Tiangong International Company Limited
天工國際有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 826)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

- Revenue for the Group for 2013 totaled RMB3,397 million, representing an increase of 8.9% as compared with RMB3,118 million in the previous year.
- Gross profit margin increased slightly from 23.4% in 2012 to 24.0% in 2013.
- Profit attributable to equity shareholders of the Company increased by approximately 5.6% to RMB470 million (2012: RMB445 million).
- Basic earnings per share was RMB0.242 (2012: RMB0.244).
- The Board proposed a final dividend of RMB0.0494 per share for the year ended 31 December 2013 (2012: RMB0.0461 per share).

The Board of Directors (the "Board") of Tiangong International Company Limited (the "Company") is pleased to announce the audited consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 and the consolidated statement of financial position of the Group as at 31 December 2013, together with the comparative figures for the same period of 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Note	**2013** *RMB'000*	2012 *RMB'000*
Revenue	4	**3,396,670**	3,118,251
Cost of sales		**(2,582,464)**	(2,388,862)
Gross profit		**814,206**	729,389
Other income	6	**81,500**	78,944
Distribution expenses		**(41,642)**	(44,583)
Administrative expenses		**(109,861)**	(100,437)
Other expenses	7	**(6,716)**	(14,661)
Profit from operations		**737,487**	648,652
Finance income		**6,285**	10,588
Finance expenses		**(131,170)**	(118,538)
Net finance costs	8(a)	**(124,885)**	(107,950)
Share of losses of associates		**(3,646)**	(209)
Share of losses of joint ventures		**(237)**	(3,593)
Profit before taxation	8	**608,719**	536,900
Income tax	9	**(138,617)**	(92,008)
Profit for the year		**470,102**	444,892
Attributable to:			
Equity shareholders of the Company		**469,727**	444,892
Non-controlling interests		**375**	—
Profit for the year		**470,102**	444,892
Earnings per share (RMB)	10		
Basic		**0.242**	0.244
Diluted		**0.242**	0.240

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
Profit for the year	**470,102**	444,892
Other comprehensive income for the year (after tax and reclassification adjustment)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
— equity-accounted investees	**(2,030)**	677
Total comprehensive income for the year	**468,072**	445,569
Attributable to:		
Equity shareholders of the Company	**467,697**	445,569
Non-controlling interests	**375**	—
Total comprehensive income for the year	**468,072**	445,569

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**2,468,979**	2,143,725
Lease prepayments		**69,389**	70,972
Goodwill		**22,086**	21,959
Interest in associates		**38,952**	43,647
Interest in joint ventures		**5,419**	6,637
Other financial assets		**10,000**	10,000
Deferred tax assets		**20,940**	12,336
		2,635,765	2,309,276
Current assets			
Inventories		**1,978,542**	1,426,003
Trade and other receivables	11	**1,653,855**	1,530,598
Pledged deposits		**250,236**	238,479
Time deposits		**553,500**	446,000
Cash and cash equivalents		**88,406**	150,499
		4,524,539	3,791,579
Current liabilities			
Interest-bearing borrowings		**2,359,182**	1,886,407
Trade and other payables	12	**1,143,560**	1,147,200
Current taxation		**72,340**	43,578
Deferred income		**1,162**	1,162
		3,576,244	3,078,347
Net current assets		**948,295**	713,232
Total assets less current liabilities		**3,584,060**	3,022,508
Non-current liabilities			
Interest-bearing borrowings		**367,423**	201,638
Deferred income		**3,704**	4,866
Deferred tax liabilities		**34,462**	28,721
		405,589	235,225
Net assets		**3,178,471**	2,787,283
Capital and reserves			
Share capital		**35,962**	35,803
Reserves		**3,139,894**	2,751,480
Total equity attributable to equity shareholder of the Company		**3,175,856**	2,787,283
Non-controlling interests		**2,615**	—
Total equity		**3,178,471**	2,787,283

NOTES

1 REPORTING ENTITY

Tiangong International Company Limited (the "Company") was incorporated in the Cayman Islands on 14 August 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures. The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 July 2007.

2 BASIS OF PREPARATION

The annual results set out in the announcement do not constitute the Group's financial statements for the year ended 31 December 2013 but are extracted from those financial statements.

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). This announcement also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). In addition, this announcement has been reviewed by the Company's Audit Committee.

