 "Cold Work Tool Steel — Part 1: High Toughness and High Wear Resistance Steel"	National standard	Participate in the compilation
GB/T 34565.1-2017 "Hot Work Tool Steel — Part 1: Steel for Die Casting Dies"	National standard	Participate in the compilation
GB/T 35840.3-2018 "Plastic Mould Steel — Part 3: Corrosion-Resistant Steel"	National standard	Participate in the compilation
JB/T 11449-2013 "Types and Dimensions of Chip-Splitting Drill Points"	Industry standard	Chief editor
JB/T 9986-2013 "Metallographic Inspection of Tool Heat Treatment"	Industry standard	Participate in the compilation
T/SSEA 0147.1-2021 "Powder Metallurgy Tool and Die Steel — Part 1: Powder Metallurgy High-Speed Tool Steel"	Association standard	Chief editor

- *Industry-Academia-Research Collaboration*

  The Group actively deepens industry-academia-research cooperation, collaborating with renowned institutions such as Shanghai Jiao Tong University, Marine Equipment and Technology Institute of Jiangsu University of Science and Technology, and Nanjing Tech University on R&D and innovation of specialty steels, cutting tools, and titanium products. The Jiangsu Postdoctoral Research Workstation set up within the Group in 2009 has been successfully upgraded to national level. As of the end of this reporting period, the Group has maintained 4 postdoctoral researchers, focusing on topics including hot work tool steel processes and integrated die-casting mold steel, powder metallurgy materials and their tool products, etc.



TG Tools Postdoctoral Research Workstation

4.2 Advancing Digital Transformation

The Group drives business development through digitalization. In recent years, in the construction of smart factories, the Group has promoted a comprehensive improvement in production efficiency and product quality by deeply integrating digitalization, automation, and intelligence technologies. The Group has established a digital system covering R&D, production, logistics, and services, including:

- ERP (Enterprise Resource Planning System): Achieves integrated management of supply chain, finance, and human resources;

- MES (Manufacturing Execution System): Real-time monitoring of production progress, equipment status, and quality data, optimizing production scheduling;

- OA (Office Automation System): Integrates internal and external information resources of the enterprise, digitizing and automating various business processes within the enterprise;

- SCADA (Supervisory Control and Data Acquisition System): Through Industrial Internet of Things (IIoT) technology, it collects equipment data in real time and analyzes anomalies;

- Intelligent Inspection: Utilizes machine vision systems to conduct online inspections of product surface defects and dimensional accuracy;

- Automated Stereoscopic Warehouse: Builds an automated stereoscopic warehouse, integrates WMS (Warehouse Management System), and achieves precise material entry and exit through scanning QR codes;

- Unmanned Logistics Transportation: Factory logistics adopts navigation AGVs, which are coordinated with the production system for dispatching, reducing manual intervention;

The Group's digital efforts have received multiple honors: Subsidiaries TG Tools and Carbide Technology were recognized as Jiangsu Five-Star Cloud Enterprises; TG Aihe's "Tiangong Powder Metallurgy Smart Factory" and Carbide Technology "Cutting Tools Intelligent Manufacturing Workshop" were designated as Jiangsu Intelligent Manufacturing Demonstration Factory; TG Tech and Carbide Technology obtained the Industrialization-Informationization Integration Management System Certification.

The Industrialization-Informationization Integration
Management System Certifications of
TG Tech and Carbide Technology

4.3 Intellectual Property Protection

The Group prioritizes IP protection, strictly complying with the *Trademark Law of the People's Republic of China*, the *Patent Law of the People's Republic of China*, and the *Copyright Law of the People's Republic of China*. It has established the *Tiangong International Scientific Innovation Management Implementation Measures* and *Rationalization Proposal Management System*, clarifying management responsibilities for copyrights, trademarks, patents, and handling procedures for infringement cases. The Group formed an IP Protection Task Force and retains professional law firms as permanent legal advisors. During the reporting period, the Group's Legal Department head was invited to share IP protection experiences at Danyang People's Procuratorate's IP salon.

Furthermore, the Group conducts regular IP training programs to enhance employees' awareness of IP protection while preventing infringement of third-party IP rights. During the reporting period, 89 patent applications were filed (including 26 invention patents and 63 utility model patents), and 57 patents were granted. Total valid patents reached 277 by the end of 2024. Subsidiary Precision Tools obtained the Jiangsu Well-Known Trademark Certificate, and has been included in the list of key protected trademarks in Jiangsu Province.


江苏省高知名商标
HIGH PROFILE TRADEMARKS IN JIANGSU PROVINCE

江苏省高知名商标证书

编号：G20240016

江苏天工精密工具有限公司：

你单位核定使用在 切削工具（包括机械刀片）；孔加工刀具；钻头（机器零部件） 商品（服务）上的 图形 商标（注册证号为 1530977）被认定为江苏省高知名商标，有效期三年。

江苏省商标协会
江苏省高知名商标评审委员会
2024年10月8日

Precision Tools' Jiangsu Well-Known
Trademark Certificate

4.4 Commitment to Product Excellence

Delivering products and services of exceptional quality remains the Group's core mission. We focus on lean manufacturing and continuous quality improvement, strictly complying with China's *Product Quality Law* and other regulations significantly impacting product standards. The Group has established comprehensive quality control protocols including *New Product Development Management Procedures, Non-Conforming Product Control Procedures, Enterprise Metrology Management Regulations, Raw Material Management Measures, Steel Acceptance Guidelines, and Quality Process Control Plans*. These systems ensure full-process quality monitoring from raw material intake to finished product delivery.

To ensure the excellence and stability of product quality, the Group implements a comprehensive quality management system covering the entire product lifecycle from R&D to after-sales service. We strictly comply with GB/T 19001-2016/ISO 9001:2015 *Quality Management Systems Requirements*, establishing and implementing rigorous product quality control systems and processes. The Group also conducts product quality management in accordance with GB/T 19022-2003/ISO 10012:2003 *Measurement Management Systems — Requirements for Measurement Processes and Measuring Equipment*. During the reporting period, all the Group's subsidiaries completed and passed annual third-party quality management system audits.

Furthermore, the Group is committed to optimizing and innovating steelmaking processes and actively invests in advanced quality inspection equipment to ensure product quality meets standards and prevent potential health and safety hazards. In 2024, the Group newly purchased thermal expansion/phase transformation testers and X-ray fluorescence spectrometers, enhancing its capability to test and analyze steel properties. During the reporting period, there were no product recalls due to quality or safety issues.

Product Quality Management Measures	
R&D and Innovative Steelmaking Processes • Raw material sampling and testing • Physical and chemical tests of semi-finished products at each production stage • Specialized quality testing of finished products	Application of Advanced Quality Inspection Equipment • EVO-MA25 Zeiss Scanning Electron Microscope • Infrared Carbon-Sulfur Analyzer • Direct-Reading Spectrometer • Zeiss Metallurgical Microscope • MTS Universal Material Testing Machine • Digital Rockwell Hardness Tester • Thermal Expansion/Phase Transformation Tester • X-ray Fluorescence Spectrometer

New thermal expansion/phase transformation tester

The Group places high importance on quality management in the production process and continuously improves the standardization of quality management. The Group strengthens the analysis and management of product yield rates, requiring each production line and every finished product process to achieve first-pass yield. Additionally, the Group is dedicated to continuously improving steel purity by reducing impurities such as alumina. By controlling casting tool speeds and optimizing the forming processes of various products, the Group enhances product yield rates. Simultaneously, through the Manufacturing Execution System (MES), the Group achieves centralized control and continuous optimization of various production process parameters. The Group also conducts regular quality inspections for each process and promptly addresses any identified quality issues.

The Group regularly conducts quality-related training and assessments, organizing quality training for technical department and smelting workshop personnel. These sessions provide detailed explanations of quality issues and invite third-party professional quality agencies to deliver on-site lectures, thereby enhancing employees' quality awareness and skills. Moreover, the Group implements a comprehensive assessment system, conducting strict evaluations of production personnel and inspectors across all processes to ensure every step complies with quality standards.

Employee quality training

4.5 Enhancing Service Quality and Efficiency

- *Customer Communication and Feedback*

  The Group has established long-term, stable cooperative relationships with customers. Through in-depth market research by sales personnel, we promptly identify market gaps and customer needs, leveraging strong development capabilities to achieve customized solutions that precisely meet customer requirements. During the reporting period, the Group continued to advance its internationalization efforts, establishing new sales outlets in countries such as Canada and Vietnam, and supplying steel raw materials to well-known enterprises in Europe and America.

  The Group places high importance on customer feedback, holding monthly meetings with key clients and conducting regular offline visits. Customer feedback is treated as critical input for continuous product quality improvement.

  The Group strictly complies with relevant laws and regulations governing its various locations, including the *Consumer Rights and Interests Protection Law of the People's Republic of China*, and has established documents such as the *After-Sales Service Management Regulations* to standardize complaint handling procedures, ensuring all complaints are properly addressed. During the reporting period, the Group further refined its complaint handling process, simplified complaint categorization, and conducted monthly reviews of customer complaints to track and improve recurring issues, achieving closed-loop management.

  The Group has implemented a comprehensive online customer service system for efficient customer information entry and real-time quality feedback collection. Through the operational OA customer service platform, complaint handling has transitioned from manual offline tracking to online approval workflows, significantly reducing processing times. Additionally, the Group conducts annual customer satisfaction surveys to gather feedback on products and services. During the reporting period, customer satisfaction reached 95.10, an increase of 1.96 from the previous year. The Group received 139 customer complaints, with a 100% resolution rate.

- *Customer Empowerment and Collaboration*

  Customers conduct regular audits of the Group's ESG management and performance, covering human rights and labor management, workplace safety, climate change, environmental management, and other dimensions, providing improvement suggestions. Through customer training and empowerment initiatives, the Group's ESG performance continues to improve. The Group also actively collaborates with customers on new product development, including joint efforts to create new steel grades that meet evolving market demands.

- *Responsible Marketing*

  The Group strictly adheres to the *Advertising Law of the People's Republic of China*, committed to providing customers with truthful and reliable information while firmly eliminating any fraudulent practices. To ensure the accuracy of promotional materials and website content, the Group implements rigorous pre-release reviews and confirms that all referenced products or technologies are free of infringement, actively upholding a positive corporate image and market order.

5 Protecting the Green Planet

The Group deeply understands its responsibility to the environment and upholds the core philosophy of green development, emphasizing the protection of the ecological environment essential for human survival while advancing business development. Therefore, the Group continuously improves our environmental management system, strengthen internal management, reduce energy consumption and pollution emissions, and prevent environmental pollution accidents. Both TG Tools and TG Tech, subsidiaries of the Group, have been awarded the title of "Green Factory" in Jiangsu Province in 2024.

Both TG Tools and TG Tech have been awarded
the title of "Green Factory"

5.1 Environmental Management System

The Group strictly complies with laws and regulations such as the *Environmental Protection Law of the People's Republic of China* and the *Law on the Prevention and Control of Air Pollution*, and has established management systems such as the *Environmental Protection Management System*, the *Regulations on the Prevention and Control of Wastewater, Waste Gas, and Noise*, the *Environmental Supervision Management System, the Environmental Monitoring Management System*, and the *Management System for Environmental Protection Statistics*. The Group publicizes its *Environment Protection Statement* on its website and comprehensively deepens the management of environmental matters, striving to reduce the negative impact of production and operation on the environment. During the reporting period, the Group did not incur any penalties due to environmental violations.

The Group makes continuous efforts to improve environment protection management system. The Group has established a three-level environmental management system consisting of the Group headquarters, subsidiaries, and subsidiary business units, with environmental responsibilities implemented to specific owners. The Safety and Environmental Protection Department of the Group serves as the responsible department, formulating and implementing environmental management systems and operating procedures for environmental equipment and facilities, addressing environmental protection issues and environmental safety hazards. Through monthly meetings, the Safety and Environmental Protection Department reviews and summarizes the focus of environmental work, ensuring the effective improvement of the Group's environmental compliance and environmental governance level. The general managers of each subsidiary are appointed as the first persons responsible for environmental protection, fully responsible for the subsidiary's environmental protection work, including formulating environmental protection strategies and supervising related risks and effectiveness. As of the end of 2024, five subsidiaries of the Group has obtained ISO 14001 environmental management system certificate and passed annual audits.

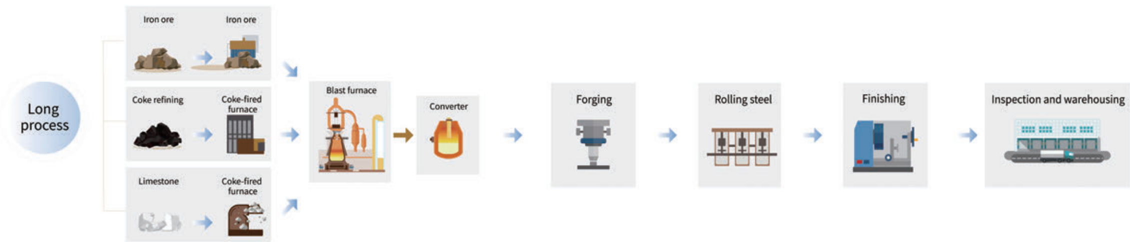
Environmental Management System Certificates of the Group's Subsidiaries

5.2 Highly Efficient Resource Utilization

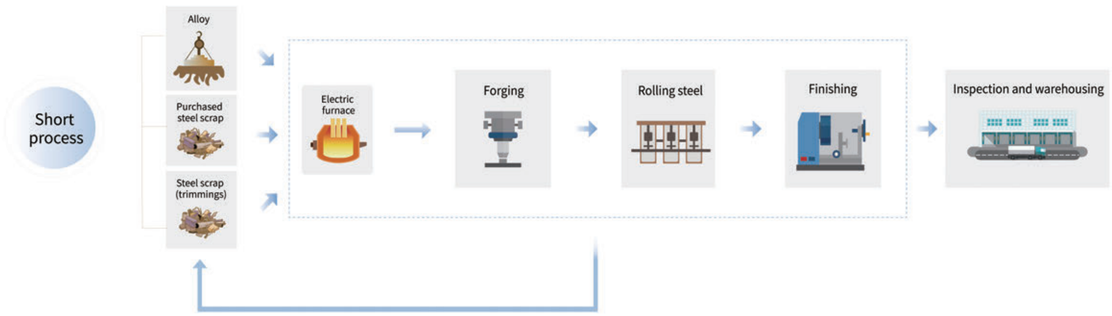
The Group, with efficient utilization and recycling of resources and energy as its core, adheres to the principles of "reduction, reuse, and recycling" to promote resource conservation, efficient utilization, and optimal economic benefits.

- *Scrap steel recycling*

  The main raw materials in the smelting process of the Group are alloys and scrap steel. Among them, scrap steel mainly comes from the scrap steel materials generated during our production and processing process, as well as scrap steel purchased from downstream partners in the value chain. The recycling and reuse of scrap steel materials not only helps us control procurement costs, but also effectively reduces energy consumption in the production process. In addition, the Group continuously innovates by adopting short process smelting processes, shortening production cycles, and efficiently utilizing alloys and waste materials to produce high-quality products. This simplified process not only optimizes the production process, but also reduces energy consumption and emissions, greatly improving resource utilization efficiency, minimizing material processing losses, waste, and environmental pollution.

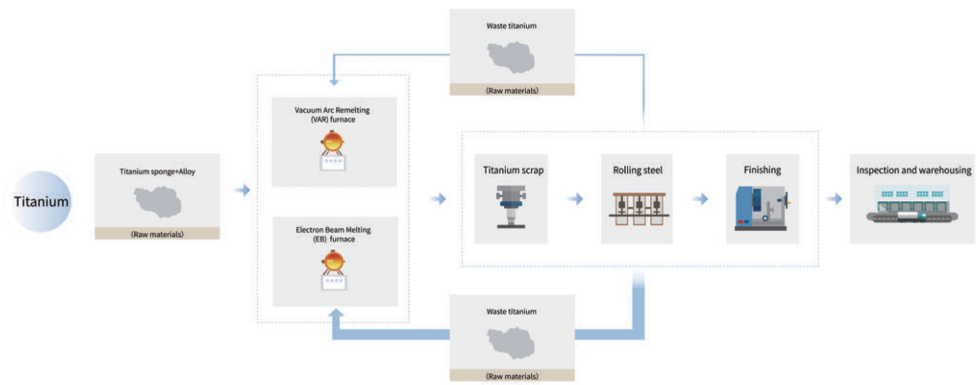


Long-process of Special Steel Manufacturing



The Group's Short-process of Special Steel Manufacturing
with recycle mechanism

The Group has upgraded the smelting equipment used in the titanium alloy smelting process by adding new Electron Beam Melting (EB) furnace on the basis of the existing Vacuum Arc Remelting furnace (VAR). Compared to the existing Vacuum Arc Remelting (VAR) furnace, the EB furnace does not require electrode preparation, can effectively remove impurities introduced by residual materials, and accepts a larger amount of titanium scrap as raw materials, thereby increasing the recycling amount of titanium scrap and achieving the maximization of resource recovery.



The Group's Titanium Alloy Manufacturing Process
with recycle mechanism

During the reporting period, the Group continuously refined the EB (Electron Beam) melting technology, especially in the treatment and recycling of return materials. The Group conducted in-depth exploration and practice in different grades, specifications, and addition ratios of return materials to continuously optimize the production process. In early 2025, the Group's Phase II EB furnace project successfully completed its hot trial, marking a further expansion of the Group's production capacity in the high-end titanium and titanium alloy fields.

EB Furnace Phase II Project Successful Hot Trial

- *Energy Management*

  The Group advances energy management system construction to high standards, establishing regulations such as *the Energy Management Handbook, the Energy Use Management Measures, and the Water and Electricity Conservation Management System*, setting annual energy consumption targets to promote overall energy consumption reduction. The Group has established a comprehensive energy management system, enhancing visual management of energy processes, monitoring power and auxiliary equipment, and factory energy consumption data. Through data analysis and forecasting, the Group optimizes energy- saving schemes to further enhance energy management efficiency. The Group plans to achieve reasonable control over total energy consumption by 2025, with industrial value-added energy consumption decreasing by over 10%. In addition, our subsidiaries have responded to the local government's requirements for energy efficiency management of enterprises in the region and set annual energy efficiency improvement targets for 2024, namely the energy consumption target per unit output value of 0.152 tons of standard coal/RMB10,000 for TG Aihe and 0.060 tons of standard coal/RMB10,000 for TG Tools.

During the reporting period, three subsidiaries of the Group have successfully passed the annual audit of the ISO 50001 Energy Management System certification.

Energy Management System Certification Certificate of
the Group's Subsidiaries

During the reporting period, the Group also actively promotes energy-saving renovation and renewable energy utilization projects, achieving significant reductions in energy consumption:

➢ **Steam Boiler Upgrade:** The Group previously relied on a centralized 15-ton natural gas steam boiler system, which served extensive workshop areas with high energy consumption and significant heat loss. After upgrading, the Group now utilizes 3 compact hot water boilers and 4 steam generators to meet production and office/living needs, significantly improving energy efficiency.

➢ **Equipment Frequency Conversion Retrofit:** The Group completed energy-saving frequency conversion retrofits for high-power 460 kW fixed-frequency motors, achieving notable energy conservation benefits.

➢ **Efficient Equipment Upgrade:** The Group has upgraded its walking-beam furnace to a chamber furnace, reducing heat loss during the high-temperature production process and lowering the natural gas consumption per ton of steel by over 40%.

➢ **Lighting System Modernization:** The Group continues replacing traditional lighting fixtures with LED alternatives. As of the end of 2024, LED lighting adoption reached 85% across facilities.

➢ **Rooftop Photovoltaic Installation:** The Group expanded renewable energy utilization by adding 3.6 MW of new photovoltaic capacity in plant areas during the reporting period, progressively enhancing clean energy adoption.

- *Water Resource Management*

  The Group always adheres to water conservation practices, strictly complying with the *Water Law of the People's Republic of China* and the *Water Pollution Prevention and Control Law*, while strengthening water resources management. Our goals are to improve water use efficiency in production and operations, reduce water resource waste, and achieve rational utilization and recycling of water resources. During the reporting period, the Group's planned water usage was 600,000 cubic meters. Through enhanced daily water management, actual water consumption reached 510,000 cubic meters, achieving the water conservation target.

  The Group's water resources for production and operations come from municipal water supplies and surface water. To reduce water consumption, the Group has installed water meters in all production workshops to accurately measure water usage and strictly control water consumption in production and operational processes. The Group has refined the assessment indicators for water conservation and allocates part of the cost savings as performance incentives for employees to motivate their water-saving initiatives.

  The Group actively promotes water recycling to increase the rate of water resource reuse. Through the introduction of professional technical equipment, industrial wastewater is treated at sewage treatment plants to meet reuse standards for recycling as cooling water; closed cooling tower equipment is used instead of open cooling facilities, with cooling water circulated internally to significantly reduce evaporation; devices such as reclaimed water treatment and rainwater collection are utilized to use treated water for ground flushing and workshop replenishment.

  Additionally, the Group conducts quarterly water conservation training for employees to share advanced water-saving measures and continuously enhance their water conservation awareness.

The Group's water conservation training

5.3 Strengthening Pollution Control

The Group continues to strengthen pollution control efforts, aiming to reduce emissions of wastewater, waste gas, and solid waste pollutants, preventing environment impacts from its operations.

➢ *Wastewater Management*

The Group established regulations such as the *Sewage Treatment Measures* and the *Water Pollution Prevention and Control Management Regulations*, strictly implemented regulatory agency and industry wastewater discharge standards, standardized wastewater treatment processes, and enhanced wastewater treatment facilities and technological upgrades. Through monitoring systems, pollutant emissions, water quality, and other indicators at discharge outlets were dynamically monitored, strengthening prevention of water pollution risks. Industrial wastewater and domestic sewage generated by the Group's production and operation were discharged into sewage treatment plants and discharged after meeting treatment standards. In 2024, TG Tools will take over the discharge of wastewater to the municipal sewage network on the basis of strict enforcement of the requirements of the sewage discharge permit and the standard treatment of wastewater from its own sewage treatment station, so as to further reduce the environmental pollution caused by the treatment of wastewater. The Group set targets to Chemical Oxygen Demand and Nitrogen Oxides by more than 5% by 2025. During the reporting period, the Group's wastewater discharge met regulatory requirements.

➢ *Waste Gas Management*

The Group has formulated regulations such as the *Regulations on the Prevention and Control of Air, Water, and Noise Pollution and the Regulations on the Prevention and Control of Atmospheric Pollution*, enforcing requirements such as the *Air Pollutant Emission Standards for Steel Rolling* and the *Air Pollutant Emission Standards for Steelmaking* to enhance the management of exhaust emissions. Emissions of nitrogen oxides, sulfur dioxide, particulate matter, and fluorides constitute the primary pollutants discharged by the Group. All smelting workshops are equipped with dust removal devices, ensuring emissions meet regulatory standards after treatment. Relevant emission data is interconnected with environmental protection authorities for real-time monitoring. TG Aihe, a subsidiary of the Group, was selected as the Exemplary Organization for Friendly Air Pollution Prevention and Emission Reduction in Zhenjiang City, Jiangsu Province in 2024.

Through comprehensive control measures including source substitution, process control, and end-of-pipe treatment, the Group continuously reduce pollutant emissions to effectively prevent pollution incidents:

➢ Forging and steel rolling workshops have switched to using clean energy natural gas as fuel for heating furnaces, with exhaust gases collected and uniformly discharged.

➢ Workshop layouts are optimized, with isolation devices installed in dust-prone areas to minimize dust dispersion.

➢ All arc furnaces in the steelmaking workshop have been replaced with medium-frequency furnaces, significantly reducing exhaust emissions.

➢ *Waste Management*

The Group's objective is to reduce the generation of waste, enhancing the utilization and recycling of waste, and striving to promote the construction of the "Waste-free City".

The Group strictly complies with local regulations on production and operation, implementing relevant management systems outlined in the *Waste Management Regulations* to rigorously manage waste emissions. Hazardous waste generated during production and maintenance processes such as waste emulsions, used lubricating oil, dust collected from dust collectors, waste dust filter bags, waste lead-acid batteries, oil rags, barium-containing waste, acid pickling sludge, etc., are collected centrally and stored in hazardous waste warehouses, then entrusted to third parties with disposal qualifications for treatment. Additionally, waste acid generated in the pickling workshop is neutralized and treated to meet standards before being reclaimed for circulation in the pickling workshop, reducing secondary pollution from the storage of hazardous waste. During the reporting period, the Group replaced the acid throwing process with peeling and shot blasting processes in the production of some products to reduce the generation of hazardous waste from the source. Non-hazardous waste such as household garbage and insulation waste are collected centrally and disposed of by qualified third parties.

➢ *Noise Management*

The Group formulated the *Noise Pollution Prevention and Control Management Regulations*, opting for low-noise equipment to minimize noise pollution. To address the issue of high noise levels from air compressors in the plant area, the Group employed centralized installation in enclosed rooms, transmitting compressed air to usage points over long distances to reduce noise pollution. Furthermore, the Group upgraded old equipment, procured advanced equipment to replace polluting and inefficient ones, and installed vibration damping pads and shock absorbers on certain equipment to reduce noise pollution. During the reporting period, the Group installed mufflers at the chimney of the magnetic separation plant to reduce the impact of noise on the lives of surrounding residents.

5.4 Green Operation Practices

The Group standardizes the use of office equipment, turns on lights as needed, sets air conditioning temperatures according to regulations, and actively promotes the concept of green offices to foster a strong atmosphere of green office practices and low-carbon living among all employees.

➢ **Paperless office:** The Group actively promotes paperless office practices, completing the construction of production planning systems, MES systems, and the "Human Resources Management" system during the reporting period, and initiating the "Procurement Cloud" system, achieving comprehensive electronic and paperless business processes. In addition, the Group has strengthened centralized control over printers, achieving real-time monitoring of paper usage, consumables, and normal operation rates. This has effectively eliminated paper waste and reduced equipment failure rates and consumable usage.

- **Electricity conservation:** The Group uses energy-saving lighting at its office places, installs energy storage photovoltaic panels to provide power for nighttime lighting; strictly controls air conditioning temperatures, with the central air conditioning set to 26°C indoors and requiring activation only when the outdoor temperature reaches 32°C in summer and below 5°C in winter; computers are required to be turned off when not in use, and lights in administrative departments, restrooms, stairwells, and other public areas are turned off when not in use.

- **Procurement of New Energy Commuter Vehicles:** The Group has procured new energy buses and sedans as employee commuter vehicles and installed charging stations within the factory premises to reduce carbon emissions from employee commuting.

- **Environmental Awareness Campaigns:** The Group consistently advocates the principle of conservation, emphasizing energy saving, waste reduction, and environmental protection through meetings and notices. It requires all personnel to turn off power sources and equipment when leaving production and office areas to prevent electricity waste. Additionally, the Group promotes the "clean plate" initiative in the cafeteria, encouraging employees to take only what they can eat to minimize food waste.

5.5 Addressing Climate Change

The Group actively responds to the challenges and opportunities brought by climate change, managing and disclosing climate-related information. Considering its business characteristics and development strategy, the Group identifies and analyzes the short-term, medium-term, and long-term climate change risks and opportunities, as well as their potential impacts on the Group's transmission pathways.

