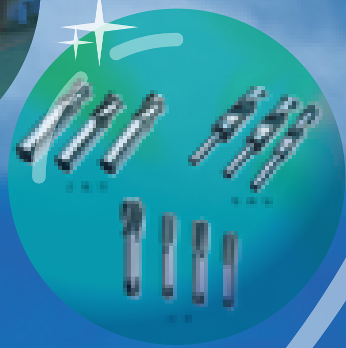
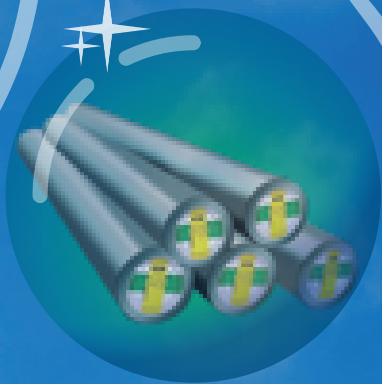
天工國際有限公司*

TIANGONG INTERNATIONAL COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code: 826





INTERIM REPORT 2007

* For identification purpose only

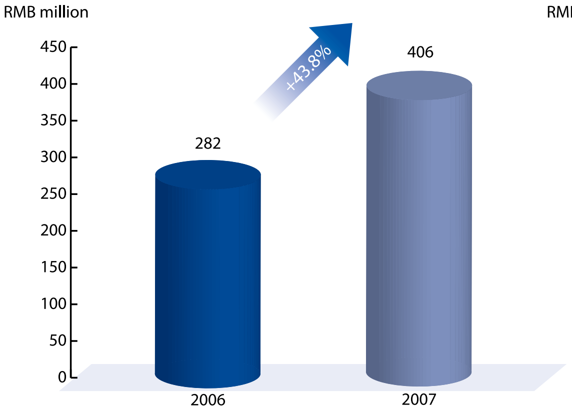
Contents



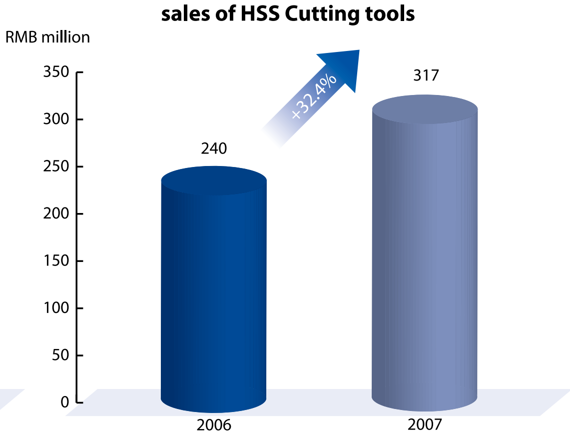

Financial Highlights

	Unaudited		
	For the six months ended 30 June		
	2007	2006	Change %
	RMB'000	RMB'000	
Revenue	833,116	537,217	↑ 55.1
Net profit attributable to equity holders of the Company	108,374	30,266	↑ 258.1
Earnings per share (RMB)	0.36	0.10	↑ 260.0

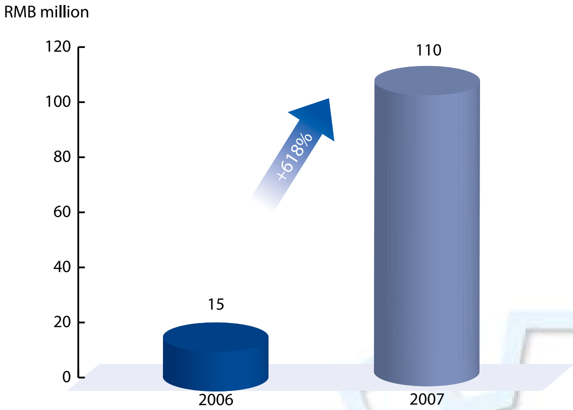
Total revenue from the sales of HSS



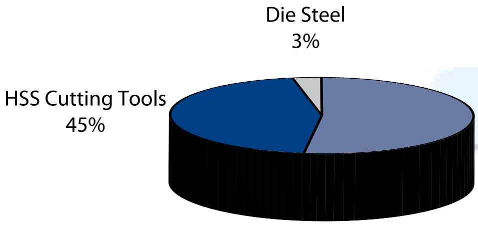
Total revenue from the sales of HSS Cutting tools



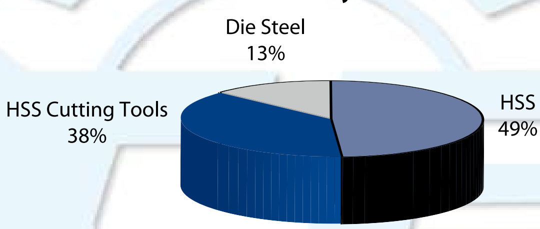
Total revenue from the sales of Die Steel



2006 Revenue by Product Mix



2007 Revenue by Product Mix



Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board") and with great pleasure, I present to you the first interim report of Tiangong International Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2007.

The Company's shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26th July 2007. With the dedication of all our staff and support from other professionals, the Company achieved great success in the Global Offering. The Global Offering was very well received among institutional and public investors and the Company raised net proceeds of approximately HKD694.6 million (including 15% over-allotment). The successful listing has laid down a new milestone to the Company. It allows the Group to access the international capital markets and the Group's corporate profile has also been greatly enhanced. The Directors and the management team of the Group will endeavour to carry out the expansion strategies and create value for the shareholders of the Company.

As China's number one integrated manufacturer of HSS and HSS cutting tools, the Group has been the largest manufacturer of HSS in China by volume for six consecutive years since 2001 and was the largest HSS cutting tools manufacturer by revenue. During the first half of 2007, the Group continued to realize the benefits of its large production scale, vertically integrated operation and established relationship with customers and research institutes in order to deliver a remarkable growth in net profit.