The figures in respect of this announcement of the Group's results for the year ended 31 December 2013 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in respect of this announcement was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income
- IFRS 10, Consolidated financial statements
- IFRS 11, Joint arrangements
- IFRS 12, Disclosure of interests in other entities
- IFRS 13, Fair value measurement
- Annual Improvements to IFRSs 2009–2011 Cycle
- Amendments to IFRS 7 — Disclosures — Offsetting financial assets and financial liabilities

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

Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and SIC 12 Consolidation — Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 11, Joint arrangements

IFRS 11, which replaces IAS 31, Interests in joint ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under IFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under IFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of IFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint ventures. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to IFRSs 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. As the Group has adopted the same approach to disclose segment assets and segment liabilities in previous years' annual report, the adoption of amendments to IAS 34 does not have any material impact on the disclosure of segment information.

Amendments to IFRS 7 — Disclosures — Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7 during the periods presented.

4 REVENUE AND SEGMENT REPORTING

Revenue represents mainly the sales value of high alloy steel, including high speed steel ("HSS") and die steel ("DS"), HSS cutting tools, trading of goods and titanium alloy after eliminating intercompany transactions. The Group has five 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 summary describes the operations in each of the Group's reportable segments:

- *High speed steel ("HSS")* — The HSS segment manufactures and sells high speed steel for the steel industry.
- *HSS cutting tools* — The HSS cutting tools segment manufactures and sells HSS cutting tools for the tool industry.
- *Die steel ("DS")* — The DS segment manufactures and sells die steel for the steel industry.
- *Trading of goods* — The trading of goods segment sells aluminium, silicon iron, billet steel, HSS cutting tools and chemical goods (purified terepthatic acid).
- *Titanium alloy* — The titanium alloy segment manufactures and sells titanium alloy for the titanium industry.

(a) 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 bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interest in associates, interest in joint ventures, other financial assets, pledged deposits, time deposits, cash and cash equivalents, deferred tax assets and other corporate assets. Segment liabilities include trade and bills payable, non-trade payables, deferred income and accrued expenses attributable to the manufacturing and sales activities of the individual segments.

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 sales) generated by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Chairman (the chief operating decision maker) for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2013 and 2012 is set out below.

	Year ended and as at 31 December 2013					
	HSS	**HSS cutting tools**	**DS**	**Trading of goods**	**Titanium alloy**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from external customers	**758,572**	**445,007**	**1,231,873**	**897,275**	**63,943**	**3,396,670**
Inter-segment revenue	**156,197**	**—**	**—**	**—**	**—**	**156,197**
Reportable segment revenue	**914,769**	**445,007**	**1,231,873**	**897,275**	**63,943**	**3,552,867**
Reportable segment profit (adjusted EBIT)	**275,556**	**64,872**	**419,309**	**5,441**	**7,387**	**772,565**
Reportable segment assets	**2,015,344**	**1,050,047**	**2,789,734**	**25,888**	**221,381**	**6,102,394**
Reportable segment liabilities	**436,507**	**196,887**	**453,205**	**22,508**	**13,257**	**1,122,364**

	Year ended and as at 31 December 2012					
	HSS	HSS cutting tools	DS	Trading of goods	Titanium alloy	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	1,092,587	567,297	1,038,826	386,076	33,465	3,118,251
Inter-segment revenue	255,988	—	—	—	—	255,988
Reportable segment revenue	1,348,575	567,297	1,038,826	386,076	33,465	3,374,239
Reportable segment profit (adjusted EBIT)	285,931	83,275	304,493	3,757	7,350	684,806
Reportable segment assets	1,684,968	805,351	2,427,432	90,113	144,000	5,151,864
Reportable segment liabilities	396,387	179,036	519,991	27,913	13,692	1,137,019

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

	2013	2012
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**3,552,867**	3,374,239
Elimination of inter-segment revenue	**(156,197)**	(255,988)
Consolidated revenue	**3,396,670**	3,118,251

	2013	2012
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**772,565**	684,806
Net finance costs	**(124,885)**	(107,950)
Share of losses of associates	**(3,646)**	(209)
Share of losses of joint ventures	**(237)**	(3,593)
Unallocated head office and corporate expenses	**(35,078)**	(36,154)
Consolidated profit before taxation	**608,719**	536,900

	2013	2012
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**6,102,394**	5,151,864
Interest in associates	**38,952**	43,647
Interest in joint ventures	**5,419**	6,637
Other financial assets	**10,000**	10,000
Deferred tax assets	**20,940**	12,336
Pledged deposits	**250,236**	238,479
Time deposits	**553,500**	446,000
Cash and cash equivalents	**88,406**	150,499
Unallocated head office and corporate assets	**90,457**	41,393
Consolidated total assets	**7,160,304**	6,100,855

	2013	2012
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities	**1,122,364**	1,137,019
Interest-bearing borrowings	**2,726,605**	2,088,045
Current taxation	**72,340**	43,578
Deferred tax liabilities	**34,462**	28,721
Unallocated head office and corporate liabilities	**26,062**	16,209
Consolidated total liabilities	**3,981,833**	3,313,572

(c) Geographical information

The Group's business is managed on a worldwide basis, but participates in four principal economic environments, the People's Republic of China (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. Substantially all of the Group's assets and liabilities are located in the PRC and accordingly, no geographical analysis of segment assets, liabilities and capital expenditure is provided.