- *Addressing Climate Change*

  The Group attaches great importance to climate risk governance, relying on an ESG governance system led by the board of directors to supervise and manage climate-related risks. Under the guidance of the Board of Directors, the ESG working group has been progressively formulating and refining climate-related strategic goals, overseeing and auditing the implementation and execution of climate change response actions. Each functional department is responsible for the specific execution of climate-related policies and actions.

- *Risks and Opportunities of Climate Change*

  Through policy research, benchmarking with peers, and expert opinions, the Group identifies climate change-related risks and opportunities relevant to our operations and assess their impact on our finances. In the future, the Group will further improve the mechanism for managing climate change risks to enhance its adaptability to climate change.

Type	Risk Category	Risk Description	Potential Financial Impact	Management Measures
Transition Risk	**Policy and Legal**	**ESG Regulation and Guidelines Changes:** Changes in current climate-related regulatory requirements, with a trend towards stricter climate policies by the government (e.g., transitioning from energy consumption control to carbon emission control policies, EU Carbon Border Adjustment Mechanism (CBAM)). The Group may face stricter requirements for sustainable management.	Increased compliance costs; increased operational costs	Continuously monitor government ESG policies and regulatory trends, and promptly respond to policy changes.
	Technology	**Product and Technology Substitution:** There are technological barriers to low-carbon technology. If specific low-carbon technologies are not promptly developed, it may bring certain negative risks to the enterprise's operations and business.	Decreased operating income	Increase investment in technology research and development, systematically carry out research on low-carbon technologies.
		Research and Development Investment: To meet market demand for low-carbon products and technologies, the Group will increase research and development investment. However, there may be risks of research and development progress falling below expectations.	Increased operating costs	Optimize research and development strategies, strengthen the layout of core technical talents, and enhance research and development capabilities.
	Market	**Changes in Customer Demand:** With increasing customer emphasis on climate change risks and opportunities, the supply- demand structure of certain products and services may undergo transformation.	Decreased operating income	Actively adapt to market changes, develop a diversified product development strategy to meet various consumer demands.
		Increase in Input Costs: To cope with stricter environmental and carbon emission regulations, partners need to undergo adaptive transformation and upgrades, leading to increased costs in the supply of products.	Increased operating costs	Reduce reliance on a single supplier, seek and develop alternative materials.
	Reputation	**Brand Image:** In the current market environment and with the attention of various stakeholders, if the Group fails to adequately demonstrate its ability to address climate change and showcase its practical achievements, and enhance transparency of climate-related information, it may face the risk of damage to its brand image.	Increased operating costs	Actively promote carbon reduction efforts throughout the product life cycle and supply chain, disclose climate-related information, and enhance brand resilience and reputation.

Type	Risk Category	Risk Description	Potential Financial Impact	Management Measures
Physical Risk	Acute	**Extreme Weather Events and Natural Disasters:** Frequent occurrences of extreme weather events such as heavy rain, hailstorms, thunderstorms, etc., with increasingly severe impacts, may endanger the safety of employees and physical assets of the Group. They may also lead to supply chain disruptions and hinder production.	Increased operating costs Asset impairment.	Strengthen climate warning and forecasting, develop contingency plans, enhance the ability to respond to extreme weather events; establish safety stock and gradually develop in-house capabilities for component manufacturing.
	Chronic	**Continued Increase in Global Temperatures:** Long-term changes in natural patterns such as rising sea levels and persistent high temperatures may affect the Group's normal production.	Increased operating costs	Develop emergency management plans tailored to extreme natural disasters.

Type	Opportunity Description	Potential Financial Impact	Management Measures
Energy Efficiency Improvement	By improving the efficiency of resource and energy utilization (such as minerals and energy), it's possible to achieve energy savings, carbon reduction, and lower operating costs.	Decrease in operating costs	Conduct training and promotion to enhance energy-saving and low-carbon awareness.
Green and Low-Carbon Products	Developing new types of low-carbon emission products can enhance the company's competitive position and benefit from the shift in customer and manufacturer preferences towards low-carbon options.	Increased operating income	Increase investment in technology research and development, systematically carry out research on low-carbon technologies.

- *Greenhouse Gas Emission Indicators*

The Group actively explores carbon reduction paths and is committed to improving energy efficiency and reducing greenhouse gas emissions. Please refer to the table below for the greenhouse gas emission data of the Group:

Indicator Name	Unit	2024	2023	2022
Greenhouse Gas Emissions (Scope 1)	Tons of CO_2 Equivalent	**64,947.76**	60,614.62	63,111.95
Greenhouse Gas Emissions (Scope 2)	Tons of CO_2 Equivalent	**286,663.99**	276,626.93	341,756.66
Total Greenhouse Gas Emissions (Scope 1+Scope 2)	Tons of CO_2 Equivalent	**351,611.75**	337,241.55	404,786.32
Greenhouse Gas Emission Intensity (Scope 1+Scope 2)	Tons of CO_2 Equivalent per RMB10,000 of revenue	**0.73**	0.65	0.80

6 Enhancing Safety Management

The Group consistently prioritizes production safety and employee health, focusing on both physical and mental well-being. The Group enhances employees' safety awareness and skills, striving to create a safe working environment.

6.1 Implementing responsibility for Safety

The Group attaches great importance to production safety and employee health, aiming to create a work and living environment that ensures employee safety. The Group has established a comprehensive safety production management system, clearly defining the safety production responsibilities of leaders at all levels, functional departments, engineering and technical personnel, and operational staff. Under the leadership of the general manager, the Safety and Environmental Protection Department is responsible for the specific management of safety production. They organize and assist relevant departments in formulating or revising safety production regulations and technical operation procedures, propose measures to prevent accidents, and supervise and inspect occupational health management.

The Group strictly adheres to the laws and regulations of the People's Republic of China, such as the *Safety Production Law, the Law on Prevention and Control of Occupational Diseases, Interim Provisions on Occupational Health Supervision and Management in the Workplace* and *Management Measures for Occupational Disease Diagnosis and Identification*. The Group has established a series of comprehensive safety production management systems, including the *Tiangong International Occupational Health Management System, Special Operation Safety Management System, Employee Work Injury Insurance and Safety Production Responsibility Insurance Management System*, and *Safety Production Reward and Punishment Management System*. These systems detail the requirements and measures for safety production and occupational health management, effectively preventing safety risks and ensuring the life safety and physical health of employees during production.

As of the end of 2024, five subsidiaries of the Group have obtained GB/T 45001-2020/ISO 45001:2018 occupational health and safety management system certification and passed the annual audit during the reporting period.

Occupational Health and Safety Management System
Certificate of Subsidiaries of the Group

6.2 Deepening Safety Management and Control

To reduce or eliminate potential risks in the production safety process, the Group formulated the *Hazard Identification and Hierarchical Control Management System*. This system required relevant responsible departments to comprehensively identify, classify, and evaluate health and safety hazard factors in production activities, equipment, raw materials, safety protection, processes, and other activities. It mandated the implementation of corresponding control management and the taking of targeted preventive measures to effectively prevent major production safety accidents. In the past three years, the Group has not experienced any work-related fatalities.

Safety Risk Level Determination Criteria and Control Measures

Risk Level	Actions/Control Measures to be Taken	Implementation Deadline
Level A (Red)	Operations cannot continue until measures have been taken to reduce harm, and improvement measures must be evaluated.	Immediate rectification
Level B (Orange)	Take emergency measures to reduce risk, timely rectify and establish operational control procedures, and conduct regular checks, measurements, and evaluations.	Immediate or timed rectification
Level C (Yellow)	Take measures for timely rectification, strengthen training and communication according to operating procedures.	Rectification by a specified deadline
Level D (Blue)	Consider establishing operating procedures, work instructions, etc., but regular checks and records must be maintained.	Rectification by a specified deadline

In terms of hazard identification and management, the Group implements both regular and irregular inspection systems. The principal responsible persons of each department (workshop) bear full responsibility for the accident investigation and remediation work within their departments. In accordance with the *Directory of Significant Risks for Metallurgical and Other Trading Enterprises* released by the Jiangsu Provincial Department of Emergency Management, the Group identifies and classifies risks, and systematically reports risks that are significant and above. The Group organizes at least one special inspection per month, and focuses on the identified significant risks in daily hidden danger checks. During the inspection process, safety checklists are strictly used, covering all production and business premises, environments, personnel, equipment, and activities. For the hazards identified during inspections, each department (workshop) conducts an analysis and evaluation, determines the hazard level, and registers and files the information. The safety and environmental departments then verify the rectification measures and evaluate their effectiveness to ensure that the hazards are completely eliminated. For accidents caused by ineffective accident investigation and management, the Group strictly holds the responsible persons accountable.

The Group dedicated safety officers in the production workshops, responsible for conducting safety inspections, supervising and inspecting compliance with safety production requirements such as employee protective measures, and ensuring that production violations are corrected in a timely manner. The Group also actively cooperates with the fire brigade in conducting hidden danger inspections, designating areas such as oil depots, hydraulic stations, and packaging zones as key control areas. QR codes are generated for these areas, and safety officers conduct daily inspections and upload the results to the system. During the reporting period, the Group carried out a special fire safety inspection, comprehensively identifying and rectifying production safety hazards such as fire risks.

Furthermore, the Group conducts a series of safety production inspection activities annually, including quarterly group-level safety inspections, monthly workshop safety meetings, and daily safety briefings and summaries for each team. The Group also hold departmental meetings quarterly to review and discuss safety production and education work during the quarter, continually reviewing and optimizing the Group's safety production environment.

6.3 Safeguarding Occupational Health

The Group strictly complies with legal and regulatory requirements such as the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and the Technical Specification for Occupational Health Surveillance* (GBZ 188-2014), and has established the *Occupational Health and Safety Management System*. The Group organizes annual occupational health examinations for all employees with occupational health risks to ensure their occupational health is effectively protected. For newly hired employees or those transferring to positions with occupational hazards (such as exposure to noise, high temperatures, dust, and other risk positions) and employees engaged in jobs with special health requirements, the Group informs them of the related risks in advance. The Group organizes occupational health examinations before these employees start their duties, strictly implement safety protections, and comprehensively safeguard their health and safety. If occupational hazard factors exceeding standard limits are discovered during production or equipment maintenance, the Group shall immediately make rectifications to prevent health risks.

6.4 Related Party Safety Management

The Group treats its own employees and those of related parties equally, implementing effective safety management measures for related parties at every stage, including qualification review, education and training, entry inspection, commencement approval, operation supervision, and completion confirmation.

Related Party Safety Management Measures of the Group

Qualification Review:	A safety audit confirmation checklist must be completed before entering the premises.
Education and Training:	Participation in on-site safety education; attendance at the monthly safety meetings organized by the Company for outsourced units.
Entry Inspection:	Verification of passes is required upon entry.
Commencement Approval:	Notification of the work plan and risks before starting operations, identification of risks and formulation of safety measures, and confirmation of work tasks and locations.
Operation Supervision:	Periodic inspections of the operation site to promptly stop violations and forced risky operations.
Completion Confirmation:	After the related party's construction is completed, the local workshop first conducts an acceptance inspection. Once the inspection is passed, the Safety and Environmental Department performs a secondary confirmation to ensure that there are no garbage or debris left at the operation site.

6.5 Creating a Safety Culture

To enhance employees' safety awareness and skills, the Group conducts comprehensive safety education and training on production safety. The Group established the *Safety Education System* to provide clear, systematic regulations for safety production training. Additionally, before officially assuming their duties, employees must sign the *Safety Production Commitment Letter* to ensure every employee understands and is familiar with the Group's safety management requirements.

For all new employees, the Group implements a strict "three-level" safety education system at the Group, workshop, and team levels. The training covers various aspects, including safety production knowledge, occupational hazard prevention and treatment, and emergency response to accidents. Employees are only allowed to take up their positions after passing an assessment.

Training Level	Training Content
The Group Level	Safety production laws and regulations, safety production rules and regulations, occupational hazard prevention and control, emergency rescue methods, etc.
Workshop Level	Workshop production rules and regulations, introduction to machinery and equipment, accident prevention measures, etc.
Team Level	Safety technical operation procedures for positions, safety production protection facilities, methods for using personal protective equipment, accident cases, etc.

Every year, the Group organizes all employees to participate in a refresher course on safety production. The training covers new laws, regulations, standards, and norms related to safety production, as well as the safety technical requirements of new materials, new technologies, new processes, and new equipment, along with the analysis and discussion of typical accident cases. Additionally, the Group holds safety technology classes, utilizing various forms such as exhibitions, propaganda paintings, safety columns, newspapers and magazines, special knowledge lectures and video thematic learning to create a corporate environment conducive to safety production. By the end of 2024, the Group had conducted 77 sessions of safety training through video materials, covering topics such as special operations, unsafe behaviors, and common safety hazards. This initiative has effectively enhanced employees' awareness of safety.

Case: Specialized Safety Training for Crane Operations

In 2024, the Group conducted three rounds of specialized safety training for crane operators, with a total of 435 participants. Additionally, the Group held focused discussions with key personnel who had committed violations and implemented centralized control over unsafe behaviors. The training significantly enhanced the safety awareness of crane operators, resulting in a 34% decrease in work-related injury accidents compared to 2023.

To ensure employee safety, the Group developed an emergency response plan for production safety accidents and regularly conducted emergency drills for unexpected incidents, summarizing and evaluating the effectiveness of these drills to ensure a rapid and effective response when incidents occurred. During the reporting period, the Group organized fire emergency drills for employees in the bar and wire rod workshop and nitrogen leakage and suffocation rescue drills for employees in the air separation workshop, continuously enhancing the fire safety awareness and self-rescue skills of our employees.

Fire Emergency Drill

7 Growing Together with Employees

The Group firmly believes that employees are valuable assets for the high-quality sustainable development of enterprises. Adhering to a people-oriented corporate culture, The Group is committed to attracting and retaining outstanding talents in the industry, aiming to build an exceptional team.

7.1 Compliant and Equal Employment

The Group strictly implements laws and regulations such as the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, and the *Regulations Prohibiting the Use of Child Labor*, establishing and improving human resource management systems like the *Employment Management and Employee Rights Protection Regulations*, the *Recruitment Procedures*, the *Employee Resignation Management Methods*, and the *Anti-Discrimination, Abuse, and Harassment Management Regulations*. These ensure the standardization and transparency of recruitment, resignation, and dismissal processes, fully protecting employee rights. The Group has formulated and publicly disclosed a *Human Rights Statement*, committing to respecting and promoting the protection of labor rights in all aspects of its business operations. It ensures that it does not engage in or participate in any activities that infringe upon human rights and advocates that suppliers, distributors, and other partners adhere to relevant standards.

The Group adheres to the principles of "openness, equality, competition, merit-based selection, and voluntariness," practicing an equal and inclusive employment policy. The Group ensures that employees enjoy rights such as freedom of association and are committed to creating a diverse and inclusive work environment. The Group has signed a collective agreement with the labor union to safeguard the right of employees to engage in collective bargaining. We firmly oppose employment discrimination based on race, nationality, age, or gender, ensuring that every applicant, regardless of their background, has equal employment opportunities.

The Group has formulated the *Child Labor and Minor Worker Management Regulations*, strictly verifying the age information of applicants. All employees have to provide valid identification before joining to ensure that there is no child labor or employment of minors. If a minor is mistakenly hired, the Group will immediately terminate the employment relationship and pursue related responsibilities. The Group is staunchly against any form of forced labor, having established the *Prevention of Involuntary Labor Management Regulations* to ensure applicants joined and labored voluntarily. In the aspect of working hour management, the Group strictly adheres to the *Labor Law of the People's Republic of China* and relevant terms in labor contracts with employees, ensuring that the daily working hours should not exceed eight hours, and the average weekly working hours should not exceed forty hours. Overtime work requires prior application to superiors. During the reporting period, there were no instances of child labor or forced labor in the Group.

7.2 Enhancing Compensation and Benefits

The Group has developed a series of compensation management systems, including the *Administrative Management Position Compensation Management Regulations*, the *Technical and Management Position Compensation Management Regulations*, and the *Regulations on Standards and Management of Subsidies for Education and Professional Titles*, establishing an attractive compensation and benefits system. The Group bases our evaluation on individual actual ability and work performance, conducting annual comprehensive assessments of employees from three dimensions: self-assessment, peer review, and supervisor evaluation. The results serve as an important basis for employee salary adjustments. Additionally, the Group has formulated the *Management Measures for Comprehensive Improvement of Material Yield*, closely linking employee wages with the assessment results of the finished product yield rate, moving away from the past practice of paying solely based on quantity, thereby stimulating employee enthusiasm for work.

During the reporting period, the Group has deepened the reform of its employee compensation system, formulated the *Employee Wage Reform Management Rules*, and adopted a "base salary + performance" model. It has also implemented a "one person, one position, one assessment form" system for different positions, providing additional rewards based on employee performance, which has effectively promoted employee enthusiasm and proactivity. Meanwhile, for management positions, the Group has implemented differentiated performance assessment and reward and punishment mechanisms based on the differences in responsibilities. In addition, the Group has further optimized the shift adjustment process, strictly enforced an online scheduling system, provided employees with more rest time, and actively listened to employee feedback by adding vending machines and other facilities in the dormitories to enhance employee workplace happiness.

The Group strictly complies with national legal requirements to pay various types of social insurance for employees, including basic pension insurance, basic medical insurance, maternity insurance, work-related injury insurance, unemployment insurance, and housing provident fund, and ensure that every employee can enjoy legally stipulated statutory and other paid leave, substantively ensuring employees' basic rights.

7.3 Facilitating Career Development

- ***Clarifying Promotion Channels***

  The Group plans clear career development paths for employees, ensuring fair, just, and transparent promotion opportunities to motivate employees to continuously improve their overall quality, fully realize their potential, and achieve mutual growth of both the enterprise and employees.

  In terms of employee development and promotion, the Group has formulated and implemented the *Promotion Management Regulations*, promoting a diversified career development path covering all positions, attracting and motivating talents from different fields to realize their personal value. The Group is committed to discovering and cultivating outstanding talents from the junior level. After new employees join, the Group allocates positions scientifically and rationally based on their personal interests and professional backgrounds. For management and technical positions, the Group has clear and specific promotion channels. Employees working at the production front could gradually be promoted to factory manager through continuous effort and experience accumulation; meanwhile, management position employees could start from basic management positions and, through systematic training and practical work, gradually be promoted to general manager level. Additionally, the Group implements a job rotation system aimed at developing elite talents with comprehensive management skills through training in different positions, thereby providing employees with broader career development opportunities.

- *Uncovering Employee Potential*

  Placing a high value on employee training and education, the Group is committed to continuously enhancing employees' comprehensive qualities and personal abilities through diverse training offerings. Therefore, the Group has established the *Training Management Procedure* to standardize the management of employee training, ensuring that employees can continuously grow and improve in different positions and responsibilities.

  At the beginning of each year, the Group formulates an annual employee training plan, arranging different training content and related assessments according to the various job responsibilities. After joining, new employees are required to undergo three levels of training: group, department, and team, to fully understand the Group's corporate culture, regulations, social responsibilities, fire safety, occupational health, and other knowledge areas. They are also provided with specialized skill training and assessments according to the specific nature of their positions, ensuring they truly understand and master the skills needed for their positions. For example, employees in sales and quality positions will focus on training in product knowledge, pricing techniques, and the use of product monitoring equipment. For employees in key positions, the Group has specifically conducted process training and assessments, with outstanding performers receiving corresponding rewards. The Group also regularly holds employee skills competitions to motivate employees to continuously improve their production skills.

Conducting Specialized Training and Employee Skills Competitions

To encourage employees to enhance their academic qualifications and professional titles, the Group continuously improves the standards for academic and professional title subsidies. Employees who pass the relevant professional title exams can receive examination allowances, providing further incentives for learning. During the reporting period, the Group provided academic subsidies totaling RMB2.09 million to 947 employees and professional title subsidies totaling RMB3.65 million to 595 employees for various titles such as Certified Public Accountant, Certified Safety Engineer, Certified Tax Practitioner, Human Resources Management Specialist, and Intermediate Engineer.

Additionally, the Group established a Workers' School aimed at cultivating and reserving management, skill, and sales talents to support the Group's strategic development. The Group regularly selects 30 to 40 employees to participate in a six-month training program at the Workers' School, covering areas such as management, business, etiquette, and finance. After completing the training, these employees are deployed to various positions to enhance the comprehensive capabilities of the Group's departments. As of the end of the reporting period, the Workers' School has trained over 100 employees, covering multiple key positions within the Group, with significant training outcomes that provide strong talent support for the Group's future development.

Workers' School Training

The Group also actively engages in internal trainer training. During the reporting period, the Group selected managers, department heads, and outstanding employees from various positions to serve as internal trainers and provided them with specialized internal trainer training. During the training, internal trainers extracted and internalized their personal job experience and integrated knowledge based on their respective job characteristics, laying the foundation for internal knowledge transfer and talent development within the company. Employees participating in the internal trainer training receive corresponding rewards for teaching, and all training courses are recorded and uploaded to the online learning platform for employees' self-directed learning and viewing.

In terms of talent cultivation, the Group has established the *Mentorship Interim Measures*, implementing a "one-on-one" mentorship system. Experienced employees serve as mentors who pass on, assist, and guide new employees, known as apprentices, in sharing work experience and methods to cultivate key technical position talents. The Group has set up a reward mechanism to recognize and incentivize outstanding mentors and apprentices, encouraging active participation.

The Group has conducted in-depth cooperation with local universities, fully utilizing the universities' professional resources and combining them with practical job operations to conduct on-site training, achieving significant results. During the reporting period, the Group collaborated with Nanjing Normal University Zhongbei College to conduct specialized electrician training on-site, effectively enhancing the skill levels of employees in electrical positions and further strengthening their professional capabilities.

7.4 Building a Warm Workplace

- *Democratic Communication*

  The Group utilizes a variety of communication channels, including regular meetings, employee suggestion boxes, emails, and the annual Workers' Representative Conference to ensure employees' needs are met with timely and effective responses. During the reporting period, the Group increased the proportion of female employees among the worker representatives, fully listening to the needs and suggestions from female employees. Furthermore, the Group required all production and administrative units to hold monthly employee meetings to actively listen to employees' suggestions, exchange information on work situations, and share feedback. The Group also regularly conducts employee satisfaction surveys to ensure that employees' opinions and needs are effectively fed back and to make continuous improvements based on the survey results. Through these communication channels and feedback mechanisms, the Group is committed to creating an open and transparent working environment and enhancing employees' sense of belonging and participation.

Case: The Fourth Workers' Representative Conference of Tiangong International

During this reporting period, the Group held the Fourth Workers' Representative Conference, encouraging employees to actively participate in and contribute to the Group's development. A total of 130 worker representatives attended this congress. During the meeting, representatives proposed 421 suggestions covering various aspects such as enterprise management, product quality, employee care, and R&D innovation. Ultimately, 280 resolutions were passed, effectively enhancing the Group's management level.

- *Caring for Employees*

  Adhering to the principle that "those who strive for the Group shall share its fortunes and hardships," the Group is committed to providing comprehensive welfare guarantees for employees. These include free work meals, maternity rooms, regular health check-ups, purchasing extra commercial insurance such as "critical illness insurance," festival benefits, Spring Festival travel subsidies, and travel benefits. Additionally, the Group awards special bonuses to employees whose children are admitted to prestigious schools, helping to address the educational needs of children from non-local employees and extending the Group's warmth to their families.

  On special holidays and occasions, the Group offers considerate care for employees. For instance, on the "March 8th" International Women's Day, the Group arranges a half-day paid leave and welfare allowance for female employees to show respect and care. On employees' birthdays, we offer birthday benefits to bring warmth amidst their busy schedules. For nursing mothers, the Group provides one hour of paid rest daily, supporting their work-life balance and offering priority for job adjustments to meet their needs during this special period. Meanwhile, male employees are also entitled to paid leave during paternity leave.

  Furthermore, the Group pays special attention to the health and safety of frontline production employees. During the summer, "heatstroke prevention gift packs" are prepared for frontline staff to effectively reduce the risk of heatstroke and ensure their physical health in high-temperature environments. The Group also operates an employee cafeteria with a diverse menu. The main ingredients for the cafeteria are sourced from the Group's own production and supply, ensuring that employees enjoy nutritious and balanced meals during work hours. Cafeteria staff undergo regular health check-ups and work with health certificates. Tableware is disinfected after each meal to ensure the hygiene and safety of the meals and the health of employees.

Free medical examinations for female employees

The Group's union also has a support mechanism, serving as a strong backing for employees, always focusing on and helping to address the needs of employees in difficulty. The Group has established a Serious Illness Employee Aid Foundation, providing basic wage subsidies to employees with illnesses and special subsidies to those with serious illnesses. During the reporting period, the fund assisted 6 people in total, with a cumulative assistance amount of RMB100,000.

Comfort employees with serious illnesses

- *Diverse Activities*

  The Group is committed to enhancing the work atmosphere and team culture through a variety of cultural and sports activities, enriching employees' leisure lives while increasing their sense of happiness and belonging. The Group regularly holds staff games every two years, and organizes activities such as youth employee networking and book club every year in order to promote teamwork and collaboration among our staffs. Additionally, the Group encourages employees to organize clubs and regularly hold various cultural and sports activities to strengthen connections and communication among employees.

The 12th Workers' Games of the Group

Youth Reading Sharing Club

"Burn it! Body Builder" Fitness Activity

8 Practicing Responsible Procurement

For the Group, the supply chain is not only about the quality and stable supply of raw materials but also about establishing long-term stable relationships with high-quality suppliers. Therefore, the Group is committed to ensuring the robustness, efficiency, and sustainability of our supply chain through strict supplier management regulations and ESG risk control measures.

8.1 Supply Chain Compliance Management

The Group strictly adheres to laws and regulations such as the *Tendering and Bidding Law of the People's Republic of China* and the *Contract Law of the People's Republic of China*, and has formulated the *Supplier Management Regulations*, the *Regulations on Standardizing the Procurement and Price Accounting of Supplies*, the *Tender Work Management Regulations*, the *Procurement Management Regulations and Implementation Details (Trial Version)*, and other management systems to strengthen the supervision and management of procurement work, ensuring the fairness, justice, and transparency of tendering and procurement activities.

The Group established a comprehensive qualified supplier mechanism, setting clear requirements for the service qualifications and capabilities of all raw and auxiliary material and equipment suppliers, ensuring the quality and stability of raw material supply. The Group evaluates suppliers annually according to plan during the contract period, assessing product quality, service efficiency, after-sales support, management level, environmental management, and social performance, and strictly screens for major violations. Suppliers failing the evaluation will have their cooperation temporarily suspended and are required to rectify until the issues are fixed and evaluation repassed. For suppliers that do not meet the evaluation criteria, the Group actively takes corrective guidance measures, help suppliers develop corrective action plans, and monitor and evaluate the effectiveness of these measures in real time, striving to prevent similar issues from reoccurring. During the reporting period, all suppliers are screened based on the said mechanism and the Group had a total of 495 suppliers, including 30 A-category suppliers and 465 B-category suppliers[1].