For the six months ended 30 June 2007, revenue of the Group has increased rapidly by 55.1% to RMB833,116,000 from RMB537,217,000 for the last corresponding period. Sales of High Speed Steel ("HSS"), HSS cutting tools and die steel recorded growth rates of 43.8%, 32.4% and 618.1%, respectively. Net profit attributable to equity holders of the Company for the first six months of 2007 was RMB108,374,000 (2006: RMB30,266,000), representing an impressive increase of 258.1% from the same period of last year. Basic earnings per share for the first half of 2007 was RMB0.36 (2006: RMB0.10).

The growing market demand resulting from global and domestic industrial development will continue to provide momentum and opportunities for special steel and cutting tools industry. Looking forward, the Group will leverage its dominating position in the industry and its strengths in order to further expand existing core businesses and maximize returns to the shareholders of the Company. In the second half of the 2007, the Company will adopt the following strategies to realize opportunities in the market:

- To invest to upgrade existing production facilities to enable the Group to produce higher quality, higher margin products
- To increase the Group's international and domestic market share of HSS cutting tools
- To increase export sales of HSS and die steel
- To develop die steel and other, non-HSS high alloy steel products
- To further increase production capacity of HSS, HSS cutting tools and die steel

Meanwhile, the Group remains firmly committed to high standard of corporate governance and will continue to promote a strong compliance culture, by upholding the principles of transparency and accountability.

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere 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, 19 September 2007



Management Discussion and Analysis

The following management discussion and analysis should be read in conjunction with our interim combined financial statements, which were reviewed by KPMG and the audit committee of the Company, as set out in this interim report.

The Group is engaged in production and sales of high speed steel (or HSS), HSS cutting tools and die steel. Our operations are classified as the following product segments:

HSS

It involves the purchases of various rare metals such as tungsten, molybdenum, chromium, vanadium and other raw materials, production of HSS for both internally supplying to the Group's HSS cutting tools production and externally selling to customers outside the Group. HSS typically has higher pressure and temperature tolerances than does regular steel and is more wear resistant. It is widely used in more specific industrial applications such as in automotive, machinery manufacture, aviation, chemical processing and electronics industries. The group commenced its production of HSS in 1992.

HSS CUTTING TOOLS

It involves the production and sales of HSS cutting tools to external customers. Over 80% of its sales was exported to over 30 countries and regions throughout Europe, North America, Africa and Middle East in 2006 and 2007. The Group produces an extensive range of HSS cutting tools products which can be categorized into four types — twist drill bits, screw taps, end mills and turning tools. This segment has been in operation since 1987, being the longest-established sector of the Group.

DIE STEEL

It involves the purchases of various rare metals and other raw materials, production and sale of die steel to customers. The characteristics and production process of die steel are similar to those of HSS. It is suitable for use in dies and molds for die casting and machining processes. The group commenced its production of die steel since 2005.

MARKET REVIEW

The world's and China's national economy have maintained robust growth in recent years. Benefiting from the resulted rapid industrial expansion, the demand for special steel and cutting tools have been solid and the Chinese HSS and cutting tools industries have been growing strongly. According to Special Steel Enterprise Association of China, the output of HSS and die steel in China recorded compound annual growth rate of 17% and 38% respectively from 2002 to 2005. The compound annual growth rate of the cutting tools industry in China was 13.7% from 2004 to 2006.

Moreover, China has the world's largest reserves of tungsten, molybdenum and vanadium, the major raw materials of HSS. This has provided the Chinese special steel and cutting tools industry with a secure stable supply of raw material and has lowered production cost. As a result, China has become a major manufacturer of special steel and cutting tools in the world.

BUSINESS REVIEW

The Group was the number one integrated HSS and HSS cutting tools manufacturer in China. According to Special Steel Enterprise Association of China and China Machine Tool & Tool Builders' Association, the Group is the largest manufacturer of HSS by volume and the largest HSS cutting tools manufacturer by revenue in China in 2005 and 2006.

To maintain the leading position in the market, the Group has increased its production capacity to meet the expanding market demand, and implemented measures to lower the production cost while maintaining the Group's emphasis on safety, higher efficiency, and product quality. The Group also actively researches, develops and improves production process and product specification. As a result, the Group has recorded significant growth in profit for the first half of 2007. All three product segments of the Group have demonstrated robust growth trends. The revenue of HSS, HSS cutting tools and die steel recorded growth rates of 43.8%, 32.4% and 618.1%, respectively.

	For the six months ended 30 June					
	2007		2006		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
HSS	406,028	48.7	282,360	52.5	123,668	43.8
HSS cutting tools	317,066	38.1	239,535	44.6	77,531	32.4
Die steel	110,022	13.2	15,322	2.9	94,700	618.1
	833,116	100.0	537,217	100.0	295,899	55.1

HSS

The HSS business has seen continuous growth and remained as the primary revenue driver of the Group for the first half of 2007, accounting for approximately 48.7% of the Group's revenue. Benefiting from the demand for HSS as a result of industrial expansion in the world, export volume and selling price of HSS increased as compared with the first 6 months of 2006. As a result, sales of HSS reached RMB406,028,000 (2006: RMB282,360,000), representing an increase of approximately 43.8% over the same period of last year. The Group's HSS sales to overseas customers continue to increase since it commenced HSS export sales in 2005. The export sales increased by approximately 274.9% to RMB101,574,000 for the first half of 2007, accounting for approximately 25.0% of the total HSS sales. The reasons for the increase include the continuous development of our HSS export sales and also the price advantage over overseas competitors.

Set out below is a geographical breakdown of the sales of HSS for the six months ended 30 June 2006 and 2007:

	For the six months ended 30 June					
	2007		2006		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
HSS						
Export	101,574	25.0	27,096	9.6	74,478	274.9
Domestic	304,454	75.0	255,264	90.4	49,190	19.3
Total	406,028	100.0	282,360	100.0	123,668	43.8

HSS cutting tools

Revenues from sales of HSS cutting tools increased by approximately 32.4% to RMB317,066,000, accounting for approximately 38.1% of the Group's total revenue. During the period under review, revenues from sales of HSS cutting tools continued to increase, mainly resulted from increase in sales volume of industrial and professional use products as well as the overall increase in the market demand for HSS cutting tools.