	2013	2012
	RMB'000	*RMB'000*
Revenue		
The PRC	**2,125,942**	1,792,322
North America	**425,504**	387,689
Europe	**404,020**	313,181
Asia (other than the PRC)	**420,247**	607,843
Others	**20,957**	17,216
Total	**3,396,670**	3,118,251

5 BUSINESS COMBINATION

On 21 February 2013, Jiangsu Tiangong Tools Co., Ltd. ("TG Tools") entered into an agreement to acquire Changchun FAW Miracle Equipment Company Limited's 40% and individual shareholders' 20% equity interests in Changchun FAW Miracle Jingrui Tools Company Limited ("Changchun FAW Miracle") at a consideration of RMB3,488,603. Changchun FAW Miracle was established in Changchun City, Jilin Province, and is principally engaged in manufacturing, processing and sale of tools. The acquisition enables the Group to expand its general cutting tools business into the automobile industry, thereby increasing its market awareness and influence in the sector.

The carrying amount and fair value on a provisional basis of each major identifiable assets and liabilities are as follows:

	As at the date of acquisition	
	Fair value	**Carrying amount**
	RMB'000	*RMB'000*
Current assets	27,425	27,425
Non-current assets	194	194
Current liabilities	(22,017)	(22,017)
Net identifiable assets	5,602	5,602
Non-controlling interests arising on business combination	(2,240)	
Goodwill arising on acquisition	127	
Total purchase consideration	3,489	
Satisfied by:		
Cash paid	3,489	
Cash outflow in respect of the acquisition	3,489	

Cash inflow to acquire business, net of cash acquired:

	RMB'000
Cash consideration	(3,489)
Cash held by subsidiary acquired	4,518
Net cash inflow on acquisition	1,029

The fair value of net identifiable assets of the acquiree is determined by management with reference to the valuation on the acquisition date. The goodwill is mainly attributable to the synergies expected to be achieved from integrating Changchun FAW Miracle into the Group's existing business.

From the date of acquisition to 31 December 2013, Changchun FAW Miracle contributed revenue of RMB49,904,000 and net profit of RMB938,000. The Group's revenue and profit for the year ended 31 December 2013 would not be materially different had the acquisition occurred on 1 January 2013.

6 OTHER INCOME

		2013	2012
		RMB'000	*RMB'000*
Government grants	(i)	**57,572**	50,075
Net foreign exchange gain		**5,298**	—
Dividend income from unlisted securities	(ii)	**800**	800
Reversal of provision for doubtful debts		**2,306**	21,916
Others		**15,524**	6,153
		81,500	78,944

(i) TG Tools, a wholly-owned subsidiary of the Company located in the PRC, received unconditional grants amounting to RMB56,410,000 (2012: RMB48,913,000) from the local government in Danyang to reward its contribution to local economy and encourage its innovation of technology and recognised amortisation of government grants related to assets of RMB1,162,000 (2012: RMB1,162,000) during the year ended 31 December 2013.

(ii) The Group received dividends totalling to RMB800,000 (2012: RMB800,000) from its unlisted equity investments during the year ended 31 December 2013.

7 OTHER EXPENSES

	2013	2012
	RMB'000	*RMB'000*
Impairment loss on non-trade receivables	**4,018**	1,595
Net loss on disposal of property, plant and equipment	**1,156**	7,139
Net foreign exchange loss	**—**	5,414
Others	**1,542**	513
	6,716	14,661

8 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2013	2012
	RMB'000	*RMB'000*
Interest income	**(6,285)**	(10,588)
Finance income	**(6,285)**	(10,588)
Interest on bank loans	**153,929**	144,751
Less: interest expense capitalised into property, plant and equipment under construction*	**(22,759)**	(26,213)
Finance expenses	**131,170**	118,538
Net finance costs	**124,885**	107,950

* The borrowing costs have been capitalised at a rate of 5.13% per annum (2012: 5.93%).

(b) Staff costs

	2013	2012
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**169,869**	158,980
Contributions to defined contribution retirement plans	**16,782**	10,631
Equity-settled share-based payment expenses	**—**	3,609
	186,651	173,220

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

(c) Other items

	2013	2012
	RMB'000	*RMB'000*
Cost of inventories*	**2,582,464**	2,388,862
Depreciation	**138,576**	121,295
Amortisation of lease prepayments	**1,583**	1,583
Auditor's remuneration	**2,350**	2,350
(Reversal)/provision for write-down of inventories	**(12,909)**	773
Operating lease charges	**1,335**	1,315

* Cost of inventories includes RMB250,892,000 (2012: RMB240,526,000) relating to staff costs, depreciation expenses and write-down of inventories which are also included in the respective total amounts disclosed separately above or in note 8(b) for each of these types of expenses.

