



天工國際有限公司*

TIANGONG INTERNATIONAL COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 826



2025

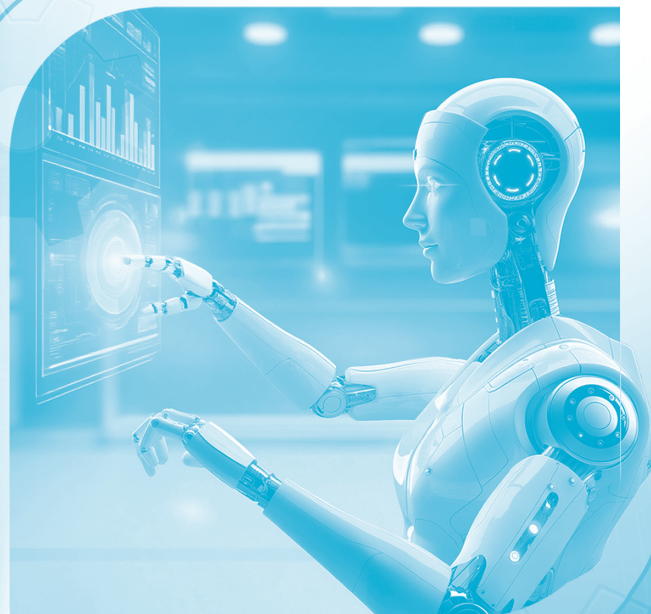
Interim Report



* For identification purposes only

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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 Zefeng (*Chief Executive Officer*)

Mr. Wu Suojun

Mr. Jiang Guangqing

Independent Non-executive Directors

Mr. Lee Cheuk Yin, Dannis

Mr. Wang Xuesong

Ms. Qin Ke

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

Ms. Qin Ke

REMUNERATION COMMITTEE

Mr. Wang Xuesong (*Chairman*)

Mr. Zhu Xiaokun

Mr. Lee Cheuk Yin, Dannis

Ms. Qin Ke

NOMINATION COMMITTEE

Mr. Lee Cheuk Yin, Dannis (*Chairman*)

Mr. Zhu Xiaokun

Mr. Wang Xuesong

Ms. Qin Ke

REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 309

G. T. Ugland House

South Church Street, George Town

Grand Cayman, Cayman Islands

REGISTERED OFFICE IN HONG KONG

20/F, Tien Chu Commercial Building

173-174 Gloucester Road

Wanchai

Hong Kong

PRINCIPAL PLACE OF BUSINESS

Zhenjiang City

Jiangsu Province

The PRC

AUDITORS

KPMG

Certified Public Accountants

Public Interest Entity Auditor registered in

accordance with the Accounting and

Financial Reporting Council Ordinance

8/F Prince's Building

10 Chater Road

Central, Hong Kong

HONG KONG LEGAL ADVISER

Reed Smith Richards Butler LLP

17th Floor, One Island East

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

P.O. Box 1586

Gardenia Court, Camana Bay

Grand Cayman, KY1-1100, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Center

183 Queen's Road East

Wanchai

Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation

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

INVESTOR RELATIONS

Email: tiangongir@tggj.cn

Telephone: (852) 3102-2386

Fax: (852) 3102-2331

Management Discussion and Analysis

BUSINESS REVIEW

	For the six months ended 30 June					
	2025		2024		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Die steel ("DS")	1,154,590	49.3	1,181,417	46.9	(26,827)	(2.3)
High speed steel ("HSS")	394,434	16.8	436,145	17.3	(41,711)	(9.6)
Cutting tools	397,365	17.0	463,607	18.4	(66,242)	(14.3)
Titanium alloy	348,786	14.9	384,832	15.2	(36,046)	(9.4)
Others	47,320	2.0	55,647	2.2	(8,327)	(15.0)
	2,342,495	100.0	2,521,648	100.0	(179,153)	(7.1)

DS – accounted for approximately 49.3% of the Group's revenue in 1H2025

	For the six months ended 30 June					
	2025		2024		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Domestic	565,627	49.0	540,024	45.7	25,603	4.7
Export	588,963	51.0	641,393	54.3	(52,430)	(8.2)
	1,154,590	100.0	1,181,417	100.0	(26,827)	(2.3)

DS is manufactured using rare metals including molybdenum, chromium and vanadium, etc, a type of high alloy special steel. DS is mainly used in processing mould, the mother of modern industry. Many different manufacturing industries require moulds, including the automotive, home appliances, electronics, medical devices, aerospace and consumer goods industries.

During the six months ended 30 June 2025 (the "Reporting Period"), the procurement unit price of the main raw materials for DS increased in general. The transmission of procurement costs was smooth since the domestic industry prosperity recovered slightly. As a result, there was an increase in average selling price. This was the main reason for the increase in the domestic revenue of DS segment by 4.7% to RMB565,627,000 (1H2024: RMB540,024,000) compared to the same period last year.

Regarding the export business, the continued downturn in the European market led to intensified competition in the industry. For the North American market, affected by the uncertainty of tariffs, customers generally adopted a wait-and-see attitude by reducing orders. Export revenue of DS segment decreased by 8.2% to RMB588,963,000 (1H2024: RMB641,393,000) compared to the same period last year.

In the first half of 2025, the Group's overall turnover of DS segment decreased by 2.3% to RMB1,154,590,000 (1H2024: RMB1,181,417,000).

Management Discussion and Analysis

HSS – accounted for approximately 16.8% of the Group's revenue in 1H2025

	For the six months ended 30 June					
	2025		2024		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Domestic	259,800	65.9	227,657	52.2	32,143	14.1
Export	134,634	34.1	208,488	47.8	(73,854)	(35.4)
	394,434	100.0	436,145	100.0	(41,711)	(9.6)

HSS, manufactured using rare metals including tungsten, molybdenum, chromium, vanadium and cobalt, etc., is characterised by greater hardness, heat resistance and durability. These attributes make HSS suited to such applications as cutting tools and in the manufacturing of milling, broaching, sawing, gear cutting tools and dies, with wide usage in specific industrial applications including automotive, machinery manufacturing, aviation and electronics industries.

For the domestic market, the main reason of the increase in domestic revenue from HSS was the increase in average selling price of HSS. Similar to DS, the procurement unit price of the main raw materials increased in general. In particular, the procurement unit price of tungsten, which was more specific to the manufacturing of HSS, increased more significantly than other raw materials. Together with the slight recovery in domestic demand, the domestic revenue of HSS segment increased by 14.1% to RMB259,800,000 (1H2024: RMB227,657,000).

For export business, sales volume decreased due to the impact of US tariffs policy. Export revenue of HSS segment decreased by 35.4% to RMB134,634,000 (1H2024: RMB208,488,000).

Overall turnover of HSS segment decreased by 9.6% to RMB394,434,000 (1H2024: RMB436,145,000).

Cutting tools – accounted for approximately 17.0% of the Group's revenue in 1H2025

	For the six months ended 30 June					
	2025		2024		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Domestic	159,524	40.1	168,631	36.4	(9,107)	(5.4)
Export	237,841	59.9	294,976	63.6	(57,135)	(19.4)
	397,365	100.0	463,607	100.0	(66,242)	(14.3)

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

Management Discussion and Analysis

The domestic cutting tools segment underwent active structural adjustments in the first half of 2025. The Group proactively conducted a systematic review and optimisation of its sales network and dealer system, focusing on long-term partners. While this resulted in a temporary adjustment, leading to a slight 5.4% decrease in domestic cutting tools segment revenue to RMB159,524,000 (1H2024: RMB168,631,000), the optimised sales system significantly enhanced its professional capabilities and resource allocation, and a positive trend is expected to gradually emerge from the second half of the year.

Against the backdrop of the escalation of US tariffs, Chinese cutting tool companies were facing increasing challenges, including rising costs, supply chain restructuring, and market access restrictions, as well as uncertainty. These led to a wait-and-see approach among the US customers. Consequently, the export revenue of cutting tool segment decreased by 19.4% to RMB237,841,000 (1H2024: RMB294,976,000) compared to the same period last year.

In the first half of 2025, the revenue of the Group's cutting tools segment decreased by 14.3% to RMB397,365,000 (1H2024: RMB463,607,000).

Titanium alloy – accounted for approximately 14.9% of the Group's revenue in 1H2025

	For the six months ended 30 June					
	2025		2024		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Domestic	347,213	99.5	379,375	98.6	(32,162)	(8.5)
Export	1,573	0.5	5,457	1.4	(3,884)	(71.2)
	348,786	100.0	384,832	100.0	(36,046)	(9.4)

The corrosion resistance nature of titanium alloy and can be used for lightweighting, promoted the extensive applications of titanium alloy in various industries, including aerospace, consumer electronics, chemical pipeline equipment, nuclear, ocean industries, medical and daily necessities.

The decrease in domestic revenue from the titanium alloy segment was primarily due to the Group's decrease in sales volume in the consumer electronics sector. With the end customer reducing the number of models using titanium alloy as the frame for its next generation of mobile phone, the orders for titanium alloy wire decreased. The Group accordingly shifted the sales mix to titanium plate and titanium tube products. The total sales volume of titanium alloy segment increased with this change in sales mix. However, the average selling price decreased as titanium plate were processed with lower added value than titanium alloy wire. On the whole, domestic revenue of titanium alloy segment decreased by 8.5% to RMB347,213,000 (1H2024: RMB379,375,000) compared to the same period last year.