[1] A-category Suppliers: Suppliers that provide secondary materials, including low-volume auxiliary materials and components; B-category Suppliers: Suppliers that provide auxiliary materials, with low purchase volumes and infrequent orders for components.

The Group regularly conducts supplier training and routine communication activities. Each year, the top 10 suppliers are invited to the annual meeting to share the Group's development strategy and enhance mutual communication. During the reporting period, the Group made progress in supplier diversification by onboarding more enterprises that meet relevant qualifications as raw material suppliers to further reduce costs, increase efficiency, and enhance supply chain efficiency.

8.2 Supply Chain ESG Management

The Group's *Supply Chain Management System* and *Supplier Code of Conduct* explicitly specifies the requirements for suppliers' environmental protection, labor and human rights management, and business ethics. These measures ensure that suppliers adhere to the Group's sustainability standards during cooperation, jointly building a fair, transparent, and healthy business environment. In advocating for green procurement, the Group gives priority to local suppliers to reduce waste emissions during the supply chain transportation process, creating a greener, lower-carbon, and more environmentally friendly supply chain.

In promoting transparent procurement, the Group requires all suppliers to sign the S*upplier Integrity and Honesty Commitment*, ensuring that during the cooperation process, suppliers strictly adhere to principles of integrity and honesty, jointly creating an atmosphere of sincere cooperation. Regarding conflict mineral management, the Group verifies the origin certificates of raw materials annually to ensure that no raw materials from conflict-affected regions are used. During the reporting period, the Group did not purchase raw materials from conflict mineral regions.

Regarding human rights risk management in the supply chain, the Group strictly manages human rights risks in the supply chain; if a supplier is found to be engaging in illegal activities such as employing child labor or forced labor, the Group will immediately terminate the cooperation, ensuring that the supply chain meets international labor standards and ethical norms.

9 Shouldering Social Responsibilities

The Group is committed to leveraging its resources and industry advantages to foster positive community relations and support public welfare and rural revitalization. Over the years, the Group has continuously contributed to rural education assistance and support for the disadvantaged, shouldering social responsibilities. During reporting period, the Group was awarded the title of "Jiangsu Province Charity Star" by the Jiangsu Charity Federation, recognizing our positive social welfare contribution.

9.1 Supporting Rural Revitalization

The Group leverages local characteristics and market demands to effectively guide resources into the long-term development and construction of rural areas. Through consumer assistance and agricultural donations, the Group increases villagers' income, addresses practical issues in rural areas, and contributes to the modernization of rural construction.

Case: Targeted Procurement, Assistance Through Consumption

Jinshan Village in Jurong City, Zhenjiang, Jiangsu Province, has a relatively large number of people living in poverty and individuals with disabilities, making life conditions quite challenging. To assist local villagers, the Group has specifically procured peanuts, sweet potatoes, and other agricultural products grown by Jinshan villagers. The Group also guided villagers in making wooden crates and paper boxes for product packaging and repurchased the finished products. During the reporting period, the Group provided a special donation of RMB60,000. Through these measures, the Group successfully established a sales and procurement platform with Jinshan Village, fostering a consensus on industrial development through village-enterprise co-construction and helping villagers increase their income.

9.2 Contribution to Community Development

The Group actively participates in the improvement efforts for the surrounding communities, aiming to form mutually beneficial relationships with local communities to support the development and prosperity of both the company and the communities.

Case: Visiting and Consoling the Danbei Town Nursing Home

During the reporting period, the Group organized a volunteer team to visit the Danbei Town Nursing Home to conduct a consolation activity. The volunteers presented gifts to the elderly residents, conveying love and warmth.

The Group has also maintained close communication with numerous universities, colleges, and schools, continuously focusing on and supporting the development of educational teaching activities.

- In 2007, the Group established the "Tiangong Development Scholarship" at Nanjing Normal University.
- In 2020, the Group set up the "Nanjing University Tiangong International Scholarship and Aid Fund" at Nanjing University.
- In 2022, the Group donated RMB1 million to the Danyang Charity Federation, marking the largest single corporate donation the Charity Federation received in nearly three years.
- In 2022, the Group donated 5 milling and grinding machines and 200 sets of practice training uniforms to Zhongbei College.
- In 2023, the Group donated a total of RMB3 million to society, including scholarships, contributions to the Charity Federation, and support for the underprivileged.
- In 2024, the Group continued to donate RMB1 million to the "Nanjing University Tiangong International Scholarship and Aid Fund."

The donation ceremony for the Nanjing University
Tiangong International Scholarship and Aid Fund

Case: Donating Scholarships to Support Education

Danbei Experimental Junior High School in Danyang City is a newly established junior high school. During the reporting period, the Group, adhering to the principle of "supporting education and giving back to society," donated RMB120,000 to the school to improve the teaching environment and update teaching facilities, supporting the development of education.

10 Improving Corporate Governance

The Group adhered to the principle of integrity and law-abiding, established a sound compliance and internal control system, continuously improved the ability to identify and cope with risks, enhanced employees' awareness and emphasis on integrity and self-discipline. The Group maintained a zero-tolerance stance towards any illegal or non-compliant actions, so as to build up the compliance foundation for the sustainable development of the Group.

10.1 Enhancing Compliance and Internal Control

The Group established a comprehensive compliance and internal control management mechanism, formulating the *Legal Affairs Department Management System*, *Internal Audit System*, and *Contract Management System*. Through the collaborative management of the operational, legal and internal audit departments, and the continuous optimization of various system norms and management processes, it ensures the smooth progress of corporate compliance and internal control matters, preventing any actions that may harm the interests of the Group and safeguarding the Group's legitimate rights and interests.

The internal audit department mainly audits key matters such as internal control, financial status and trade security, and makes recommendations for improvement. The internal audit department rotates every 3-5 years to maintain the fairness and objectivity of supervision. During the reporting period, the Group completed 15 internal audit tasks, and all relevant rectification recommendations have been fully implemented.

10.2 Adhering to Business Ethics

The Group adheres to the principle of integrity and maintain a zero-tolerance stance towards any form of illegal acts such as corruption, bribery, extortion, money laundering, and fraud and any other forms of illegal behavior, committing to establishing a fair, transparent and healthy business environment. The Group strictly follows the *Criminal Law of the People's Republic of China, Anti Money Laundering Law of the People's Republic of China*, and *Anti Unfair Competition Law of the People's Republic of China* among other relevant laws and regulations. In conjunction with the regulatory requirements of the locations where business operations are conducted, the Group formulated and implemented the *Tiangong International Company Limited Code of Business Conducts* to enhance employee awareness on business ethics. The Group also formulated the *Employee Integrity and Self-discipline Management Regulations* and other relevant laws and regulations. These regulations clarify the meaning and requirements of various aspects such as discrimination, harassment, conflict of interest, insider trading, bribery and corruption, fair trading and social responsibility. Additionally, the Group required all employees to sign the *Employee Integrity Agreement* to ensure that every employee can uphold the mutual interests of the Group and its employees. Furthermore, the Group requires employees in key positions to sign the *Employee Integrity and Self-discipline Commitment Letter* and the *Responsibility Letter for Employees Assigned to Overseas Companies (Branches)* to further strengthen their awareness of integrity responsibilities.

The Group regularly reviews and evaluates business activities to promptly identify possible business ethics risks and problems, make recommendations for improvement and check the status of rectification to ensure that business activities comply with the requirements of the code of conducts. The Group has also established a business conduct reporting mechanism and the *Regulations on Complaints, Reporting and Appeal Management* to encourage employees and other stakeholders to actively report violations of the code of business ethics. For employees who violate the Code of Business Conducts, the Group will take appropriate internal punitive measures depending on the nature and severity of the violation. In the event that a report is received, the Group will immediately initiate an investigation process and handle the matter in accordance with the law. In addition, the Group protects employees or stakeholders who make complaints and monitors them by the Group's employee representatives and labor unions, and strictly prohibits any retaliation or discriminatory actions such as disciplinary action, punishment or dismissal. During the reporting period, the Group did not receive any reports or complaints of non-compliance (including corruption, harassment, discrimination, etc.) and there were no non-compliance case in relation to anti- corruption-related laws and regulations brought against the Group or its employees.

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To enhance employees' awareness of the importance of integrity and self-discipline and better implement the rules of integrity and self-discipline, the Group holds monthly integrity learning meetings for middle and senior management including directors, supervisors, senior management, financial executives, managers, factory directors of branch plants, and workshop directors, etc. For new employees, the company organizes systematic training on professional ethics and moral standards during their onboarding process. Additionally, the Group invites external experts to conduct relevant training sessions from time to time. In 2024, the coverage rate of anti-corruption and business ethics training for directors reached 100%. The Group also advocates that suppliers, partners, and other stakeholders actively conduct business ethics training and encourages and supports them in establishing effective business ethics standards and enforcement mechanisms.

Case: Internal Training on Major Types of Employee Occupational Crime and Prevention Strategies

In 2024, the Group conducted a training session titled "Starting Well in Your Career and Taking Every Step Seriously — Also on the Prevention of Occupational Crime Education and Training" for all middle-level and above managers, covering nearly 400 participants. Using case-based explanations, the Group educated employees about the nine major types of occupational crime, the main causes of employee occupational crime, and strategies for strengthening the prevention of occupational crime. This initiative aimed to reinforce employees' awareness of laws and discipline, ensuring they are well-versed in and adhere to integrity management requirements.

Case: Special Legal Education and Training on Preventing Occupational Crime

To strengthen the legal awareness of key position management, in 2024, the Group conducted a special legal education and training session titled "Never Crossing the Unbreachable Red Line, Maintain Professional Integrity — Tiangong International Special Legal Education and Training on Preventing Occupational Crime" for key position management employees, including chairmen, general manager, factory directors, workshop directors, and those in external liaison roles, covering nearly 400 participants. The training featured a special lecture by a police officer from the Economic Crime Investigation Brigade of Danyang Public Security Bureau. Using case-based explanations, the Group educated employees about the legal knowledge related to occupational crime, its severe consequences, and how to prevent it. This session profoundly alerted all personnel to the importance of "respecting, learning, and abiding by the law" and the significance of fulfilling their duties in compliance with laws and regulations.

10.3 Ensuring Information Security

The Group strictly adheres to laws and regulations such as the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, and the *Personal Information Protection Law of the People's Republic of China*. The Group formulated the *Information Security Management System* to prevent system data leakage, illegal intrusion, and tampering risks, thereby building a robust information security defense. An Information Security Management Leadership Group was established to oversee information security management, with the leader responsible for the Group's information technology serving as the group leader, and vice presidents and department heads as members to implement relevant tasks. The Data Center is responsible for the daily security management and operation of information systems, assisting in the formulation, revision, and improvement of information security regulations.

The Group implements comprehensive data security measures, including local, off-site, and private cloud backups, restricting external visitor access, and deploying real-time data protection with firewalls and vulnerability scanning. The Group also effectively distinguishes between business networks and internal networks to prevent potential security threats and enhance the reliability of network support for business operations.

Annual information security training is conducted for key staff, covering requirements for secure information system usage and confidentiality regulations. During the reporting period, the Group did not experience any information security-related incidents such as data leaks.

TG Tools Information Security Featured Training

ESG Key Performance Indicators[2]

Environmental[3]

Indicator Name	Unit	2023	2024
Pollutant Emissions			
Exhaust Gas [4]			
Sulfur oxide emissions	tonnes	1.88	**3.51**
Nitrogen oxide emissions	tonnes	31.44	**34.68**
Particulate matter emissions	tonnes	13.35	**16.31**
Wastewater			
Total wastewater discharge [5]	tonnes	96,092.00	**69,716.00**
Chemical oxygen demand (COD) emissions	tonnes	2.08	**1.54**
Ammonia Nitrogen (NH_3-N) Emissions	tonnes	0.07	**0.05**
Waste			
Total amount of waste	tonnes	36,281.42	**38,427.18**
Total amount of non-hazardous waste	tonnes	31,335.88	**36,690.26**
Melting slag	tonnes	31,200.00	**33,500.00**
Other	tonnes	637.52	**819.96**
Non-hazardous waste discharge intensity	tonnes/RMB10,000 of revenue	0.07	**0.08**
Total amount of hazardous waste	tonnes	1,250.46	**1,786.88**
Waste acid solution	tonnes	0.15	**0.05**
Other hazardous waste	tonnes	1,250.31	**1,734.55**
Hazardous waste discharge intensity	tonnes/RMB10,000 of revenue	0.003	**0.004**
Greenhouse Gas Emissions [6]			
Scope 1: Direct emissions	tonnes of CO_2e	60,614.62	**64,947.76**
Scope 2: Indirect emissions	tonnes of CO_2e	276,626.93	**286,663.99**
Total GHG emissions	tonnes of CO_2e	337,241.55	**351,611.75**
Total GHG emissions intensity	tonnes of CO_2e/ RMB10,000 of revenue	0.65	**0.73**

2 During the reporting period, the Group further improved and enriched its ESG indicator system for the purpose of consolidating and refining ESG management, and therefore new indicators are disclosed in this ESG KPI table.

3 With the continuous improvement of its data management and monitoring systems, the Group has retrospectively updated the scope of its 2023 environmental data to align with the disclosure scope of its annual report as a listed company.

4 The Group strictly adheres to national and local laws and regulations, and sets targets for compliant emissions of exhaust gas, wastewater, and waste. During the reporting period, the Group's emissions complied with regulatory requirements.

5 The total amount of wastewater discharged includes the amount of wastewater generated from the recycling water of the smelting plant.

6 The calculation of GHG emissions from natural gas and diesel in the Group shall refer to the Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions of Chinese Steel Production Enterprises (Trial); the calculation of GHG emissions from gasoline shall refer to the Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions of Land Transport Enterprises (Trial); the calculation method and relevant coefficients of GHG emissions generated by the use of electricity refer to the notice issued by the Ministry of Ecology and Environment on the management of GHG emission reports for enterprises in the power generation industry from 2023 to 2025, which specifies a national average emission factor of 0.5703 tons of carbon dioxide per megawatt hour for the power grid.

Indicator Name	Unit	2023	2024
Energy Use			
Diesel consumption	litres	181,548	**187,330**
Natural gas consumption	cubic metres	25,681,600	**27,983,497**
Direct energy consumption	MWh	277,812.76	**304,482.53**
Purchased electricity	MWh	485,055.11	**540,823.99**
Photovoltaic electricity generation[7]	MWh	6,814.52	**6,939.10**
Indirect energy consumption (Electricity consumption)	MWh	491,869.63	**547,763.09**
Total energy consumption	MWh	769,682.40	**852,245.62**
Energy consumption intensity	MWh/RMB10,000 of revenue	1.49	**1.76**
Water Resources			
Water consumption	cubic meters	550,727	**510,265**
— Municipal water	cubic meters	265,841	**269,641**
— Surface water	cubic meters	284,886	**240,624**
Water consumption intensity	cubic meters/RMB10,000 of revenue	1.07	**1.06**
Packaging Material			
Packaging material consumption	tonnes	3,435.40	**3,556.00**
Paper	tonnes	505.25	**510.80**
Metal	tonnes	1,778.80	**1,879.19**
Plastic	tonnes	182.55	**186.00**
Wood	tonnes	968.80	**980.00**
Packaging material intensity	tonnes/RMB10,000 of revenue	0.007	**0.007**
Green Logistics			
Rail transport product ratio	%	0.50	**0.50**
Waterway transport product ratio	%	32.70	**49.89**
Air transport product ratio	%	0.40	**0.40**

7 The photovoltaic power generation is included in the total energy consumption data during the reporting period.

Social

Indicator Name	Unit	2023	2024
Employee Basic Information [8]			
Number of employees (as at the end of the Reporting Period)	no. of employees	3,517	**3,527**
New jobs created during Reporting Period	no. of employees	559	**423**
Graduates employed during Reporting Period	no. of employees	65	**74**
Annual employee satisfaction rate	%	/	**98**
By gender			
Male	no. of employees	2,357	**2,564**
Female	no. of employees	1,160	**963**
By employment type			
Full-time	no. of employees	3,517	**3,527**
Part-time	no. of employees	0	**0**
By age group			
Under 30 years old	no. of employees	517	**466**
30–50 years old	no. of employees	1,950	**1,964**
Above 50 years old	no. of employees	1,050	**1,097**
By geographical region			
Mainland China	no. of employees	3,431	**3,421**
Hong Kong, Macau and Taiwan	no. of employees	1	**1**
Overseas	no. of employees	85	**105**
By education			
Undergraduate	no. of employees	/	**289**
Master	no. of employees	/	**22**
PhD	no. of employees	/	**3**
Other educational qualifications	no. of employees	/	**3,213**
By position grade[9]			
Senior management	no. of employees	/	**20**
Middle management	no. of employees	/	**218**
General employees	no. of employees	/	**3,289**

8 The coverage of employee data disclosed by the Group is consistent with the disclosure scope of the 2024 annual report.

9 The senior management of the Group is defined as assistant factory level and above, the middle management is defined as department level and director level, and general employees are defined as accounting level and general administrative personnel.

Indicator Name	Unit	2023	2024
Employee Turnover Rate [10]			
Annual employee turnover rate	%	6.51	**4.22**
By gender			
Male	%	6.91	**4.30**
Female	%	5.69	**3.62**
By age group			
Under 30 years old	%	15.52	**1.99**
30–50 years old	%	2.45	**4.84**
Above 50 years old	%	8.77	**5.65**
By geographical region			
Mainland China	%	6.66	**1.03**
Hong Kong, Macau and Taiwan	%	0.00	**0**
Overseas	%	0.00	**0**
Training and Development			
Employee training coverage rate[11]	%	100	**100**
Average training hours completed per employee [12]	hours	30	**36**
Percentage of employees who receive regular performance and career development evaluations among the entire staff	%	100	**100**
Employee training hours by gender [13]			
Male	hours	32.00	**36.31**
Female	hours	25.00	**28.37**
Employee training coverage rate by gender [14]			
Male	%	67.02	**70.87**
Female	%	32.98	**29.13**
Employee training coverage rate by employee category			
Senior management	hours	1.71	**1.08**
Middle management	hours	14.13	**14.61**
General employees	hours	84.16	**84.31**
Employee training coverage rate by employee category			
Senior management	%	1.71	**1.08**
Middle management	%	14.13	**14.61**
General employees	%	84.16	**84.31**

10 The calculation for employee turnover rate for each employment types is the number of employees turnover of the category/(the number of employees of the category at the end of the period + the number of employees turnover of the category during the reporting period) * 100%.

11 The calculation for the percentage of trained employees is the number of trained employees/total number of employees * 100%.

12 The calculation for the average training hours of employees is the total training hours of employees/total number of employees.

13 The calculation for the average training hours of employees for each employment type is the total training hours of employees in that employment type divided by the total number of employees in that employment type.

14 The calculation for the percentage of trained employees for each employment type is the number of trained employees in that category/total number of trained employees * 100%.

Indicator Name	Unit	2023	2024
Diversity, equality and inclusiveness			
Labor contract signing rate	%	/	**100**
Social insurance coverage rate	%	/	**100**
Coverage rate of physical examination and health records	%	/	**100**
Number of disabled individuals supported in employment	persons	/	**0**
Proportion of women among management personnel	%	/	**27.68**
Percentage of female employees holding junior management positions	%	/	**72.35**
Percentage of female employees holding intermediate management positions	%	/	**26.27**
Percentage of female employees holding senior management positions	%	/	**1.38**
Percentage of female employees holding management positions in revenue generating functional departments	%	/	**48.63**
Percentage of female employees in STEM related positions	%	/	**16.67**
Proportion of mainland employees participating in trade unions	%	/	**100**
Supplier Management			
Number of suppliers	no. of suppliers	485	**495**
By geographical region			
Mainland China	no. of suppliers	480	**490**
Hong Kong, Macau and Taiwan	no. of suppliers	2	**2**
Overseas	no. of suppliers	3	**3**
Number of suppliers by class			
Core suppliers	no. of suppliers	183	**183**
Non-core suppliers	no. of suppliers	302	**312**
Percentage of suppliers certified by ISO 9001	%	75.50	**75.50**
Percentage of suppliers certified by ISO 14001	%	45.60	**45.60**
Percentage of suppliers certified by ISO 45001	%	12.50	**12.50**
Percentage of suppliers certified by IATF 16949	%	8.80	**8.80**

Indicator Name	Unit	2023	2024
Product Responsibilities and Customer Services			
Annual customer satisfaction rate	%	93.14	**95.10**
Number of products and service-related complaints received	cases	69	**139**
Rate of products and service-related complaints resolved	%	100.00	**100**
Product inspection pass rate	%	/	**94.80**
The proportion of products sold that need to be recalled due to safety and health reasons	%	0	**0**
The total number of illegal and irregular incidents related to health and safety, labeling, and other aspects of the products and services provided	cases	0	**0**
The total number of illegal and irregular incidents in market promotion	cases	0	**0**
Technological Innovation and Intellectual Property			
Number of R&D personnel	persons	/	**455**
Number of patent applications filed	items	69	**89**
Number of authorized patents obtained	items	61	**57**
Accumulated patent quantity	items	263	**277**
Occupational Health and Safety			
Work-related injury and fatalities			
Number of work-related fatalities	person	0	**0**
Rate of work-related fatalities	%	0.00	**0.00**
Lost days due to work injury	days	0	**0**
Safety production training			
Safety production training sessions	sessions	87	**92**
Participants in safety production training	persons	2,798	**2,808**
Total hours of safety production training	hours	174	**183**
Safety production training coverage rate	%	100.00	**100.00**
Public Welfare, Charity and Community Activities			
Total amount of outgoing donations	RMB10,000	/	**398.78**
Total duration of employee participation in public welfare volunteer activities	hours	/	**180**

Governance

Indicator Name	Unit	2023	2024
Business ethics			
Number of corruption lawsuits filed and concluded against the issuer or its employees during the reporting period	cases	0	**0**
Number of employees punished or dismissed for violating anti-corruption policies	persons	0	**0**
Fines, penalties, or settlement costs related to corruption	RMB10,000	0	**0**
Total duration of anti-corruption training	hours	/	**21**
Director anti-corruption training			
Number of directors participating in anti-corruption related training	persons	/	**13**
Coverage rate of anti-corruption related training for directors	%	/	**100**
The average duration of directors' participation in anti-corruption training	hours	/	**0.5**
Employee anti-corruption training			
Number of employees participating in anti-corruption related training	persons	/	**3,439**
Coverage rate of anti-corruption related training staff	%	/	**96.1**
The average duration of employees participating in anti-corruption training	hours	/	**0.5**

Executive Directors

Mr. ZHU Xiaokun, aged 68, is an Executive Director and the Chairman of the Company. He is responsible for the overall business development strategy of the Group and has over 30 years of experience in special steel and cutting tools industry. Mr. Zhu graduated from the Economic and Management Department of Jiangsu Open University. In 1984, he joined Danyang Houxiang Television Antenna Factory (the predecessor of Jiangsu Tiangong Group Company Limited ("TG Group")) as the general manager. He led the factory to transform from a television antenna factory to an enterprise of HSS cutting tools in 1987 and also subsequently to expand to include the production of HSS in 1992, the production of DS in 2005 and the production of titanium alloy in 2012. He has been acting as the Chairman of the Group since July 1997. In 1998, he was awarded as a National Township Factory Manager, named as a National Township Entrepreneur in 2004 by Ministry of Agriculture, awarded as Model of Work Force in the Jiangsu Province in 2006, Model of the National Steel Industry Work Force in 2008, Top Ten Annual Jiangsu Businessman in 2010, "Most Benevolent Model" on Charitable Donations in Jiangsu Province in 2011, awarded National Labor Medal in 2012, continuously awarded of "Most Honored Business Leader of the Twelfth Five-year Plan in Jiangsu" in 2013 to 2015 and awarded of "National Model Worker" in 2015. Mr. Zhu is the representative of the Thirteenth National People's Congress. Mr. Zhu is the father of the Chief Executive Officer of the Company and the Chief Investment Officer of the Group, Mr. Zhu Zefeng.

Mr. ZHU Zefeng, aged 43, is an Executive Director, the Chief Executive Officer of the Company and the Chief Investment Officer of the Group. He graduated with advanced diploma in Business Operation Management from the Durham College, Canada. He joined the Company as management trainee in January 2016 to acquire the relevant experience and knowledge of the manufacturing process of the Group's products. He is also involved in investigation and investment project on downstream subcontractor. Prior to his joining, he worked for TopTech Tools Manufacturing Inc. as an operation manager, with over 7 years of experience in overlooking and integration of upstream and downstream operation of its special steel business. His prime focus is to execute the Group's future investment strategy, in particular, in the integration of upstream and downstream component of the supply chain of the Group's existing business, as approved by the Board from time to time. He is also a director of TG Tech, a subsidiary of the Company, which securities are quoted on NEEQ and listing on Beijing Stock Exchange is being sought. Mr. Zhu is the son of the Executive Director and Chairman of the Company, Mr. Zhu Xiaokun.

Mr. WU Suojun, aged 52, is an Executive Director of the Company and the General Manager of TG Tools. Mr. Wu joined the Group in 1993 as a workshop officer. He is in charge of the purchase, sales, production and operation management of HSS and DS. He is also responsible for the security and environmental works.

Mr. JIANG Guangqing, aged 60, is an Executive Director of the Company. He graduated from Aerospace Industry 061 Base Technical School (航天工業零六一基地技工學校), joined the Group in 1993 and currently is the special assistant of the general manager. He is in charge of the production, operation and management of cutting tools.

Independent Non-Executive Directors

Mr. LEE Cheuk Yin, Dannis, aged 54, joined the Company as an Independent Non-executive Director in 2010. He obtained the Bachelor of Business Administration from Texas A & M University, the USA. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. He possesses over 20 years of experience in accounting and auditing field. Mr. Lee is currently a managing director of DLK Advisory Limited, and is an independent non-executive director of CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited, Stock Code of HKEx: 1141), Cathay Group Holdings Inc. (Formerly known as Cathay Media and Education Group Inc.) (Stock Code of HKEx: 1981), C&D Property Management Group Co., Ltd. (Stock Code of HKEx: 2156) and Luen Thai Holdings Limited (Stock Code of HKEx: 0311). He was an independent non-executive director of U-Home Group Holdings Limited (Stock Code of HKEx: 2327) (resigned in 2015), Southern Energy Holdings Group Limited (formerly known as China Unienergy Group Limited, Stock Code of HKEx: 1573) (resigned in 2019) and Geely Automobile Holdings Limited (Stock Code of HKEx: 175) (resigned in 2022), and an independent director of Gridsum Holding Inc. (GSUM.US) (resigned in 2021).

Mr. WANG Xuesong, aged 53, joined the Company as an Independent Non-executive Director in 2016. He is a holder of a Bachelor's Degree in Electronic Engineering from the Tsinghua University and a Master's Degree of Business Administration from the Columbia University. Mr. Wang has been the project manager of Sun Microsystems, Inc., responsible for the development of the world's leading fourth and fifth generations of UltraSPARC CPU chips. He has been awarded the second class National Science Progress Award of the People's Republic of China with his development in 32-bit slot in CPU technology. He has over 10 years of management and engineering experience in various industries in Silicon Valley in the United States and in China. Further, Mr. Wang has nearly 20 years of operating and investment experience in the United States and China. He has been a principal of China Renaissance Capital Investment, where he was responsible for private equity investments. He has also been an executive director and a senior investment member of China Everbright Investment and Assets Management Co., Ltd. Mr. Wang was a co-founding partner of Everbright ReinFore in 2013 and is currently a member of the firm's Investment Committee.