9 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2013	2012
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax	**141,480**	82,900
Provision for Hong Kong profits tax	**—**	1,886
	141,480	84,786
Deferred tax		
Origination and reversal of temporary differences	**(2,863)**	7,222
	138,617	92,008

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

(ii) The provision for PRC 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 and Tiangong Aihe Company Limited ("TG Aihe") are subject to a preferential income tax rate of 15% in 2013 available to enterprises which qualify as a High and New Technology Enterprise (2012: 15% and 12.5% respectively).

The statutory corporate income tax rate applicable to the Group's other operating subsidiaries in the PRC is 25% (2012: 25%).

(iii) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during 2013 (2012: 16.5%).

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

	2013	2012
	RMB'000	*RMB'000*
Profit before taxation	**608,719**	536,900
Notional tax on profit before taxation, calculated using the PRC statutory tax rate of 25% (2012: 25%)	**152,180**	134,225
Effect of preferential tax rates	**(53,551)**	(51,358)
Effect of different tax rates	**1,201**	592
Tax effect of non-deductible expenses	**3,242**	1,235
Withholding tax on undistributed profits of subsidiaries	**695**	847
Withholding tax on distributed dividends	**32,165**	20,989
Recognition of previously unrecognised deductible temporary differences	**(1,892)**	—
Under-provision in respect of prior year	**4,577**	—
Tax refund	**—**	(14,522)
Actual tax expense	**138,617**	92,008

10 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 RMB469,727,000 (2012: RMB444,892,000) and the weighted average of 1,940,889,133 ordinary shares (2012: 1,822,304,110 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2013	2012
Issued ordinary shares at 1 January	**1,931,000,000**	1,678,000,000
Effect of exercise of share options	**9,889,133**	—
Effect of issuance of ordinary shares	**—**	88,013,699
Effect of exercise of warrants	**—**	56,290,411
Weighted average number of ordinary shares at 31 December	**1,940,889,133**	1,822,304,110

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB469,727,000 (2012: RMB444,892,000) and the weighted average number of ordinary shares of 1,944,720,984 shares (2012: 1,857,187,430 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2013	2012
Weighted average number of ordinary shares at 31 December	**1,940,889,133**	1,822,304,110
Effect of equity settled share-based transactions	**3,831,851**	4,873,006
Effect of warrants	**—**	30,010,314
Weighted average number of ordinary shares (diluted) at 31 December	**1,944,720,984**	1,857,187,430

11 TRADE AND OTHER RECEIVABLES

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**1,064,159**	1,152,150
Bills receivable	**409,632**	176,741
Less: provision for doubtful debts	**(26,972)**	(29,278)
Net trade and bills receivable	**1,446,819**	1,299,613
Prepayments	**116,402**	189,467
Non-trade receivables	**96,247**	43,113
Less: impairment loss on non-trade receivables	**(5,613)**	(1,595)
Net prepayments and non-trade receivables	**207,036**	230,985
	1,653,855	1,530,598

Substantially all of the trade receivables are expected to be recovered within one year.

Trade receivables of RMB278,793,000 (2012: RMB143,618,000) have been pledged to a bank as security for the Group to issue bank loans.

(a) Ageing analysis

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

	The Group	
	2013	2012
	RMB'000	*RMB'000*
within 3 months	**1,117,802**	967,658
4 to 6 months	**247,275**	226,152
7 to 12 months	**63,027**	99,159
1 to 2 years	**18,695**	6,438
Over 2 years	**20**	206
	1,446,819	1,299,613

Trade debtors and bills receivable are due within 120 days from the date of billing.

(b) Impairment of trade and bills receivable

Impairment losses in respect of trade and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivable directly.

The movement in the provision for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	**29,278**	51,194
Reversal for doubtful debts recovered	**(2,306)**	(21,916)
At 31 December	**26,972**	29,278

(c) Trade and bills receivable that are not impaired

The ageing analysis of trade and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,222,695**	1,077,661
Less than 3 months past due	**1,895**	25,423
More than 3 months but less than 6 months past due	**516**	—
More than 6 months past due	**6,375**	—
Amounts past due but not impaired	**8,786**	25,423
	1,231,481	1,103,084

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and bills payable	**953,617**	978,009	**—**	—
Non-trade payables and accrued expenses	**189,943**	169,191	**2,932**	1,997
	1,143,560	1,147,200	**2,932**	1,997