For the export, the Group continued focusing on developing the market in 3D printing and additive manufacturing applications. The Group is optimistic about the export demand for these applications.

Management Discussion and Analysis

Others – accounted for approximately 2.0% of the Group’s revenue in 1H2025

The other segment was the assembly and export sales business derived from the electric tools products of existing cutting tools customers, so as to extend downstream and provide more diversified products and services. By purchasing raw materials like hardware, plastic and electronic components from suppliers, after assembling and packaging, the products were finally sold to overseas customers. The power tools currently sold include electric drill sets, electric batch sets, electric toothbrush sets, hardware sets, small fans and safety lights, etc. The entire segment is an export operation.

	For the six months ended 30 June					
	2025		2024		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Export	47,320	100.0	55,647	100.0	(8,327)	(15.0)

The uncertainty in US tariffs led to a downturn in the export of power tools and power tools sets to the US during the Reporting Period. The Group’s downstream customers tended to take a wait-and-see approach towards the effect of US tariffs causing a reduction in number of orders during the Reporting Period. This led to a decrease in the revenue in the “other” segment by 15.0% to RMB47,320,000 (1H2024: RMB55,647,000) compared with the same period last year.

FINANCIAL REVIEW

Net profit attributable to equity shareholders of the Company increased by 10.4% from RMB184,371,000 in the first half of 2024 to RMB203,583,000 in the first half of 2025. Detailed review of the individual components were as follows:

Revenue

Despite the gradual recovery in domestic demand and market conditions for DS and HSS, the Group’s overall revenue was still on a downward trend due to various factors. On the one hand, affected by the uncertainty of US tariff policy, exports of each individual segments declined. Customers had a strong wait-and-see mood and the number of orders decreased. On the other hand, the demand for titanium wire in the consumer electronics industry temporarily declined, mainly due to the reduction of the use of titanium alloy frames for new generation mobile phones by end customers. Although the Group rebalanced its product mix in titanium alloy segment by shifting to titanium plate and titanium tube, the revenue of titanium alloy segment still decreased due to the low added value of titanium plate and titanium tube processing. All things considered, revenue of the Group for the first half of 2025 totalled RMB2,342,495,000, which showed a decrease of 7.1% when compared with RMB2,521,648,000 in the first half of 2024. For an analysis of individual segments, please refer to the “Business Review” section.

Cost of sales

The Group’s cost of sales decreased from RMB1,963,178,000 for the first half of 2024 to RMB1,898,620,000 for the first half of 2025, representing a decrease of 3.3%. The decrease was mainly attributable to the decrease in sales volume during the Reporting Period.

Management Discussion and Analysis

Gross margin

For the first half of 2025, gross margin was 18.9% (1H2024: 22.1%). Set out below is the gross margin for the five segments of the Group for the first half of 2024 and 2025:

	For the six months ended	
	30 June 2025	2024
DS	13.8%	13.3%
HSS	15.6%	14.1%
Cutting tools	28.5%	33.1%
Titanium alloy	24.2%	39.0%
Others	7.7%	19.2%

DS

The gross margin of DS increased from 13.3% in 1H2024 to 13.8% in 1H2025. The main reason was the domestic industry prosperity recovery allowed a smooth transmission of procurement costs to the customers. The increased cost of raw materials plus a smooth transmission of procurement costs enhanced an increase in gross profit margin.

HSS

Similar situation as DS was noted in the HSS business, the overall gross margin of HSS increased from 14.1% in 1H2024 to 15.6% in 1H2025.

Cutting tools

Gross margin of cutting tools decreased from 33.1% in 1H2024 to 28.5% in 1H2025. The main reason was that the price increase of raw materials for cutting tools was not fully passed on to downstream, which compressed the gross profit to a certain extent.

Titanium alloy

Gross margin of titanium alloy decreased from 39.0% in 1H2024 to 24.2% in 1H2025. This is mainly due to the decline in demand from the consumer electronics industry during the Reporting Period. The sales volume of titanium alloy wires in the high-gross-profit consumer electronics industry decreased, while the sales volume of low-gross-profit pipes and plates increased. The change in sales mix led to the decrease in the gross profit margin of titanium alloys compared with the previous period.

Others

Gross margin of others segment decreased from 19.2% in 1H2024 to 7.7% in 1H2025. It was mainly due to the weak demand in products of the others segment, which resulted in insufficient allocation of fixed costs.

Management Discussion and Analysis

Other income

The Group's other income increased from RMB48,306,000 in the first half of 2024 to RMB170,171,000 in the first half of 2025. It was mainly due to the significant appreciation of EUR against RMB, causing an exchange gain on the trade receivables denominated in EUR throughout the Reporting Period.

Distribution expenses

The Group's distribution expenses were RMB55,783,000 (1H2024: RMB63,686,000), representing a decrease of 12.4%. This was mainly due to the impact of uncertainty in US tariffs, which led to a decrease in export sales. In addition, due to the decrease in the global trade volume with the US, the unit shipping costs also decreased.

Administrative expenses

For the first half of 2025, the Group's administrative expenses was RMB91,415,000 (1H2024: RMB83,348,000) representing an increase of 9.7%. The increase was mainly attributable to consultancy fee paid for consultancy services regarding green factory declaration and trademark and intellectual property right protection. For the first half of 2025, administrative expenses as a percentage of revenue was 3.9% (1H2024: 3.3%).

Research and development expenses

Major component of the research and development expenses was the material consumed in the research and development projects. Most of the research and development projects in the first half of 2024 were in the early stages, requiring significant investment. During this Reporting Period, some projects have entered the later stages, requiring less material input. As a result, the research and development expenses decreased from RMB146,994,000 in the first half of 2024 to RMB137,045,000 in the first half of 2025.

Net finance costs

During the second half of 2024 and the Reporting Period, certain portions of contingent redeemable equity interest of TG Tools held by third party investors were redeemed by the Group. The finance cost relating to these contingent redeemable equity interest of TG Tools was saved and reduced during the Reporting Period. The Group's net finance costs decreased from RMB75,973,000 in the first half of 2024 to RMB64,537,000 in the first half of 2025.

Income tax expense

The Group's income tax expense increased from RMB11,943,000 in the first half of 2024 to RMB19,213,000 in the first half of 2025. The increase was mainly due to (i) the unrecognised deferred tax asset on tax losses of some subsidiaries, which were in startup stage and had no sufficient taxable income readiness to offset the losses; and (ii) the increase in the Group's profit before taxation.

Profit for the period

As a result of the factors set out above, the Group's profit increased by 4% to RMB218,619,000 for the first half of 2025 from RMB210,239,000 for the first half of 2024. The Group's net profit margin for the first half of 2025 was 9.3% (1H2024: 8.3%).

Profit attributable to equity shareholders of the Company

For the first half of 2025, profit attributable to equity shareholders of the Company was RMB203,583,000 (1H2024: RMB184,371,000), representing an increase of 10.4%.

Management Discussion and Analysis

Other financial assets

Other financial assets held by the Group 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), 丹陽博雲恒天大天工業投資中心(有限合夥) (Danyang Boyun Hengda Tiangong Industrial Investment Center (Limited Partnership)*) and 蘇州毅鳴新材料創業投資合夥企業(有限合夥) (Suzhou Yiming New Materials Venture Capital Partnership (Limited Partnership)*). All of these investments were stated at their fair value. The movement represented the net increase in fair market value of these financial assets.

Trade and bills receivable

Net trade and bills receivable increased from RMB2,816,086,000 as at 31 December 2024 to RMB3,181,899,000 as at 30 June 2025. Loss allowance of RMB166,702,000 (2024: RMB143,288,000) accounted for 5.0% (2024: 4.8%) of the trade and bills receivable.

Industry Review

During the Reporting Period, with the Russia-Ukraine war still ongoing and conflicts in both regions continuing, global geopolitical instability persisted, exerting destabilizing effects on global economic development and trade relations. Concurrently, the US imposed substantial tariffs on China and other countries worldwide to varying degrees, comprehensively impacting global trade relations and posing a major challenge to the economic resilience of various nations. The stringent tariffs imposed by the US on China particularly strained Sino-US trade relations, substantially increasing the trade costs for China's exports. The Sino-US trade war also contributed to continued volatility in the RMB exchange rate, subjecting the currency to periodic pressure and presenting China's export trade with more complex challenges.

However, despite the unfavorable external economic and political turmoil, China successfully demonstrated its maximum economic resilience and stress-bearing capacity. China has been committed to implementing various macroeconomic measures to emphasise stability in employment, businesses, markets, and expectations, while strengthening the quality productive forces and innovative R&D capabilities of multiple key industry sectors, thereby successfully maintaining the stable development of China's economy. According to data released by the National Bureau of Statistics of China on 15 July 2025, China's GDP growth rate for the first half of 2025 was 5.3%, representing an increase of 0.3 percentage points as compared to the same period last year. Among the "three drivers" of the economy (final consumption expenditure, gross capital formation, and net exports of goods and services), the contribution rates of final consumption expenditure and gross capital formation both increased compared to that of net exports of goods and services, reflecting that domestic consumption is the primary driver of GDP growth.

During the Reporting Period under review, China's overall R&D expenditure as a percentage of GDP rose to approximately 2.7%, on par with OECD member countries and exceeding the EU average. According to the National Bureau of Statistics, during the first half of 2025, the number of valid invention patent applications in China grew by 13.2% to nearly 5.01 million, while the added value of high-tech manufacturing industries above designated size grew by 9.7% year-on-year. Among them, the added value of (i) the automobile manufacturing, railway, shipbuilding, aerospace and other transportation equipment manufacturing, (ii) electrical machinery and (iii) equipment manufacturing industries increased by double-digit rates of 11.4%, 10.1% and 11.4%, respectively, providing important support for the growth of profits in these industries and driving domestic economic growth.