Set out below is a geographical breakdown of the sales of HSS cutting tools for the six months ended 30 June 2006 and 2007:

	For the six months ended 30 June					
	2007		2006		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
HSS cutting tools						
Export	256,668	81.0	192,506	80.4	64,162	33.3
Domestic	60,398	19.0	47,029	19.6	13,369	28.4
Total	317,066	100.0	239,535	100.0	77,531	32.4

Die steel

The Group commenced its die steel operation in November 2005. The Group's die steel business has recorded significant growth in the first half of 2007. Revenues from sales of die steel increased by approximately 618.1% from RMB15,322,000 for the first half of 2006 to RMB110,022,000 for the same period of 2007, accounting for approximately 13.2% of the total revenues. The reasons for the significant increase include the Group's promotion effort on die steel sales and the higher production utilization as compared with last year's trial production sales. The Group commenced export sales of die steel in the second half of 2006. For the first half of 2007, export sales accounted for 54.8% of the total die steel sales.

Set out below is a geographical breakdown of the sales of die steel for the six months ended 30 June 2006 and 2007:

	For the six months ended 30 June					
	2007		2006		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Die steel						
Export	60,268	54.8	—	—	60,268	N/A
Domestic	49,754	45.2	15,322	100.0	34,432	224.7
Total	110,022	100.0	15,322	100.0	94,700	618.1

FINANCIAL REVIEW

The Group benefited from its double-digit percentage organic growth. Net profit attributable to equity holders of the Company increased by approximately 258.1% to RMB108,374,000 for the first half of 2007 from RMB30,266,000 in the last corresponding period. All three product segments of the Group have demonstrated robust growth trends.

Revenue

Revenue of the Group for the first half of 2007 totaled RMB833,116,000, representing an increase of approximately 55.1 % when compared with RMB537,217,000 for the same period in 2006. The increase was mainly attributable to increments in sales volume and sales prices of HSS and HSS cutting tools as well as die steel of the Group.

Cost of sales

The Group's cost of sales increased by RMB247,256,000 from RMB421,404,000 for the first half of 2006 to RMB668,660,000 for the first half of 2007, representing an increase of approximately 58.7%. The increase was broadly in line with the approximately 55.1% increase in revenue between these periods and reflected an increase in sales of die steel and slight increase in scrap steel prices. As a percentage of total revenue, the Group's cost of sales increased slightly from approximately 78.4% in the first six months of 2006 to approximately 80.3% in the first six months of 2007.

Gross Margin

For the first half of 2007, the gross margin, as a percentage of total revenue, was approximately 19.7% (2006: 21.6%). The decrease was mainly due to 1) the slight increase in cost of scrap steel prices and 2) the rapid growth of the die steel sales, the product segment which the Group is developing and aims to achieve higher future gross margin.

Other income

The Group's other income totaled RMB20,747,000 for the first half of 2007, representing an increase of RMB20,453,000 from RMB294,000 over the same period in 2006. The increase was attributable to the fact that the Group received RMB20 million in unconditional grants from the local government in Danyang to encourage further development of its business in the first half of 2007.

Distribution expenses

The Group's distribution expenses was RMB17,387,000 (2006: RMB14,664,000), representing an increase of approximately 18.6%. The increase was mainly attributable to the rise of commissions to the Group's overseas sales agent and transportation expenses by RMB1,284,000 and RMB1,844,000, respectively, resulted from increase in sales volume. For the first half of 2007, the distribution expense as a percentage of revenue was 2.1% (2006: 2.7%).

Administrative expenses

For the first half of 2007, the Group's administrative expenses increased by approximately 27.4% to RMB25,092,000 (2006: RMB19,695,000) primarily because depreciation charges and traveling and entertainment expenses increased by RMB2,069,000 and RMB3,347,000, respectively, as a result of business expansion. For the first six months of 2007, the administrative expense as a percentage of revenue was 3.0% (2006: 3.7%).

Net finance cost

The Group's net finance cost was RMB32,460,000 for the first half of 2007, representing an increase of 42.8% when compared with the RMB22,726,000 for the same period of 2006. It is primarily because interest on bank loans increased by RMB4,623,000 over the period, as well as an increase in foreign currency exchange losses resulting from appreciation of the value of the Renminbi, the book keeping currency of the Group, between these periods.

Income tax expense

The Group's income tax expense decreased by RMB19,454,000 from RMB20,074,000 for the first half of 2006 to RMB620,000 for the first half of 2007, representing a decrease of approximately 96.9%. Such decrease was due to the fact that the Group's effective tax rate decreased from approximately 35.7% to approximately 0.57% periods because, Jiangsu Tiangong Tools Company Limited ("TG Tools"), being a major subsidiary of the Group is entitled to a two-year tax holiday starting from 2007.

Profit for the period

As a result of the factors discussed above, the Group's profit increased by approximately 200.7% to RMB108,769,000 for the first half of 2007 from RMB36,167,000 for the last corresponding period. The Group's net profit margin increased from 6.7% in the first half of 2006 to 13.1% in the first half 2007.

Profit attributable to equity holders of the Company

For the first half of 2007, profit attributable to equity holders of the Company was RMB108,374,000 (2006: RMB30,266,000), representing an increase of 258.1%. The increase was broadly in line with the 200.7% increase in net profit.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the Group's current assets mainly included cash and cash equivalents of approximately RMB73,164,000, inventories of approximately RMB734,458,000, trade and other receivables of RMB561,758,000 and pledged deposits of RMB43,258,000. As at 30 June 2007, the interest-bearing borrowings of the Group was RMB1,051,840,000, RMB846,840,000 of which was repayable within one year and RMB205,000,000 of which was repayable over one year. Of the RMB846,840,000 bank loans, RMB296,000,000 has been subsequently repaid after 30 June 2007 by application of the net proceeds from the Global Offering. The Group's gearing ratio (calculated based on the total outstanding interest-bearing debt divided by the total assets) was 51.0%, higher than 41.8% as at 31 December 2006. The increase was because the Group has invested more capital into plants and production equipment for production capacity expansion in order to meet increasing sales orders by bank borrowings. Such ratio decreased significantly after the repayment of loan by application of the net proceeds from the Global Offering as mentioned above.