Ms. QIN Ke, age 62, appointed as an Independent Non-executive Director on 19 June 2024 (Note). She graduated from the Materials Department of University of Science and Technology Beijing (formerly Beijing Iron and Steel Institute) majoring in Metal Materials Science and Engineering. Since August 1996, she served as deputy secretary-general, executive deputy secretary-general and secretary general of China Mold Industry Association* (中國模具工業協會), and is currently the executive vice president and secretary-general of China Mold Industry Association* (中國模具工業協會). Since 2012, she was appointed as the deputy director of the National Mold Standardization Technical Committee* (全國模具標準化技術委員會). She was an independent director of Ningbo Heli Technology Co., Ltd.* (寧波合力科技股份有限公司) (formerly known as Ningbo Heli Mold Technology Co., Ltd.* (寧波合力模具科技股份有限公司)) (Shanghai Stock Exchange stock code: 603917) from January 2017 to January 2023. She was also a director of China Model Cloud (Ningbo) Technology Co., Ltd.* (中模雲(寧波)科技有限公司) from August 2020 to February 2023. From May 2019 to December 2023, she was an independent director of Ningbo Fangzheng Automotive Mold Co., Ltd.* ("Ningbo Fangzheng") (寧波方正汽車模具股份有限公司) (Shenzhen Stock Exchange stock code: 300998). She is currently an independent director of Shangda Xinlun Material Technology (Shanghai) Co., Ltd.* (上大鑫侖材料科技(上海)有限公司) (appointed on December 2021) and an independent director of Ningbo Zhenyu Technology Co., Ltd.* (寧波震裕科技股份有限公司) (Shenzhen Stock Exchange stock code: 300953) (appointed on November 2018).

Note: Ms. Qin Ke received a total of 2 hours of director's training from the Company's Hong Kong legal adviser on 22 March 2024. Ms. Qin confirmed that she understood her obligations as a director of a listed company.

Mr. GAO Xiang, aged 81, joined the Company in 2007 as an Independent Non-Executive Director (resigned on 19 June 2024). In July 1966, he graduated from Wuhan Institute of Mechanics, majoring in production craftsmanship of machines and equipment. He is a senior engineer. Under his leadership, the study of twist drill extrusion technology by Chengdu Tools Research Institute was honoured with Third Class Award of Technical Findings of the Ministry of Mechanics. His achievements are widely recognized in the industry, and he has been granted special government subsidy by the State Council since 1999 as a result of such achievements.

Senior Management

Mr. JIANG Rongjun, aged 61, is an Executive Director and the General Manager of TG Tech. He joined the Group in 1985 as a workshop officer. Mr. Jiang is currently in charge of the production, sales and management of titanium alloy plant.

Mr. LIAO Jun, aged 59, is the Chief Technology Officer of the Group. He graduated from the College of Materials Science and Engineering of Chongqing University and acquired an Executive MBA from Shanghai Jiao Tong University in 2008. Prior to joining the Company in July 2014 as head of innovation and technology department, he worked as deputy chief of technical section of Shanghai No. 5 Steel Co., Ltd. He then served as deputy head of technical center of China Bao Steel Group and director of its branch steel plant. He has over 30 years of experience in special steel production and technology innovation. Mr. Liao is taking the responsibility of the Company's technology advance and development in order to enhance the product grading, technical specification and quality control.

Mr. WANG Gang, aged 41, is the Chief Financial Officer of the Group. He graduated with a master's degree from the Royal Institute of Technology, Sweden. He is a member of The Chinese Institute of Certified Public Accountants. Prior to joining the Group in August 2015, he worked in KPMG Hong Kong and KPMG China and was promoted to the position of audit manager of KPMG China. Mr. Wang then joined TG Group as chief accountant in 2014. He was appointed as a director and the financial controller of TG Tech from August 2015 and subsequently resigned from the position of financial controller in TG Tech in January 2017, in preparation for the appointment as the Chief Financial Officer of the Company. Mr. Wang has over 10 years of experience in the fields of finance, auditing, accounting and administration and is familiar with the business and operation of the Group.

Mr. LEE Johnly, aged 45, is the Financial Controller and Company Secretary of the Company. Mr. Lee joined the Group in July 2015 and has over 15 years of experience in the field of finance, auditing, accounting and administration, including working in the assurance and advisory business services department of Ernst & Young Certified Public Accountants. Mr. Lee graduated with a Bachelor's Degree in Accountancy from the Hong Kong Polytechnic University. He is a member of The Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

The Group strives to attain and maintain high standards of corporate governance and to apply the principles set out in the Corporate Governance Code (the "Code") set out in Appendix C1 to the Listing Rules as it believes that good corporate governance practices are fundamental to the Group's development and essential for safeguarding shareholders' interests. To achieve this objective, the Group strengthens its internal policies and procedures, provides continuous training to its staff and increases the transparency of its operation and accountability to all shareholders. The Group is committed to improving this practice and maintaining an ethical corporate culture. During the year ended 31 December 2024, the Group has complied with the applicable principles and code provisions set out in the Code.

The Board

The Board's primary role is to secure and enhance long-term shareholder value. It focuses on the Group's overall strategic policy and provides proper supervision to ensure effective management and to achieve sound returns for its shareholders. The Board has delegated the authority and responsibility for implementing business strategies and management of the daily operations of the Group's business to the management. The Board is mainly responsible for developing long term objectives and strategy of the Group, monitoring operation performance and results, monitoring performance of the management, establishing dividend policy and reviewing significant investment plans and decisions. The Board meets at least four times a year and additional meetings are held when required to discuss significant events and issues.

The Board is responsible for determining the policy for corporate governance of the Company and performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Code.

Corporate governance duties performed by the Board during the year were covered in the below sections of the corporate governance report.

The company secretary of the Company (the "Company Secretary") assists the Chairman in preparing the agenda for Board meetings and all Directors shall have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed. All Directors can give notice to the Chairman of the Board or the Company Secretary if they intend to include matters in the agenda for Board meetings. Regular board meetings are held with at least 14 days' advance notice, and all Directors would be served with an agenda with supporting papers at least 3 days before the intended date of a Board meeting, so as to ensure that there is timely access to relevant information. The Group ensures that all the Board members are informed of the Group's latest developments and thereby assists them in the discharge of their duties. Procedures have been agreed by the Board to enable the Directors to seek independent professional advice, at the Company's expense.

Number of Meetings and Directors' Attendance

	Attendance/Number of Board Meetings			
Name of Director	**Board Meeting**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Mr. Zhu Xiaokun *(Chairman)*	6/6	N/A	1/1	1/1
Mr. Zhu Zefeng	6/6	N/A	N/A	N/A
Mr. Wu Suojun	6/6	N/A	N/A	N/A
Mr. Jiang Guangqing	6/6	N/A	N/A	N/A
Mr. Lee Cheuk Yin Dannis	6/6	3/3	1/1	1/1
Mr. Wang Xuesong	6/6	3/3	1/1	1/1
Ms. Qin Ke (appointed on 19 June 2024)	2/2	2/2	0/0	0/0
Mr. Gao Xiang (resigned on 19 June 2024)	4/4	1/1	1/1	1/1

General Meetings With Shareholders

The Company's annual general meeting provides a useful platform for direct communication between the Board and its shareholders. Separate resolutions are proposed on each substantially separate issue at the general meetings.

The annual general meeting ("AGM") was held on 19 June 2024. Mr. Zhu Xiaokun acted as the chairman of the AGM.

The attendance records of the Directors at the shareholders' meeting held in the year 2024 are set out below:

	AGM
Executive Directors	
Mr. Zhu Xiaokun *(Chairman)*	–
Mr. Zhu Zefeng	✓
Mr. Wu Suojun	–
Mr. Jiang Guangqing	–
Independent non-executive Directors	
Mr. Lee Cheuk Yin Dannis	✓
Mr. Wang Xuesong	✓
Ms. Qin Ke (appointed on 19 June 2024)	✓*
Mr. Gao Xiang (resigned on 19 June 2024)	✓*

* Ms. Qin Ke and Mr. Gao Xiang attended the AGM by way of video conference.

Minutes of the Board and Board Committees which record in sufficient detail the matters considered by the Board and the Board Committees and their decisions reached, including any concerns raised by Directors or dissenting views expressed are taken by the Company Secretary. Such minutes of the Board and Board Committees, together with supporting papers, are open for inspection following reasonable notice by any Director. Draft and final versions of minutes were sent to all Directors for their comment and records within a reasonable time after the relevant meeting was held. The Company has arranged appropriate insurance cover on Directors' liabilities in respect of legal actions against them arising from corporate activities.

Composition of the Board

As at the date of this report, the Board comprises four Executive Directors (Mr. Zhu Xiaokun, Mr. Zhu Zefeng, Mr. Wu Suojun and Mr. Jiang Guangqing), and three Independent Non-Executive Directors (Mr. Lee Cheuk Yin, Dannis, Mr. Wang Xuesong and Ms. Qin Ke). Biographical details of the Directors as at the date of this report are set out on pages 97 to 99 of this annual report.

Independent Non-Executive Directors account for more than one-third of the members of the Board. The Independent Non-Executive Directors come either from the steel industry or have related professional background, bringing valuable expertise and experience that promotes the best interests of the Company and its shareholders. The role of the Independent Non-Executive Directors is to provide independent and objective opinions to the Board for its consideration, take the lead where potential conflicts of interests arise, serve on the audit, remuneration and nomination committees and scrutinise the Company's performance in achieving agreed corporate goals and objectives, and monitor the reporting of performance. The Company has received an annual confirmation of independence from each of the Independent Non-Executive Directors. The Company is of the view that all the Independent Non-Executive Directors meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and considers each of them to be independent.

The Company had adopted a Board diversity policy aiming to set out the approach to achieve the diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members.

The Nomination Committee will follow a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service, with the aim to develop a pipeline of potential successors to the Board to achieve diversity in all respect. The ultimate decision will be made upon the possible contribution that the selected candidates will bring to the Board.

The Nomination Committee considered that the current composition of the Board is balanced in terms of diversity and is able to meet the objectives of the Board. The Board's diversity provides the Company with experienced individuals and professionals with proven and extensive industry experience whose opinions and expertise are useful for the decision-making of the Board and the implementation of its business directives.

As at 31 December 2024, the ratio of women to men of the employees of the Group was approximately 27:73. The Group also recognises and embraces the benefits of having a diverse workforce and targets to hire with achieving a balance on diversity in mind.

Directors and Company Secretary's Continuous Training and Development

Directors also participate in continuous professional development to develop and refresh their knowledge and skills. The Company has from time to time provided information and updates to the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements so as to ensure the Directors are in compliance with good corporate governance practices.

During the year ended 31 December 2024, all Directors have been provided with and read seminar materials covering topics including the Code, the disclosure of inside information and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements to refresh their knowledge and to facilitate the discharge of their responsibilities. Each of the Directors has provided to the Company his records of training received during the financial year ended 31 December 2024.

The participation by individual Directors in the continuous professional development during the year is recorded in the table below:

	Attending training, seminars, conference or forums	Reading materials, journals and updates relating to corporate governance, regulatory development and other relevant topics
Executive Directors		
Mr. Zhu Xiaokun	✓	✓
Mr. Zhu Zefeng	✓	✓
Mr. Wu Suojun	✓	✓
Mr. Jiang Guangqing	✓	✓
Independent non-executive Directors		
Mr. Lee Cheuk Yin Dannis	✓	✓
Mr. Wang Xuesong	✓	✓
Ms. Qin Ke (appointed on 19 June 2024)	✓	✓
Mr. Gao Xiang (resigned on 19 June 2024)	✓	✓

For the financial year ended 31 December 2024, the Company Secretary has taken no less than 15 hours of relevant professional training.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Zhu Xiaokun, and the Chief Executive Officer is Mr. Zhu Zefeng. The Chairman's and the Chief Executive Officer's roles and responsibilities are clearly defined to ensure their independence and a balance of power and authority. The Chairman of the Board provides leadership for the Board and he is responsible for the overall management of the Board and monitoring the Group's business strategies, while the Chief Executive Officer is responsible for the Group's day-to-day management in accordance with the instructions issued by the Board and operating the business of the Group and implementing policies and strategies adopted by the Board. Save as disclosed in the section "Directors & Senior Management" of this report, there is no relationship (including financial, business, family or other material/relevant relationship(s) among the Directors.

In 2024, the Chairman has held a meeting with the Independent Non-Executive Directors without the Executive Directors being present.

Appointment, Re-election and Removal of Directors

Ms. Qin Ke was appointed as an Independent Non-executive Director following the resignation of Mr. Gao Xiang on 19 June 2024. A person may be appointed as a member of the Board at any time either by shareholders' resolutions in general meetings or by resolutions of the Board upon recommendation by the Nominations Committee of the Company. New Directors appointed by the Board during the year are required to retire and submit themselves for re-election at the first general meeting immediately following their appointments.

Each newly appointed Director is provided with induction material on the first occasion of his/her appointment, so as to ensure that he/she has an appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules, code of conduct and other relevant regulatory compliance requirements. Ms. Qin Ke had accordingly been provided with induction material prior to her appointment. Ms. Qin Ke had also obtained the legal advice as referred to in Rule 3.09D of the Listing Rules on 22 March 2024 and confirmed she understood her obligations as a director of a listed issuer.

All Directors are required to retire by rotation at least once every three years at the annual general meeting, subject to re-election by the shareholders. All Non-Executive Directors (including Independent Non-Executive Directors) are appointed for a term of not more than three years.

Board Committees

The Board has established three Board Committees to oversee different aspects of the Company's affairs. These Board Committees include the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board Committees have been structured to include a majority of Independent Non-Executive Directors as members in order to ensure that all relevant issues are reviewed independently and objectively. These Board Committees will report back to the Board on their decisions or recommendations. The terms of reference of the respective Board Committees have complied with the Code provisions and are available on the Company's website www.tggj.cn and the website of the Stock Exchange www.hkexnews.hk.

Audit Committee

The Audit Committee comprises three Independent Non-Executive Directors, namely, Mr. Lee Cheuk Yin, Dannis, Mr. Wang Xuesong and Ms. Qin Ke. The Chairman of the Audit Committee, Mr. Lee Cheuk Yin, Dannis, possesses expertise in accounting, auditing and finance.

Under its terms of reference, the Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal procedures, reviewing the financial information of the Company and overseeing the relationship with external auditors. These include reviewing and recommending for the Board's approval the interim and the annual financial statements; reviewing the external auditors' independence, objectivity and the effectiveness of the audit process; and reviewing and recommending to the Board for approval of the external auditor's remuneration; reviewing and obtaining explanation from management and the external auditor on the results for the year, including causes of changes from the previous period, effects on the application of new accounting policies, compliance with the Listing Rules and relevant legislation, and any audit issues, before recommending their adoption by the Board; considering and proposing to the Board the re-appointment of the Company's external auditors; considering and approving the procedures and guidelines in employing the external auditor to perform non-audit assignments for the Company; receiving and reviewing the internal audit reports from the internal auditor; holding meetings with the external auditors in the absence of management to discuss any audit issues; holding meetings with the internal auditor in private to discuss internal audit issues; approving the internal audit program for the year; carrying out a review of the internal control and risk management systems of the Company during the year including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget and review of the effectiveness of the internal control and risk management systems of the Group. The Audit Committee has been provided with sufficient resources to discharge its duties.

The Audit Committee had held a meeting on 27 March 2025 to consider and review the 2024 annual report and annual financial statements of the Group and to give their opinion and recommendation to the Board. The Audit Committee considered that the 2024 annual report and annual financial statements of the Company have complied with the Listing Rules and the applicable accounting standards and the Company has made appropriate disclosure thereof.

The Audit Committee held three meetings in 2024 and one meeting to date in 2025.

The meetings were held together with the external auditors of the Company, the Chief Financial Officer, and the Financial Controller of the Company, to discuss auditing, risk management, internal control, internal audit functions and financial reporting matters which include the review of the interim and annual financial statements. Full minutes of the Audit Committee meetings were kept by the Company Secretary. Draft and final versions of such minutes were sent to all members of the Audit Committee for their comment and records respectively, in both cases within a reasonable time after the meeting. The Audit Committee has made recommendations to the Board on the reappointment of the external auditors and their remuneration and terms of engagement and reviewed their independence. No former partner of KPMG, the existing auditing firm of the Company, was acting as a member of the Audit Committee for a period of 1 year from the date of his ceasing to be a partner of the firm; or to have any financial interest in the firm.

Remuneration Committee

The Remuneration Committee comprises one Executive Director, namely, Mr. Zhu Xiaokun, and three Independent Non-Executive Directors, namely, Mr. Lee Cheuk Yin, Dannis, Mr. Wang Xuesong and Ms. Qin Ke. Mr. Wang Xuesong is the Chairman of the Remuneration Committee.

The primary role of the Remuneration Committee is to make recommendation to the Board on the Company's policy and structure for remuneration (including but not limited to share schemes) of Directors and senior management and to ensure that their compensation arrangements are determined in accordance with relevant contractual terms. No Director and any of his associates has taken part in any discussion on his own remuneration. Details of the fees of the Directors are set out in note 10 to the financial statements. The Company's remuneration policy is to maintain fair and competitive remuneration packages based on business needs and market practice. Factors such as market rate, an individual's qualification, experience, performance and expected workload are taken into account during the remuneration package determination process. The Remuneration Committee has consulted the Chairman of the Board, Mr. Zhu Xiaokun or the Chief Executive Officer, Mr. Zhu Zefeng, about their proposals relating to the remuneration of other Executive Directors and have access to professional advice if considered necessary. The Remuneration Committee was provided with sufficient resources to discharge its duties.

The Remuneration Committee held one meeting in 2024 and one meeting to date in 2025.

The meetings were held to assess the performance of the Directors and senior management, approve the terms of executive Director's service contracts, discuss and review the overall remuneration policy and structure. Recommendations have been made to the Board on the remuneration packages of individual executive Directors and senior management.

For the year ended 31 December 2024, the remuneration of the Directors and senior management is listed as below by band:

Band of remuneration	No. of persons
RMB0 to RMB1,000,000	8
RMB1,000,000 to RMB2,000,000	4

Further details of the remuneration of Directors and the 5 highest paid employees have been set out in notes 10 and 11 to the financial statements.

Nomination Committee

The Nomination Committee comprises one Executive Director, namely, Mr. Zhu Xiaokun, and three Independent Non-Executive Directors, namely, Mr. Lee Cheuk Yin, Dannis, Mr. Wang Xuesong and Ms. Qin Ke. Mr. Lee Cheuk Yin, Dannis is the Chairman of the Nomination Committee.

The primary responsibility of the Nomination Committee is to make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, and assessing the independence of the Independent Non-Executive Directors. The Nomination Committee has been provided with sufficient resources to discharge its duties.

The Nomination Committee has adopted the terms of reference as outlined under the Code provisions regarding the selection, recommendation and nomination of candidates for directorship during the year. The current terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee held one meeting in 2024 and one meeting to date in 2025. The meetings were held to discuss and review the composition and structure of the Board and senior management and the re-appointment arrangement of the Directors in the Company's forthcoming annual general meeting. The Executive Directors were appointed based on their qualification and experience in relation to the Group's business. The Independent Non-Executive Directors were appointed based on their professional qualifications and experience in their respective areas.

Directors' Responsibility for the Financial Statements

The Directors are responsible for overseeing the preparation of financial statements on a going concern basis, with supporting assumptions or conditions as necessary, for each financial period with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for that financial year. Management of the Company has provided such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Company's accounts are prepared in accordance with the Listing Rules, the Companies Ordinance, all relevant statutory requirements and applicable accounting standards. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates.

The Directors endeavor to ensure a balanced, clear and understandable assessment of the Company's position and prospects in annual reports, interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory requirements.

Internal Control and Risk Management

Sound internal control and risk management systems enhance the effectiveness and efficiency of operations, ensures compliance with laws and regulations and mitigates the Group's business risk. The Company has an internal audit function. The Board is responsible for the internal control and risk management systems of the Group and reviewing their effectiveness and adequacy. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board and the Group's management hold meetings on a regular basis to review and evaluate the Group's business operations, production processes and financial reporting processes, adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, their training programmes and budget in order to achieve reasonable assurance of the following:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

To maintain effective internal control and risk management systems that helps The Group to achieve its business objectives and safeguard its assets, the Group has implemented measures including: (i) establishing written policies and work flow for major operations and production cycles; (ii) having in place appropriate segregation of duties; and (iii) setting proper authorisation levels.

The Group has established an internal control and monitoring department to perform the internal control review on every workshop and department and furnish opinions to the Board in respect of material matters or bring to the attention of the management the existence of any relevant risks to prevent internal control defects. This department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems.

The Board also ensures timely publication of the Group's financial statements and aims to present a clear, balanced and understandable assessment of the Group's performance and position through all its publications and communications to the public and complies with the requirements under the applicable rules and regulations about timely disclosure of inside information.

The Board, through the Audit Committee, have conducted a review covering all material controls, including financial, operational and compliance controls and risk management functions of the Group for the year ended 31 December 2024. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the Group's financial position or results of operations and, having taken into account of the adequacy of resources, staff qualifications and experience, training programs, internal audit and financial reporting functions, considered that effective and adequate internal control and risk management systems of the Group had been in place and had been functioning effectively.

External Auditors

KPMG was re-appointed as the external auditors of the Company by the shareholders at the AGM until the next annual general meeting. In order to maintain their independence, objectivity and effectiveness in performing the audit services, the Audit Committee pre-approved all audit services and discussed with KPMG the nature and scope of the audit services. KPMG is primarily responsible for providing audit services in connection with the annual consolidated financial statements.

During the year ended 31 December 2024, the total remuneration paid or payable to KPMG was RMB7,035,000, including RMB7,035,000 for consolidated financial statements audit service and RMBnil for non-audit professional service.

The Model Code for Securities Transactions by Directors of Listed Issuers

The Group has adopted a code of conduct governing securities transactions by Directors in compliance with and on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the "Model Code"). All of the Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Group's code of conduct governing securities transactions by Directors and employees who may possess or have access to price sensitive information or inside information during the year ended 31 December 2024.

Independent views

The Company will ensure that there are channels (in addition to independent non-executive directors) where independent views are available, including but not limited to availability of access by directors of the Company to external independent professional advice, at the Company's expense, to assist their performance of duties.

The Board had reviewed the implementation and effectiveness of the mechanisms in place to ensure independent views and input are available to the Board during the reporting period and is satisfied that such mechanisms have been successfully implemented and are effective.

Dividend Policy

The Group adopted the Dividend Policy on January 2020. It aims to manage its optimal capital efficiently and generate long-term sustainable value for shareholders, while balancing operational and regulatory requirements. It also aims to grow its dividend in line with business growth and to share the benefits of its success with its shareholders.

The declaration and payment of dividends shall remain to be determined at the sole discretion of the Board and subject to any applicable restrictions, laws, rules and regulations.

Given the impact of the global economy recession is currently difficult to estimate, the Company will not conclude any pre-determined dividend payout ratio for the coming financial year(s).

In proposing any dividend payout, the Board shall take into account of the following factors:

- the actual and expected financial performance of the Group;
- the general financial position of the Group;
- the working capital requirements, capital expenditure requirements and future development strategy of the Group;
- restrictions imposed by any debt covenants;
- the general market conditions;
- the business cycle of the Company's business; and
- any other factors that the Board deems appropriate.

Any final dividends declared by the Company must be approved by an ordinary resolution of the shareholders at an annual general meeting and must not exceed the amount recommended by the Board.

Shareholders' Rights

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the Code:

Convening of extraordinary general meeting on requisition or putting forward proposals at general meetings by shareholders

In accordance with the section 79 of the Company's articles of association, general meetings may be convened on the written requisition of any two or more members of the Company deposited at the registered office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the registered office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

Shareholders may also make use of the above mechanism in putting forward proposals at a general meeting. In order to allow shareholders to make an informed decision at the relevant general meeting, requisitionists are requested to provide contact details to the Board at the time of deposition of the requisition in case further information is required to be included in the notice of meeting.

Shareholders should note that the Company is required to give notice of an extraordinary meeting of not less than 10 clear business days (pursuant to Listing Rules requirements) and not less than 14 days (pursuant to the articles of association of the Company).

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board of the Company in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
Tiangong International Company Limited
20/F, Tien Chu Commercial Building
173–174 Gloucester Road, Wanchai, Hong Kong
Email: wing.lee@tggj.cn
Tel No.: (852) 3102-2386
Fax No.: (852) 3102-2331

The Company Secretary shall forward the shareholders' enquiries and concerns to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the shareholders' questions.

Investor Relationship and Communication

The Company recognizes the importance of communication with shareholders and accountability to shareholders and has adopted a shareholders' communication policy, which is subject to annual review to ensure its implementation and effectiveness. Such policy aims to ensure that shareholders will have equal and timely access to information about the Company, so as to enable them to exercise their rights in an informed manner and to allow them to engage actively with the Company. A summary of the Company's shareholders' communication policy is set out below: Annual and interim reports offer comprehensive operational and financial performance information to shareholders and the annual general meetings provide a forum for shareholders to make comments and raise concerns to the Board directly. The Group's senior management also maintains close communication with investors, analysts and the media by other channels including roadshows, briefings and individual meetings. The Group has set up its own website www.tggj.cn, which is updated on a regular basis, as a means to provide updated information on the Company to investors. Shareholders are encouraged to attend the forthcoming annual general meeting of the Company for which not less than 21 days' notice (pursuant to the articles of association of the Company) is given. At the meeting, the Chairman of the Board, the Chairman of the Board Committees (or their respective committee members) and the Directors are available to answer questions on the Group's business. The Company has reviewed the implementation and effectiveness of its shareholders' communication policy for the year ended 31 December 2024, including the steps taken at the general meetings, the handling of enquiries received and the multiple communication channels in place. The Company is of the view that the policy is effective and has been properly implemented.

Amendments to the Company's constitutional documents, namely the memorandum and articles of association of the Company, were proposed and subsequently approved at the annual general meeting of the Company on 19 June 2024. Amendments were made to (i) update and bring the articles of association of the Company in line with the amendments to the Listing Rules which mandated the electronic dissemination of corporate communications by the listed issuers to their securities holders from 31 December 2023 onwards, and (ii) fulfill a new requirement under the Companies Act of the Cayman Islands by specifying the date of the end of financial year in the articles of association of the Company. For details, please refer to the announcement of the Company dated 25 April 2024 and the circular of the Company dated 26 April 2024.

The Company's constitutional documents are posted on the website of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Directors are pleased to submit the annual report together with the audited financial statements for the year ended 31 December 2024.

Principal Place of Business

The Company is a company incorporated and domiciled in Cayman Islands and has its principal place of business at Zhenjiang City, Jiangsu Province, the PRC.

Principal Activities

The principal activities of the Company are the production and sales of DS, HSS, cutting tools and titanium alloy. The principal activities and other particulars of the subsidiaries are set out in note 18 to the financial statements.

Financial Statements

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 132 and 133.

