



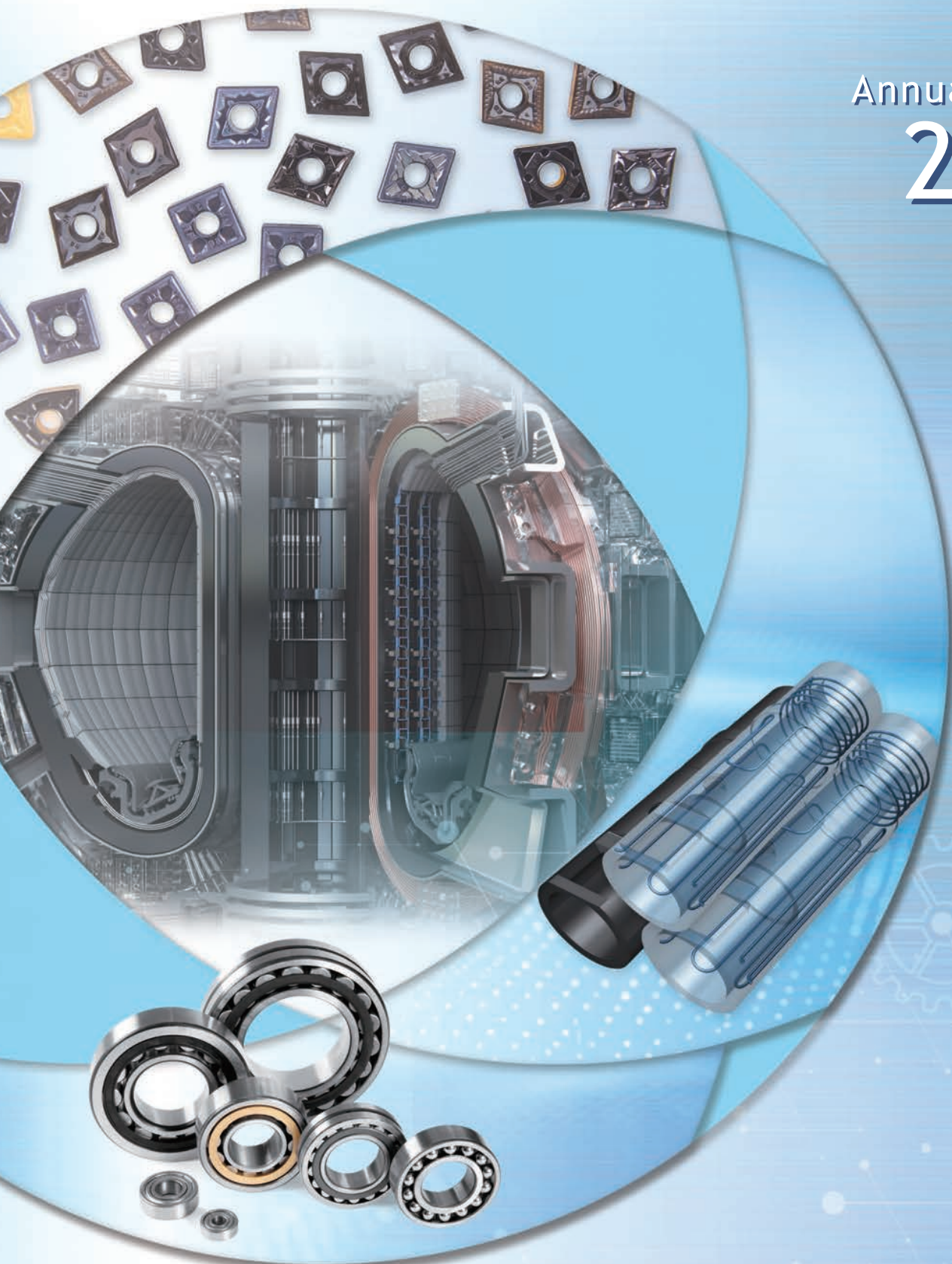
天工國際有限公司*

TIANGONG INTERNATIONAL COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 826