As at 30 June 2007, USD13,768,000 of the borrowings was denominated in USD. The majority of the borrowings of the Group were subject to interests payable at fixed rates. The Group did not enter into any interest rate swap to hedge itself against the risks associated with interest rates.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

For the first half of 2007, the Group's increase in fixed assets amounted to RMB132,946,000, mainly for the production plant and facilities for HSS, HSS cutting tools and die steel. As at 30 June 2007, capital commitments was RMB225,975,000, of which RMB186,606,000 was contracted and RMB39,369,000 was authorized but not contracted for. The majority of the capital commitment was related to acquisition of production equipment.

FOREIGN EXCHANGE EXPOSURE

The Group's revenues were denominated in RMB, US dollars and Euros, with RMB accounting for the largest portion (approximately 49.8%). Approximately 50.2% 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 light of foreign exchange fluctuation and urging overseas customers to settle balances on a more timely basis to minimize the financial impact from exchange rate exposure.

EMPLOYEE'S REMUNERATION AND TRAINING

As at 30 June 2007, the Group employed around 4,720 employees (30 June 2006: around 4,679). The Group provided employees with remuneration packages comparable to the market and employees are rewarded on performance basis 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 monthly basis.

CONTINGENT LIABILITIES

The Company had no material contingent liabilities as at 30 June 2007.

PROSPECTS

The continuously growing market demand resulting from global and PRC industrial development will continue to provide momentum and opportunities for special steel and cutting tools industry. The management is of the view that cost saving from our size of operation and vertical integration, and our established relationships with customers and leading research institutes are major factors in being the leader in the HSS and HSS cutting tools industry. Based on these strengths, the Group will strive to maintain its leading position in the industry. The Group will invest in production facilities that enable the Group to produce higher quality and higher margin products, invest to increase the production capacity for both HSS, die steel and HSS cutting tools and to further expand the market share.

HSS

In the second half of 2007, a series of production equipment including a 2,000-tonne forging equipment will commence operation which will enable the Group to produce HSS with new product specification to meet the market demand. The production capacity for HSS will also increase by 5,000-tonne to 40,000-tonne on an annual basis as a result.

HSS cutting tools

The Group has been selling more HSS cutting tools for professional use than for general use in the recent years. The selling price and margin for professional use HSS cutting tools are higher than tools for general use. As a result, it is the Group's objective to continue its production in this direction and place emphasis on improving the grade of HSS cutting tools as well as on production capacity expansion. In the second half of 2007, an advanced screw taps production line imported from US is scheduled to commence operation. This production line would enable the Group to produce higher quality and higher margin screw taps for both overseas and domestic customers.

Die steel

The market of die steel in China has been growing at an annual rate of over 30%. The Group will continue to develop this high growth industry. As the production process and production equipments for HSS and die steel are interchangeable, the equipment for HSS production mentioned above will also boost up die steel's production capacity and product specification. Moreover, the Group will continue to promote die steel sales by increasing promotion activities and sales incentives in order continue the expansion trend of this business.

Report of the Directors

The Board is pleased to submit the interim report together with the combined financial statements for the six months ended 30 June 2007 which have been received by the Company's auditor KPMG, and the Audit Committee of the Company. The audit committee has reviewed this interim report.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period.

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

Shares of the Company commenced trading on the Main Board of the Stock Exchange on 26 July 2007. As at 13 September 2007, the latest practicable date for ascertaining information for the purpose of this interim report, 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 were as follows:

(a) Interests in the Company

Director's name	Nature of Interests	Ordinary shares held	Approximate attributable interest (%)
Zhu Xiaokun (Note 1)	Corporate interests	210,000,000(L)	50.06

Notes:

(1) As at the interim report date, such shares are beneficially held by Tiangong Holdings Company Limited ("THCL") 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 210,000,000 Shares held by THCL.

(L) represents long position

(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
Zhu Xiaokun	THCL	Beneficial owner	44,511	89.02%
Yu Yumei	THCL	Beneficial owner	5,489	10.98%

Save as disclosed above, as at the interim report date, as far as the Company's directors are aware, none of the Group's directors and chief executives had any other interests, long positions or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Shares of the Company have been traded in the Stock Exchange since 26 July 2007. As at 13 September 2007, the latest practicable date for ascertaining information for the purpose of this interim report, 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 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:

Substantial shareholders' name	Ordinary shares	Approximate attributable interest (%)
AIG Global Emerging Markets Fund II, LP.	21,000,000(L)	5.01
AIG GEM II G.P., L.P. (Note 1)	21,000,000(L)	5.01
AIG GEM II G.P., Co. (Note 1)	21,000,000(L)	5.01
AIG Capital Partners, Inc. (Note 1)	21,000,000(L)	5.01
AIG Global Asset Management Holdings Corp. (Note 1)	21,000,000(L)	5.01
AIG Capital Corporation (Note 1)	21,000,000(L)	5.01
AIG Asia Opportunity Fund II, L.P.	30,000,000(L)	7.15
AIG AOF II G.P., L.P. (Note 2)	30,000,000(L)	7.15
AIG Asian Opportunity II G.P. Ltd. (Note 2)	30,000,000(L)	7.15
AIG Global Investment Corporation (Asia) Ltd. (Note 2)	30,000,000(L)	7.15
American International Assurance Company (Bermuda) Limited (Note 2)	39,000,000(L)	9.30
American International Reinsurance Company, Ltd. (Note 3)	39,000,000(L)	9.30
AIG Life Holdings (International) LLC (Note 3)	39,000,000(L)	9.30
American International Group, Inc. (Note 4)	60,000,000(L)	14.30

Note

(1) AIG GEM II G.P., L.P. is deemed to be interested in the Shares in the capacity as the general partner of AIG Global Emerging Markets Fund II, L.P. AIG GEM II G.P., Co. is deemed to be interested in the Shares in the capacity as the general partner of AIG GEM II G.P., L.P. AIG Capital Partners, Inc. is deemed to be interested in the deemed interests of AIG GEM II G.P., Co., its wholly-owned subsidiary. AIG Global Asset Management Holdings Corp. is deemed to be interested in the deemed interests of AIG Capital Partners, Inc., its wholly-owned subsidiary. AIG Capital Corporation is deemed to be interested in the deemed interests of AIG Global Asset Management Holdings Corp., its wholly-owned subsidiary.