The financial position of the Group as at 31 December 2024 is set out in the consolidated statement of financial position of the Group on pages 134 to 135. The financial position of the Company as at 31 December 2024 is set out in note 37 to the financial statement on page 221.

The cash flows of the Group for the year ended 31 December 2024 are set out in the consolidated cash flow statement on pages 138 to 139.

Results and Appropriations

The Board proposed a final dividend payment of RMB0.0263 per share for the financial year ended 31 December 2024 (2023: RMB0.0400).

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB2,400,000 (2023: RMB3,346,000).

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 33 to the financial statements and in the consolidated statements of changes in equity, respectively.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2024, calculated in accordance with the Companies Law (Cap. 22) (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to RMB1,283,869,000 (2023: RMB1,542,830,000).

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association and there is no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 33 to the financial statements.

Business Review

The principal activities of the Group, a review of the business of the Group during the year and a discussion on the Group's future business development are provided in the management discussion and analysis and the Chairman's statement of this annual report. Descriptions of possible risks and uncertainties that the Group may be facing and an analysis of the Group's performance during the year using financial key performance indicators is provided on pages 6 to 35 of this annual report. Particulars of important events affecting the Group that have occurred since the end of the financial year are provided in note 40 to the financial statements.

In addition, further information of the Company's environmental protection policies and compliance with relevant laws and regulations which have a significant impact on the Group are provided in the ESG Report and in the management discussion and analysis of this annual report. An account of the Company's relationships with its key stakeholders are disclosed in the section heading "Relationships with key stakeholders" on page 35 of the management discussion and analysis of this annual report.

Directors

The Directors during the financial year were:

Executive Directors

Mr. Zhu Xiaokun
Mr. Zhu Zefeng
Mr. Wu Suojun
Mr. Jiang Guangqing

Independent Non-Executive Directors

Mr. Lee Cheuk Yin, Dannis
Mr. Wang Xuesong
Ms. Qin Ke (appointed on 19 June 2024)
Mr. Gao Xiang (resigned on 19 June 2024) (Note)

Directors will retire by rotation in accordance with the requirement of the Listing Rules and the articles of association of the Company in the annual general meetings.

The Independent Non-Executive Directors are appointed for periods of one year. The Company considers that Mr. Lee Cheuk Yin, Dannis, Mr. Wang Xuesong and Ms. Qin Ke are independent pursuant to the criteria set out in the Listing Rules and that a confirmation of independence has been received from each of them.

Note: Mr. Gao tendered his resignation as an executive director of the Company with effect from 19 June 2024 as he would like to devote more time to his other endeavours. For further details, please refer to the Company's announcement dated 25 April 2024.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2024, the interests, long positions or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept under Section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code (set out in Appendix 10 of the Listing Rules) were as follows:

(a) Interests in the Company

Director's name	Interests	Ordinary shares held	Approximate attributable interests (%)
Zhu Xiaokun(1)	Interests of controlled corporations	784,258,000 (L)	28.78
	Beneficial owner	6,800,000 (L)	0.25
			29.03
Zhu Zefeng	Interests of controlled Corporations(2 and 3)	688,726,521 (L)	25.27
	Beneficial owner	1,500,000 (L)	0.06
			25.33
Wu Suojun	Beneficial owner	2,400,000 (L)	0.09
Jiang Guangqing	Beneficial owner	900,000 (L)	0.03

Notes:

As at 31 December 2024,

(1) Tiangong Holdings Company Limited ("THCL") held 784,258,000 ordinary shares. THCL was held as to 89.02% and 10.98% by Zhu Xiaokun and Yu Yumei, the spouse of Zhu Xiaokun, respectively. Zhu Xiaokun is deemed to be interested in the 784,258,000 shares held by THCL.

(2) Zhu Zefeng controlled 100% of Sky Greenfield Investment Limited, which held 644,794,521 ordinary shares.

(3) Silver Power (HK) Limited, which was wholly owned by Sky Greenfield Investment Limited, held 43,932,000 ordinary shares.

(L) Represents long position.

(b) Interests in the shares of associated corporations

Name of Director	Name of associated corporation	Nature of interests and capacity	Total number of shares	Approximate percentage of interests (%)
Mr. Zhu Xiaokun	THCL	Beneficial owner	44,511 (L)	89.02
		Spousal interest[1]	5,489 (L)	10.98
Mr. Zhu Xiaokun	TG Tech	Beneficial owner	14,483,951 (L)[2]	2.47
Mr. Zhu Zefeng	Sky Greenfield Investment Limited	Beneficial owner[3]	1 (L)	100.00
Mr. Zhu Zefeng	Silver Power (HK) Limited	Beneficial owner[3]	1 (L)	100.00
Mr. Wu Suojun	TG Tech	Beneficial owner	1,419,195 (L)	0.24

Notes:

(1) Ms. Yu Yumei, the spouse of Mr. Zhu Xiaokun held 5,489 shares in THCL. Mr. Zhu Xiaokun is deemed to be interested in such 5,489 shares in THCL.

(2) Mr. Zhu Xiaokun held 14,483,951 shares in TG Tech.

(3) Mr. Zhu Zefeng held 1 share in Sky Greenfield Investment Limited.

(4) Sky Greenfield Investment Limited held 1 share in Silver Power (HK) Limited.

(5) Mr. Wu Suojun held 1,432,195 shares in TG Tech.

(L) Represents long position.

Save as disclosed above, as at the end of the reporting period, as far as the Directors are aware, none of the Directors and chief executive had any other interests, long positions or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

Substantial Shareholders' Interests

As at 31 December 2024, save for the Directors or chief executives as disclosed above, the following persons have an interest or short position in the shares or the underlying shares or debentures of the Company and its associated corporations which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept under Section 336 of the SFO:

(a) Interests in the Company

Substantial shareholders' name	Nature of interests and capacity	Ordinary shares	Approximate attributable interest (%)
Yu Yumei[1]	Spousal interest[2]	791,058,000 (L)	29.03
THCL[1]	Beneficial owner	784,258,000 (L)	28.78
Niu Qiu Ping	Spousal interest[5]	690,226,521 (L)	25.33
Sky Greenfield Investment Limited	Beneficial owner[3]	644,794,521 (L)	23.66
	Interests of controlled corporations[4]	43,932,000 (L)	1.61
			25.27

(L) Represents long position.

Notes:

(1) THCL is owned as to 89.02% by Mr. Zhu Xiaokun and 10.98% by his spouse, Ms. Yu Yumei.

(2) Ms. Yu Yumei is the spouse of Mr. Zhu Xiaokun and is deemed to be interested in the shares of the Company held by Mr. Zhu Xiaokun. For information in relation to shares of the Company held by Mr. Zhu Xiaokun, please refer to the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures — (a) Interests in the Company".

(3) Zhu Zefeng controlled 100% of Sky Greenfield Investment Limited.

(4) Silver Power (HK) Limited, which was wholly owned by Sky Greenfield Investment Limited, held 43,932,000 ordinary shares.

(5) Ms. Niu Qiu Ping is the spouse of Mr. Zhu Zefeng and is deemed to be interested in the shares of the Company held by Mr. Zhu Zefeng. For information in relation to shares of the Company held by Mr. Zhu Zefeng, please refer to the paragraph headed "Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures — (a) Interests in the Company".

(b) Interests in the shares of associated corporation

Substantial shareholder's name	Name of associated corporation	Nature of interests and capacity	Total number of shares	Approximate percentage of interests (%)
Ms. Yu Yumei	THCL	Beneficial owner	5,489 (L)	10.98
		Spousal interest(1)	44,511 (L)	89.02
Ms. Yu Yumei	TG Tech	Spousal interest(1)	14,483,951 (L)	2.47
Ms. Niu Qiu Ping	Sky Greenfield Investment Limited	Spousal interest(2)	1 (L)	100.00
Ms. Niu Qiu Ping	Silver Power (HK) Limited	Spousal interest(2)	1 (L)	100.00

(L) Represents long position.

Notes:

(1) Ms. Yu Yumei is the spouse of Mr. Zhu Xiaokun and is deemed to be interested in the shares of the associated corporations of the Company held by Mr. Zhu Xiaokun. For information in relation to shares of associated corporations of the Company held by Mr. Zhu Xiaokun, please refer to the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures – (b) Interests in the shares of associated corporation".

(2) Ms. Niu Qiu Ping is the spouse of Mr. Zhu Zefeng and is deemed to be interested in the shares of the associated corporations of the Company held by Mr. Zhu Zefeng. For information in relation to shares of associated corporations of the Company held by Mr. Zhu Zefeng, please refer to the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures — (b) Interests in the shares of associated corporation".

Loan Agreement with Specific Performance Obligation

In accordance with the continuing obligation set out in Rule 13.21 of the Listing Rules, the following are the details of the loan agreement with covenants relating to specific performance on the controlling shareholders of the Company as at the date of this report pursuant to Rule 13.18 of the Listing Rules thereof.

On 15 April 2025, the Company, as a borrower (the "Borrower") entered into a facility agreement (the "Facility Agreement") with a licensed bank in Hong Kong relating to:

— Dividend loan facility which amounted to HKD119,708,978; and

The dividend loan facility is unsecured and interest bearing with any outstanding amounts are with a tenor of one year from drawdown.

Pursuant to the Facility Agreement, Mr. Zhu Xiaokun and Mr. Zhu Zefeng, the controlling shareholders of the Company, had undertaken to maintain beneficiary interests (direct and indirect) of no less than 45% shareholdings of the Company (in aggregate) as long as the Company has facility at the bank (the "Specific Performance Obligation").

As at the date of this report, Mr. Zhu Xiaokun and Mr. Zhu Zefeng beneficially own approximately 54.36% (in aggregate) of the issued share capital of the Company.

Breach of the Specific Performance Obligation may lead to the bank declaring the commitments to be cancelled and/or declaring all outstanding amounts together with interest accrued and all other sums payable by the Company to be immediately due and payable.

Arrangements to Acquire Shares or Debentures

Save as disclosed in this report (note Share Option Scheme below), at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Biographical Details of Directors and Senior Management

Brief biographical details of the Directors and the senior management are set out on pages 97 to 99.

Final Dividend and Closure of Register of Members

The register of members of the Company will be closed from 14 June 2025 to 19 June 2025 (both days inclusive), for the purpose of determining shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company (the "Annual General Meeting") on 19 June 2025, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the Annual General Meeting, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration by no later than 4:30 p.m. on 13 June 2025.

The Board has resolved on 31 March 2025 to recommend the payment of a final dividend of RMB0.0263 per share for the year ended 31 December 2024 (2023: RMB0.0400) to shareholders of the Company whose names appear on the register of members of the Company on 30 June 2025. The register of members will be closed from 2 July 2025 to 4 July 2025, both days inclusive, and the proposed final dividend is expected to be paid on or before 11 July 2025. The payment of dividends shall be subject to the approval of the shareholders of the Company at the Annual General Meeting expected to be held on 19 June 2025. In order to qualify for the proposed dividend, shareholders of the Company should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration by no later than 4:30 p.m. on 30 June 2025.

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 ("Share Option Scheme").

The purpose of the Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its Shareholders as a whole. The Share Option Scheme will provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants. The major terms of the Share Option Scheme are as follows:

1. The Directors may, at their discretion, invite any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisers, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group (the "Participants") to participate in the Share Option Scheme.

2. The maximum number of shares over which options may be granted under the Share Option Scheme must not exceed 222,008,000 shares of nominal value USD0.0025 each in the capital of the Company. As at the date of this report, options in respect of 162,009,000 shares may be granted, representing approximately 5.8% of the issued share capital of the Company as at the date of this report.

3. The total number of shares of the Company issued and to be issued upon exercise of the options granted to each Participant (including both exercised, cancelled and outstanding options) under the Scheme in any 12 month period must not exceed 1% of the shares in issue. Any further grant of options which would result in the number of shares issued as aforesaid exceeding the said 1% limit must be subject to prior shareholders' approval with the relevant Participant and his associates abstaining from voting.

4. The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the relevant date of grant (being the date on which the Board resolves to make an offer of option to the relevant grantee).

5. At the time of grant of the options, the Company may specify any minimum period(s) for which an option must be held before it can be exercised. The Scheme does not contain any such minimum period.

6. The amount payable on acceptance of an option is HKD1.00.

7. The subscription price for the shares, the subject of the options, shall be no less than the higher of (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant. The subscription price will be established by the Board at the time the option is offered to the Participants.

8. The Share Option Scheme shall be valid and effective till 24 May 2027.

On 11 January 2018, options entitled holders to subscribe for a total of 60,000,000 shares of USD0.0025 each were granted to and accepted by certain Directors, employees and consultants of the Company in respect of their services to the Group. 50% of these share options would be vested on 31 March 2019 if the consolidated audited net profit of the Company for the year ended 31 December 2018 represented an increase of 50% or more as compared to that of the year ended 31 December 2017. The remaining 50% of these share options would be vested on 31 March 2020 if the consolidated audited net profit of the Company for the year ending 31 December 2019 represented an increase of 50% or more as compared to that of the year ended 31 December 2018. All these options have an initial exercise price of HKD1.50 per share of USD0.0025 each and an exercise period commencing from the relevant vesting date and ending on 31 December of the same year as the vesting date. The closing price of the Company's shares at the date of grant was HKD1.29 per share of USD0.0025 each.

Among these 60,000,000 share options, 30,000,000 share options were vested on 31 March 2019. All share options for 30,000,000 shares were exercised between 29 August 2019 to 27 December 2019.

The remaining 30,000,000 shares were vested on 31 March 2020. All share options for these 30,000,000 shares were exercised between 23 November 2020 to 30 December 2020.

There were no share options granted since the last grant of options on 11 January 2018 and up till 31 December 2024 and therefore, there were no outstanding share options during the year ended 31 December 2024.

Information on the accounting policy for share options granted is provided in note 3(p)(ii) to the financial statements respectively.

During the year ended 31 December 2024, the Company did not have any other share scheme in place.

Apart from the foregoing, at no time during the year was the Company, or any of its holding company or subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' and Controlling Shareholders' Interests in Contracts

Save as disclosed under the heading "Connected Transactions/Continuing Connected Transactions" below and "Material related party transactions" in note 36 to the financial statements, there is no contract of significance to the business of the Group between the Company, or any of its subsidiary companies, or a controlling shareholder or any of its subsidiaries during the year. During the year, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries was made. There is no transaction, arrangement or contract of significance to the Group subsisting during or at the end of the year in which any Director or any entity connected with a Director is or was materially interested, either directly or indirectly.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

Permitted indemnity provision

During the year ended 31 December 2024, there was no permitted indemnity provision in force for the benefit of one or more (existing or former) directors of the Company or of its associated companies or such directors' associated companies.

Purchase, Sales or Redemption of Shares of the Company and its Subsidiaries

During the year ended 31 December 2024, the Company repurchased 50,000,000 shares in total, at an aggregate consideration of HKD86,829,400 (equivalent to approximately RMB78,830,000) on the Stock Exchange. The shares repurchased were cancelled on 2 July 2024 and 1 November 2024. The directors of the Company considered that the share repurchases would enhance net asset value per share and/or earnings per share of the Company. 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)	Price per ordinary shares 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
October 2025	1,856,000	2.23	2.13	4,038,020
	50,000,000			86,829,400

Save as disclosed, during the year ended 31 December 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

During the year ended 31 December 2024, TG New Materials as the purchaser has entered into share buy-back agreements with Hangtou Yuhua, Rongtou, Qichen, Qilu and Sinopec Capital (each as vendor) respectively to buy-back an aggregate of 6.65% of equity interests in TG Tools, a non-wholly owned subsidiaries of the Company, pursuant to the terms of a shareholders' agreement among the parties, at the aggregate consideration of RMB648,690,657. For further details, please refer to the Company's announcements dated 11 December 2024 and 12 December 2024.

Issue of Shares or Debentures

Save as disclosed in this annual report, during the year ended 31 December 2024, neither the Company nor any of its subsidiaries has issued any shares or debentures.

Corporate Governance

The Company has, so far where applicable, adopted and complied with the principles and code provisions set out in the Code during the year ended 31 December 2024.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors. The Audit Committee held a meeting on 20 March 2025 to consider and review the 2024 annual report and annual financial statements of the Group and to give their opinion and recommendation to the Board. The Audit Committee considered that the 2024 annual report and annual financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

Defined contribution pension funds

The Group participates in defined contribution pension funds managed by the PRC local government authorities as disclosed in note 8(b) to the financial statements.

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of 19% starting from 1 July 2016 (before 1 July 2016: 20%) of the eligible employees' salary rate to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

Forfeited contributions could not be used by the Group to reduce the existing level of contributions.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to major customers and suppliers during the financial year ended 31 December 2024 is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer/supplier	12%	34%
Five largest customers/suppliers in aggregate	25%	61%

At no time during the year had the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

A majority of the domestic customers were granted credit for a term of 90 days, depending on the sales order volumes and the creditworthiness of individual customers. Beyond the normal credit term, a 90-day extension was also granted to key and credit-worthy customers subject to specific approval from management.

Overseas customers were generally granted Letter of Credit ("L/C") of 90 days, and a longer term-up L/C up to 120 days was allowed to customers with steady and high sales volumes.

The Group accepted bills from customers as settlement of trade receivables. The maturity period of bills ranges from three to twelve months.

Connected Transactions/Continuing Connected Transactions

There were no connected transactions or continuing connected transactions of the Company which are subject to any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the related party transactions of the Group during the reporting period are set out in note 36 to the consolidated financial statements in this report. These related party transactions either fall outside the definitions of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules or are "connected transactions" fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year ended 31 December 2024. The independent non-executive Directors have reviewed the continuing connected transactions (if any) and confirmed that they have been entered into in the ordinary and usual course of business of the Group on normal commercial terms and according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pledge of Assets

As at 31 December 2024, the Group pledged certain bank deposits amounting to approximately RMB134,494,000 (31 December 2023: RMB129,288,000) and certain trade receivables amounting to approximately RMB137,751,000 (31 December 2023: RMB161,843,000).

Financial Information Summary

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 223. This summary does not form part of the audited financial statements.

Directors' Interests in Competing Business

During the year and up to the date of this annual report, none of the Directors are considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules.

Management Contracts

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

Auditors

KPMG will retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting. There has been no change in the Company's auditors in any of the preceding three years.

Tax Relief and Exemption

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities. If the shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights in relation to the Company's shares, they are advised to consult an expert.

By order of the Board

Tiangong International Company Limited
Zhu Xiaokun
Chairman
Hong Kong, 31 March 2025

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the shareholders of
Tiangong International Company Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Tiangong International Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 132 to 222, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December, 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to Note 5 to the consolidated financial statements and the accounting policies on pages 156–157.

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue principally comprises sales of die steel, high speed steel, cutting tools and titanium alloy products to distributors and manufacturers. Contracts for different products with different types of customers have a variety of different terms. Such terms may affect the timing of the recognition of sales to these customers. Management evaluates the terms of each contract in order to determine the appropriate timing of revenue recognition. Revenue from domestic and overseas sales is recognised when the control of the goods have been transferred to customers, which is generally when the goods leave the Group's warehouses, or when the goods are delivered to customers and the Group obtains the notes of goods transfer in accordance with the terms of the sales contracts.	Our audit procedures to assess the recognition of revenue included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition; • inspecting key customer contracts to identify performance obligations and terms and conditions relating to transfer of control of the goods and assessing the Group's timing of recognition of revenue with reference to the requirements of the prevailing accounting standards; • comparing revenue transactions recorded during the current year, on a sample basis, with invoices, sales contracts and other underlying documents to assess whether the related revenue was recognised in accordance with the Group's revenue recognition accounting policies;

Revenue recognition (continued)

Refer to Note 5 to the consolidated financial statements and the accounting policies on pages 156–157.

The Key Audit Matter	How the matter was addressed in our audit
We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and is, therefore, subject to an inherent risk of manipulation by management to meet targets or expectations.	• comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with underlying documentation, which includes goods acceptance notes and customs declaration forms, to assess whether revenue had been recognised in accordance with the terms of the sales contracts and in the correct financial year; • inspecting underlying documentation for manual journal entries relating to revenue which were recorded during the year and the closing period and which met specific risk-based criteria; • confirming, on a sample basis, the value of sales transactions during the year and balances of trade receivables of the year end directly with customers and for unreturned confirmations, performing alternative procedures by comparing the sales amount of the transactions with the relevant underlying documentation; and • inquiring of management as to the reasons for sales credits issued subsequent to the year end and inspecting relevant underlying documentation in order to assess whether the sales credits were completely and accurately accounted for in the correct financial year.

Expected credit loss allowances for trade receivables

Refer to Note 5 to the consolidated financial statements and the accounting policies on pages 148–151.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2024, the gross amount of the Group's trade receivables totalled RMB2,226 million, against which a loss allowance of RMB143 million for expected credit losses (ECLs) was made. The carrying value of the Group's trade receivables represented approximately 16% of the total assets as at 31 December 2024. Management measures the loss allowance at an amount equal to lifetime ECLs based on estimated loss rates for each category of trade receivables grouped according to the shared credit risk characteristics. The estimated loss rates take into account the ageing of trade receivable balances, the repayment history of the Group's customers, current market conditions, customer-specific conditions, and forward-looking information. Such assessment involves significant management judgement and estimation. We identified the expected credit loss allowance for trade receivables as a key audit matter because determining the level of the loss allowance requires the exercise of significant management judgement which is inherently subjective.	Our audit procedures to assess the expected credit loss allowance for trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimating the credit loss allowance; • evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standard; • assessing whether items in the trade receivables ageing report were categorised in the appropriate ageing bracket by comparing individual items therein with sales invoices and other relevant underlying documentation, on a sample basis; • obtaining an understanding of the key parameters and assumptions of the expected credit loss model adopted by management, including the basis of segmentation of the trade receivables based on shared credit risk characteristics of customers in management's estimated loss rates; • assessing the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current market conditions, customer-specific conditions and forward-looking information; and • re-performing the calculation of the loss allowance as at 31 December 2024 based on the Group's credit loss allowance policies.

Valuation of inventories

Refer to Note 23 to the consolidated financial statements and the accounting policies on page 152.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2024, the Group's gross inventories totalled RMB2,585 million, against which provisions for inventories of RMB60 million were recorded. The Group's inventories are valued at the lower of cost and net realisable value. The Group's provisions for inventories to write down the cost of inventories to their net realisable value is determined by management on an individual item basis by taking into account the estimated selling prices of the Group's products, the estimated costs of completion of work-in-progress at the reporting date and the estimated costs necessary to make the sales. The selling prices of the Group's special steel products are subject to market price volatility of the main raw materials, which include steel and alloys. Certain steel products are produced to meet the specific needs of downstream customers, the demand for which may change significantly from time to time. We identified the valuation of inventories as a key audit matter because of the significant management judgment involved in assessing the level of provisions for inventories, particularly in respect of slow moving inventories and inventories where the net realisable value may be less than the recorded cost.	Our audit procedures to assess the valuation of inventories included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls over making provisions for inventories; • assessing the assumptions and estimates made by management in making provisions for inventories by performing a retrospective review of the historical accuracy of these estimates, discussing any significant variances with management and considering the impact of these variances on the current year's assumptions and estimates; • evaluating whether items were correctly categorised in the inventories ageing report by comparison with production records, on a sample basis; • recalculating the Group's inventory provision with reference to the sales order received, or historical selling price; • comparing year end inventory levels of individual products, on a sample basis, with sales plans agreed with customers in order to assess the residual risk of the inventories' realisability; and • inspecting the inventory ageing report and observing the condition of inventory during our attendance at the year-end inventory count to identify any slow moving and obsolete inventory items and critically assessing whether appropriate provisions have been established for slow moving and obsolete items, for which there has been a lack of recent sales transactions.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yue Tat Wai.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024 (Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Revenue	5	**4,832,036**	5,163,306
Cost of sales		**(3,848,493)**	(4,019,922)
Gross profit		**983,543**	1,143,384
Other income	6	**176,215**	127,253
Distribution costs		**(144,072)**	(118,053)
Administrative expenses		**(172,675)**	(160,122)
Research and development costs		**(301,548)**	(312,361)
Other operating expenses	7	**1,055**	(53,482)
Profit from operations		**542,518**	626,619
Finance income		**33,530**	41,624
Finance expenses		**(171,651)**	(198,587)
Net finance costs	8(a)	**(138,121)**	(156,963)
Share of profits less losses of associates	19	**4,857**	8,702
Share of profits less losses of joint ventures	20	**(1,117)**	(12,888)
Profit before taxation	8	**408,137**	465,470
Income tax	9	**(7,974)**	(45,542)
Profit for the year		**400,163**	419,928
Attributable to:			
Equity shareholders of the Company		**358,757**	370,209
Non-controlling interests		**41,406**	49,719
Profit for the year		**400,163**	419,928
Earnings per share (RMB)	13		
Basic and diluted		**0.131**	0.133

The notes on pages 140 to 222 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 33(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024 (Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Profit for the year		**400,163**	419,928
Other comprehensive income for the year (after tax adjustment)	12		
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income (FVOCI) — net movement in fair value reserve (non-recycling) (inclusive of tax effect of Renminbi ("RMB") 2,794,000 (2023: RMB1,600,000)		**19,782**	(7,328)
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))		**(107,458)**	(12,962)
Other comprehensive income for the year		**(87,676)**	(20,290)
Total comprehensive income for the year		**312,487**	399,638
Attributable to:			
Equity shareholders of the Company		**271,536**	349,996
Non-controlling interests		**40,951**	49,642
Total comprehensive income for the year		**312,487**	399,638

The notes on pages 140 to 222 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	14	**4,392,861**	4,506,918
Lease prepayments	15	**242,711**	248,869
Intangible assets	16	**56,224**	57,721
Goodwill	17	**144,600**	144,600
Interest in associates	19	**103,781**	99,181
Interest in joint ventures	20	**25,141**	29,823
Other financial assets	21	**265,070**	192,840
Deferred tax assets	32(b)	**117,871**	63,372
		5,348,259	5,343,324
Current assets			
Financial assets measured at fair value through profit or loss (FVPL)	22	**61,025**	1,111
Inventories	23	**2,524,870**	2,477,492
Trade and other receivables	24	**3,543,048**	3,552,788
Pledged deposits	25	**134,494**	129,288
Time deposits	26	**605,231**	1,307,985
Cash and cash equivalents	27	**1,068,922**	749,087
		7,937,590	8,217,751
Current liabilities			
Trade and other payables	28	**1,452,755**	1,583,176
Interest-bearing borrowings	29	**1,827,473**	2,209,423
Other financial liability	31	**983,676**	1,581,250
Current taxation	32(a)	**35,042**	26,729
		4,298,946	5,400,578
Net current assets		**3,638,644**	2,817,173
Total assets less current liabilities		**8,986,903**	8,160,497

(Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Interest-bearing borrowings	29	**1,457,193**	685,598
Deferred income	30	**30,098**	37,788
Deferred tax liabilities	32(c)	**46,874**	52,523
		1,534,165	775,909
NET ASSETS		**7,452,738**	7,384,588
CAPITAL AND RESERVES			
Share capital	33(d)	**48,164**	49,055
Reserves		**7,044,913**	7,015,500
Total equity attributable to equity shareholders of the Company		**7,093,077**	7,064,555
Non-controlling interests		**359,661**	320,033
TOTAL EQUITY		**7,452,738**	7,384,588

Approved and authorised for issue by the board of directors on 31 March 2025.