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

	The Group	
	2013	2012
	RMB'000	*RMB'000*
within 3 months	**598,238**	524,340
4 to 6 months	**292,680**	417,619
7 to 12 months	**35,528**	19,563
1 to 2 years	**11,834**	7,898
Over 2 years	**15,337**	8,589
	953,617	978,009

13 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2013	2012
	RMB'000	*RMB'000*
Dividend proposed after the end of the reporting period of RMB0.0494 per ordinary share (2012: RMB0.0461 per ordinary share)	**95,939**	89,019

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

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2013	2012
	RMB'000	*RMB'000*
Dividend in respect of the previous financial year, approved and paid during the year of RMB0.0461 per share (2012: RMB0.0480 per share)	**89,487**	87,936

In respect of the final dividend for the year ended 31 December 2013, there is a difference of RMB468,000 (2012: RMB7,392,000) between the final dividend disclosed in the 2012 annual financial statements and amounts approved and paid during the year which represents dividends attributable to shares issued upon the exercise of 10,160,000 share options (2012: exercise of 29,000,000 warrants and issuance of 125,000,000 ordinary shares), before the closing date of the register of members.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Market Review

	For the year ended 31 December					
	2013		2012		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Die steel	**1,231,873**	**36.3**	1,038,826	33.3	193,047	18.6
HSS	**758,572**	**22.3**	1,092,587	35.0	(334,015)	(30.6)
HSS cutting tools	**445,007**	**13.1**	567,297	18.2	(122,290)	(21.6)
Titanium alloy	**63,943**	**1.9**	33,465	1.1	30,478	91.1
Trading of goods	**897,275**	**26.4**	386,076	12.4	511,199	132.4
	3,396,670	**100.0**	3,118,251	100.0	278,419	8.9

Die steel — accounted for 36.3% of the Group's revenue in FY 2013

	For the year ended 31 December					
	2013		2012		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Die steel						
Domestic	**688,711**	**55.9**	582,543	56.1	106,168	18.2
Export	**543,162**	**44.1**	456,283	43.9	86,879	19.0
	1,231,873	**100.0**	1,038,826	100.0	193,047	18.6

Die steel ("DS"), manufactured with the metals molybdenum, chromium and vanadium, a type of high alloy special steel manufactured using a production process similar to that used to manufacture HSS. Die steel is mainly used in die and mould casting as well as machining processing. Many different manufacturing industries require moulds, including automotive, high-speed railway construction, aviation and plastic product manufacturing.

DS operation became the greatest revenue contributor for the Group during the year under review. Revenue generated from die steel rose by 18.6% to RMB1,231,873,000 (2012: RMB1,038,826,000). 55.9% of the segment revenue was derived from domestic market while export sales accounted for the remaining 44.1%. The increase was mainly attributed to the succession of marketing expansion in both domestic and oversea markets.

HSS — accounted for 22.3% of the Group's revenue in FY2013

	For the year ended 31 December					
	2013		2012		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
HSS						
Domestic	**508,773**	**67.1**	877,638	80.3	(368,865)	(42.0)
Export	**249,799**	**32.9**	214,949	19.7	34,850	16.2
	758,572	**100.0**	1,092,587	100.0	(334,015)	(30.6)

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

Revenue from HSS decreased by 30.6% to RMB758,572,000 (2012: RMB1,092,587,000). The decrease was mainly attributed by the slow down in economic growth and manufacturing activity in China, domestic consumption was not as strong as initially expected, but the Group's continued to be the leading manufacturer of HSS in home market. The Group continues to expand the oversea appearance and capture more oversea market shares.

HSS cutting tools — accounted for 13.1% of the Group's revenue in FY 2013

	For the year ended 31 December					
	2013		2012		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
HSS cutting tools						
Domestic	**95,479**	**21.5**	228,459	40.3	(132,980)	(58.2)
Export	**349,528**	**78.5**	338,838	59.7	10,690	3.2
	445,007	**100.0**	567,297	100.0	(122,290)	(21.6)

HSS cutting tool products can be categorized into four major types — twist drill bits, screw taps, end mills and turning tools. All of these are used in industrial manufacturing. The Group's vertical integration extending from upstream HSS production to downstream HSS cutting tool production brought us a significant cost advantage over our peers.

In 2013, revenue generated from HSS cutting tools declined by approximately 21.6% to RMB445,007,000 (2012: RMB567,297,000). Export sales, which accounted for 78.5% of the segment revenue, continued to remain stable with slight increase of 3.2%. In the domestic market, the decrease was mainly due to the slow down in manufacturing activity in China.

Titanium alloy

Titanium alloy is lighter, stronger and has a higher corrosion resistance compared to aluminum alloy. Thus, it finds applications in aviation, marine engineering and the medical industries. Its production involves sponge titanium as well as other various rare metals.