(2) AIG AOF II G.P., L.P. is deemed to be interested in the Shares in the capacity as the general partner of AIG Asian Opportunity Fund II, L.P. AIG Asian Opportunity II G.P. Ltd. is deemed to be interested in the Shares in the capacity as the general partner of AIG AOF II G.P., L.P. AIG Global Investment Corporation (Asia) Ltd. is deemed to be interested in the deemed interests of AIG Asian Opportunity II G.P. Ltd., its wholly-owned subsidiary. American International Assurance Company (Bermuda) Limited holds 9,000,000 Shares and is also deemed to be interested in the deemed interests of AIG Global Investment Corporation (Asia) Ltd., its wholly-owned subsidiary.

(3) American International Reinsurance Company, Ltd. is deemed to be interested in the Shares and the deemed interests of American International Assurance Company (Bermuda) Limited, its wholly-owned subsidiary. AIG Life Holdings (International) LLC. is deemed to be interested in the deemed interests of American International Reinsurance Company, Ltd., its wholly-owned subsidiary.

(4) American International Group, Inc. is deemed to be interested in the Shares and the deemed interests of AIG Capital Corporation and AIG Life Holdings (International) LLC.

SHARE OPTIONS SCHEME

The Company adopted a share options scheme on 7 July 2007, but the Company has not granted any share options.

PURCHASE, SALES OR REDEMPTION OF SHARES

Since the date of listing and save for the issue of shares under the over-allotment option granted to the global coordinator of the initial public offering of the Company, neither the Company nor any of its subsidiaries has not purchased, sold or redeemed any of its securities.

CORPORATE GOVERNANCE

Since listing, the Company has, so far where applicable, meet the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

AUDIT COMMITTEE

The Audit Committee was established on 7 July 2007 to review the Group's financial reporting internal controls and corporate governance issues and make relevant recommendations to the Board. The Audit Committee comprises of three non-executive directors, two of which are independent non-executive directors. The Audit Committee held a meeting on 19 September 2007 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 2007 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

On 7 July 2007, 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 for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

APPLICATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING

	Proposed application amount HK$'000	Amount utilized up to 13 September 2007 HK$'000	Unutilized amount as at 13 September 2007 HK$'000
— repayment of bank loans	316,000	296,000	20,000
— for capital expenditure	350,000	12,433	337,567
— as general working capital	28,600	28,600	—
Total	694,600	337,033	357,567

The remaining unutilized proceeds are deposited with licensed banks as short-term deposit in China and Hong Kong.

* 13 September 2007 is the latest practicable date for ascertaining information for the purpose of this interim report.

ASSETS PLEDGED

On 30 June 2007, the Group's pledged assets included bank deposit and certain properties, plants and equipment amounted to about RMB114,121,000 (31 December 2006: RMB287,282,000) and 4.9% equity interests in Jiangsu Tiangong Tools Company (2006: none), a wholly owned subsidiary, details of which are set out in the relevant note to the interim financial statements.

POST BALANCE SHEET EVENT

Details of the post balance sheet event are set out in the relevant note to the interim financial statements.

KPMG

Independent review report to the Board of Director of
Tiangong International Company Limited
For the six months ended 30 June 2007

INTRODUCTION

We have reviewed the interim financial report set out on pages 18 to 36 which comprises the combined balance sheet of Tiangong International Company Limited as of 30 June 2007 and the related combined income statement, combined statement of changes in equity and condensed combined cash flow statement for the six-month 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" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the 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" issued by the Hong Kong Institute of Certified Public Accountants. A review of the 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 2007 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

19 September 2007

Combined Income Statement

For the six months ended 30 June (Unaudited)

	Note	Six months ended 30 June 2007 RMB'000	2006 RMB'000
Revenue	4	833,116	537,217
Cost of sales		(668,660)	(421,404)
Gross profit		164,456	115,813
Other income		20,747	294
Distribution expenses		(17,387)	(14,664)
Administrative expenses		(25,092)	(19,695)
Other expenses		(875)	(2,781)
Result from operating activities		141,849	78,967
Finance income		1,093	1,902
Finance expenses		(33,553)	(24,628)
Net finance cost		(32,460)	(22,726)
Profit before income tax	6	109,389	56,241
Income tax expense	7	(620)	(20,074)
Profit for the period		108,769	36,167
Attributable to:			
Equity holders of the Company		108,374	30,266
Minority interests		395	5,901
Profit for the period		108,769	36,167
Earnings per share			
Basic earnings per share	8	0.36	0.10

The notes on page 22 to 36 form part of this interim financial report.

Combined Balance Sheet

As at 30 June 2007 (Unaudited)

	Note	Unaudited At 30 June 2007 RMB'000	Audited At 31 December 2006 RMB'000
Non-current assets			
Property, plant and equipment	9	549,655	443,819
Lease prepayments	10	65,871	56,121
Goodwill	11	21,959	—
Other investments		10,000	10,000
Deferred tax assets		2,886	3,428
		650,371	513,368
Current assets			
Inventories	12	734,458	646,153
Trade and other receivables	13	561,758	408,040
Pledged deposits	14	43,258	70,852
Cash and cash equivalents	15	73,164	62,927
		1,412,638	1,187,972
Current liabilities			
Interest-bearing borrowings	16	846,840	581,909
Trade and other payables	17	358,939	344,378
Income tax payables		11,495	31,693
		1,217,274	957,980
Net current assets		195,364	229,992
Total assets less current liabilities		845,735	743,360
Non-current liabilities			
Interest-bearing borrowings	16	205,000	130,000
Deferred income		12,360	7,900
		217,360	137,900
Net assets		628,375	605,460
Equity attributable to equity holders of the Company		607,850	543,978
Minority interests		20,525	61,482
Total equity		628,375	605,460

The notes on page 22 to 36 form part of this interim financial report.