Zhu Xiaokun
Directors

Zhu Zefeng
Directors

The notes on pages 140 to 222 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024 (Expressed in Renminbi)

		Attributable to equity shareholders of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	PRC statutory reserve RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2022 and 1 January 2023		49,231	2,727,820	732	60,313	91,925	(121,942)	45,354	1,003,872	3,002,979	281,049	7,141,333
Changes in equity for 2023:												
Profit for the year		–	–	–	–	–	–	–	–	370,209	49,719	419,928
Other comprehensive income	12	–	–	–	–	–	(12,939)	(7,274)	–	–	(77)	(20,290)
Total comprehensive income		–	–	–	–	–	(12,939)	(7,274)	–	370,209	49,642	399,638
Dividends approved in respect of the previous year	33(b)(ii)	–	–	–	–	–	–	–	–	(100,459)	–	(100,459)
Transfer to reserve	33(f)(vi)	–	–	–	–	–	–	–	66,814	(66,814)	–	–
Liquidation of subsidiaries		–	–	–	–	–	–	–	(222)	222	–	–
Acquisition of non-controlling interests		–	–	–	(25,058)	–	–	–	–	–	(10,658)	(35,716)
Repurchase of own shares	33(c)	(176)	(20,208)	176	–	–	–	–	–	–	–	(20,208)
Balance at 31 December 2023		49,055	2,707,612	908	35,255	91,925	(134,881)	38,080	1,070,464	3,206,137	320,033	7,384,588

The notes on pages 140 to 222 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024 (Expressed in Renminbi)

		Attributable to equity shareholders of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	PRC statutory reserve RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2023 and 1 January 2024		49,055	2,707,612	908	35,255	91,925	(134,881)	38,080	1,070,464	3,206,137	320,033	7,384,588
Changes in equity for 2024:												
Profit for the year		–	–	–	–	–	–	–	–	358,757	41,406	400,163
Other comprehensive income	12	–	–	–	–	–	(107,459)	20,238	–	–	(455)	(87,676)
Total comprehensive income		–	–	–	–	–	(107,459)	20,238	–	358,757	40,951	312,487
Dividends approved in respect of the previous year	33(b)(ii)	–	–	–	–	–	–	–	–	(109,074)	–	(109,074)
Interim dividend approved in respect of the six months ended 30 June 2024	33(b)(ii)	–	–	–	–	–	–	–	–	(55,110)	–	(55,110)
Transfer to reserve	33(e)(vi)	–	–	–	–	–	–	–	43,505	(43,505)	–	–
Liquidation of subsidiaries		–	–	–	–	–	–	–	(105)	105	(1,323)	(1,323)
Disposal and withdrawal of joint ventures		–	–	–	–	–	418	–	–	(418)	–	–
Disposal of equity investments at FVOCI		–	–	–	–	–	–	(59,409)	5,941	53,468	–	–
Repurchase of own shares	33(c)	(891)	(78,830)	891	–	–	–	–	–	–	–	(78,830)
Balance at 31 December 2024		48,164	2,628,782	1,799	35,255	91,925	(241,922)	(1,091)	1,119,805	3,410,360	359,661	7,452,738

The notes on pages 140 to 222 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2024 (Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Operating activities			
Cash generated from operations	27(b)	**564,364**	122,730
Tax paid		**(62,602)**	(67,601)
Net cash generated from operating activities		**501,762**	55,129
Investing activities			
Payment for purchase of property, plant and equipment		**(287,689)**	(277,791)
Payment for purchase of lease prepayments		**–**	(21,185)
Payment for purchase of intangible assets		**(1,604)**	(181)
Payment for trading securities, net		**(65,294)**	–
Payment for purchase of other financial assets		**(24,000)**	(16,494)
Proceeds from sale of other financial assets		**90,979**	–
Proceeds from time and pledged deposits, net		**697,548**	44,602
Interest received		**27,998**	33,276
Dividends received from other financial assets	6	**12,476**	14,367
Net cash generated/(used in) investing activities		**450,414**	(223,406)

The notes on pages 140 to 222 form part of these financial statements.

For the year ended 31 December 2024 (Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Financing activities			
Proceeds from interest-bearing borrowings	27(c)	**3,991,914**	3,591,088
Repayment of interest-bearing borrowings	27(c)	**(3,601,689)**	(3,598,233)
Interest paid		**(204,035)**	(140,894)
Dividends paid to equity shareholders of the Company	33(b)(ii)	**(164,184)**	(100,459)
Payment for repurchase of shares	33(c)	**(78,830)**	(20,208)
Repayment of other financial liability	31	**(565,190)**	–
Payment for acquisition of non-controlling interests		**–**	(35,716)
Net cash used in financing activities		**(622,014)**	(304,422)
Net increase/(decrease) in cash and cash equivalents		**330,162**	(472,699)
Cash and cash equivalents at 1 January		**749,087**	1,219,843
Effect of foreign exchange rate changes		**(10,327)**	1,943
Cash and cash equivalents at 31 December	27(a)	**1,068,922**	749,087

The notes on pages 140 to 222 form part of these financial statements.

1 Reporting entity

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

The Company and its subsidiaries are collectively referred to as the "Group".

2 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed in Note 3.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements of the Group as at and for the year ended 31 December 2024 comprise the Company and its subsidiaries and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— investments in equity securities (see Note 3(d))

2 Basis of preparation (continued)

(c) Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are set out in Note 4.

(d) Changes in accounting policies

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

- Amendments to IAS 1, *Presentation of financial statements — Classification of liabilities as current or non-current* ("2020 amendments") and amendments to IAS 1,*Presentation of financial statements — Non-current liabilities with covenants* ("2022 amendments") Insurance contracts

- 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Material accounting policies

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 3(o) or (m) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 3(h)(ii))), unless is classified as held for sale (or included in a disposal Group classified as held for sale).

3 Material accounting policies (continued)

(b) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or the Company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the expected credit loss (ECL) model to such other long-term interests where applicable (see Note 3(h)(i))).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses (see Note 3(h(ii))), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(c) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 3(h)(ii)).

(d) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in securities are recognised/derecognised on the date the Group commits to purchase/ sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note34(f). These investments are subsequently accounted for as follows, depending on their classification.

3 Material accounting policies (continued)

(d) Other investments in securities (continued)

Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see Note 3(s)(iii)).

(e) Property, plant and equipment

Property, plant and equipment is stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less accumulated depreciation and impairment losses (see Note 3(h(ii))).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

— Freehold land	not depreciated
— Plant and buildings	20–40 years
— Machinery	10–20 years
— Motor vehicles	8 years
— Office equipment and others	5 years

3 Material accounting policies (continued)

(e) Property, plant and equipment (continued)

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Construction in progress represents plant and buildings under construction and equipment pending installation and is stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less impairment losses (see Note 3(h(ii))). Cost comprises direct costs of construction as well as interest charges during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificates by the relevant authorities in the People's Republic of China (the "PRC").

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(f) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less accumulated amortisation and any accumulated impairment losses (see Note 3(h(ii)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

	Estimated useful life
— Patents and trademarks	10 years
— Technical know-how	10 years
— Software	3–10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3 Material accounting policies (continued)

(g) Leased assets

Lease prepayments represent cost of land use right paid to the People's Republic of China governmental authorities. Lease prepayments are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the periods of the rights which are 50 years.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 3(e) and 3(h)(ii)).

3 Material accounting policies (continued)

(g) Leased assets (continued)

(i) As a lessee (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 3(s)(ii).

3 Material accounting policies (continued)

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECL"s) on financial assets measured at amortised cost (including cash and cash equivalents, time deposits, pledged deposits, trade receivables and other receivables and other financial assets) and debt instruments measured at FVOCI (recycling).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

— fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

— lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

3 Material accounting policies (continued)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

— the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

— the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

3 Material accounting policies (continued)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or being more than 90 days past due;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 5 years past due or when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

3 Material accounting policies (continued)

(h) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 3(h)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3 Material accounting policies (continued)

(i) Inventories and other contract costs

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 3(i)(i)), property, plant and equipment (see Note 3(e)) or intangible assets (see Note 3(f)).

Incremental costs of obtaining a contract, e.g. sales commissions, are capitalised if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised (see Note 3(s)(i)).

3 Material accounting policies (continued)

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 3(s)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see Note 3(h)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see Note 3(k)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 3(s)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 3(k)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 3(s)).

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 3(h)(i)). Receivables that are held for collection of contractual cash flows and for selling the financial assets are measured at fair value through other comprehensive income.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs (see Note 3(h)(i)).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

3 Material accounting policies (continued)

(n) Contingent redeemable capital contributions

Contingent redeemable capital contributions are classified as financial liabilities as they are redeemable on a specific date or at the option of the shareholders (including options that are only exercisable in case of triggering events having occurred). The liability is recognised and measured in accordance with the Group's policy for interest-bearing borrowings set out in Note 3(o) and accordingly interests thereon are recognised on an accrual basis in profit or loss as part of finance costs.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 3(u).

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

3 Material accounting policies (continued)

(q) Income tax (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

— temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

— taxable temporary differences arising on the initial recognition of goodwill; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3 Material accounting policies (continued)

(r) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of goods

Revenue is recognised when the goods are shipped from the Group's warehouses, delivered at the customers' premises, or loaded on board. If the products are a partial fulfilment of a contract covering other goods, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods promised under the contract on a relative stand-alone selling price basis.

3 Material accounting policies (continued)

(s) Revenue and other income (continued)

(ii) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iii) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(iv) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset.

3 Material accounting policies (continued)

(t) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

— an investment in equity securities designated as at FVOCI ;

— a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and

— qualifying cash flow hedges to the extent that the hedges are effective.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3 Material accounting policies (continued)

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) Business combination

The Group accounts for business combination using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see Note 3(c)). Any gain on a bargain purchase is recognised in profit and loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in the profit and loss.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

3 Material accounting policies (continued)

(w) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Chairman (the chief operating decision maker) for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4 Accounting judgements and estimates

Sources of estimation uncertainty

Notes 17 and 34(f) contain information about the assumptions and their risk factors relating to goodwill impairment and fair value of financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) Impairment losses on trade receivables

The Group estimates the amount of loss allowance for ECLs on trade receivables that are measured at amortised cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves a high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(ii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and historical experience of distributing and selling products of a similar nature. They could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market conditions. Management reassess the estimations at each end of the reporting period.

(iv) Income taxes

Determining income tax provisions involves judgement regarding the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

5 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are the manufacturing and sales of high alloy steel, (including die steel ("DS") and high speed steel ("HSS")), cutting tools, titanium alloy, trading of goods and others after eliminating intercompany transactions. Further details regarding the Group's principal activities are disclosed in Note 5(b).

(i) Disaggregation of revenue

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

	2024 **RMB'000**	2023 RMB'000
DS	**2,273,870**	2,345,986
HSS	**821,478**	815,904
Cutting tools	**879,342**	905,754
Titanium alloy	**756,370**	963,836
Others	**100,976**	131,826
	4,832,036	5,163,306

The Group's revenue from contracts with customers is recognised at a point in time. Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 5(b)(iii).

The Group's customer base is diversified and includes 1 customer (2023: 1 customer) with whom transactions have exceeded 10% of the Group's revenue.

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

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

5 Revenue and segment reporting (continued)

(b) Segment reporting

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

— *DS*	The DS segment manufactures and sells materials that are used in the die set manufacturing industry.
— *HSS*	The HSS segment manufactures and sells materials that are used in the tools manufacturing industry.
— *Cutting tools*	The cutting tools segment manufactures and sells HSS and carbide cutting tools to the tooling industry.
— *Titanium alloy*	The titanium alloy segment manufactures and sells titanium alloys to the titanium industry.
— *Others*	Others segment assembles and sells power tools kits.

(i) Segment results, assets and liabilities

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

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

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

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

5 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

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

Information regarding the Group's reportable segments as provided to the Chairman (the chief operating decision maker) for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below.

	2024					
	DS RMB'000	HSS RMB'000	Cutting tools RMB'000	Titanium alloy RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	2,273,870	821,478	879,342	756,370	100,976	4,832,036
Inter-segment revenue	8	303,698	5,494	–	–	309,200
Reportable segment revenue	2,273,878	1,125,176	884,836	756,370	100,976	5,141,236
Reportable segment profit (adjusted EBIT)	24,867	81,817	200,841	200,808	14,911	523,244
Reportable segment assets	5,505,231	2,618,865	1,858,533	758,493	132,183	10,873,305
Reportable segment liabilities	668,962	293,185	347,623	108,527	41,241	1,459,538

5 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	2023					
	DS RMB'000	HSS RMB'000	Cutting tools RMB'000	Titanium alloy RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	2,345,986	815,904	905,754	963,836	131,826	5,163,306
Inter-segment revenue	95	271,527	5,319	–	–	276,941
Reportable segment revenue	2,346,081	1,087,431	911,073	963,836	131,826	5,440,247
Reportable segment profit (adjusted EBIT)	108,679	97,624	195,368	208,914	20,233	630,818
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

Revenue	**2024 RMB'000**	2023 RMB'000
Reportable segment revenue	**5,141,236**	5,440,247
Elimination of inter-segment revenue	**(309,200)**	(276,941)
Consolidated revenue (Note 5(a))	**4,832,036**	5,163,306

5 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

Profit	2024 RMB'000	2023 RMB'000
Reportable segment profit	**523,244**	630,818
Net finance costs	**(138,121)**	(156,963)
Share of profits less losses of associates	**4,857**	8,702
Share of profits less losses of joint ventures	**(1,117)**	(12,888)
Unallocated head office and corporate profits/(expenses)	**19,274**	(4,199)
Consolidated profit before taxation	**408,137**	465,470

Assets	2024 RMB'000	2023 RMB'000
Reportable segment assets	**10,873,305**	10,955,969
Interest in associates	**103,781**	99,181
Interest in joint ventures	**25,141**	29,823
Other financial assets	**265,070**	192,840
Deferred tax assets	**117,871**	63,372
Financial assets measured at fair value through profit or loss (FVPL)	**61,025**	1,111
Pledged deposits	**134,494**	129,288
Time deposits	**605,231**	1,307,985
Cash and cash equivalents	**1,068,922**	749,087
Unallocated head office and corporate assets	**31,009**	32,419
Consolidated total assets	**13,285,849**	13,561,075

5 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

Liabilities	2024 RMB'000	2023 RMB'000
Reportable segment liabilities	**1,459,538**	1,599,014
Interest-bearing borrowings	**3,284,666**	2,895,021
Other financial liability	**983,676**	1,581,250
Current taxation	**35,042**	26,729
Deferred tax liabilities	**46,874**	52,523
Unallocated head office and corporate liabilities	**23,315**	21,950
Consolidated total liabilities	**5,833,111**	6,176,487

(iii) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

Substantially all of the Group's assets and liabilities are located in the PRC and accordingly, no geographical analysis of segment assets and liabilities is provided.

Revenues from external customers	2024 RMB'000	2023 RMB'000
The PRC	**2,511,112**	2,594,152
North America	**719,275**	926,221
Europe	**1,004,074**	1,067,180
Asia (other than the PRC)	**561,394**	528,550
Others	**36,181**	47,203
	4,832,036	5,163,306

6 Other income

	Note	2024 RMB'000	2023 RMB'000
Government grants	(i)	**54,695**	61,316
Sales of scrap materials		**2,759**	2,890
Dividend income	(ii)	**12,476**	14,367
Unrealised fair value changes of other financial assets		**(4,769)**	(4,420)
Net (losses)/gains on trading securities		**(5,380)**	70
Net foreign exchange gains		**113,136**	45,738
Net (losses)/gains on disposal of property, plant and equipment		**(843)**	747
Others		**4,141**	6,545
		176,215	127,253

Notes:

(i) The subsidiaries of the Company, located in the PRC collectively received unconditional grants amounting to RMB46,440,000 (2023: RMB53,490,000) from the local government. The Group also recognised amortisation of government grants related to assets of RMB8,255,000(2023: RMB7,826,000) during the year ended 31 December 2024 (see Note 30).

(ii) The Group received dividends totaling RMB12,476,000 (2023: RMB14,367,000) from listed equity investments, unlisted units in investment funds and trading securities (see Note 21 and 22).

7 Other operating expenses

	2024 RMB'000	2023 RMB'000
(Reversal)/provision for loss allowance on trade and other receivables	**(4,652)**	48,487
Charitable donations	**2,400**	3,346
Others	**1,197**	1,649
	(1,055)	53,482

8 Profit before taxation

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

(a) Net finance costs

	2024 RMB'000	2023 RMB'000
Interest income	**(33,530)**	(41,624)
Finance income	**(33,530)**	(41,624)
Interest on bank loans	**120,345**	141,987
Interest expenses arising on other financial liability	**51,306**	56,600
Finance expenses	**171,651**	198,587
Net finance costs	**138,121**	156,963

(b) Staff costs

	2024 RMB'000	2023 RMB'000
Contributions to defined contribution retirement plans	**33,760**	32,978
Salaries, wages and other benefits	**387,845**	364,138
	421,605	397,116

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

8 Profit before taxation (continued)

(c) Other items

	Note	2024 RMB'000	2023 RMB'000
Amortisation of intangible assets	16	**7,684**	8,215
Depreciation charge			
— owned property, plant and equipment	14	**386,994**	371,974
— lease prepayments (right-of-use assets)	15	**6,158**	6,158
		393,152	378,132
Auditor's remuneration			
— audit services		**7,035**	6,387
— other services		**–**	1,554
		7,035	7,941
(Reversal)/provision for write-down of inventories	23(b)	**(12,071)**	10,157
Cost of inventories*	23(b)	**3,848,493**	4,019,922

* Cost of inventories includes amounts relating to staff costs and depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above or in Note 8(b) for each of these types of expenses.

9 Income tax in the consolidated statement of profit or loss

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

	2024 RMB'000	2023 RMB'000
Current tax		
Provision for PRC Corporate Income Tax (Note 32(a))	**55,352**	57,649
Provision for Hong Kong Profits Tax (Note 32(a))	**4,526**	8,242
Provision for Thailand Corporate Income Tax (Note 32(a))	**553**	199
	60,431	66,090
Deferred tax		
Origination and reversal of temporary differences	**(52,457)**	(20,548)
	7,974	45,542

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

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

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

As at 16 December 2024, Jiangsu Tiangong Carbide Technology Company Limited ("Carbide Technology") is qualified as a High and New Technology Enterprise and is subject to a preferential income tax rate of 15% in 2024 (2023: 25%).

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

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

9 Income tax in the consolidated statement of profit or loss (continued)

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

(iii) Pursuant to the income tax rules and regulations of Hong Kong, the Group's subsidiaries in Hong Kong are liable to Hong Kong Profits Tax at a rate of 16.5% (2023: 16.5%) for the year ended 31 December 2024.

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

Pursuant to the income tax rules and regulations of Thailand, Tiangong Special Steel Company Limited ("TGSS") and Tiangong New Material (Thailand) Co., Ltd ("New Material (Thailand)"), TGSS are liable to Thailand Corporate Income Tax at a rate of 20% (2023: 20%) for the year ended 31 December 2024, New Material (Thailand) are liable to Thailand Corporate Income Tax at a rate of 20% for the year ended 31 December 2024.

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

	2024 RMB'000	2023 RMB'000
Profit before taxation	**408,137**	465,470
Notional tax on profit before taxation, calculated using the PRC statutory tax rate of 25% (2023: 25%)	**102,034**	116,368
Effect of preferential tax rates	**(3,558)**	(15,349)
Effect of different tax rates	**(25,993)**	6,559
Tax effect of non-deductible expenses	**12,703**	16,359
Tax effect of non-taxable income	**(7,747)**	(3,199)
Tax effect of unused tax losses not recognised	**1,592**	282
Tax effect of derecognised of previously recognised tax losses	**100**	2,869
Tax effect of bonus deduction for research and development costs	**(75,011)**	(78,239)
Under/(over)-provision in respect of prior year	**1,527**	(108)
Effect on deferred tax balances at 1 January resulting from a change in tax rate (note 32(b))	**2,327**	–
Actual tax expense	**7,974**	45,542

10 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefit schemes RMB'000	Discretionary bonuses RMB'000	Share-based payments RMB'000	2024 Total RMB'000
Executive directors						
Zhu Xiaokun	–	357	–	518	–	875
Wu Suojun	–	587	9	535	–	1,131
Jiang Guangqing	–	397	9	280	–	686
Zhu Zefeng	–	416	–	–	–	416
Independent non-executive directors						
Wang Xuesong	88	–	–	–	–	88
Gao Xiang (Note (i))	15	–	–	–	–	15
Qin Ke (Note (ii))	56	–	–	–	–	56
Lee Cheuk Yin, Dannis	88	–	–	–	–	88
Total	247	1,757	18	1,333	–	3,355

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefit schemes RMB'000	Discretionary bonuses RMB'000	Share-based payments RMB'000	2023 Total RMB'000
Executive directors						
Zhu Xiaokun	–	429	9	465	–	903
Wu Suojun	–	625	9	410	–	1,044
Yan Ronghua (Note (iii))	–	212	4	–	–	216
Jiang Guangqing	–	471	9	44	–	524
Zhu Zefeng (Note (iv))	–	241	–	–	–	241
Independent non-executive directors						
Wang Xuesong	87	–	–	–	–	87
Gao Xiang	36	–	–	–	–	36
Lee Cheuk Yin, Dannis	87	–	–	–	–	87
Total	210	1,978	31	919	–	3,138

10 Directors' emoluments (continued)

Notes:

(i) Gao Xiang resigned from his position as an independent non-executive director on June 19, 2024.

(ii) Qin Ke was appointed as independent non-executive director on June 19, 2024.

(iii) Yan Ronghua was appointed as executive director on June 20, 2007 and has resigned on June 6, 2023.

(iv) Zhu Zefeng was appointed as executive director on June 6, 2023.

11 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2023: two) are directors whose emoluments are disclosed in Note 10. The aggregate of the emoluments in respect of the other three (2023: three) individuals are as follows:

	2024 **RMB'000**	2023 RMB'000
Salaries, allowances and benefits in kind	**2,015**	1,814
Discretionary bonuses	**1,093**	1,191
Contributions to retirement benefit schemes	**35**	34
	3,143	3,039

The emoluments of the three (2023: three) individuals with the highest emoluments are within the following bands:

	2024 **Number of individuals**	2023 Number of individuals
HKD1,000,001 to HKD1,500,000	**3**	3

12 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	Equity investments at FVOCI — net movement in fair value reserves (non-recycling) RMB'000	Exchange differences on translation of financial statements RMB'000	Total RMB'000
For the year ended 31 December 2024			
Before-tax amount	**22,576**	**(107,458)**	**(84,882)**
Tax expense	**(2,794)**	**–**	**(2,794)**
Net-of-tax amount	**19,782**	**(107,458)**	**(87,676)**
For the year ended 31 December 2023			
Before-tax amount	(8,928)	(12,962)	(21,890)
Tax expense	1,600	–	1,600
Net-of-tax amount	(7,328)	(12,962)	(20,290)

(Expressed in Renminbi unless otherwise indicated)

13 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 RMB358,757,000 (2023: RMB370,209,000) and the weighted average of 2,743,226,197 ordinary shares (2023: 2,778,642,505 ordinary shares) in issue during the year, calculated as follows:

	2024	2023
Net profit attributable to equity shareholders of the Company	**358,757,000**	370,209,000
Weighted average number of ordinary shares	**2,743,226,197**	2,778,642,505
Basic earnings per share	**0.131**	0.133

Weighted average number of ordinary shares

	2024	2023
Issued ordinary shares at 1 January	**2,775,000,000**	2,785,000,000
Effect of repurchase of own shares	**(31,773,803)**	(6,357,495)
Weighted average number of ordinary shares at 31 December	**2,743,226,197**	2,778,642,505

(b) Diluted earnings per share

The diluted earnings per share for 2024 and 2023 are the same as the basic earnings per share as there are no dilutive potential ordinary shares during the years.

14 Property, plant and equipment

	Freehold land RMB'000	Plant and buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
Balance at 1 January 2023	14,136	1,321,805	5,426,845	12,365	63,052	385,943	7,224,146
Additions	–	3,307	111,200	500	16,972	145,812	277,791
Transfer to fixed assets	–	85,110	249,863	317	7,392	(342,682)	–
Disposals	–	–	(14,265)	–	(2)	–	(14,267)
Transfer to construction in progress	–	–	(10,729)	–	–	536	(10,193)
Reclassification	–	1,075	(165)	(103)	(807)	–	–
Transfer to intangible assets (Note 16)	–	–	–	–	–	(422)	(422)
Exchange adjustment	421	1,403	1,863	20	38	449	4,194
Balance at 31 December 2023	14,557	1,412,700	5,764,612	13,099	86,645	189,636	7,481,249
Additions	–	14,906	75,142	945	6,424	190,272	287,689
Transfer to fixed assets	–	5,979	175,626	–	681	(182,286)	–
Disposals	–	–	(21,677)	(679)	(37)	–	(22,393)
Transfer to construction in progress	–	–	(939)	–	–	–	(939)
Transfer to intangible assets (Note 16)	–	–	–	–	–	(4,583)	(4,583)
Exchange adjustment	365	1,216	2,652	47	49	–	4,329
Balance at 31 December 2024	14,922	1,434,801	5,995,416	13,412	93,762	193,039	7,745,352
Accumulated depreciation:							
Balance at 1 January 2023	–	(444,737)	(2,124,359)	(6,960)	(40,494)	–	(2,616,550)
Charge for the year	–	(46,823)	(314,167)	(1,707)	(9,277)	–	(371,974)
Written back on disposals	–	–	4,754	–	1	–	4,755
Transfer to construction in progress	–	–	10,193	–	–	–	10,193
Reclassification	–	(57)	(149)	9	197	–	–
Exchange adjustment	–	(75)	(658)	(10)	(12)	–	(755)
Balance at 31 December 2023	–	(491,692)	(2,424,386)	(8,668)	(49,585)	–	(2,974,331)
Charge for the year	–	(44,159)	(326,393)	(1,907)	(14,535)	–	(386,994)
Written back on disposals	–	–	8,678	645	29	–	9,352
Transfer to construction in progress	–	–	939	–	–	–	939
Exchange adjustment	–	(437)	(873)	(9)	(138)	–	(1,457)
Balance at 31 December 2024	–	(536,288)	(2,742,035)	(9,939)	(64,229)	–	(3,352,491)
Net book value:							
At 31 December 2024	14,922	898,513	3,253,381	3,473	29,533	193,039	4,392,861
At 31 December 2023	14,557	921,008	3,340,226	4,431	37,060	189,636	4,506,918

15 Lease prepayments

	RMB'000
Cost:	
At 1 January 2023	271,540
Additions	21,185
At 31 December 2023 and 2024	292,725
Accumulated amortisation:	
At 1 January 2023	(37,698)
Charge for the year	(6,158)
At 31 December 2023	(43,856)
Charge for the year	(6,158)
At 31 December 2024	(50,014)
Net book value:	
At 31 December 2024	242,711
At 31 December 2023	248,869

The amortisation charge for the year is included in "cost of sales" and "administrative expenses" in the consolidated statement of profit or loss.