During the year, titanium alloy revenue increased by 91% to RMB63 million (2012: RMB33 million). The Group started by producing titanium ingots and rods in the first phase, and will gradually extend to higher margin products such as titanium pipes and flat sheets in the near future.

Titanium alloy segment is currently in the market development stage. Nevertheless, satisfactory results have been achieved from this segment. Aerospace, chemical processing, military and other industrial applications are the main sectors consuming titanium alloy. The Group has been actively seeking business opportunities in different potential areas. The Group aims to offer a broader range of products with higher grades and specifications to meet demands from various industries. It is expected that titanium alloy will soon become another pillar revenue source for the Group in the future.

The production of titanium and titanium alloy is both capital and technology intensive. Thus, it is an industry with high entry barrier. Currently, only a limited number of companies in China are engaged in titanium alloy production.

Financial Review

Net profit attributable to equity shareholders of the Company increased by approximately 5.6% from RMB444,892,000 in 2012 to RMB469,727,000 in 2013. The increase was mainly attributable to the Group's increase of revenue and gross margin.

Revenue

Revenue for the Group for 2013 totaled RMB3,396,670,000, representing an increase by 8.9% as compared with RMB3,118,251,000 in the previous year. The increase was mainly due to the increase in trading business.

Cost of sales

The Group's cost of sales was RMB2,582,464,000 in 2013, representing an increase of 8.1% as compared with RMB2,388,862,000 in 2012. As a percentage of total revenue, the Group's cost of sales decreased slightly to 76.0% during the year (2012: 76.6%).

Gross margin

For 2013, the overall gross margin was approximately 24.0% (2012: 23.4%). Set out below is the gross margin of our five products segments in 2013 and 2012:

	2013	2012
HSS	**37.4%**	27.3%
HSS cutting tools	**16.5%**	16.4%
Die steel	**36.1%**	31.2%
Titanium alloy	**11.6%**	22.0%
Trading of goods	**0.6%**	1.0%

HSS

Gross margin of HSS increased from 27.3% in 2012 to 37.4% in 2013. The increase was due to the decrease in raw material costs such as rare metals during the year.

HSS cutting tools

In 2013, the gross margin of HSS cutting tools remained stable at 16.5% (2012: 16.4%).

Die steel

The gross margin of die steel increase from 31.2% in 2012 to 36.1% in 2013. The increase was due to the decrease in raw material costs such as rare metals during the year.

Titanium alloy

The gross margin of titanium alloy decreased to 11.6% in 2013 from 22.0% in 2012. The decrease was mainly due to a provision for impairment made to the inventories as a result of the decrease in selling price during the period and the development of new products which have a lower margin in the initial stage.

Trading of goods

This segment involves the purchase and sales of goods which mainly comprises purified terephthalic acid, ferrosilicon, aluminum ingot, tools and billet. In 2013, trading of goods accounted for approximately 26% (2012: 12%) of the Group's revenue.

Other income

Other income totaled RMB81,500,000 in 2013, representing an increase of RMB2,556,000 from RMB78,944,000 in 2012. The increase was mainly attributable to the net effect of the decrease in reversal of provision for doubtful debts of RMB19,610,000 and an increase in government grants of RMB7,497,000, increase in exchange gains of RMB5,298,000 and increase in sundry income of RMB9,371,000.

Distribution expenses

Distribution expenses in 2013 were RMB41,642,000 (2012: RMB44,583,000), representing an decrease of approximately 7%. The decrease was mainly attributable to the decrease in transportation expenses. For 2013, the distribution expenses as a percentage of revenue was 1.2% (2012: 1.4%).

Administrative expenses

Administrative expenses increased from RMB100,437,000 in 2012 to RMB109,861,000 this year. The increase was mainly due to the increase in personnel costs and other operating expenses due to implementation of various initiatives by the Group. For 2013, administrative expenses as a percentage of revenue was 3.2% (2012: 3.2%).

Net finance costs

The Group's finance income was RMB6,285,000 for 2013, representing a decrease of RMB4,303,000 primarily due to the decrease in average bank deposits in 2013. The Group's finance expense was RMB131,170,000 in 2013, representing an increase of 10.7% from RMB118,538,000 in 2012. The increase was attributable to the increase in interest-bearing borrowings in 2013 compared with last year.

Income tax

The Group's income tax increased by over 50.7% from RMB92,008,000 in 2012 to RMB138,617,000 in 2013. Such increase was mainly due to the increase of profit before tax and 10% tax amounting to RMB32,165,000 (2012: RMB20,989,000) withheld for a dividend distributed by TG Tools to its holding company for expanding its issued capital and paying the dividend of the Group during the year. Also, the corporate income tax rate of TG Aile was increased from 12.5% in 2012 to 15% in 2013.