Combined Statement of Changes in Equity

For the six months ended 30 June (Unaudited)

	Note	Six months ended 30 June 2007 RMB'000	2006 RMB'000
Equity attributable to equity holders of the Company:			
Balance at 1 January		543,978	375,410
Capital contribution	5(c)	56,998	—
Capital distribution	5(a),(b)	(101,500)	—
Profit for the period		108,374	30,266
Balance at 30 June		607,850	405,676
Minority interests			
Balance at 1 January		61,482	105,973
Capital contribution		14,705	—
Profit for the period		395	5,901
Acquisition of minority interests	5(a),(b)	(56,057)	—
Balance at 30 June		20,525	111,874
Total equity:		628,375	517,550

The notes on page 22 to 36 form part of this interim financial report.

Condensed Combined Cash Flow Statement

For the six months ended 30 June (Unaudited)

	Note	Six months ended 30 June 2007 RMB'000	2006 RMB'000
Net cash (used in)/generated from operating activities		(129,419)	51,044
Net cash used in investing activities		(215,061)	(42,536)
Net cash generated from financing activities		354,717	92,908
Net increase in cash and cash equivalents		10,237	101,416
Cash and cash equivalents at 1 January		62,927	60,791
Cash and cash equivalents at 30 June	15	73,164	162,207

The notes on page 22 to 36 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

1. REPORTING ENTITY

Tiangong International Company Limited (the "Company") was incorporated in the Cayman Islands on 14 August 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 July 2007.

2. CORPORATE REORGANISATION AND BASIS OF PRESENTATION

Through a group reorganisation to rationalise the structure of the Company and its subsidiaries (collectively the "Group") in preparation for the listing of the Company's shares on the Stock Exchange (the "Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group on 13 March 2007.

Details of the Reorganisation are more fully explained in Appendix VI to the prospectus of the Company dated 13 July 2007 (the "Prospectus").

As the companies that took part in the Reorganisation were controlled by the same group of ultimate equity holders (referred to as "the controlling equity holders") before and after the Reorganisation and, consequently there was a continuation of the risks and benefits to the controlling equity holders, the combined financial statements for the six months ended 30 June 2006 and 2007 (the "periods presented") have been prepared using the merger basis of accounting as if the Group has always been in existence. The net assets of the combining companies are consolidated using the existing book values from the controlling equity holders' perspective. Accordingly, the interests of equity holders other than the controlling equity holders in the combining companies have been presented as minority interests in the Group's combined financial statements.

The combined income statement, combined statement of changes in equity and the condensed combined cash flow statement of the Group for the periods presented include the results of operations of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the entire periods referred to in this report, or since the dates of their incorporation where this is a shorter period. The combined balance sheet of the Group as at 30 June 2007 and 31 December 2006 have been prepared to present the state of affairs of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates. All material intra-group transactions and balances have been eliminated on combination. In the opinion of the directors, the combined financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

3. STATEMENT OF COMPLIANCE

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard ("IAS") 34 "Interim financial reporting", issued by the International Accounting Standards Board.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the preparation of the Accountants' Report of the Company included in the Prospectus (the "Accountants' Report").

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 year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed combined 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 issuance of the Accountants' Report. The condensed combined interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting 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 17.

The financial information relating to the financial year ended 31 December 2006 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from the Accountants' Report. The financial information of the Group for the year ended 31 December 2006 is contained in the Accountants' Report included in the Prospectus. The Accountants' Report is available from the Company's registered office. The reporting accountants have expressed an unqualified opinion in the Accountants' Report dated 13 July 2007.

4. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Business segments

The Group comprises the following main business segments

— *High alloy steel ("HAS")* The HAS segment manufactures and sells high speed steel ("HSS") and die steel for steel industry.

— *HSS cutting tools* The HSS cutting tools segment manufactures and sales HSS cutting tools for tool industry.

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Revenue		
HAS	516,050	297,682
HSS cutting tools	317,066	239,535
Total	833,116	537,217
Segment result		
HAS	103,291	66,198
HSS cutting tools	43,778	34,951
Total	147,069	101,149
Unallocated operating income and expenses	(5,220)	(22,182)
Profit from operations	141,849	78,967
Net finance cost	(32,460)	(22,726)
Income tax expense	(620)	(20,074)
Profit for the period	108,769	36,167

4. SEGMENT REPORTING (Continued)

Geographical segments

The Group's business is managed on a worldwide basis, but participates in four principal economic environments, the People's Republic of China ("PRC"), North America, Europe and Asia (other than the PRC).

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

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Revenue		
The PRC	414,606	317,615
North America	144,052	79,527
Europe	150,959	62,249
Asia (other than the PRC)	104,832	68,048
Others	18,667	9,778
Total	833,116	537,217

5. CAPITAL CONTRIBUTION AND DISTRIBUTION

(a) On 9 January 2007, the Group acquired 75% and 25% equity interests in Danyang Tianji Tools Packaging Company Limited ("Tianji Packaging") from Jiangsu Tiangong Group Company Limited ("TG Group"), a wholly-owned company of the controlling equity holders, and a minority shareholder at cash considerations of RMB1,500 thousand and RMB500 thousand respectively. On the basis set out in Note 2, the acquisition of 75% equity interests in Tianji Packaging from TG Group was reflected in the combined statement of changes in equity as a capital distribution to the controlling equity holders.

The carrying amount of the minority shareholder's net assets in the combined financial statements on the date of acquisition was RMB596 thousand. The Group recognised a decrease in minority interests of RMB596 thousand and a gain on acquisition of RMB96 thousand in the combined income statements.