Management Discussion and Analysis

From the rise of DeepSeek's large-scale artificial intelligence (AI) models to the rapid development of China's robotics manufacturing and applications, these developments demonstrated China's significant breakthroughs in disruptive technologies. This progress provided the Group, as a leading Chinese manufacturer of high-end materials like specialty steel and titanium alloys, extensive market opportunities and development space to grasp the burgeoning growth of new quality and new productive forces amidst a challenging operating environment.

Tool Steel: Humanoid Robotics Development Will Drive Demand Growth for High Value-Added HSS

China's humanoid robotics development has entered a phase of significant accumulation and breakthrough, driving results transformation. The domestic robotics market size is expected to reach RMB10 trillion after 2045, and the rising trend toward localised production of key components for humanoid robotics will further stimulate structural demand growth for related materials.

This was primarily driven by the specialised requirements of core structures of humanoid robotics for steel in terms of lightweight design and strength, including components such as the skeleton, joints, and drive system, driving increased R&D into high value-added steel product matrices. Although their total volume share might be modest, niche markets for high value-added steels will become crucial growth points for high-end materials enterprises. Moreover, targeting specialised high value-added steels, the Group, using its unique powder metallurgy smelting technology, has independently developed a key product — high-nitrogen alloy material TPMDC02A, which is used in the production of planetary roller screws, one of the highest-value components in humanoid robotics. This breakthrough has made a significant contribution to China's efforts to develop high-quality productive forces and its localization process of high-nitrogen, high-strength and corrosion-resistant alloys.

The Group's powder high-speed steels TPM330 and TPMD31, with outstanding strength and wear resistance, can be applied to high-precision transmission components like lead screws and tools, demonstrating considerable market potential. Due to its superior corrosion resistance and high strength, high-nitrogen stainless steel is a critical material for multiple industries experiencing growing demand.

In the first half of 2025, driven by robust demand from key industries such as new energy vehicles and consumer electronics, China's high-end tool steel market experienced a growth. High-end products such as powder metallurgy tool steel, owing to their superior comprehensive mechanical properties, achieved an increase in market penetration in high-end applications, demonstrating significant market demand growth.

Titanium Alloy: High-End Products Benefiting from the Global Transformation toward High-End Manufacturing across Multiple Industries

The Group also foresees that high-end titanium wire will benefit from the transformation of multiple industries from low-end to high-end and the increase in downstream demand. The growth of the high-end titanium wire market in 2025 is primarily driven by rising demand from high-end manufacturing sectors like aerospace, expanding penetration in the consumer electronics sector, industrial technology upgrades, and resource security and policy support. Specifically, the global high-end titanium wire market is expected to reach approximately USD1.2 billion in 2025. According to industry reports, the entire titanium alloy market, including various wire forms, is projected to reach approximately USD5.4 billion in 2025, with a compound annual growth rate (CAGR) of 6.8%.

Management Discussion and Analysis

The main drivers for the high-end titanium wire market in 2025 stem from sustained increase in downstream demand, particularly the expanding applications in aerospace, medical, automotive, and computer, communication and consumer electronics (3C). The aerospace sector is seeing steady growth in demand for high-end titanium materials. With the production of domestically manufactured military aircraft and large commercial aircraft, there is significant potential for growth in titanium wire demand. In the consumer electronics sector, the use of titanium alloys in high-end smartphones is gradually increasing, driving explosive growth in market demand. Additionally, the titanium materials industry is moving toward high-end development, with the industry transitioning from low-end to high-end segments. Product processing technologies are continuously improving, and costs are gradually decreasing. Companies are meeting the quality and production capacity demands of the high-end market through technological innovation, process upgrades, and capacity expansion. Industrial chain restructuring and resource advantages have strengthened the supply of high-quality upstream sponge titanium resources, increasing industry concentration and ensuring the quality of high-end products with high-quality raw materials.

Simultaneously, the high concentration within the titanium processing industry is conducive to enhancing product added value. The Group has recently completed the second phase of its EB furnace project for increasing the utilization of recycled titanium alloy in March 2025, and successfully completed its hot test on casting high-quality titanium ingots, further strengthening the Group's competitive edge in capturing global opportunities in the high-end titanium and titanium alloy sectors. It also ensured a stable supply of titanium alloy materials for consumer electronics.

Major Business Developments

During the period under review, the shares of TG Tech, a subsidiary of the Company, were successfully listed on the Beijing Stock Exchange (BSE) on 13 May 2025, becoming the first Hong Kong-listed red chip company to spin off its subsidiary into A-shares on the BSE. Strategic investors have committed to a long-term lock-up period, reflecting the capital market's confidence in TG Tech high-end materials and penetration into the consumer electronics sector. This marks a significant step forward in the Group's capital operations.

TG Tech's initial public offering price was RMB3.94 per share. On its first trading day, the closing price surged by 411.93% to RMB20.17, with a market capitalization exceeding RMB13 billion, setting a record for the largest first-day price increase for a new listing on the BSE in 2025. As a "Little Giant" enterprise with "specialised, refined and distinctive operations and outstanding innovation", TG Tech has introduced 12 strategic investors, including CITIC Securities, Guotai Junan and CICC, in this listing, with an allocation ratio of 30%. This marks the first deal under the new strategic investment rules on the BSE, reflecting the market's high recognition of TG Tech high-end titanium alloy business and future growth prospects. The proceeds from this offering will be used to expand production lines for high-end titanium alloy rods and wires, supporting TG Tech further expansion into high-end application areas such as aerospace, 3D printing, and healthcare, and laying a solid foundation for the overall value enhancement and long-term development of the Group.

In terms of business development, during the period under review, the Group delivered orders for several landmark projects and achieved breakthrough collaborations in its core high-end manufacturing sectors, laying a more solid foundation for the Group's future growth. On 17 March 2025, TG Tech officially delivered its first order of titanium alloy wire materials for aerospace-grade fasteners, marking a new milestone in the Company's R&D and market capabilities in high-end titanium alloy materials and achieving a major breakthrough in the aerospace materials sector. The titanium alloy wire delivered this time underwent multiple rounds of technical breakthroughs and process optimizations, ultimately passing strict certification and comprehensive performance tests to meet aerospace standards and receive customer validation, successfully entering the formal supply phase. This achievement not only demonstrates TG Tech's independent innovation capabilities in aerospace-grade material technology but also responds to the national government's high attention and support for the commercial aerospace industry. Commercial aerospace is one of China's key development areas. This delivery serves as a driving force for the continued promotion of localised production of high-end materials in the future.

Management Discussion and Analysis

Meanwhile, in order to deeply integrate the core strengths of the Group and Hengerda New Materials (Fujian) Co., Ltd in metal material R&D, preparation processes, metal cutting tools and high-end specialised equipment manufacturing, the two parties plan to jointly establish a dedicated investment task force. This collaboration will focus on synergistic investments along the upstream and downstream industrial chains, particularly in advanced manufacturing sectors encouraged by the nation, such as new energy vehicles, robotics, semiconductors, and electronic information, to jointly enhance the market competitiveness and industry influence of their products in these fields. The cooperation scope encompasses cutting-edge technology breakthroughs and project incubation industrialization, M&A and restructuring of high-quality industry targets both domestically and internationally, vertical integration investments within the industrial chain, and other diversified fields. The aim is to achieve industrial synergy innovation and value maximization through resource sharing and complementary advantages.

Major Innovations and Green Technology Achievements

Practice green production

In March 2025, the second phase of EB furnace project completed by the Group for increasing the utilization of recycled titanium alloy, 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 optimised 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 under review, the Group's scientific research and technology won numerous awards. In February 2025, TG Tech and TG Tools, subsidiaries of the Company, were successfully selected for the Jiangsu Province 2024 "Green Factory" list.

In April 2025, TG Tools, a subsidiary of the Company, obtained the Carbon Management System Implementation Demonstration Unit issued by Shanghai Environment and Energy Exchange Company Limited.

These honors highlights the Group's outstanding performance in green manufacturing, energy conservation and emission reduction, as well as sustainable development.

Product innovation, leading national key projects

During the Reporting 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.

Management Discussion and Analysis

During the period under review, the Group achieved numerous innovative achievements in its high-end product lines, continued to lead industry development, and gained high recognition from customers and the industry in a number of high-growth industry sectors. Beginning in 2025, the Group independently developed high-end materials to ensure development and breakthroughs in the high-end equipment manufacturing and robotics industries. The application of humanoid robots in China progressed through its nascent exploratory phase and entered the early stages of industrialization and small-scale commercial applications, poised to reach a trillion-yuan market size in the future.

Among them, the Group's independently developed high-nitrogen alloy material, TPMDC02A, successfully passed technical verification and was first delivered for use in the manufacture of planetary roller screws. TPMDC02A utilised proprietary domestic smelting technology, successfully addressing key technical challenges such as nitrogen content control and material purity, effectively breaking the reliance on imported high-nitrogen alloy materials. In addition to planetary roller screws, this material was also used for verification testing by companies in the medical device, high-end tooling, and marine engineering sectors.