Profit for the year attributable to equity shareholders of the Company

As a result of the factors discussed above, the Group's profit increased by approximately 5.6% from RMB444,892,000 in 2012 to RMB469,727,000 in 2013. The net profit margin decreased from 14.3% in 2012 to 13.8% in 2013.

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

For 2013, total comprehensive income for the year attributable to equity shareholders of the Company was RMB467,697,000 (2012: RMB445,569,000) after taking into account foreign currency translation differences.

Trade and bills receivable

The trade and bills receivable increased from RMB1,299,613,000 in 2012 to RMB1,446,819,000 in 2013 which was mainly due to the increase in sales in the fourth quarter in 2013 as compared with the fourth quarter sales in 2012. Approximately 84.5% of the trade and bills receivable were neither past due nor impaired. During the year, the Group also made more effort on collecting long outstanding receivables and reduced the provision for doubtful debts balance of trade receivables by RMB2,306,000 in 2013.

Outlook

In 2013, the Group strived to make breakthroughs in its business, creating a new milestone in terms of results and profits, while laying a comprehensive foundation for future development. Production equipments and capacity have been completely upgraded via continuous scientific research and technological advancement. Therefore, we are already equipped with the capacity to meet the further orders in the coming year and maintain our leading position in terms of both sales and production volume. However, we will strive to further improve our products' quality and widen our products portfolio in an attempt to become the world best HSS, DS and HSS cutting tools supplier.

The Group remains optimistic towards 2014 and will push ahead with its business expansion and focus on penetrating into different industries and exploring new markets. It aims to further expand its footprint on other countries such as South Africa and Brazil by setting up sales representative offices. In those countries, we see accelerating urbanization and industrial development, which will subsequently fuel the demand of HSS, HSS cutting tools and die steel. The Group believes that advancing into these markets will broaden our revenue base and generate promising return.

Last but not the least, we wish to re-affirm that maximization of shareholder value, whilst adhering to the highest standards of corporate governance, will always remain our top priority.

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 should be cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward looking statement.

Liquidity and Financial Resources

As at 31 December 2013, the Group's current assets mainly included cash and cash equivalents of approximately RMB88,406,000, inventories of approximately RMB1,978,542,000, trade and other receivables of RMB1,653,855,000, pledged deposits of RMB250,236,000 and time deposits of RMB553,500,000. As at 31 December 2013, the interest-bearing borrowings of the Group were RMB2,726,605,000, RMB2,359,182,000 of which were repayable within one year and RMB367,423,000 of which were repayable after more than one year. The Group's gearing ratio (calculated based on the total outstanding interest-bearing debt divided by the total equity) was 86%, higher than the 75% as at 31 December 2012.

The increase in borrowings was mainly attributable to the increase in working capital. As at 31 December 2013, borrowings of RMB2,077,770,000 were in RMB, USD77,840,000 were in USD, EUR10,220,000 were in EUR, and HKD112,199,048 were in HKD. The borrowings of the Group were subject to interests payable at rates ranging from 1.84% to 6.50% per annum. The Group did not enter into any interest rate swaps to hedge itself against the risks associated with interest rates.

During the year, the net cash generated from operating activities was RMB87,087,000 (2012: RMB373,257,000).

Capital Expenditure and Capital Commitments

For 2013, the Group's net increase in fixed assets amounted to RMB325,254,000, which were mainly for the production plant and facilities for HSS, DS and titanium alloy and were financed by a combination of our internal cash resources and operating cash flows and bank borrowings. As at 31 December 2013, capital commitments were RMB647,918,000, of which RMB50,615,000 were contracted and RMB597,303,000 were authorised but not contracted for. The majority of the capital commitments were related to investment to completion production equipment installation and will also be financed by a combination of our internal cash resources and operating cash flows and bank borrowings.

Foreign Exchange Exposure

The Group's revenues were denominated in RMB, US dollars and Euros, with RMB accounting for the largest portion (approximately 62.1%). Approximately 37.9% of total sales and the Group's costs and operating profit were subject to exchange rate fluctuations. The Group has put in place measures such as monthly review of product pricing in the light of foreign exchange fluctuations and incentivising overseas customers to settle balances on a more timely basis to minimize the financial impact from exchange rate exposure.

Pledge of Assets

As at 31 December 2013, the Group pledged certain bank deposits amounting to approximately RMB250,236,000 (2012: RMB238,479,000) and certain trade receivables amounting to approximately RMB278,793,000 (2012: RMB143,618,000).

Employees' Remuneration and Training

As at 31 December 2013, the Group employed around 3,704 employees (31 December 2012: around 3,928 employees). Total staff costs during the year amounted to RMB186,651,000 (2012: RMB173,220,000). 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 training for all of its staff on a regular basis.