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2024 RMB'000	2023 RMB'000
Lease prepayments, carried at depreciated cost in the PRC, with remaining lease term of between 10 and 50 years	**242,711**	248,869

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2024 RMB'000	2023 RMB'000
Amortisation charge of right-of-use assets by class of underlying asset:		
Lease prepayments	**6,158**	6,158
Expenses relating to short-term leases and low-value assets	**3,630**	818

During the year ended 31 December 2024, additions right-of-use assets were nil for purchase of leasehold land (2023: RMB21,185,000 for purchase of leasehold land).

16 Intangible assets

	Patents and trademarks RMB'000	Technical know-how RMB'000	Software	Total RMB'000
Cost:				
At 1 January 2023	19,000	44,500	13,819	77,319
Additions	–	–	181	181
Transfer from property, plant and equipment (Note 14)	–	–	422	422
At 31 December 2023 and 1 January 2024	19,000	44,500	14,422	77,922
Additions	–	–	1,604	1,604
Transfer from property, plant and equipment (Note 14)	–	–	4,583	4,583
At 31 December 2024	19,000	44,500	20,609	84,109
Accumulated amortisation:				
At 1 January 2023	(3,958)	(1,589)	(6,439)	(11,986)
Charge for the year	(1,900)	(4,769)	(1,546)	(8,215)
At 31 December 2023 and 1 January 2024	(5,858)	(6,358)	(7,985)	(20,201)
Charge for the year	(1,900)	(4,768)	(1,016)	(7,684)
At 31 December 2024	(7,758)	(11,126)	(9,001)	(27,885)
Net book value:				
At 31 December 2024	11,242	33,374	11,608	56,224
At 31 December 2023	13,142	38,142	6,437	57,721

17 Goodwill

	RMB'000
Cost:	
Balance at 1 January and 31 December	144,600
Accumulated impairment losses:	
Balance at 1 January and 31 December	–
Carrying amount:	
At 31 December 2024 and 2023	144,600

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Goodwill is allocated to the Group's CGUs identified according to the reportable segments as follows:

	2024 **RMB'000**	2023 RMB'000
DS	**21,959**	21,959
Cutting Tools	**122,641**	122,641
	144,600	144,600

(Expressed in Renminbi unless otherwise indicated)

17 Goodwill (continued)

The recoverable amount of the CGU is determined based on value-in-use calculation. The Group engaged an independent professional valuer to assist with the calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used in estimating the recoverable amount are as follows:

Cutting tools

	2024	2023
Annual revenue growth rate during the forecast period	**6.0%–18.3%**	4.2%–18.5%
Gross profit margin	**42.5%**	45.4%
Growth rate beyond the forecast period (note(i))	**2.0%**	2.5%
Pre-tax discount rate	**16.0%**	17.3%

(i) Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate which is consistent with the forecasts included in industry reports and generally in line with 2023.

As at 31 December 2024, the recoverable amount of the CGU was RMB369,680,000 (2023: RMB394,228,000), which was higher than its carrying amount by RMB341,174,000 (2023: RMB352,156,000).

DS

	2024	2023
Annual revenue growth rate during the forecast period	**1.0%–7.2%**	1.6%–7.2%
Gross profit margin	**8.7%**	10.7%
Growth rate beyond the forecast period (note(i))	**2.0%**	2.0%
Pre-tax discount rate	**8.2%**	8.6%

(i) Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate which is consistent with the forecasts included in industry reports and generally in line with 2023.

As at 31 December 2024, the recoverable amount of the CGU was RMB2,699,623,000 (2023: RMB3,611,526,000), which was higher than its carrying amount by RMB2,596,733,000 (2023: RMB2,580,311,000).

(Expressed in Renminbi unless otherwise indicated)

18 Interest in subsidiaries

The following list contains only the subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary shares unless otherwise stated.

Name of company	Place of incorporation and business and date of incorporation	Proportion of ownership interest		Issued and fully paid-up/ registered capital	Principal activity
		Direct	Indirect		
China Tiangong Company Limited	British Virgin Islands, 14 August 2006	100%	–	United States dollar ("USD") 50,000/ USD50,000	Investment holding
TG Tools	The PRC, 7 July 1997	–	99%	RMB2,608,441,142/ RMB2,608,441,142	Research and development, manufacture and sale of high speed steel and die steel
TG Aihe	The PRC, 5 December 2003	–	100%	RMB2,000,000,000/ RMB2,000,000,000	Research and development, manufacture and sale of die steel and high speed steel
China Tiangong (Hong Kong) Company Limited ("CTCL (HK)")	Hong Kong, 13 June 2008	–	100%	HKD1/HKD1	Investment holding
TG Tech	The PRC, 27 January 2010	–	75.58%	RMB586,600,015/ RMB586,600,015	Research and development, manufacture and sale of titanium related products
Tiangong Development Hong Kong Company Limited ("TG Development")	Hong Kong, 15 February 2012	–	100%	USD5,500,000/ USD5,500,000	Trading of special steel
Weijian Tools	The PRC, 29 May 2013	–	100%	RMB46,705,425/ RMB52,195,485	Research and development, manufacture and sale of high speed steel-related products
Jurong Tiangong New Materials Technology Company Limited ("TG New Materials")	The PRC, 29 July 2015	–	100%	RMB300,000,000/ RMB300,000,000	Research and development, manufacture and sale of high speed steel and die steel related products
Precision Tools	The PRC, 25 January 2016	–	100%	HKD600,000,000/ HKD680,000,000	Research and development, manufacture and sale of cutting tools related products

(Expressed in Renminbi unless otherwise indicated)

18 Interest in subsidiaries (continued)

Name of company	Place of incorporation and business and date of incorporation	Proportion of ownership interest Direct	Proportion of ownership interest Indirect	Issued and fully paid-up/ registered capital	Principal activity
Jiangsu Tiangong Investment Management Company Limited	The PRC, 9 March 2017	–	100%	RMB534,734,395/ RMB534,734,395	Investment management and advisory related services
Tiangong Precision Tools Company Limited	British Virgin Islands, 12 January 2018	100%	–	–/ USD50,000	Investment holding
Tiangong Precision Tools (Hong Kong) Company Limited	Hong Kong, 7 February 2018	–	100%	HKD1/ HKD1	Investment holding and trading of cutting tools
TGSS	Thailand, 16 August 2019	–	99.2%	Thai Baht ("THB")100,000,000/ THB100,000,000	Trading of special steel
Changzhou Junrui Tools Company Limited ("Changzhou Junrui) (Note (i))	The PRC, 24 October 2019	–	65%	RMB3,000,000/ RMB3,000,000	Sale of cutting tools related products
TGPT	Thailand, 25 October 2019	–	100%	THB270,000,000/ THB270,000,000	Manufacture and sale of cutting tools related products
Jiangsu Tiangong New Materials Company Limited ("Jiangsu New Materials")	The PRC, 29 September 2020	–	100%	RMB300,000,000/ RMB300,000,000	Investment holding
Guangdong Aihe Mould Technology Co., Ltd.("Guangdong Aihe")	The PRC, 27 July 2021	–	100%	RMB52,500,000/ RMB120,000,000	Research and development, manufacture and sale of special steel related product
Carbide Technology	The PRC, 21 December 2021	–	84%	RMB26,000,000/ RMB26,000,000	Manufacture and sale of carbide cutting tools
Jiangsu Tiangong New Material Applied Technology Company Limited ("Applied Technology") (Note (ii))	The PRC, 11 April 2022	–	100%	–/ RMB60,000,000	Research and development, manufacture and sale of special steel related product
Tiangong Ostte (Shenzhen) Industrial Technology Co., Ltd	The PRC, 27 July 2022	–	51%	RMB2,000,000/ RMB5,000,000	Research and development, manufacture and sale of cutting tools related products

(Expressed in Renminbi unless otherwise indicated)

18 Interest in subsidiaries (continued)

Name of company	Place of incorporation and business and date of incorporation	Proportion of ownership interest Direct	Proportion of ownership interest Indirect	Issued and fully paid-up/ registered capital	Principal activity
Jiangsu Tianguan Precision Machinery Development Co., Ltd. ("Tianguan Precision")	The PRC, 8 November 2016	–	100%	RMB100,000,000/ RMB100,000,000	Research and development, manufacture and sale of cutting tools related products
Jiangsu Tiangong Solomon Alloy New Material Co., Ltd ("Tiangong Solomon)	The PRC, 8 March 2021	–	55%	RMB30,000,000/ RMB30,000,000	Research and development, manufacture and sale of titanium related products
Tiangong International Trading (Dongguan) Co., Ltd. ("Dongguan trading")	The PRC, 6 January 2023	–	100%	HKD3,000,000/ HKD10,000,000	Processing and sales of electric tool sets
Tiangong Precision Manufacturing (Dongguan) Co., Ltd. ("Precision Dongguan")	The PRC, 5 December 2023	–	100%	–/ HKD10,000,000	Processing and sales of electric tool sets
New Material (Thailand) (Note (iii))	Thailand, 20 May 2024	–	100%	THB250,750,000/ THB1,000,000,000	Manufacture and sale of die steel
Jiangsu Zhirong Alloy New Materials Co., Ltd ("Zhirong Alloy New Materials") (Note (iv))	The PRC, 4 July 2024	–	75%	RMB100,000/ RMB30,000,000	Processing and distribution of high-temperature alloy related products
Tiangong (Changzhou) Carbide Technology Co., Ltd ("Tiangong Carbide") (Note (v))	The PRC, 30 October 2024	–	100%	–/ RMB3,000,000	Sale of cutting tools related products

Notes:

(i) The Group disposed all of its equity interest in Changzhou Junrui on 5 January 2024.

(ii) Applied Technology completed its deregistration on 26 January 2024.

(iii) On 20 May 2024, TG Tools and TG Development established a subsidiary New Material (Thailand), which is principally engaged in downstream processing and distribution of die steel related products.

(iv) On 4 July 2024, TG New Materials established a subsidiary Zhirong Alloy New Materials with Shanghai Shenxuan New Materials Technology Co., Ltd, which is principally engaged in downstream processing and distribution of high-temperature alloy related products.

(v) On 30 October 2024, Carbide Technology established a subsidiary Tiangong Carbide., which is principally engaged in downstream distribution of cutting tools related products.

All of the subsidiaries incorporated in PRC are limited liability companies except for TG Tools and TG Tech, which are joint stock limited companies.

18 Interest in subsidiaries (continued)

The following table lists out information relating to TG Tech, the subsidiary of the Group, which has a material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2024 RMB'000	2023 RMB'000
NCI percentage	**24.42%**	24.42%
Current assets	**983,350**	935,346
Non-current assets	**233,564**	209,589
Current liabilities	**(161,811)**	(267,392)
Non-current liabilities	**(7,792)**	(8,242)
Net assets allocated to parent company	**1,026,123**	850,181
Carrying amount of NCI	**250,579**	207,614
Revenue	**801,251**	1,035,110
Profit for the year allocated to parent company	**172,420**	169,755
Total comprehensive income allocated to parent company	**172,420**	169,755
Profit allocated to NCI	**42,105**	41,454
Dividend paid to NCI	**–**	–
Cash flows from operating activities	**301,979**	3,848
Cash flows from investing activities	**(35,610)**	(69,261)
Cash flows from financing activities	**(5,425)**	–

(Expressed in Renminbi unless otherwise indicated)

19 Interest in associates

The following list contains only the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Xinzhenggong Company Limited ("XZG")	Incorporated	Taiwan	Taiwan new dollars ("TWD") 200,000,000	20.83%	–	20.83%	Sale of special steel related products
SB Specialty Metals Holdings LLC ("SBSMH")	Incorporated	United States of America	USD8,625,000	19.75%	–	19.75%	Sale of special steel related products
Kushan Tianzhong New Materials Technology Co., Ltd ("TZNMT")	Incorporated	The PRC	RMB10,000,000	40%	–	40%	Sale of special steel related products
Tiantai Mould Technology (Kunshan) Co., Ltd ("TTMT")	Incorporated	The PRC	RMB10,000,000	40%	–	40%	Sale of special steel related products
Chengdu Tiante Mould Technology Co., Ltd. ("CDTT")	Incorporated	The PRC	RMB10,000,000	40%	–	40%	Sale of special steel related products
Guangdong Tiannuo New Materials Technology Co., Ltd ("GDTN")	Incorporated	The PRC	RMB5,000,000	30%	–	30%	Sale of special steel related products
Guangdong Tianjiayu Mould Technology Co., Ltd ("GDTJY")	Incorporated	The PRC	RMB12,500,000	30%	–	30%	Sale of special steel related products

19 Interest in associates (continued)

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Aggregate information of associates that are not individually material:

	2024 RMB'000	2023 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**103,781**	99,181

	2024 RMB'000	2023 RMB'000
Aggregate amounts of the Group's share of those associates'		
— Profits from continuing operations	**4,857**	8,702
— Other comprehensive income	**(197)**	807
Total comprehensive income	**4,660**	9,509

20 Interest in joint ventures

Details of the Group's interest in joint ventures, which are accounted for using the equity method in the consolidated financial statements, are set out below:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
TGK Special Steel PVT Limited ("TGK")	Incorporated	India	USD2,000,000	50%	–	50%	Sale of special steel related products
TG Czech S.R.O. ("CTM")	Incorporated	Czech Republic	Czech Koruna ("CZK") 26,140,000	50%	–	50%	Sale of special steel related products
Five Star Special Steel Europe S.R.L ("FSS") (Note (i))	Incorporated	Italy	Euro ("EUR") 100,000	60%	–	60%	Sale of special steel related products
TG Middle East Celik San Ltd. ("TGME") (Note (ii))	Incorporated	Turkey	EUR1,000,000	50%	–	50%	Sale of special steel related products

Notes:

(i) FSS is principally engaged in the sale of special steel related products in Italy. On 21 June 2024, the Group withdraw all of its equity interest in FSS at a consideration of approximately RMB3,840,000.

(ii) TGME is principally engaged in the sale of special steel related products in Turkey. On 5 May 2024, the Group disposed all of its equity interest in TGME without cash consideration.

Aggregate information of joint ventures that are not individually material:

	2024 RMB'000	2023 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**25,141**	29,823

	2024 RMB'000	2023 RMB'000
Aggregate amount of the Group's share of those joint ventures'		
— Losses from continuing operations	**(1,117)**	(12,888)
— Losses from disposal and withdrawal of interest in joint ventures	**(3,845)**	–
— Other comprehensive income	**280**	(4,958)
Total comprehensive income	**(4,682)**	(17,846)

21 Other financial assets

	Note	2024 RMB'000	2023 RMB'000
Equity securities designated at FVOCI (non-recycling)			
— Listed in the PRC	(i)	**33,145**	97,266
— Unlisted equity security	(ii)	**–**	380
Financial asset measured at fair value through profit or loss (FVPL)			
— Unlisted units in investment funds	(iii)	**114,425**	95,194
Financial assets measured at amortised cost			
— Amount due from third party		**117,500**	–
		265,070	192,840

Notes:

(i) The listed equity securities are shares in Bank of Jiangsu Co., Ltd., a company listed on the Mainboard of the Shanghai Stock Exchange ("SSE") and shares in JM Digital Steel Inc., a company listed on the National Equities Exchange and Quotations System ("NEEQ"). The Group designated these investments at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends of RMB7,877,000 were received from these investments during the year ended 31 December 2024 (2023: RMB8,142,000).

(ii) The unlisted equity security is equity interest in Nanjing Xiaomuma Technology Co., Ltd., a company incorporated in the PRC, which has ceased operations in 2024. The Group designated the investment at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends were received from these investments during the year ended 31 December 2024 (2023: RMB nil).

(iii) The unlisted units in investment fund are interests in Yunnan Filter Environment Protection S.&T.Co.,Ltd., Jinan Financial Fosun Weishi Equity Investment Fund Partnership, Ningbo Meishan Free Trade Port Qian Equity Investment Partnership (Limited Partnership), CICC Jiatai Private Equity Fund III (Shenzhen) Partnership (Limited Partnership), Danyang Boyun Hengda Tiangong Industrial Investment Center (Limited Partnership) and Suzhou Yiming New Materials Venture Capital Partnership Enterprise (Limited Partnership), which are partnerships incorporated in the PRC. These investments are partnerships incorporated in the PRC, and primarily engaged in or further invested in the industrial and technology sectors. Dividends of RMB3,976,000 were received from these investments during the year ended 31 December 2024 (2023: RMB6,204,000).

22 Financial assets measured at fair value through profit or loss (FVPL)

	2024 RMB'000	2023 RMB'000
Trading securities		
— Equity securities listed in Hong Kong	**59,407**	843
— Equity securities listed outside Hong Kong	**1,618**	268
	61,025	1,111

Note: The trading securities are the Group's portfolio of listed equity securities in the capital markets of the PRC and Hong Kong. The Group measured these listed equity securities at FVPL, as the investments are held for trading purposes. Dividends of RMB623,000 were received from these trading securities during the year ended 31 December 2024 (2023: RMB21,000).

23 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2024 RMB'000	2023 RMB'000
Raw materials	**141,804**	115,141
Work in progress	**1,477,700**	1,492,541
Finished goods	**905,366**	869,810
	2,524,870	2,477,492

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount of inventories sold	**3,860,564**	4,009,765
(Reversal)/provision for write-down of inventories	**(12,071)**	10,157
	3,848,493	4,019,922

24 Trade and other receivables

	2024 RMB'000	2023 RMB'000
Trade receivables	**2,226,434**	2,246,281
Bills receivable	**732,940**	818,760
Less: loss allowance	**(143,288)**	(149,555)
Net trade and bills receivable	**2,816,086**	2,915,486
Prepayments	**159,747**	224,199
Non-trade receivables	**477,599**	311,133
Less: loss allowance	**(9,498)**	(7,907)
Current taxation	**99,114**	109,877
Net prepayments and non-trade receivables	**726,962**	637,302
	3,543,048	3,552,788

Certain bills receivable held by the Group are achieved by both collection of contractual cash flows and sales, which are measured at fair value through other comprehensive income. As at 31 December 2024, bills receivable of RMB209,887,000 (2023: RMB124,285,000) whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under IFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the year. Historically, the Group has experienced no significant credit losses on bills receivable. The Group from time to time endorses certain bills receivable to suppliers in order to settle trade and other payables.

As at 31 December 2024, the Group endorsed certain bills receivable with a total carrying amount of RMB300,376,000 (2023: RMB333,383,000) to suppliers for settling trade payables of the same amount on a full recourse basis. In the opinion of the directors of the Company, the Group has not transferred the substantial risks and rewards relating to these bills, and accordingly, it continued to recognise the full carrying amounts of these bills receivable and the associated trade payables settled.

24 Trade and other receivables (continued)

As at 31 December 2024, the Group endorsed certain bills receivable to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considers the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at 31 December 2024, the Group's maximum exposure to loss and undiscounted cash outflow, which is the same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB279,974,000 (2023: RMB190,737,000).

As at 31 December 2024, bills receivable of RMB405,000,000 (2023: RMB340,000,000) were discounted to financial institutions. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considers the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. Therefore, the Group has derecognized these bills receivable.

Trade receivables of RMB137,751,000 (2023: RMB161,843,000) have been pledged to a bank as security for the Group's bank loans.

Ageing analysis

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

	2024 **RMB'000**	2023 RMB'000
Within 1 years	**2,546,878**	2,723,886
1 to 2 years	**252,646**	172,756
Over 2 years	**16,562**	18,844
	2,816,086	2,915,486

Trade receivables are due from 90 to 180 days from the date of billing. Further details on the Group's credit policy and credit risk arising for trade receivables are set out in Note 34(a).

25 Pledged deposits

As at 31 December 2024, bank deposits of RMB134,494,000 (2023: RMB129,288,000) have been pledged to banks as security for the Group to issue bank acceptance bills and other banking facilities. The pledge in respect of the bank deposits will be released upon the settlement of the related bills by the Group and the termination of related banking facilities.

26 Time deposits

As at 31 December 2024, time deposits of RMB605,231,000 (2023: RMB1,307,985,000) in the consolidated statement of financial position represent bank deposits that are over 3 months of maturity at acquisition.

27 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	2024 RMB'000	2023 RMB'000
Cash at bank and on hand	**1,068,922**	749,087

As at 31 December 2024, cash and cash equivalents situated in Chinese Mainland amounted to RMB868,748,000 (2023: RMB584,841,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2024 RMB'000	2023 RMB'000
Profit before taxation		**408,137**	465,470
Adjustments for:			
Depreciation of property, plant and equipment	8(c)	**386,994**	371,974
Amortisation of lease prepayments	8(c)	**6,158**	6,158
Amortisation of intangible assets	8(c)	**7,684**	8,215
Interest income		**(33,530)**	(33,276)
Interest expenses	8(a)	**171,651**	198,587
Net losses/(gains) on disposal of property, plant and equipment	6	**843**	(747)
Dividend income	6	**(12,476)**	(14,367)
Unrealised fair value changes of other financial assets	6	**4,769**	4,420
Net losses/(gains) on trading securities	6	**5,380**	(70)
(Reversal)/provision for loss allowance on trade and other receivables	7	**(4,652)**	48,487
Share of profits less losses of associates	19	**(4,857)**	(8,702)
Share of profits less losses of joint ventures	20	**1,117**	12,888
Changes in working capital:			
Change in inventories		**(47,378)**	105,978
Change in trade and other receivables		**(86,005)**	(959,847)
Change in trade and other payables		**(231,781)**	(77,696)
Change in deferred income		**(7,690)**	(4,742)
Cash generated from operations		**564,364**	122,730

27 Cash and cash equivalents and other cash flow information (continued)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Interest-bearing borrowings RMB'000	Interest payable RMB'000	Other financial liability RMB'000	Total RMB'000
At 1 January 2023	2,895,313	2,268	1,524,650	4,422,231
Changes from financing cash flows:				
Proceeds from interest-bearing borrowings	3,591,088	–	–	3,591,088
Repayment of interest-bearing borrowings	(3,598,233)	–	–	(3,598,233)
Interest paid	–	(140,894)	–	(140,894)
Total changes from financing cash flows	(7,145)	(140,894)	–	(148,039)
Exchange adjustments	3,492	–	–	3,492
Other changes:				
Interest expenses (Note 8(a))	–	141,987	56,600	198,587
Business combination	3,361	(3,361)	–	–
Total other changes	3,361	138,626	56,600	198,587
At 31 December 2023 and 1 January 2024	2,895,021	–	1,581,250	4,476,271
Changes from financing cash flows:				
Proceeds from interest-bearing borrowings	3,991,914	–	–	3,991,914
Repayment of interest-bearing borrowings	(3,601,689)	–	–	(3,601,689)
Repayment of other financial liability (Note 31)	–	–	(565,190)	(565,190)
Interest paid	–	(120,345)	(83,690)	(204,035)
Total changes from financing cash flows	390,225	(120,345)	(648,880)	(379,000)
Exchange adjustments	(580)	–	–	(580)
Other change:				
Interest expenses (Note 8(a))	–	120,345	51,306	171,651
Total other changes	–	120,345	51,306	171,651
At 31 December 2024	3,284,666	–	983,676	4,268,342

27 Cash and cash equivalents and other cash flow information (continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2024 RMB'000	2023 RMB'000
Within operating cash flows	**3,630**	818
Within investing cash flows	**–**	21,185
	3,630	22,003

These amounts relate to the following:

	2024 RMB'000	2023 RMB'000
Lease rentals paid	**3,630**	818
Purchase of leasehold land	**–**	21,185
	3,630	22,003

28 Trade and other payables

	2024 RMB'000	2023 RMB'000
Trade and bills payable	**1,189,125**	1,246,803
Contract liabilities	**14,445**	13,394
Non-trade payables and accrued expenses	**249,185**	322,979
	1,452,755	1,583,176

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

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

	2024 RMB'000	2023 RMB'000
Within 1 year	**1,160,725**	1,217,139
1 to 2 years	**16,470**	17,056
Over 2 years	**11,930**	12,608
	1,189,125	1,246,803

29 Interest-bearing borrowings

	Note	2024 RMB'000	2023 RMB'000
Current			
Secured bank loans	(i)	**123,629**	126,046
Unsecured bank loans	(ii)	**1,114,544**	1,096,913
Current portion of non-current unsecured bank loans		**589,300**	986,464
		1,827,473	2,209,423
Non-current			
Secured bank loans	(iii)	**203,763**	140,142
Unsecured bank loans	(iv)	**1,842,730**	1,531,920
Less: Current portion of non-current unsecured bank loans		**(589,300)**	(986,464)
		1,457,193	685,598
		3,284,666	2,895,021

Notes:

(i) Current secured bank loans are secured by certain trade receivables at annual interest rate of 2.96% (2023: 4.05%) per annum.

(ii) Current unsecured bank loans carry interest at annual rates ranging from 2.60% to 6.14% (2023: 2.60% to 6.44%) per annum and are all repayable within one year.

(iii) Non-current secured bank loans are secured by Precision Tool's share capital and Guangdong Aihe's leasehold land at annual interest rate of 3.10% to 3.90% (2023: 3.45%) per annum.

(iv) Non-current unsecured bank loans carry interest at annual interest rate of 2.70% to 3.85% (2023: 3.60% to 4.35%) per annum .

The current and non-current portion of the Group's non-current bank loans were repayable as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**589,300**	986,464
Over 1 year but less than 2 years	**611,950**	487,365
Over 2 years but less than 5 years	**845,243**	198,233
	2,046,493	1,672,062

29 Interest-bearing borrowings (continued)

As at 31 December 2024, the Group's banking facility with four (2023: four) banks are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenant, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with covenants. Further details of the Group's management of liquidity risk are set out in Note 34(b).

As at 31 December 2024, the Company issued a guarantee to TG Development in respect of bank loans granted to the TG Development, of RMB256,139,000 (31 December 2023: RMB434,712,000).

30 Deferred income

Deferred income consists of conditional government grants received for completion of certain construction projects. As at 31 December 2024, the carrying amount of deferred income in respect of government grants after amortisation (Note 6(i)) amounted to RMB30,098,000 (2023: RMB37,788,000).

31 Other financial liability

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

	2024 RMB'000	2023 RMB'000
Contingent redeemable capital contributions in a subsidiary	**983,676**	1,581,250

On 28 December 2020, certain third party investors (the "Investors"), the Company, TG Tools, Jiangsu New Materials, 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 effective interest method and recognised in the consolidated statement of profit or loss.

During the year ended 31 December 2024, five of the Investors exercised redemption right to redeem capital contributions and interests of RMB648,880,000. As at 31 December 2024, 89.00% (2023: 82.35%) of the equity interest in TG Tools was held by the Group.