5. CAPITAL CONTRIBUTION AND DISTRIBUTION (Continued)

(b) On 13 March 2007, the Group acquired 75% and 25% equity interests in Tiangong Aihe Special Steel Company Limited ("TG Aihe") from TG Group and a minority shareholder at cash considerations of RMB100,000 thousand and USD 10,000 thousand (equivalent to RMB77,420 thousand) respectively. On the basis set out in Note 2, the acquisition of 75% equity interests in TG Aihe from TG Group was reflected in the combined statement of changes in equity as a capital distribution to the controlling equity holders.

The carrying amount of the minority shareholder's net assets in the combined financial statements on the date of acquisition was RMB55,461 thousand. The Group recognised a decrease in minority interests of RMB55,461 thousand and goodwill of RMB21,959 thousand.

(c) On 26 March 2007 and 31 March 2007, TG Group waived its remaining receivables amounting to RMB37,228 thousand and RMB19,770 thousand due from the Group in connection with the acquisitions of land use rights and plants respectively. These waivers of liabilities by TG Group were accounted for as equity transactions and reflected in the combined statement of changes in equity as capital contributions.

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/crediting:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Interest on bank loans	26,286	21,663
Net foreign exchange loss	7,267	2,965
Cost of inventories	668,660	421,404
Depreciation	26,262	17,404
Amortisation of lease prepayments	663	432
Impairment loss for doubtful debts	239	2,388
Write down for inventories	126	96
Government grants	(20,000)	—

7. INCOME TAX EXPENSE

Income tax expense in the combined income statement represents:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax	79	20,432
Deferred tax		
Origination and reversal of temporary differences	541	(358)
	620	20,074

(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 applicable rates on the estimated assessable income of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The applicable tax rates of the Group's operating subsidiaries in the PRC ranged from 27% to 33%. Pursuant to the income tax rules and regulations of the PRC, certain subsidiaries located in the PRC are entitled to a tax holiday of a tax-free period for two years from their first profit-making year of operations and thereafter, they are subject to PRC enterprise income tax at 50% of the applicable income tax rate for the following three years.

(c) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which will take effect on 1 January 2008. As a result of the new tax law, it is expected that the income tax rate applicable to the Group's PRC subsidiaries will be all changed to 25% from 1 January 2008. The new rate was used to measure the Group's deferred tax assets as at 30 June 2007. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the combined balance sheets in the respect of current tax payable.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company during the periods presented and the 300,000,000 shares in issue and issuable, comprising 5,000,000 shares in issue as at the date of the Prospectus and 295,000,000 shares to be issued pursuant to the capitalisation issue as detailed in the paragraph headed "Resolutions in writing of shareholders of the Company passed on 7 July 2007" set out in the Appendix VI to the Prospectus as if the shares were outstanding throughout the entire periods presented. The 119,500,000 shares in issue as at the date of this report pursuant to the Hong Kong Public Offering and International Placing are not taken into account in the calculation of basic earnings per share.

There were no dilutive potential ordinary shares during the periods presented and, therefore, diluted earnings per share are not presented.

9. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June 2007 RMB'000	Year ended 31 December 2006 RMB'000
Cost:		
Balance as at 1 January	611,896	514,353
Additions	132,946	99,651
Disposals	(1,664)	(2,108)
Balance as at 30 June/31 December	743,178	611,896
Depreciation:		
Balance as at 1 January	(168,077)	(126,961)
Charge for the period/year	(26,262)	(42,229)
Written back on disposals	816	1,113
Balance as at 30 June/31 December	(193,523)	(168,077)
Carrying amounts:		
As at 30 June/31 December	549,655	443,819

Certain property, plant and equipment with the net book value of RMB50,196 thousand and RMB51,458 thousand were pledged as securities for bank loans at 30 June 2007 and 31 December 2006 respectively.

10. LEASE PREPAYMENTS

Certain land use rights with the net book value of RMB20,667 thousand and RMB20,866 thousand were pledged as securities for bank loans at 30 June 2007 and 31 December 2006 respectively.

11. GOODWILL

The Group performed its annual impairment testing of goodwill during the six months ended 30 June 2007. As a result of this testing, the carrying amount of the cash-generating units was determined to be higher than its recoverable amount.

Goodwill is allocated to the Group's cash-generating units identified according to the business segment as follows:

	At 30 June 2007 RMB'000
HAS — die steel	21,959

The recoverable amounts of the cash-generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate and growth rate. The Group prepared cash flow forecasts derived from the two-year financial budgets and extrapolates cash flows for the following eight years based on an estimated growth rate of 10% and a discount rate of 6%. The growth rate used does not exceed the average long-term growth rate for the relevant markets.

12. INVENTORIES

	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Raw materials	27,748	31,127
Work in progress	385,318	282,721
Finished goods	321,392	332,305
	734,458	646,153

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Trade and bills receivables	374,532	283,235
Prepayments	154,617	104,455
Non-trade receivables	32,609	20,077
Receivables due from Tiangong Holdings Company Limited	—	273
	561,758	408,040

A substantial amount of the trade receivables are expected to be recovered within one year.

Customers are normally granted credit terms of 0 to 150 days depending on the credit worthiness of individual customers.

An ageing analysis of trade and bills receivables of the Group is as follows:

	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Within 3 months	343,355	254,342
Over 3 months but less than 6 months	46,216	34,974
Over 6 months but less than 12 months	1,976	7,095
Over 12 months but less than 24 months	5,167	7,188
Over 24 months	908	2,487
	397,622	306,086
Less: impairment loss for doubtful debts	(23,090)	(22,851)
	374,532	283,235

14. PLEDGED DEPOSITS

Bank deposits of RMB43,258 thousand and RMB70,852 thousand as at 30 June 2007 and 31 December 2006 respectively had been pledged to banks as securities for the Group to issue bank acceptance bills and other banking facilities. The pledged bank deposits will be released upon the settlement of the relevant bills payables by the Group and the termination of relevant banking facilities.