The Group's TGE23 product series met the urgent demand for high-performance, large-scale die-cast components in cutting-edge industries such as new energy vehicles and communications. This overcame the long-standing technical challenge in China of large-scale modules being unable to meet the demands of integrated die-casting due to structural segregation. 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. This recognition demonstrates that the Group has established itself as a world leader in materials for large-scale integrated die-casting molds. 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.

Brand and industry influence continues to increase

At the end of March 2025, the Group actively participated in TCT ASIA 2025, China International Hardware Fair, Shanghai Powder Metallurgy Industry Forum, and Suzhou Commercial Heat Treatment & 3D Printing User Conference, comprehensively showcasing technological innovations in powder metallurgy and cutting tools. The Company highlighted its powder metallurgy tool steel and full range of cutting tools, attracting attention from high-end industries such as aerospace, new energy vehicles, and 3D printing. Dr. Yu Yang, Chief Scientist of the Group, delivered multiple professional presentations and received honors, demonstrating the technical leadership. These exhibitions enhanced our brand's influence and highlighted the Group's strategic vision of driving the development of manufacturing through technological innovation.

On 21 April 2025, Jiangsu Tiangong Precision Tools Company Limited, a subsidiary of the Company, was once again awarded the FASTCO 2024 "Best Supplier Award" globally, marking the third consecutive year of receiving this honor. Looking ahead, the Group will continue to enhance product performance and quality to create greater value for customers.

Future Outlook

Looking ahead, through years of tireless effort and dedication, the Group has established itself as a leading high-end materials company in the international market, both in technology and scientific research. The Group's future goal is to focus on the global high-end supply chain — "Let Tiangong's powder metallurgy high-end materials inject strong impetus into the development of cutting-edge technology."

Management Discussion and Analysis

According to the National Bureau of Statistics, China's latest Manufacturing Purchasing Managers' Index (PMI) released in July 2025 was 49.7%, remaining below the threshold of 50%, indicating that the DS market is expected to continue its slight fluctuation trend in the coming months. However, potential large-scale policy stimulus or the release of demand for die-casting molds for new energy vehicle could drive improvements in the high-end market. In terms of exports, export pressures are increasing due to carbon tariffs in regions such as the EU and international instability.

In the titanium alloy industry, in the second half of 2025, driven by growing demand from sectors such as aerospace, new energy, and deep-sea exploration, China's titanium alloy industry is expected to maintain an increasing trend of both volume and price, with continued breakthroughs in niche high-end markets. Industry concentration and international competitiveness are expected to further strengthen. Leading companies are accelerating their expansion and technological innovation efforts, which is expected to drive the entire industry into a phase of high-quality development.

Since 2025, the Group leveraged its advantages in powder metallurgy technology to address China's reliance on imported materials for high-end equipment and cutting-edge technologies. The Group began independent R&D of high-end materials to seize opportunities for significant development and breakthrough achievements in the fields of high-end equipment manufacturing and robotics.

In the future, the Group will continue to increase R&D investment to advance the localization and industrialization process of high-nitrogen alloy materials. At the same time, the Group will continue to increase its investment in the R&D and production of titanium and titanium alloy materials in the future, to provide robust material support for China's aerospace industry and assist the industry in reaching new heights.

OUR MISSION

The Group has always strived for innovation and advancements in competitiveness to consolidate its leading market position.

We re-affirm our mission to maximise shareholder value, uphold high corporate governance standards and lead the industry to move forward.

FORWARD LOOKING STATEMENTS

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2025, the Group's current assets mainly included cash and cash equivalents of RMB1,282,028,000, inventories of RMB2,581,172,000, trade and other receivables of RMB3,900,869,000, time deposits of RMB593,584,000 and pledged deposits of RMB115,980,000. As at 30 June 2025, the Group had cash and cash equivalent of RMB1,282,028,000, of which 1,109,142,000 was held in RMB, 88,723,000 was held in EUR, 8,013,000 was held in HKD and 76,150,000 was held in USD. The Group's current assets were RMB8,538,187,000 compared to RMB7,937,590,000 as at 31 December 2024, representing an increase of 7.6%.

Management Discussion and Analysis

As at 30 June 2025, interest-bearing borrowings of the Group were RMB3,455,039,000 (31 December 2024: RMB3,284,666,000), RMB1,855,966,000 (31 December 2024: RMB1,827,473,000) of which were repayable within one year and RMB1,599,073,000 (31 December 2024: RMB1,457,193,000) of which were repayable over one year. The Group's net gearing ratio (calculated based on the total outstanding interest-bearing borrowings plus other financial liability, less pledged deposits, time deposits and cash and cash equivalents and divided by the total equity) was 30.1% (31 December 2024: 33.0%).

As at 30 June 2025, interest-bearing borrowings of RMB3,080,460,000 (31 December 2024: RMB2,794,255,000) were denominated in RMB, EUR31,587,000 (31 December 2024: EUR50,435,000) were denominated in EUR and HKD119,709,000 (31 December 2024: HKD119,709,000) were denominated in HKD. The majority of the borrowings of the Group were subject to interest payable at rates ranging from 2.24% to 6.14% (31 December 2024: 2.60% to 6.14%) per annum. Net cash generated from operating activities during the Reporting Period was RMB22,340,000 (1H2024: net cash generated from operating activities RMB150,299,000).

There is no seasonality in borrowing requirements in the ordinary course of business of the Group.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

The Group adopts prudent treasury policies by closely monitoring the Group's liquidity position to ensure that the internal resources and standby banking facilities can meet the funding requirements of its daily operations and any demands for capital in the future development.

For the first half of 2025, the Group's net decrease in property, plant and equipment amounted to RMB95,441,000 (1H2024: net decrease of RMB103,877,000). The net decrease was mainly caused by the depreciation for the period. As at 30 June 2025, capital commitments were RMB779,163,000 (31 December 2024: RMB734,949,000), of which RMB171,715,000 (31 December 2024: RMB129,633,000) was contracted for and RMB607,448,000 (31 December 2024: RMB605,316,000) was authorised but not contracted for. The majority of capital commitments related to expansion of capacity for titanium alloy segment and upgrade of post-processing production lines.

RISK AND PREVENTION

Operating Exposure

In the first half of 2025, China's foreign trade maintained a modest pace of recovery despite intensifying global protectionism. According to customs data, the nation's total goods imports and exports reached RMB21.79 trillion, up 2.9% year-on-year underscoring resilience in external demand even as international frictions weighed on sentiment.

Nonetheless, trade with certain key partners, particularly the US, exhibited a downward trend, underscoring the uneven impact of global protectionism. The China — US economic relationship has become more strained, with tariff measures and strategic rivalry creating direct and indirect risks for enterprises engaged in cross-border trade. US Census Bureau figures show that in January to June 2025, US imports from China fell to US\$167.48 billion (down 15.6% year-on-year), while US exports to China dropped to US\$56.01 billion (-21.2% year-on-year), reflecting weaker two-way flows as tariff burdens and policy tension reshape supply chains.

Following its four-year statutory review, the US announced significant tariff increases on a range of strategic sectors closely tied to our downstream customers, alongside a more restrictive trade policy stance. These measures cover industries such as automotive, electronics, clean energy, and basic materials. Although an exclusion process was established for certain types of machinery and production equipment, the overall policy environment remains protectionist. When combined with earlier US trade actions on metals and other critical inputs, these measures have elevated procurement costs for American buyers and added uncertainty to demand for Chinese exports, thereby increasing the operational risks faced by the Group.

Management Discussion and Analysis

The broader China — US conflict is no longer limited to trade policy, but also extends into technology controls, investment restrictions, and industrial policy rivalry. These heighten operational uncertainty for advanced material suppliers like our Group, given our exposure to aerospace, automotive (including NEVs), electronics and tooling industries, sectors at the center of bilateral competition. The tariffs pass-through into import prices has led to significant declines in US imports from China, validating the structural risk that further escalation may suppress volumes and margins along affected value chains.

In response, the Group is actively reinforcing its risk mitigation strategies. The Group is diversifying its geographic markets to reduce dependence on any single economy and is pursuing growth opportunities in regions with more predictable policy frameworks. Through the ongoing “Digital Tiangong” program, the Group continues to enhance process efficiency, stabilise labour productivity, and deploy intelligent logistics to contain production costs even as order flows become more volatile. At the same time, the Group is strengthening cooperation with suppliers to manage rare-metal price risks.

Beyond cost control, the Group remains committed to innovation and green manufacturing. By investing in low-emission processes aligned with China’s dual-carbon goals, and by upgrading its product mix toward strategic, high-end applications with substitution potential against imports, the Group seeks to maintain competitiveness, ensure compliance with international sustainability expectations, and sustain steady growth despite intensifying China — US conflict and trade tension.

Foreign Exchange Exposure

The Group’s revenue was denominated in RMB, USD and EUR, with RMB accounting for 56.9% (1H2024: 52.7%). 43.1% (1H2024: 47.3%) of the total sales and operating profit was subject to exchange rate fluctuations. The Group did not enter into any financial instruments to hedge against foreign exchange risk. The Group has put into place measures such as monthly reviews of product pricing in light of foreign exchange fluctuation and incentivising overseas customers to settle balances on a timely basis to minimise any significant financial impact from exchange rate exposure.

PLEDGE OF ASSETS

As at 30 June 2025, the Group pledged certain bank deposits amounting to approximately RMB115,980,000 (31 December 2024: RMB134,494,000) and certain intercompany trade receivables amounting to RMB149,391,000 (31 December 2024: RMB137,751,000). Details are set out in the notes to the interim financial statements.