Contingent Liabilities

As at the end of the reporting period, TG Tools has issued a guarantee to a bank in respect of a bank facility granted to TGT Special Steel Company Limited ("TGT"), a joint venture of the Group, which expires on 21 June 2014. As at the end of the reporting period, the directors do not consider it probable that a claim will be made against the Group under the guarantee. The maximum liability of the Group at the end of the reporting period under the guarantee issued is the outstanding amount of the facility drawn down by TGT of USD2,000,000 (equivalent to RMB12,194,000) (2012: RMB15,049,000). Included in bank deposits USD2,000,000 (equivalent to RMB12,194,000) (2012: RMB11,500,000) was pledged for the bank facility granted to TGT.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 16 May 2014 to 21 May 2014 (both days inclusive), for the purpose of determining shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company (the "Annual General Meeting") on 21 May 2014, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the Annual General Meeting, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong, for registration by no later than 4:30 p.m. on 15 May 2014.

The Board has resolved to recommend the payment of a final dividend of RMB0.0494 per share for the year ended 31 December 2013 (2012: RMB0.0461) to shareholders of the Company whose names appear on the Register of Members of the Company on 30 May 2014. The Register of Members will be closed from 28 May 2014 to 30 May 2014, both days inclusive, and the proposed final dividend is expected to be paid on or before 30 July 2014. The payment of dividends shall be subject to the approval of the shareholders of the Company at the Annual General Meeting expected to be held on 21 May 2014. In order to qualify for the proposed dividend, shareholders of the Company should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration by no later than 4:30 p.m. on 27 May 2014.

SHARE OPTIONS SCHEME

The Company adopted a share option scheme (the "Scheme") in July 2007. On 28 January 2011, options entitled holders to subscribe for a total of 4,970,000 shares of USD0.01 each were granted to certain of the directors and employees of the Company in respect of their services to the Group. These share options had vested on 1 July 2012 and have an initial exercise price of HKD5.10 per share of USD0.01 each and an exercise period ranging from 1 July 2012 to 30 June 2016. The closing price of the Company's shares at the date of grant was HKD5.10 per share of USD0.01 each. Due to the implementation of share subdivision on 23 May 2011, the maximum aggregate number of shares which may be issued under the share option scheme was adjusted to 19,880,000 shares of USD0.0025 each at an exercise price of HKD1.275.

On 17 January 2014, options entitled holders to subscribe for a total of 9,002,000 shares of USD0.0025 each were granted to and accepted by employees of the Company in respect of their services to the Group. These share options were vested on 1 June 2014 and have an initial exercise price of HKD2.50 per share of USD0.0025 each and an exercise period ranging from 1 June 2014 to 31 May 2016. The closing price of the Company's shares at the date of grant was HKD2.48 per share of USD0.0025 each.

PURCHASE, SALES OR REDEMPTION OF SHARES

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its securities.

On 17 January 2014, an aggregate of 40,000,000 warrants were created and issued to six individual investors. Each warrant entitles the holder thereof to subscribe for one ordinary share of USD0.0025 of the Company at a subscription price of RMB2.07 per share (equivalent to approximately HKD2.65 at a fixed exchange rate of HKD1.2807) with par value of USD0.0025 each, payable in cash and subject to adjustment, from the date of issue to 16 January 2016.

Most of the proceeds from the warrant subscription, being HKD800,000, had been used for payment of the costs and expenses in connection with the warrant subscription. Assuming the full exercise of the subscription rights attaching to the warrants at the initial subscription price, the total funds to be raised is approximately HKD106,000,000. It is intended that the funds so raised be applied as general working capital and as funds for future development of the Group.

CORPORATE GOVERNANCE

The Company has, so far where applicable, adopted and complied with the principles and code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors. The Audit Committee held a meeting on 25 March 2014 to consider and review the 2013 annual report and annual financial statements of the Group and to give their opinion and recommendation to the Board. The Audit Committee considered that the 2013 annual report and annual financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Group has adopted a code of conduct governing securities transactions by Directors in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). All of the Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Group's code of conduct governing securities transactions by Directors and employees who may possess or have access to price sensitive information or inside information during the year ended 31 December 2013.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE WEBSITE

The Company's 2013 annual report will be submitted to the Stock Exchange for uploading onto the Stock Exchange's website (www.hkexnews.hk) as well as the Company's website (www.tggj.cn) in due course.

APPRECIATION

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

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

Hong Kong, 26 March 2014

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

Executive Directors: ZHU Xiaokun, WU Suojun, YAN Ronghua and JIANG Guangqing

Independent non-executive Directors: GAO Xiang, LEE Cheuk Yin, Dannis, YIN Shuming

* *For identification purpose*