15. CASH AND CASH EQUIVALENTS

An analysis of the balance of cash and cash equivalents is set out below:

	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Cash at bank and on hands	63,164	52,927
Time deposits with banks	10,000	10,000
	73,164	62,927

Time deposits with banks included in cash and cash equivalents are within three months of maturity at acquisition.

16. INTEREST-BEARING BORROWINGS

		At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Current			
Secured bank loans	(i)	143,420	113,000
Unsecured bank loans	(ii)	628,420	468,909
Current portion of non-current unsecured bank loans		75,000	—
		846,840	581,909
Non-current			
Unsecured bank loans	(iii)	280,000	130,000
Less: Current portion of non-current unsecured bank loans	(iii)	(75,000)	—
		205,000	130,000
		1,051,840	711,909

16. INTEREST-BEARING BORROWINGS (Continued)

Included in interest-bearing borrowings are the following amounts denominated in currencies other than RMB:

	At 30 June 2007 '000	At 31 December 2006 '000
USD	13,768	1,000

(i) Current secured bank loans as at 30 June 2007 and 31 December 2006 were secured by certain property, plant and equipment and land use rights, details of which refer to Note 9 and Note 10.

In addition, the Group's bank loan of USD 10,000 thousand as at 30 June 2007 was secured by the Group's 4.9% equity interests in one of its subsidiaries, Jiangsu Tiangong Tools Company Limited.

Current secured bank loans as at 30 June 2007 and 31 December 2006 carried interest rates ranging from 5.10% to 5.91% per annum and 5.85% to 6.12% per annum respectively and were all repayable within one year.

(ii) Current unsecured bank loans as at 30 June 2007 and 31 December 2006 carried interest rates ranging from 4.59% to 6.39% per annum and 4.05% to 6.44% per annum respectively and were all repayable within one year.

Current unsecured bank loans of RMB140,000 thousand and RMB453,909 thousand as at 30 June 2007 and 31 December 2006 respectively were guaranteed by third parties.

(iii) Non-current unsecured bank loans as at 30 June 2007 and 31 December 2006 carried interest rates ranging from 6.03% to 6.57% per annum and 4.5% to 6.63% per annum respectively.

The Group's non-current bank loans were repayable as follows:

	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Within 1 year	75,000	—
Over 1 year but less than 2 years	205,000	130,000
	280,000	130,000

17. TRADE AND OTHER PAYABLES

	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Trade and bills payables	293,067	277,059
Non-trade payables and accrued expenses	65,872	53,791
Payables due to TG Group	—	13,528
	358,939	344,378

An ageing analysis of trade and bills payables is set out below:

	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Within 3 months	201,021	194,151
Over 3 months but less than 6 months	86,793	74,261
Over 6 months but less than 12 months	2,085	7,337
Over 1 year but less than 2 years	3,168	1,310
	293,067	277,059

18. RELATED PARTY TRANSACTIONS

The Group has transactions with TG Group and Tiangong Holdings Company Limited (the "ultimate holding company"). The following is a summary of principal related party transactions carried out by the Group with the above related parties for the periods presented.

Particulars of significant transactions between the Group and the above related parties during the periods presented are as follows:

(a) Significant Related Party Transactions-Recurring

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Lease expense to:		
TG Group	300	—

During the year ended 31 December 2006, the Group occupied certain office premises of TG Group free of charge. Pursuant to a lease agreement entered into between the Group and TG Group on 28 February 2007, the Group is required to pay RMB600 thousand per annum for the lease of these office premises from TG Group effective from 1 January 2007 to 31 December 2009.

18. RELATED PARTY TRANSACTIONS (Continued)

(b) Significant Related Party Transactions-Non-recurring

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Sales of goods to:		
TG Group	—	2,497
Purchases of goods from:		
TG Group	—	18,341
Purchases of fixed assets from:		
TG Group	19,770	—
Purchases of land use rights from:		
TG Group	10,438	26,790
Payments on behalf of:		
TG Group	280	452
Acquisition of equity interests in subsidiaries from:		
TG Group	101,500	—
Unsecured bank loans guaranteed by:		
TG Group	—	13,500
Waiver of liabilities by:		
TG Group	56,998	—

(c) Amounts due from related parties

	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Ultimate holding company	—	273

18. RELATED PARTY TRANSACTIONS (Continued)

(d) Amounts due to related parties

	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
TG Group	—	13,528

19. COMMITMENTS

(i) Capital commitments

Capital commitments outstanding at respective balance sheet dates not provided for in the interim financial report were as follows:

	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Contracted for		
— Land and buildings	7,994	15,384
— Equipment	178,612	115,125
	186,606	130,509
Authorised but not contracted for		
— Equipment	39,369	47,980

(ii) Operating lease commitments

At the balance sheet date, the Group's total future minimum lease payments under non-cancellable operating leases were payables as follows:

	At 30 June 2007 RMB'000	At 31 December 2006 RMB'000
Within 1 year	1,157	777
After 1 year but within 5 years	1,660	1,429
	2,817	2,206

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 Zhihe *(Chief Executive Officier)*
Mr. Zhu Mingyao
Mr. Yan Ronghua

Non-executive Directors
Mr. Lin John Sian-zu
Mr. Thong Kwee Chee

Independent Non-executive Directors
Mr. Li Zhenbang
Mr. Gao Xiang
Mr. Lau Siu Fai

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT
Mr. Leung Wai Yip, AHKICPA

AUTHORIZED REPRESENTATIVES
Mr. Lau Siu Fai
Mr. Leung Wai Yip, AHKICPA

AUDIT COMMITTEE
Mr. Lau Siu Fai *(Chairman)*
Mr. Gao Xiang
Mr. Lin John Sian-zu

REMUNERATION COMMITTEE
Li Zhengbang *(Chairman)*
Zhu Xiaokun
Gao Xiang
Lau Siu Fai
Lin John Sian-zu

NOMINATION COMMITTEE
Gao Xiang *(Chairman)*
Zhu Xiaokun
Li Zhengbang
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PRINCIPAL BANKERS

China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
Bank of China Limited
Agricultural Bank of China