EMPLOYEE’S REMUNERATION AND TRAINING

As at 30 June 2025, the Group employed 3,644 employees (31 December 2024: 3,565). Total staff costs for the Reporting Period amounted to RMB219,146,000 (1H2024: RMB215,128,000). The Group provided employees with remuneration packages comparable to the market rates and employees are further rewarded based on their performance according to the framework of the Group’s salary, incentives and bonus scheme. In order to enhance the Group’s productivity and further improve the quality of the Group’s human resources, the Group provides compulsory continuous education and training for all of its staff on a regular basis.

CONTINGENT LIABILITIES

Both the Group and the Company had no material contingent liabilities as at 30 June 2025 (31 December 2024: No material contingent liabilities).

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS

On 13 May 2025, TG Tech was successfully listed on Beijing Stock Exchange (“BSE”). Upon the completion of Public Offering of TG Tech with Over-placing Option fully executed on 12 June 2025, the Company is directly interested in 67.63% of the enlarged issued share capital of TG Tech. For further details, please refer to the Company’s announcement dated on 31 October 2022, 21 December 2023, 24 April 2025, 30 April 2025 and 12 June 2025.

On 21 October 2024, 11 December 2024 and 1 April 2025, eight of the strategic investors of TG Tools transferred a total of 201,003,406 shares, representing 7.71%, of registered capital of TG Tools to TG New Materials. Upon the completion of the transfers, the Company is directly interested in 90.06% of TG Tools. For further details, please refer to the Company’s announcement dated on 28 December 2020, 11 December 2024 and 1 April 2025.

Save for the above, there are no material acquisitions and disposal of subsidiaries, associates and joint ventures by the Group during the Reporting Period. Save as disclosed in this report, there is no future plans for material investments or capital assets in the remainder of 2025.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments (i.e. investments with fair value over 5% of the Group’s total assets) during the Reporting Period.

EVENTS AFTER REPORTING PERIOD

On 22 August 2025, TG Tech, a subsidiary of the Company, entered into an agreement with third-party investors to establish a joint venture, 江蘇天工鈦晶新材料有限公司 (Jiangsu Tiangong Titanium Crystal New Materials Co., Ltd.*) (“TG Crystal”) with a registered share capital of RMB100,000,000, of which the TG Tech subscribed the registered share capital of RMB60,000,000, representing 60% shareholding in the TG Crystal. The principal activities of TG Crystal are research and development, manufacturing and sales of products including titanium alloy powder, copper alloy powder and high-temperature alloy powder.

NO MATERIAL CHANGE

Save as disclosed in this report, information in relation to the Group’s performance during the Reporting Period for matters set out in paragraph 32 of Appendix D2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) has not changed materially from the information disclosed in the 2024 annual report of the Company.

Report of the Directors

REPORT OF THE DIRECTORS

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to submit the interim report together with the unaudited consolidated financial statements of the Group for the six months ended 30 June 2025 which have been reviewed by the Company’s auditor, KPMG, and the audit committee of the Company (the “Audit Committee”).

INTERIM DIVIDEND

The Board declared an interim dividend payment of RMB0.0262 per share for the six months ended 30 June 2025 (six months ended 30 June 2024: RMB0.0203). For further details, please refer to the Company’s announcement dated 25 August 2025.

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2025, 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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

(a) Interests in the Company

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

Notes:

As at 30 June 2025,

- (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) Sky Greenfield Investment Limited held 644,794,521 ordinary shares. Sky Greenfield Investment Limited was held as to 100% by Zhu Zefeng.
 - (3) Silver Power (HK) Limited, which was wholly owned by Sky Greenfield Investment Limited, held 43,932,000 ordinary shares.
- (L) Represents long position.

Report of the Directors

(b) Interests in the shares of associated corporation

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	Jiangsu Tiangong Technology Company Limited ("TG Tech")	Beneficial owner	14,483,951 (L) ⁽²⁾	2.47
Mr. Zhu Zefeng	Sky Greenfield Investment Limited	Beneficial owner	1 (L) ⁽³⁾	100.00
Mr. Zhu Zefeng	Silver Power (HK) Limited	Beneficial owner	1 (L) ⁽⁴⁾	100.00
Mr. Wu Suojun	TG Tech	Beneficial owner	1,432,195 (L) ⁽⁵⁾	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 interim report date, 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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2025, save for the Company's Directors or chief executives as disclosed above, the following persons have an interest or short position in the shares or the underlying shares 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	Number of 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⁾ Interests of controlled corporations ⁽⁴⁾	644,794,521 (L) 43,932,000 (L)	23.66 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' Interests and Short Positions in Shares, Underlying Shares and Debentures — (a) Interests in the Company".
- (3) Sky Greenfield Investment Limited was held as to 100% by Mr. Zhu Zefeng.
- (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' Interests and Short Positions in Shares, Underlying Shares and Debentures — (a) Interests in the Company".

Report of the Directors

(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

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' 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' Interests and Short Positions in Shares, Underlying Shares and Debentures — (b) Interests in the shares of associated corporation".

(L) Represents long position.

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 (the "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:

- 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.

Report of the Directors

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 5.94% 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 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. An offer of option shall remain open for acceptance by the relevant Participant for a period of 10 business days from the date that the offer of option is given to the relevant Participant.
7. The subscription price for the shares, the subject of the options, shall be no less than the highest 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 vested on 31 March 2019 as 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 vested on 31 March 2020 as the consolidated audited net profit of the Company for the year ended 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 options 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.

Report of the Directors

There were no share options granted since the last grant of options on 11 January 2018 and up till 30 June 2025 and therefore, there were no outstanding share options during the six months ended 30 June 2025.

As at 1 January 2025 and 30 June 2025, the number of share options available for grant under the Share Option Scheme was both 162,009,000.

During the six months ended 30 June 2025, the Company did not have other share scheme in place.

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

During the Reporting Period, the market price range of the Company's shares is HKD1.69 to HKD2.38.

PURCHASE, SALES OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2025, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities and the Company does not have any treasury shares, whether registered in its own name or deposited with Central Clearing and Settlement System.

CORPORATE GOVERNANCE

During the six months ended 30 June 2025, the Company has, so far where applicable, complied with the code provisions set out in the Corporate Governance Code ("CG Code") contained in Part 2 of Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs. The Audit Committee held a meeting on 22 August 2025 to consider and review the interim report and interim financial statements of the Group and to give their opinion and recommendation to the Board. The Audit Committee considers that the 2025 interim report and interim financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code as set out in Appendix C3 of the Listing Rules. Having made specific enquiry of all directors of the Company, all directors of the Company have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

CHANGE IN INFORMATION OF DIRECTORS

There is no change in information of the Directors during the Reporting Period.

Report of the Directors

FACILITY AGREEMENT IMPOSING A SPECIFIC PERFORMANCE OBLIGATION ON THE CONTROLLING SHAREHOLDER OF THE COMPANY

On 29 July 2025, the Company (as borrower) entered into a facility agreement (the “Facility Agreement”) with a Hong Kong licensed bank relating to:

— Dividend loan facility amounted to HKD78,480,000

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

Pursuant to the Facility Agreement, Mr. Zhu Xiaokun and Mr. Zhu Zefeng, the controlling shareholders of the Company, are required to maintain beneficiary interests (direct and indirect) of no less than 45% shareholdings of the Company as long as the facility is available (the “Specific Performance Obligation”).

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 and other subsidiaries to be immediately due and payable.

Since the date of the Facility Agreement and up to the date of this report, Mr. Zhu Xiaokun and Mr. Zhu Zefeng collectively held beneficial ownership of more than 45% shareholdings of the Company and there has been no breach of the Specific Performance Obligation. The term of the Facility Agreement will expire on 28 July 2026.

As at the date of this report, the Company has not entered into any other facility agreement with covenants relating to specific performance of the controlling shareholder of the Company.

By order of the Board

25 August 2025

Independent Review Report



Review report to the board of directors of Tiangong International Company Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 26 to 54, which comprises the consolidated statement of financial position of Tiangong International Company Limited ("the Company") as at 30 June 2025 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim financial reporting* as issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on this interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity* as issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2025 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim financial reporting*.

KPMG

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

25 August 2025

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2025 (unaudited)

	Note	Six months ended 30 June	
		2025 RMB'000	2024 RMB'000
Revenue	3	2,342,495	2,521,648
Cost of sales		(1,898,620)	(1,963,178)
Gross profit		443,875	558,470
Other income	4	170,171	48,306
Distribution expenses		(55,783)	(63,686)
Administrative expenses		(91,415)	(83,348)
Research and development expenses		(137,045)	(146,994)
Other expenses	5	(27,917)	(15,946)
Profit from operations		301,886	296,802
Finance income		13,418	15,082
Finance expenses		(77,955)	(91,055)
Net finance costs	6(a)	(64,537)	(75,973)
Share of profits less losses of associates		(1,767)	1,758
Share of profits less losses of joint ventures		2,250	(405)
Profit before income tax	6	237,832	222,182
Income tax	7	(19,213)	(11,943)
Profit for the period		218,619	210,239
Attributable to:			
Equity shareholders of the Company		203,583	184,371
Non-controlling interests		15,036	25,868
Profit for the period		218,619	210,239
Earnings per share (RMB)	8		
Basic and diluted		0.075	0.067

The notes on pages 33 to 54 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 19(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2025 (unaudited)

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Profit for the period	218,619	210,239
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income — net movement in fair value reserve (non-recycling)	116	5,817
Item 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)	(29,671)	(8,122)
Other comprehensive income for the period	(29,555)	(2,305)
Total comprehensive income for the period	189,064	207,934
Attributable to:		
Equity shareholders of the Company	174,376	182,013
Non-controlling interests	14,688	25,921
Total comprehensive income for the period	189,064	207,934

The notes on pages 33 to 54 form part of this interim financial report.