32 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2024 RMB'000	2023 RMB'000
At the beginning of the year	**26,729**	28,240
Provision for PRC Corporate Income Tax for the year	**55,352**	57,649
Disposal of equity investments at FVOCI	**10,484**	–
Provision for Hong Kong Profits Tax for the year	**4,526**	8,242
Provision for Thailand Corporate Income Tax for the year	**553**	199
Hong Kong Profits Tax paid	**–**	(31,115)
Thailand Corporate Income Tax paid	**(113)**	(1,598)
PRC taxes paid	**(62,489)**	(34,888)
At the end of the year	**35,042**	26,729

(b) Deferred tax assets recognised and not recognised

The components of the deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Deductible tax losses RMB'000	Unrealised profits RMB'000	Loss allowance for trade and other receivables RMB'000	Write-down of inventories RMB'000	Government grants RMB'000	Depreciation of fixed assets RMB'000	Deductible capitalised borrowing costs RMB'000	Revaluation of equity securities RMB'000	Fair value adjustment arising from business combination RMB'000	Deductible fixed assets RMB'000	Total RMB'000
At 1 January 2023	13,034	18,496	18,197	11,023	4,780	130	(30,024)	(12,757)	(24,833)	(9,345)	(11,299)
Credited/(charged)to profit or loss	12,639	(7,788)	8,505	2,093	(219)	(130)	1,948	1,105	1,793	602	20,548
Credited to reserves	–	–	–	–	–	–	–	1,600	–	–	1,600
At 31 December 2023 and 1 January 2024	25,673	10,708	26,702	13,116	4,561	–	(28,076)	(10,052)	(23,040)	(8,743)	10,849
Credited/(charged)to profit or loss	44,898	(405)	385	(2,771)	2,447	–	1,584	1,266	1,777	950	50,131
Effect on deferred tax balances resulting from a change in tax rate note (9(b))	2,211	–	116	–	–	–	–	–	–	–	2,327
Debited to tax payable	–	–	–	–	–	–	–	10,484	–	–	10,484
Credited to reserves	–	–	–	–	–	–	–	(2,794)	–	–	(2,794)
At 31 December 2024	72,782	10,303	27,203	10,345	7,008	–	(26,492)	(1,096)	(21,263)	(7,793)	70,997

In accordance with the accounting policy set out in Note 3(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB36,163,000 (2023: RMB29,796,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses incurred by subsidiaries in the PRC expire within 5 years from the year when such losses were incurred under current tax legislation.

32 Income tax in the consolidated statement of financial position (continued)

(c) Deferred tax liabilities recognised and not recognised

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	2024 **RMB'000**	2023 RMB'000
Net deferred tax asset in the consolidated statement of financial position	**117,871**	63,372
Net deferred tax liability in the consolidated statement of financial position	**(46,874)**	(52,523)
	70,997	10,849

Deferred tax liabilities of RMB218,359,000 (2023: RMB204,323,000) have not been recognised in respect of distributable profits of certain subsidiaries of the Group, as the Group controls the timing of the reversal of temporary differences associated with undistributed profits of these subsidiaries and it has been determined that it is probable that the undistributed profits earned by these subsidiaries of the Group will not be distributed in the foreseeable future.

33 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2023		49,231	2,727,820	732	3,195	5,854	(1,033,473)	1,753,359
Total comprehensive income for the year		–	–	–	–	–	(30,850)	(30,850)
Dividends approved in respect of the previous year	33(b)(ii)	–	–	–	–	–	(100,459)	(100,459)
Repurchase of own shares	33(d)	(176)	(20,208)	176	–	–	–	(20,208)
Balance at 31 December 2023 and 1 January 2024	37	49,055	2,707,612	908	3,195	5,854	(1,164,782)	1,601,842
Total comprehensive income for the year		–	–	–	–	–	(15,947)	(15,947)
Dividends approved in respect of the previous year	33(b)(ii)	–	–	–	–	–	(109,074)	(109,074)
Interim dividend approved in respect of the six months ended 30 June 2024	33(b)(ii)	–	–	–	–	–	(55,110)	(55,110)
Repurchase of own shares	33(d)	(891)	(78,830)	891	–	–	–	(78,830)
Balance at 31 December 2024	37	48,164	2,628,782	1,799	3,195	5,854	(1,344,913)	1,342,881

33 Capital, reserves and dividends (continued)

(b) Dividends

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

	2024 RMB'000	2023 RMB'000
Dividend proposed after the end of the reporting period of RMB0.0263 per ordinary share (2023: RMB0.0400 per ordinary share)	**71,751**	111,063

Dividends declared to equity shareholders of the Company in respect of the interim period:

	2024 RMB'000	2023 RMB'000
Declared interim dividend of RMB0.0203 per ordinary share (six months ended 30 June 2023: nil)	**55,311**	–

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

	2024 RMB'000	2023 RMB'000
Dividend in respect of the previous financial year, approved and paid during the year of RMB0.0400 per ordinary share (2023: RMB0.0362 per ordinary share)	**109,074**	100,459

Dividends payable to equity shareholders of the Company in respect of the interim period, approved and paid during the year:

	2024 RMB'000	2023 RMB'000
Interim dividend of RMB0.0203 per ordinary share (six months ended 30 June 2023: nil)	**55,110**	–

33 Capital, reserves and dividends (continued)

(b) Dividends (Continued)

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

In respect of the final dividend for the year ended 31 December 2023, there is a difference of RMB1,989,000 between the final dividend disclosed in the 2023 annual financial statements and amounts approved and paid during the year, which is mainly due to the change in number of ordinary shares arising from repurchase and cancellation of shares from March to 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 payment.

In respect of the interim dividend for the six months period ended 30 June 2024, there is a difference of RMB201,000 between the final dividend disclosed in the 2024 interim financial statements and amounts approved and paid during the year, which is mainly due to the change in number of ordinary shares arising from repurchase and cancellation of shares in October 2024 and the RMB/HKD exchange rate difference between the fixed middle average exchange rate on the date of the 2024 interim result announcement and the actual exchange rate applied on the date of payment.

(c) Repurchase of own shares

During 2024, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid HKD'000
March/April/May/June/October 2024	50,000,000	2.19	1.42	86,829

In total, the Company repurchased 50,000,000 ordinary shares on the Main Board of The Stock Exchange of Hong Kong Limited at a consideration of HKD86,829,000 (equivalent to approximately RMB78,830,000). All the repurchased shares were cancelled during the year ended 31 December 2024 and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37 of the Cayman Islands Companies Law, an amount equivalent to the par value of the shares cancelled of RMB891,000 was transferred from share capital to the capital redemption reserve, and the balance of RMB78,830,000 reduced the share premium.

33 Capital, reserves and dividends (continued)

(d) Share capital

Issued and fully paid share capital

Authorised:

	2024 and 2023	
	No. of Shares ('000)	Amount USD '000
Ordinary shares of USD0.0025 each (2023: USD0.0025)	4,000,000	10,000

Ordinary shares issued and fully paid:

	2024			2023		
	No. of shares ('000)	**Amount USD '000**	**RMB equivalent '000**	No. of shares ('000)	Amount USD '000	RMB equivalent '000
At 1 January	**2,775,000**	**6,947**	**49,055**	2,785,000	6,972	49,231
Repurchase of own shares	**(50,000)**	**(125)**	**(891)**	(10,000)	(25)	(176)
At 31 December	**2,725,000**	**6,822**	**48,164**	2,775,000	6,947	49,055

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(e) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The share premium represents the difference between the par value of the shares of the Company and the proceeds received from the issuance of shares or the consideration paid for the repurchased shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account is distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to repay its debts as they fall due in the ordinary course of business.

Capital redemption reserve represents the par value of shares repurchased by the Company pursuant to section 37 of the Cayman Islands Companies Law.

33 Capital, reserves and dividends (continued)

(e) Nature and purpose of reserves (continued)

(ii) Capital reserve

The capital reserve comprises the following:

— Waived payables due to the Group in connection with the acquisition of land use rights and plant in 2007. These waivers of liabilities by the Group were regarded as equity transactions and recorded in the capital reserve account;

— The portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 3(p)(ii); and

— Consideration received from issuance of warrants in accordance with the terms of warrant placing agreements entered into by the Company and the subscribers net of direct expenses.

(iii) Merger reserve

The merger reserve comprises the excess amount arising from the Group's reorganisation of group entities under common control in 2006 and 2007, of its share of the net identifiable assets acquired in these subsidiaries over the consideration paid. The reorganisation transactions were regarded as equity transactions and the excess of the share of the net identifiable assets over the consideration paid was transferred to the merger reserve in the consolidated financial statements.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of Hong Kong subsidiaries and overseas equity-accounted investees. The reserve is dealt with in accordance with the accounting policies set out in Notes 3(a), (b) and (t).

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 3(d)).

(vi) PRC statutory reserves

Transfers from retained earnings to the following PRC statutory reserves were made in accordance with the relevant PRC rules and regulations and the Articles of Association of the Company's subsidiaries incorporated in the PRC and were approved by the respective boards of directors.

General reserve fund

The subsidiaries in the PRC are required to transfer at least 10% of their profit after tax, as determined under the PRC accounting regulations, to the general reserve fund until the reserve balance reaches 50% of their respective registered capital. The transfer to this reserve must be made before any distribution of dividends to shareholders.

33 Capital, reserves and dividends (continued)

(e) Nature and purpose of reserves (continued)

(vi) PRC statutory reserves (continued)

General reserve fund (Continued)

The general reserve fund can be used to make good losses or be converted into share capital by the issuance of new shares to shareholders in proportion to their existing equity holdings, provided that the balance after such conversion is not less than 25% of these subsidiaries' registered capital.

Enterprise expansion fund

The enterprise expansion fund can be used to convert into share capital and to develop business.

(f) Distributability of reserves

As at 31 December 2024, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB1,283,869,000 (2023: RMB1,542,830,000). After the end of the reporting period, the directors of the Company proposed a final dividend of RMB0.0263 per ordinary share (2023: RMB0.0400), amounting to RMB107,627,000 (2023: RMB111,063,000). This dividend has not been recognised as a liability at the end of the reporting period.

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing borrowings) plus unaccrued proposed dividends, less cash and cash equivalents and time deposits. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

During 2024, the Group's strategy was to maintain a stable adjusted net debt-to-capital ratio. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

33 Capital, reserves and dividends (continued)

(g) Capital management (continued)

The Group's adjusted net debt-to-capital ratios at 31 December 2024 and 2023 were as follows:

	Note	2024 RMB'000	2023 RMB'000
Current liabilities:			
Interest-bearing borrowings	29	**1,827,473**	2,209,423
Non-current liabilities:			
Interest-bearing borrowings	29	**1,457,193**	685,598
Total debt		**3,284,666**	2,895,021
Add: Proposed dividends	33(b)	**71,751**	111,063
Less: Cash and cash equivalents	27	**(1,068,922)**	(749,087)
Time deposits	26	**(605,231)**	(1,307,985)
Adjusted net debt		**1,682,264**	949,012
Total equity		**7,463,222**	7,384,588
Less: Proposed dividends	33(b)	**(71,751)**	(111,063)
Adjusted capital		**7,391,471**	7,273,525
Adjusted net debt-to-capital ratio		**23%**	13%

34 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, time deposits, pledged deposits and bills receivable is limited because the counterparties are reputable financial institutions with high credit standing, for which the Group considers to have low credit risk.

(i) Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 6% (2023: 13%) and 30% (2023: 37%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within Titanium alloy ,DS and HSS.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90–180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowance for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

34 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

(i) Trade receivables (continued)

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

	2024 Expected loss rate %	2024 Gross carrying amount RMB'000	2024 Loss allowance RMB'000
Current (not past due)	**5.0%**	**1,078,721**	**53,857**
1–9 months past due	**5.0%**	**830,676**	**41,602**
9–21 months past due	**10.0%**	**280,608**	**27,962**
More than 21 months past due	**54.5%**	**36,429**	**19,867**
		2,226,434	**143,288**

	2023 Expected loss rate %	2023 Gross carrying amount RMB'000	2023 Loss allowance RMB'000
Current (not past due)	5.0%	1,164,532	58,097
1–9 months past due	5.0%	840,878	42,187
9–21 months past due	10.3%	192,544	19,788
More than 21 months past due	61.0%	48,327	29,483
		2,246,281	149,555

34 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

(i) Trade receivables (continued)

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

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

	2024 **RMB'000**	2023 RMB'000
Balance at 1 January	**149,555**	111,645
Amounts written-off during the year	**–**	(93)
Loss allowance (reversed)/recognised during the year	**(6,895)**	36,464
Exchange gain and loss adjustment	**628**	1,539
Balance at 31 December	**143,288**	149,555

(ii) Credit risk arising from amount due from third party

Credit risk arising from amount due from third party was granted taken into account of their financial position, past experience and other factors. The Group monitored the credibility of the counterparty continuously by monitoring the operation and financial position of the counterparty and considered that the credit risk arising from the receivable was insignificant.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

34 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's certain financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

		2024				
		Contractual undiscounted cash outflow				
	Note	**Within 1 year or on demand RMB'000**	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**Total RMB'000**	**Carrying amount at 31 December RMB'000**
Trade and other payables	28	**1,452,755**	**–**	**–**	**1,452,755**	**1,452,755**
Interest-bearing borrowings	29	**1,857,734**	**644,156**	**916,258**	**3,418,148**	**3,284,666**
Other financial liability	31	**1,017,676**	**–**	**–**	**1,017,676**	**983,676**
		4,328,165	**644,156**	**916,258**	**5,888,579**	**5,721,097**

		2023				
		Contractual undiscounted cash outflow				
	Note	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and other payables	28	1,583,176	–	–	1,583,176	1,583,176
Interest-bearing borrowings	29	2,245,960	507,497	217,373	2,970,830	2,895,021
Other financial liability	31	1,637,850	–	–	1,637,850	1,581,250
		5,466,986	507,497	217,373	6,191,856	6,059,447

In addition to the above, the Group was also exposed to liquidity risk arising from the redemption features of other financial liability at 31 December 2024, which are further detailed in Note 31.

34 Financial risk management and fair values of financial instruments (continued)

(c) Foreign currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to receivables, payables, borrowings and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the entity to which the transactions relate. The currencies giving rise to this risk are primarily USD, EUR, HKD and THB.

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposures are shown in RMB, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of the foreign operations into the Group's presentation currency are excluded.

	2024 Exposure to foreign currencies (expressed in RMB)				2023 Exposure to foreign currencies (expressed in RMB)			
	USD RMB'000	EUR RMB'000	HKD RMB'000	THB RMB'000	USD RMB'000	EUR RMB'000	HKD RMB'000	THB RMB'000
Trade and other receivables	**551,586**	**746,630**	**87**	**4,049**	581,050	716,450	9,768	1,882
Cash and cash equivalents	**112,905**	**205,742**	**16,495**	**64,844**	139,931	146,985	8,842	3,041
Trade and other payables	**(33,221)**	**(14,341)**	**–**	**(2,632)**	(3,038)	(597,456)	–	(60,864)
Interest-bearing borrowings	**–**	**(379,560)**	**(110,851)**	**–**	(95,007)	(465,758)	(100,590)	–
Net exposure arising from recognised assets and liabilities	**631,270**	**558,471**	**(94,269)**	**66,261**	622,936	(199,779)	(81,980)	(55,941)

34 Financial risk management and fair values of financial instruments (continued)

(c) Foreign currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had increased at that date, assuming all other risk variables remained constant.

	2024		2023	
	Increase in foreign exchange rates	**Increase/ (decrease) in profit after tax and retained profits RMB'000**	Increase in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits RMB'000
USD	**10%**	**53,166**	10%	52,496
EUR	**10%**	**47,253**	10%	(17,273)
HKD	**10%**	**(9,450)**	10%	(8,298)
THB	**10%**	**6,343**	10%	(4,342)

A decrease in foreign exchange rates would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis as for 2023.

34 Financial risk management and fair values of financial instruments (continued)

(d) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings, pledged deposits and time deposits.

Pledged bank deposits are not held for speculative purposes but are placed to satisfy conditions for the Group to issue bank acceptance bills and other banking facilities.

Interest-bearing borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates and terms of repayment of the interest-bearing borrowings of the Group are disclosed in Note 29.

(i) Interest rate risk profile

The following table details the interest rate profile of the Group's interest-bearing financial instruments at the end of the reporting period:

	2024		2023	
	Effective Interest rate %	Amount RMB'000	Effective Interest rate %	Amount RMB'000
Fixed rate instruments				
Interest-bearing borrowings	2.60%~3.80%	1,803,138	2.70%~4.05%	986,385
Other financial liability	4%	983,676	4%	1,581,250
Variable rate instruments				
Interest-bearing borrowings	based on Hibor or Lpr	1,481,528	based on Hibor or Lpr	1,908,636

(ii) Sensitivity analysis

As at 31 December 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB12,464,000 (2023: RMB16,309,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate non-derivative instruments held by the Group, which expose the Group to cash flow interest rate risk at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group. The impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as for 2023.

34 Financial risk management and fair values of financial instruments (continued)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments held for trading and non-trading purposes (see note 21 and 22). Other than unquoted securities held for strategic purposes, all of these investments are listed.

The Group's listed investments are almost listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indicators, as well as the Group's liquidity needs. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

At 31 December 2024, it is estimated that an increase/(decrease) of 10% (2023: 10%) in the relevant stock market index (for listed investments), the price/earning or price/book value ratios of comparable listed companies (for unquoted investments) as applicable, with all other variables held constant, would have increased/(decreased) the Group's profit after tax (and retained earnings) and fair value reserve (non-recycling) of consolidated equity as follows:

	2024			2023		
		Effect on profit after tax and retained earnings RMB'000	**Effect on fair value reserve (non-recycling) RMB'000**		Effect on profit after tax and retained earnings RMB'000	Effect on fair value reserve (non-recycling) RMB'000
Changes in the relevant equity price risk variable:						
Increase	**10%**	**13,664**	**2,609**	10%	7,140	8,028
Decrease	**(10%)**	**(13,664)**	**(2,609)**	(10%)	(7,140)	(8,028)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained earnings) and fair value reserve (non-recycling) of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2023.

34 Financial risk management and fair values of financial instruments (continued)

(f) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data is not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

Analysis on fair value measurement of financial instruments are as follows:

	Fair value at 31 December 2024	Fair value measurement at 31 December 2024 categorised into		
	RMB'000	Level 1	Level 2	Level 3
Recurring fair value measurement				
Other financial assets:				
— Listed equity securities — SESH	12,275	12,275	–	–
— Listed equity securities — NEEQ	20,870	–	–	20,870
— Unlisted equity securities	1,360	–	–	1,360
— Unlisted units in investment funds	113,065	–	–	113,065
Financial assets at fair value through profit or loss:				
— Listed equity securities	61,025	61,025	–	–
Trade and other receivables:				
— Bills receivable	209,887	–	209,887	–

34 Financial risk management and fair values of financial instruments (continued)

(f) Fair value measurement (continued)

(i) Financial assets measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2023 RMB'000	Fair value measurement at 31 December 2023 categorised into		
		Level 1	Level 2	Level 3
Recurring fair value measurement				
Other financial assets:				
— Listed equity securities — SESH	70,446	70,446	–	–
— Listed equity securities — NEEQ	26,820	–	–	26,820
— Unlisted equity securities	1,450	–	–	1,450
— Unlisted units in investment funds	94,124	–	–	94,124
Financial assets at fair value through profit or loss:				
— Listed equity securities	1,111	1,111	–	–
Trade and other receivables:				
— Bills receivable	124,285	–	124,285	–

During the years ended 31 December 2024 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair values of the bills receivable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

Fair value of the equity securities listed on the NEEQ, which do not have quoted prices in active markets, and that of unlisted equity securities and unlisted units in investment funds mentioned in Note 21 is determined using the price/earning or price/book value ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability.

34 Financial risk management and fair values of financial instruments (continued)

(f) Fair value measurement (continued)

(i) Financial assets measured at fair value (continued)

Fair value hierarchy (continued)

	Valuation techniques	Significant unobservable inputs	Range of unobservable inputs
Equity securities listed on the NEEQ and unlisted equity securities	Market comparable companies	Discount for lack of marketability	28%

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2024 RMB'000	2023 RMB'000
Unquoted equity securities and units in investment fund:		
At 1 January	**122,394**	112,930
Payment for purchase of other financial assets	**24,000**	16,494
Net unrealised gains recognised in other comprehensive income during the year	**(6,040)**	(2,610)
Unrealised fair value changes of other financial assets during the year	**(5,059)**	(4,420)
At 31 December	**135,295**	122,394

Any gains or losses arising from the remeasurement of the Group's listed and unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

(ii) Fair value of financial assets and liabilities carried at other than fair value

All financial instruments measured at other than fair value are carried at cost or amortised cost that were not materially different from their fair values as at 31 December 2024 and 31 December 2023.

35 Commitments

Capital commitments outstanding as at 31 December 2024 not provided for in the consolidated financial statements were as follows:

	2024 **RMB'000**	2023 RMB'000
Contracted for:		
— acquisition of property, machinery and equipment	**129,633**	46,122
Authorised but not contracted for:		
— acquisition of property, machinery and equipment	**605,316**	545,741

36 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 10 and the highest paid employees as disclosed in Note 11, is as follows:

	2024 **RMB'000**	2023 RMB'000
Salaries, allowances and benefits in kind	**5,126**	4,736
Discretionary bonuses	**2,747**	2,427
Contributions to retirement benefit schemes	**47**	72
	7,920	7,235

Total remuneration is included in "staff costs" (see Note 8(b)).

36 Material related party transactions (continued)

(b) Transactions with related companies

(i) Significant related party transactions

	2024 RMB'000	2023 RMB'000
Sale of goods to:		
Joint ventures	**454,343**	455,070
Associates	**155,004**	204,280
	609,347	659,350
Purchase of goods from:		
Associates	**–**	120

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and on normal commercial terms or in accordance with the terms of the agreements governing such transactions.

(ii) Significant related party balances

	2024 RMB'000	2023 RMB'000
Trade and other receivables due from:		
Joint ventures	**298,584**	624,917
Associates	**115,203**	143,695
	413,787	768,612
Trade and other payables due to:		
Associates	**–**	–

37 Company-level statement of financial position

	2024 RMB'000	2023 RMB'000
Non-current assets		
Property, plant and equipment	**11**	11
Interest in subsidiaries	**1,444,881**	1,694,093
Interest in associates	**5,972**	5,972
Other receivables	**582**	18
	1,451,446	1,700,094
Current asset		
Cash and cash equivalents	**3,114**	4,214
	3,114	4,214
Current liabilities		
Interest-bearing borrowings	**110,851**	100,588
Other payables	**828**	1,878
	111,679	102,466
Net current Liabilities	**(108,565)**	(98,252)
Net assets	**1,342,881**	1,601,842
Capital and reserves		
Share capital	**48,164**	49,055
Reserves	**1,294,717**	1,552,787
Total equity	**1,342,881**	1,601,842

(Expressed in Renminbi unless otherwise indicated)

38 Immediate and ultimate controlling parties

At 31 December 2024, the directors of the Company consider the immediate parents of the Group to be Tiangong Holding Company Limited, which is incorporated in the British Virgin Islands and Sky Greenfield Investment Limited, which is incorporated in the Cayman Islands. Both entities do not produce financial statements available for public use.

At 31 December 2024, the directors of the Company consider the ultimate controlling parties of the Group to be Mr. Zhu Xiaokun, Ms. Yu Yumei and Mr. Zhu Zefeng.

39 Non-adjusting events after the reporting period

After the end of the reporting period, the directors of the Company proposed a final dividend. Further details are disclosed in Note 33(b).

40 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2024

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, The effects of changes in foreign exchange rates — Lack of exchangeability	1 January 2025
Amendments to IFRS 9, Financial instruments and IFRS 7, Financial instruments: disclosures — Amendments to the classification and measurement of financial instruments	1 January 2025
Annual improvements to IFRS Accounting Standards — Volume 11	1 January 2026
IFRS 18, Presentation and disclosure in financial statements	1 January 2027
IFRS 19, Subsidiaries without public accountability: disclosures	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL INFORMATION SUMMARY

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**4,832,036**	5,163,306	5,066,807	5,744,873	5,220,944
Profit before taxation	**408,137**	465,470	519,360	751,655	621,817
Income tax	**(7,974)**	(45,542)	4,750	(80,025)	(81,495)
Profit for the year	**400,163**	419,928	524,110	671,630	540,322
Other comprehensive (loss)/income for the year	**(87,676)**	(20,290)	(80,721)	12,344	1,955
Attributable to:					
Equity shareholders of the Company	**271,536**	349,996	422,697	676,701	538,979
Non-controlling interests	**40,951**	49,642	20,692	7,273	3,298
Earnings per share (RMB)					
Basic (RMB)	**0.131**	0.133	0.181	0.244	0.209

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**5,348,259**	5,343,324	5,444,214	4,803,513	4,588,826
Current assets	**7,937,590**	8,217,751	7,918,937	7,761,073	6,609,300
Total assets	**13,285,849**	13,561,075	13,363,151	12,564,586	11,198,126
Liabilities					
Non-current liabilities	**1,534,165**	775,909	1,142,336	1,188,397	750,952
Current liabilities	**4,298,946**	5,400,578	5,079,482	4,483,632	4,806,865
Total liabilities	**5,833,111**	6,176,487	6,221,818	5,672,029	5,557,817
Equity					
Total equity	**7,452,738**	7,384,588	7,141,333	6,892,557	5,640,309

Note: The results of the Group for the four financial years ended 31 December 2020, 2021, 2022 and 2023 and its assets and liabilities were extracted from previous annual reports, which also set forth the details of the basis of presentation of the combined accounts.

CORPORATE INFORMATION

Registered Name
Tiangong International Company Limited

Chinese Name
天工國際有限公司

Stock Code
Hong Kong Stock Exchange: 826

Board of Directors
Executive Directors
Mr. Zhu Xiaokun (Chairman)
Mr. Zhu Zafeng (Chief Executive Officer)
Mr. Wu Suojun
Mr. Jiang Guangqing

Independent Non-executive Directors
Mr. Lee Cheuk Yin, Dannis
Mr. Wang Xuesong
Mr. Gao Xiang (resigned on 19 June 2024)
Ms. Qin Ke (appointed on 19 June 2024)

Company Secretary
Mr. Lee Johnly

Authorized Representatives
Mr. Lee Cheuk Yin, Dannis
Mr. Lee Johnly

Audit Committee
Mr. Lee Cheuk Yin, Dannis *(Chairman)*
Mr. Wang Xuesong
Mr. Gao Xiang (resigned on 19 June 2024)
Ms. Qin Ke (appointed on 19 June 2024)

Remuneration Committee
Mr. Wang Xuesong *(Chairman)*
Mr. Zhu Xiaokun
Mr. Lee Cheuk Yin, Dannis
Mr. Gao Xiang (resigned on 19 June 2024)
Ms. Qin Ke (appointed on 19 June 2024)

Nomination Committee
Mr. Lee Cheuk Yin, Dannis *(Chairman)*
Mr. Zhu Xiaokun
Mr. Wang Xuesong
Mr. Gao Xiang (resigned on 19 June 2024)
Ms. Qin Ke (appointed on 19 June 2024)

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Jiangsu Province
The PRC

Auditors
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Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
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Hong Kong Legal Adviser
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18 Westlands Road
Taikoo Place, Quarry Bay
Hong Kong

Principal Share Registrar and Transfer Office
Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
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Grand Cayman, KY1-1100, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office in Hong Kong
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183 Queen's Road East
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Industrial and Commercial Bank of China Limited
Bank of China Limited
Agricultural Bank of China Limited
The Export-import Bank of China
The Hongkong and Shanghai Banking Corporation Limited

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