Consolidated Statement of Financial Position

as at 30 June 2025 (unaudited)

	Note	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Non-current assets			
Property, plant and equipment	9	4,297,420	4,392,861
Lease prepayments		239,872	242,711
Intangible assets		53,670	56,224
Goodwill		144,600	144,600
Interest in associates		102,743	103,781
Interest in joint ventures		27,807	25,141
Other financial assets	10	262,869	265,070
Deferred tax assets		105,980	117,871
		5,234,961	5,348,259
Current assets			
Financial assets measured at fair value through profit or loss (FVPL)		64,554	61,025
Inventories	11	2,581,172	2,524,870
Trade and other receivables	12	3,900,869	3,543,048
Pledged deposits	13	115,980	134,494
Time deposits	14	593,584	605,231
Cash and cash equivalents	15	1,282,028	1,068,922
		8,538,187	7,937,590
Current liabilities			
Trade and other payables	16	1,533,160	1,452,755
Interest-bearing borrowings	17	1,855,966	1,827,473
Other financial liability	18	885,169	983,676
Current taxation		20,179	35,042
		4,294,474	4,298,946
Net current assets		4,243,713	3,638,644
Total assets less current liabilities		9,478,674	8,986,903

The notes on pages 33 to 54 form part of this interim financial report.

Consolidated Statement of Financial Position

as at 30 June 2025 (unaudited)

	Note	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Non-current liabilities			
Interest-bearing borrowings	17	1,599,073	1,457,193
Deferred income		26,117	30,098
Deferred tax liabilities		44,989	46,874
		1,670,179	1,534,165
NET ASSETS		7,808,495	7,452,738
CAPITAL AND RESERVES			
Share capital	19	48,164	48,164
Reserves		7,222,077	7,044,913
Total equity attributable to equity shareholders of the Company		7,270,241	7,093,077
Non-controlling interests		538,254	359,661
TOTAL EQUITY		7,808,495	7,452,738

Approved and authorised for issue by the board of directors on 25 August 2025.

	)	
Zhu Xiaokun	)	
	)	
	)	Directors
	)	
Zhu Zefeng	)	
	)	

The notes on pages 33 to 54 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2025 (unaudited)

	Note	Attributable to equity shareholders of the Company										
		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 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 the six months ended 30 June 2024												
Profit for the period		–	–	–	–	–	–	–	–	184,371	25,868	210,239
Other comprehensive income		–	–	–	–	–	(8,109)	5,751	–	–	53	(2,305)
Total comprehensive income		–	–	–	–	–	(8,109)	5,751	–	184,371	25,921	207,934
Dividends approved in respect of the previous year	19(a)	–	–	–	–	–	–	–	–	(109,073)	–	(109,073)
Liquidation of subsidiaries		–	–	–	–	–	–	–	(105)	105	(1,323)	(1,323)
Disposal and withdrawal of joint ventures		–	–	–	–	–	418	–	–	(418)	–	–
Repurchase of own shares	19(b)	–	(75,189)	–	–	–	–	–	–	–	–	(75,189)
Balance at 30 June 2024 and 1 July 2024		49,055	2,632,423	908	35,255	91,925	(142,572)	43,831	1,070,359	3,281,122	344,631	7,406,937
Changes in equity for the six months ended 31 December 2024												
Profit for the period		–	–	–	–	–	–	–	–	174,386	15,538	189,924
Other comprehensive income		–	–	–	–	–	(99,350)	14,487	–	–	(508)	(85,371)
Total comprehensive income		–	–	–	–	–	(99,350)	14,487	–	174,386	15,030	104,553
Interim dividend approved in respect of the six months ended 30 June 2024		–	–	–	–	–	–	–	–	(55,111)	–	(55,111)
Transfer to reserve		–	–	–	–	–	–	–	43,505	(43,505)	–	–
Disposal of equity investments at fair value through other comprehensive income		–	–	–	–	–	–	(59,409)	5,941	53,468	–	–
Repurchase of own shares		(891)	(3,641)	891	–	–	–	–	–	–	–	(3,641)
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 33 to 54 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2025 (unaudited)

	Note	Attributable to equity shareholders of the Company										Total equity RMB'000
		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	
Balance at 1 January 2025		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
Changes in equity for the six months ended 30 June 2025												
Profit for the period		-	-	-	-	-	-	-	-	203,583	15,036	218,619
Other comprehensive income		-	-	-	-	-	(29,310)	103	-	-	(348)	(29,555)
Total comprehensive income		-	-	-	-	-	(29,310)	103	-	203,583	14,688	189,064
Capital contribution from non-controlling interests	19(c)	-	-	-	74,456	-	-	-	-	-	164,755	239,211
Dividends approved in respect of the previous year	19(a)	-	-	-	-	-	-	-	-	(71,668)	-	(71,668)
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(850)	(850)
Disposal of equity investments at fair value through other comprehensive income		-	-	-	-	-	-	(743)	74	669	-	-
Balance at 30 June 2025		48,164	2,628,782	1,799	109,711	91,925	(271,232)	(1,731)	1,119,879	3,542,944	538,254	7,808,495

The notes on pages 33 to 54 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2025 (unaudited)

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Operating activities		
Cash (used in)/generated from operations	(18,875)	248,442
Tax refund/(paid)	41,215	(98,213)
Net cash generated from operating activities	22,340	150,229
Investing activities		
Payments for the purchase of property, plant and equipment, lease prepayments and intangible assets	(103,966)	(117,540)
Proceeds from sale of other financial assets	2,682	–
Proceeds from time and pledged deposits, net	28,894	594,713
Interests received	14,685	17,110
Payment for purchase of trading securities, net	(5,365)	–
Dividends received from other financial assets	2,730	9,412
Net cash (used in)/generated from investing activities	(60,340)	503,695
Financing activities		
Proceeds from new interest-bearing borrowings	1,617,969	1,537,824
Repayments of interest-bearing borrowings	(1,446,832)	(1,692,514)
Dividends paid to non-controlling interests shareholders	(850)	–
Payments for repurchase of shares	–	(75,189)
Capital contribution from non-controlling interests shareholders	239,211	–
Interest paid	(61,855)	(62,758)
Repayment of other financial liability	(114,607)	–
Net cash generated from/(used in) financing activities	233,036	(292,637)
Net increase in cash and cash equivalents	195,036	361,287
Cash and cash equivalents at 1 January	1,068,922	749,087
Effect of foreign exchange rates changes	18,070	(3,887)
Cash and cash equivalents at 30 June	1,282,028	1,106,487

The notes on pages 33 to 54 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report of Tiangong International Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 25 August 2025.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2024 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2024 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 25.

The financial information relating to the financial year ended 31 December 2024 that is included in the interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements. The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the amendments to IAS 21, *The effects of changes in foreign exchange rates — Lack of exchangeability* issued by the IASB to this interim financial report for the current accounting period. The amendments do not have a material impact on this interim report as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue represents mainly the sales value of high alloy steel (including die steel (“DS”) and high speed steel (“HSS”)), cutting tools, titanium alloy, and others after eliminating intercompany transactions. Further details regarding the Group’s revenue are disclosed in Note 3(b).

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

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
DS	1,154,590	1,181,417
HSS	394,434	436,145
Cutting tools	397,365	463,607
Titanium alloy	348,786	384,832
Others	47,320	55,647
	2,342,495	2,521,648

The Group’s revenue from contracts with customers was recognised at a point in time. Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 3(b)(iii).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting

The Group has the following reportable segments, as described below, which are the Group's product divisions. For each of the product divisions, the Chairman (the chief operating decision maker) reviews internal management reports on at least a monthly basis. No operating segments have been aggregated to form the following reportable segments. The following describes the operations in each of the Group's reportable segments:

—	<i>DS</i>	The DS segment manufactures and sells materials that are used in the die set manufacturing industry.
—	<i>HSS</i>	The HSS segment manufactures and sells materials that are used in the tools manufacturing industry.
—	<i>Cutting tools</i>	The cutting tools segment manufactures and sells HSS and carbide cutting tools to the tooling industry.
—	<i>Titanium alloy</i>	The titanium alloy segment manufactures and sells titanium alloys to the titanium industry.
—	<i>Others</i>	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 sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Chairman (the chief operating decision maker) for the purposes of resource allocation and assessment of segment performance for the periods are set out below.

	Six months ended 30 June 2025					
	DS RMB'000	HSS RMB'000	Cutting tools RMB'000	Titanium alloy RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	1,154,590	394,434	397,365	348,786	47,320	2,342,495
Inter-segment revenue	40	135,751	2,516	–	–	138,307
Reportable segment revenue	1,154,630	530,185	399,881	348,786	47,320	2,480,802
Reportable segment profit (adjusted EBIT)	36,939	37,981	81,662	68,539	2,599	227,720

	As at 30 June 2025					
	DS RMB'000	HSS RMB'000	Cutting tools RMB'000	Titanium alloy RMB'000	Others RMB'000	Total RMB'000
Reportable segment assets	5,677,916	2,632,970	1,905,324	831,550	139,292	11,187,052
Reportable segment liabilities	669,731	316,143	195,556	241,121	52,067	1,474,618

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	Six months ended 30 June 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	1,181,417	436,145	463,607	384,832	55,647	2,521,648
Inter-segment revenue	–	179,145	2,634	–	–	181,779
Reportable segment revenue	1,181,417	615,290	466,241	384,832	55,647	2,703,427
Reportable segment profit (adjusted EBIT)	30,942	42,137	122,994	119,896	10,590	326,559

	As at 31 December 2024					
	DS RMB'000	HSS RMB'000	Cutting tools RMB'000	Titanium alloy RMB'000	Others RMB'000	Total RMB'000
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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

Revenue	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Reportable segment revenue	2,480,802	2,703,427
Elimination of inter-segment revenue	(138,307)	(181,779)
Consolidated revenue	2,342,495	2,521,648

Profit	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Reportable segment profit	227,720	326,559
Net finance costs	(64,537)	(75,973)
Share of profits less losses of associates	(1,767)	1,758
Share of profits less losses of joint ventures	2,250	(405)
Other unallocated head office and corporate profits/(losses)	74,166	(29,757)
Consolidated profit before income tax	237,832	222,182

Assets	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Reportable segment assets	11,187,052	10,873,305
Interest in associates	102,743	103,781
Interest in joint ventures	27,807	25,141
Other financial assets	262,869	265,070
Deferred tax assets	105,980	117,871
Financial assets measured at fair value through profit or loss (FVPL)	64,554	61,025
Pledged deposits	115,980	134,494
Time deposits	593,584	605,231
Cash and cash equivalents	1,282,028	1,068,922
Other unallocated head office and corporate assets	30,551	31,009
Consolidated total assets	13,773,148	13,285,849

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

Liabilities	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Reportable segment liabilities	1,474,618	1,459,538
Interest-bearing borrowings	3,455,039	3,284,666
Other financial liability	885,169	983,676
Current taxation	20,179	35,042
Deferred tax liabilities	44,989	46,874
Other unallocated head office and corporate liabilities	84,659	23,315
Consolidated total liabilities	5,964,653	5,833,111

(iii) Geographical information

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

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

Revenue	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
The PRC	1,332,163	1,329,097
North America	257,786	461,499
Europe	379,905	430,755
Asia (other than the PRC)	361,306	286,312
Others	11,335	13,985
Total	2,342,495	2,521,648

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 OTHER INCOME

	Note	Six months ended 30 June	
		2025 RMB'000	2024 RMB'000
Government grants	(i)	16,543	6,837
Sales of scrap materials and provision of manufacturing service		4,640	4,237
Bonus deduction of Value Added Tax		12,841	25,322
Net foreign exchange gains		129,747	–
Dividends income		2,730	9,412
Net unrealised fair value changes of other financial assets		1,063	–
Net gains on disposal of property, plant and equipment		139	462
Others		2,468	2,036
		170,171	48,306

- (i) The subsidiaries of the Group located in the PRC, including Jiangsu Tiangong Tools New Materials Company Limited ("TG Tools"), Jiangsu Tiangong Aihe Technology Company Limited ("TG Aihe"), Jiangsu Tiangong Technology Company Limited ("TG Tech"), Jiangsu Tiangong Precision Tools Company Limited ("Precision Tools"), Jiangsu Tiangong Carbide Technology Company Limited ("Carbide Technology"), Jiangsu Weijian Tools Technology Company Limited ("Weijian Tools") and Jurong Tiangong New Materials Technology Company Limited ("TG New Materials"), collectively received unconditional grants amounting to RMB12,562,000 (six months ended 30 June 2024: RMB2,857,000) from the local government. The Group also recognised amortisation of government grants related to assets of RMB3,981,000 (six months ended 30 June 2024: RMB3,980,000) during the six months ended 30 June 2025.

5 OTHER EXPENSES

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Provision for loss allowance on trade and other receivables	21,798	9,122
Charitable donations	2,909	2,400
Net unrealised fair value changes of other financial assets	–	3,141
Net realised and unrealised losses on trading securities	1,836	62
Losses from disposal of interests in subsidiaries	–	185
Others	1,374	1,036
	27,917	15,946

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE INCOME TAX

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

(a) Net finance costs

	Note	Six months ended 30 June	
		2025 RMB'000	2024 RMB'000
Interest income		(13,418)	(15,082)
Finance income		(13,418)	(15,082)
Interest on bank loans		61,855	62,755
Interest arising on other financial liability	18	16,100	28,300
Finance expenses		77,955	91,055
Net finance costs		64,537	75,973

(b) Other items

	Note	Six months ended 30 June	
		2025 RMB'000	2024 RMB'000
Cost of inventories*		1,898,620	1,963,178
Amortisation of intangible assets		4,393	3,960
Depreciation of property, plant and equipment		195,610	193,198
Amortisation of lease prepayments (right-of-use assets)		2,839	2,927
(Reversal)/provision for write-down of inventories	11	(11,331)	6,897

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

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7 INCOME TAX

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Current tax		
Provision for PRC Income Tax	17,958	30,629
Provision for Hong Kong Profits Tax	516	3,234
Provision for Thailand Corporate Income Tax	533	704
	19,007	34,567
Deferred tax		
Origination and reversal of temporary differences	206	(22,624)
	19,213	11,943

- (a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or British Virgin Islands.
- (b) The provision for PRC Income Tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

TG Tools, TG Aihe, Jiangsu Tiangong Precision Tools Company Limited ("Precision Tools"), TG Tech and Weijian Tools are subject to a preferential income tax rate of 15% (six months ended 30 June 2024: 15%) for the six months ended 30 June 2025 available to enterprises which qualify as a High and New Technology Enterprise.

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% for the six months ended 30 June 2025 (six months ended 30 June 2024: 25%).

The statutory corporate income tax rate applicable to the Group's other operating subsidiaries in the PRC is 25% for the six months ended 30 June 2025 (six months ended 30 June 2024: 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.

- (c) Pursuant to the income tax rules and regulations of Hong Kong, the Group's subsidiaries in Hong Kong are liable to Hong Kong Profits Tax at a rate of 16.5% for the six months ended 30 June 2025 (six months ended 30 June 2024: 16.5%).
- (d) According to the policy of Industrial Promotion Act of Thailand, Tiangong Precision Tools (Thailand) Company Limited ("TGPT"), a subsidiary of the Company 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. ("TGNM"), the subsidiaries of the Group in Thailand are liable to Thailand Corporate Income Tax at a rate of 20% for the six months ended 30 June 2025 (six months ended 30 June 2024: 20%).

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8 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 RMB203,583,000 (six months ended 30 June 2024: RMB184,371,000) and the weighted average of 2,725,000,000 ordinary shares in issue during the interim period (six months ended 30 June 2024: 2,760,750,961).

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2025 and 2024 are the same as the basic earnings per share as there are no dilutive potential ordinary shares during the periods.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2025, the Group acquired items of property, plant and equipment at a cost of RMB95,042,000 (six months ended 30 June 2024: RMB119,762,000). There were no material disposals of property, plant and equipment for the periods presented.

10 OTHER FINANCIAL ASSETS

	Note	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Equity securities designated at fair value through other comprehensive income (FVOCI) (non-recycling)			
— Listed in the PRC	(i)	29,881	33,145
Financial assets measured at fair value through profit or loss (FVPL)			
— Unlisted equity securities		1,360	1,360
— Unlisted units in investment funds	(ii)	114,128	113,065
Financial assets measured at amortised cost			
— Amount due from third party		117,500	117,500
		262,869	265,070

Notes:

- (i) The listed equity securities are interests in Bank of Jiangsu Co., Ltd., a company listed on the Mainboard of the Shanghai Stock Exchange ("SSE") and interests 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 RMB519,000 were received from these investments during the six months ended 30 June 2025 (six months ended 30 June 2024: RMB7,878,000).
- (ii) The unlisted units in investment funds are interests in 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 primarily engaged in or further invested in the industrial and technology sectors. Dividends of RMB2,211,000 were received from these investments during the six months ended 30 June 2025 (six months ended 30 June 2024: RMB1,534,000).

Notes to the Unaudited Interim Financial Report

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11 INVENTORIES

During the six months ended 30 June 2025, the Group reversed a write-down of RMB11,331,000 (six months ended 30 June 2024: provided a write-down of RMB6,897,000) against those inventories with net realisable value higher than carrying value. The write-down is included in cost of sales in the consolidated statement of profit or loss.

12 TRADE AND OTHER RECEIVABLES

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Trade receivables	2,524,007	2,226,434
Bills receivable	824,594	732,940
Less: loss allowance	(166,702)	(143,288)
Net trade and bills receivable	3,181,899	2,816,086
Prepayments	164,534	159,747
Non-trade receivables	535,978	477,599
Less: loss allowance	(8,944)	(9,498)
Current taxation	27,402	99,114
Net prepayments and non-trade receivables	718,970	726,962
	3,900,869	3,543,048

As at 30 June 2025, certain intercompany trade receivables of RMB149,391,000 (2024: RMB137,751,000) has been pledged to a bank as security for the Group's bank loans.

Notes to the Unaudited Interim Financial Report

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12 TRADE AND OTHER RECEIVABLES (continued)

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

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Within 1 year	2,826,480	2,546,878
1 to 2 years	324,963	252,646
Over 2 years	30,456	16,562
	3,181,899	2,816,086

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

13 PLEDGED DEPOSITS

As at 30 June 2025, bank deposits of RMB115,980,000 (2024: RMB134,494,000) have been pledged to banks as security for bank acceptance bills and letters of credit of the Group. The pledge in respect of the bank deposits will be released upon the settlement of the relevant bills payable by the Group and the termination of related letters of credit.

14 TIME DEPOSITS

As at 30 June 2025, time deposits of RMB593,584,000 (2024:RMB605,231,000) in the consolidated statement of financial position represent bank deposits that are over 3 months of maturity at acquisition.

15 CASH AND CASH EQUIVALENTS

All the balances of cash and cash equivalents as at 30 June 2025 are cash at bank and on hand.

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Cash at bank and on hand	1,282,028	1,068,922

As of the end of the reporting period, cash and cash equivalents situated in Chinese Mainland amounted to RMB1,137,711,000 (2024:RMB868,748,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

16 TRADE AND OTHER PAYABLES

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Trade and bills payable	1,246,103	1,189,125
Contract liabilities	12,776	14,445
Dividends payable	71,668	–
Other payables and accrued expenses	202,613	249,185
	1,533,160	1,452,755

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

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Within 1 year	1,217,675	1,160,725
1 to 2 years	13,823	16,470
Over 2 years	14,605	11,930
	1,246,103	1,189,125

17 INTEREST-BEARING BORROWINGS

	Note	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Current			
Secured bank loans	(i)	132,064	123,629
Unsecured bank loans	(ii)	1,338,253	1,114,544
Current portion of non-current unsecured bank loans		385,649	589,300
		1,855,966	1,827,473
Non-current			
Secured bank loans	(iii)	229,297	203,763
Unsecured bank loans	(iv)	1,755,425	1,842,730
Less: Current portion of non-current unsecured bank loans		(385,649)	(589,300)
		1,599,073	1,457,193
		3,455,039	3,284,666

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

17 INTEREST-BEARING BORROWINGS (continued)

Notes:

- (i) Current secured bank loan is secured by certain trade receivables at annual interest rates ranging from 3.45% to 3.90% (2024: 3.65% to 4.02%) per annum.
- (ii) Current unsecured bank loans carry interest at annual rates ranging from 2.24% to 6.14% (2024: 2.70% to 6.43%) per annum.
- (iii) Non-current secured bank loans are secured by the Group's equity interest in Precision Tools and Guangdong Aihe Mould Technology Co., Ltd. ("Guangdong Aihe") leasehold land at annual interest rate from 3.45% to 3.90% (2024: 3.45%) per annum.
- (iv) Non-current unsecured bank loans carried interest at annual rates ranging from 2.70% to 4.00% (2024: 2.70% to 4.00%) per annum.

The current portion and non-current portion of the Group's non-current bank loans were repayable as follows:

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Within 1 year	385,649	589,300
Over 1 year but less than 2 years	851,100	611,950
Over 2 years but less than 5 years	244,100	400,950
Over 5 years	503,873	444,293
	1,984,722	2,046,493

As at 30 June 2025, the Group's banking facility with banks are subject to the fulfilment of a covenant relating to certain of the Group's subsidiaries' gearing 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.

As at 30 June 2025, the Company issued a guarantee to TG Development, in respect of bank loans granted to the TG Development, of RMB369,119,000 (31 December 2024: RMB256,139,000).

Notes to the Unaudited Interim Financial Report

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18 OTHER FINANCIAL LIABILITY

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

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Contingent redeemable capital contributions in a subsidiary	885,169	983,676

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

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

During the six months ended 30 June 2025, three of the Investors exercised redemption right to redeem their capital contributions and related interests totaling RMB114,607,000. As at 30 June 2025, 90.06% (2024: 89.00%) of the equity interest in TG Tools was held by the Group.

19 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2025 RMB'000	2024 RMB'000
Dividend declared after the end of the reporting period of RMB0.0262 per ordinary share (six months ended 30 June 2024: 0.0203 per share)	71,395	55,311

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

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(Expressed in Renminbi unless otherwise indicated)

19 CAPITAL, RESERVES AND DIVIDENDS (continued)

(a) Dividends (continued)

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

	2025 RMB'000	2024 RMB'000
Dividends in respect of the previous financial year, approved but not paid during the interim period, of RMB0.0263 per share (six months ended 30 June 2024: RMB0.0400 per share)	71,668	109,073

(b) Purchase of own shares

During the six months period ended 30 June 2024, the Company repurchased its own shares on the Main Board of The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate amount paid HKD'000
March/April/May/June 2024	48,144,000	1.92	1.37	82,791

In total, the Company repurchased 48,144,000 ordinary shares on the Main Board of The Stock Exchange of Hong Kong Limited at a consideration of HKD82,791,000 (equivalent to approximately RMB75,189,000). 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 RMB75,189,000 reduced the share premium.

The Group did not repurchase shares during the six months period ended 30 June 2025.

(c) Dilution of interests in subsidiaries without loss of control

In May 2025, the ordinary shares of TG Tech, a PRC subsidiary of the Group, were listed on the market of Beijing Stock Exchange, where 69,000,000 new shares were issued and subscribed by way of initial public offering to investors. Net proceeds from these issues amounted to RMB239,010,000 after offsetting issuance costs directly attributable to the issue of these shares of TG Tech, out of which RMB164,554,000 and RMB74,456,000 were recorded in non-controlling interests and capital reserve accounts, respectively.

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20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets measured at fair value

(i) 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.

	Fair value at 30 June 2025 RMB'000	Fair value measurement at 30 June 2025 categorised into		
		Level 1	Level 2	Level 3
Recurring fair value measurement				
Other financial assets:				
— Listed equity securities — SSE	11,701	11,701	—	—
— Listed equity securities — NEEQ	18,180	—	—	18,180
— Unlisted equity securities	1,360	—	—	1,360
— Unlisted units in investment funds	114,128	—	—	114,128
Financial assets at fair value through profit or loss:				
— Listed equity securities	64,554	64,554	—	—
Trade and other receivables:				
— Bills receivable	269,822	—	269,822	—

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(Expressed in Renminbi unless otherwise indicated)

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial assets measured at fair value (continued)

(i) Fair value hierarchy (continued)

	Fair value at 31 December 2024 RMB'000	Fair value measurement at 31 December 2024 categorised into		
		Level 1	Level 2	Level 3
Recurring fair value measurement				
Other financial assets:				
— Listed equity securities — SSE	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	—

During the six months ended 30 June 2025, 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.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Equity securities	Valuation multiples (Note i)	Changing trend of medium market multiples of comparable companies
Units in investment funds	Net asset value (Note ii)	Net asset value of underlying investments

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(Expressed in Renminbi unless otherwise indicated)

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial assets measured at fair value (continued)

(ii) Information about Level 3 fair value measurements (continued)

Notes:

- (i) 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 10 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.

The fair value of equity securities is determined using valuation multiples adjusted for changing trend of medium market multiples of comparable companies. The fair value measurement is positively correlated to the changing trend of medium market multiples of comparable companies. As at 30 June 2025, it is estimated that with all other variables held constant, an increase/decrease in change of medium market multiples of comparable companies by 5% would have increased/decreased the Group's other comprehensive income by RMB682,000 (2024: RMB783,000).

- (ii) The fair value of units in investment funds is determined referencing net asset value of underlying investments. The fair value measurement is positively correlated to net asset value of underlying investments. As at 30 June 2025, it is estimated that with all other variables held constant, an increase/decrease in fair value of units in investment funds by 5% would have increased/decreased the Group's profit for the period by RMB4,280,000 (2024: RMB4,240,000).

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At 30 June 2025 RMB'000	At 30 June 2024 RMB'000
Unquoted equity securities and units in investment funds:		
At 1 January	135,295	122,394
Net unrealised losses recognised in other comprehensive income during the period	(2,690)	(1,075)
Net unrealised fair value changes of other financial assets recognised in profit or loss during the period	1,063	(3,141)
At 30 June	133,668	118,178

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 the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

(b) Fair value of financial assets and liabilities carried at other than fair value

All financial instruments measured at other than fair value carried at cost or amortised cost were not materially different from their fair values as at 30 June 2025 and 31 December 2024.

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21 COMMITMENTS

Capital commitments outstanding at 30 June 2025 not provided for in the interim financial report

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Contracted for acquisition of property, machinery and equipment	171,715	129,633
Authorised but not contracted for — acquisition of property, machinery and equipment	607,448	605,316
	779,163	734,949

22 RELATED PARTY TRANSACTIONS

The Group had transactions with associates and joint ventures. In addition to the related party information disclosed elsewhere in the notes to the condensed consolidated interim financial statements, the Group entered into the following related party transactions for the periods presented:

(a) Significant related party transactions

	Six months ended 30 June 2025 RMB'000	2024 RMB'000
Sales of goods to:		
Joint ventures	77,414	181,344
Associates	120,111	76,785
	197,525	258,129

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22 RELATED PARTY TRANSACTIONS (continued)

(b) Amounts due from related parties

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Joint ventures	358,602	298,584
Associates	159,059	115,203
	517,661	413,787

23 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In August 2025, TG Tech, a PRC subsidiary of the Group, entered into an agreement with third-party investors to establish a PRC company Jiangsu Tiangong Titanium Crystal New Materials Co., Ltd. ("TG Crystal") at a registered share capital of RMB100,000,000, out of which the Group subscribed the registered share capital of RMB60,000,000, representing 60% shareholding in the TG Crystal. The principal activities of TG Crystal are research and development, manufacturing and sales of products including titanium alloy powder, copper alloy powder and high-temperature alloy powder.