Annual Report 2025



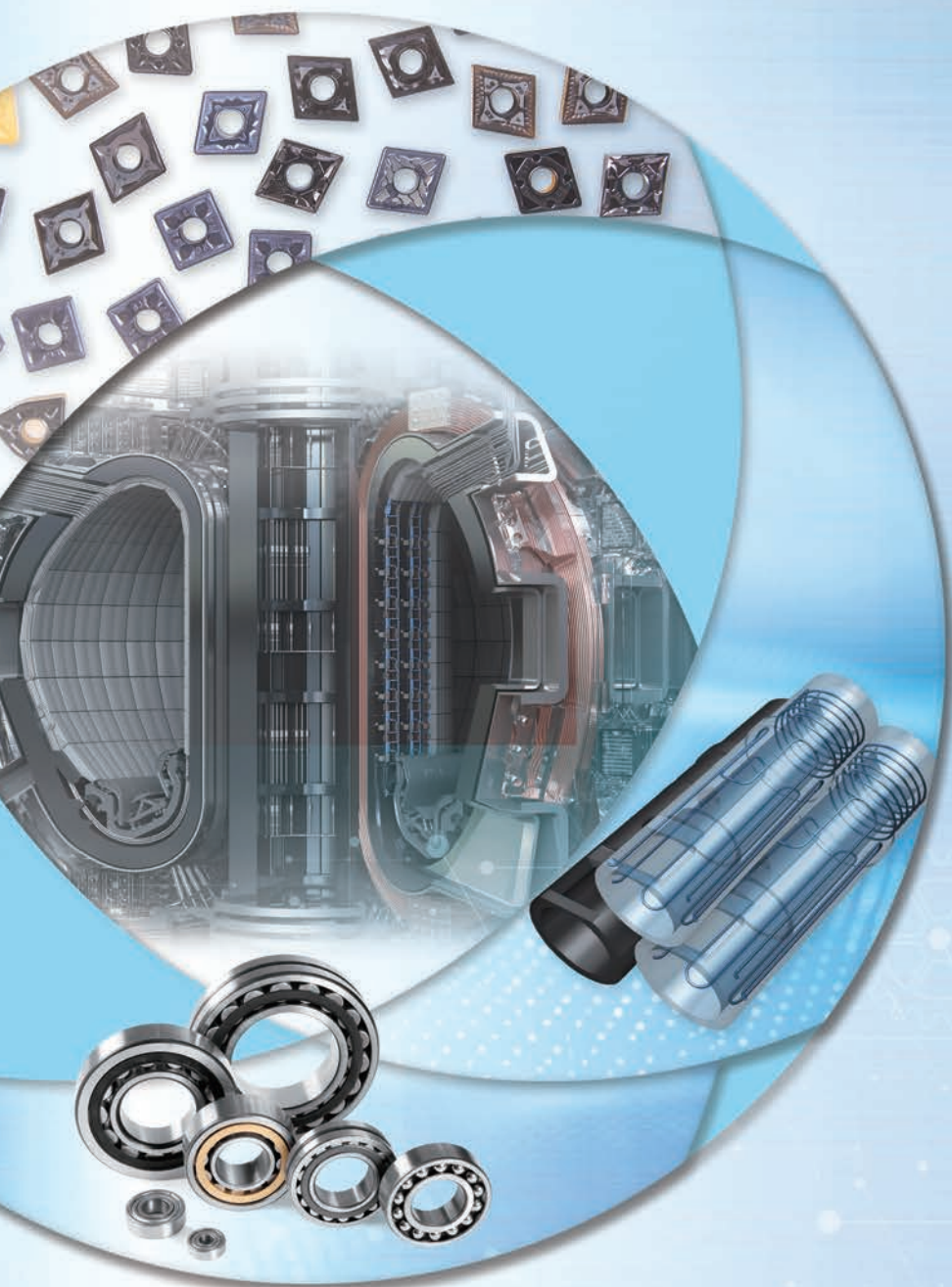
* For identification purposes only



MIX
Paper | Supporting
responsible forestry
FSC® C116886

CONTENTS

2	Financial Highlights	142	Consolidated Statement of Profit or Loss
3	Chairman's Statement	143	Consolidated Statement of Profit or Loss and Other Comprehensive Income
6	Management Discussion and Analysis	144	Consolidated Statement of Financial Position
35	Environmental, Social and Governance Report	146	Consolidated Statement of Changes in Equity
107	Directors & Senior Management	148	Consolidated Cash Flow Statement
110	Corporate Governance Report	150	Notes to the Financial Statements
122	Report of the Directors	229	Financial Information Summary
134	Independent Auditor's Report	230	Corporate Information

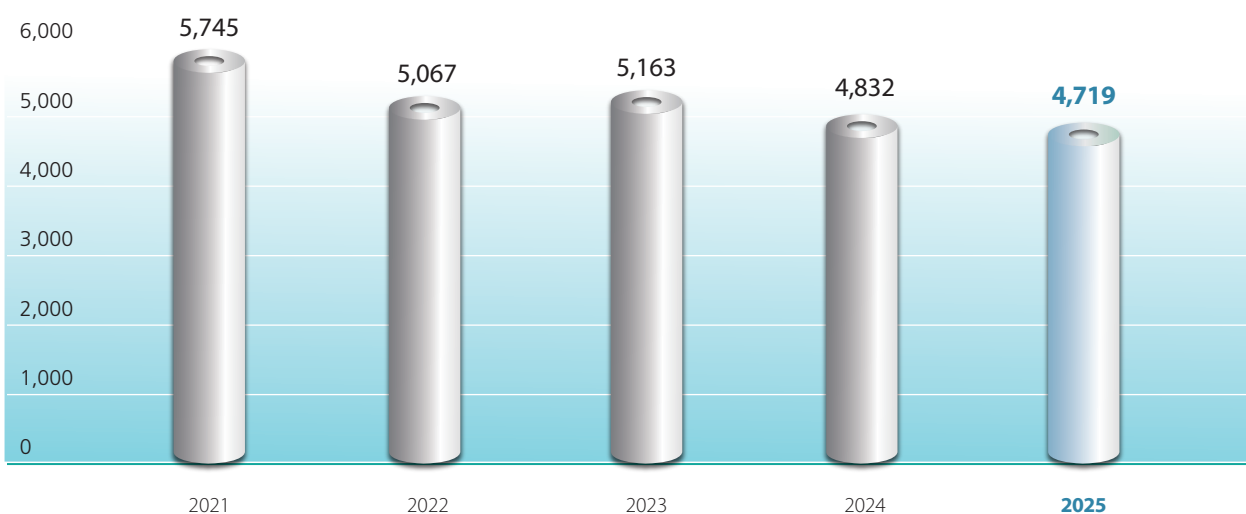


FINANCIAL HIGHLIGHTS

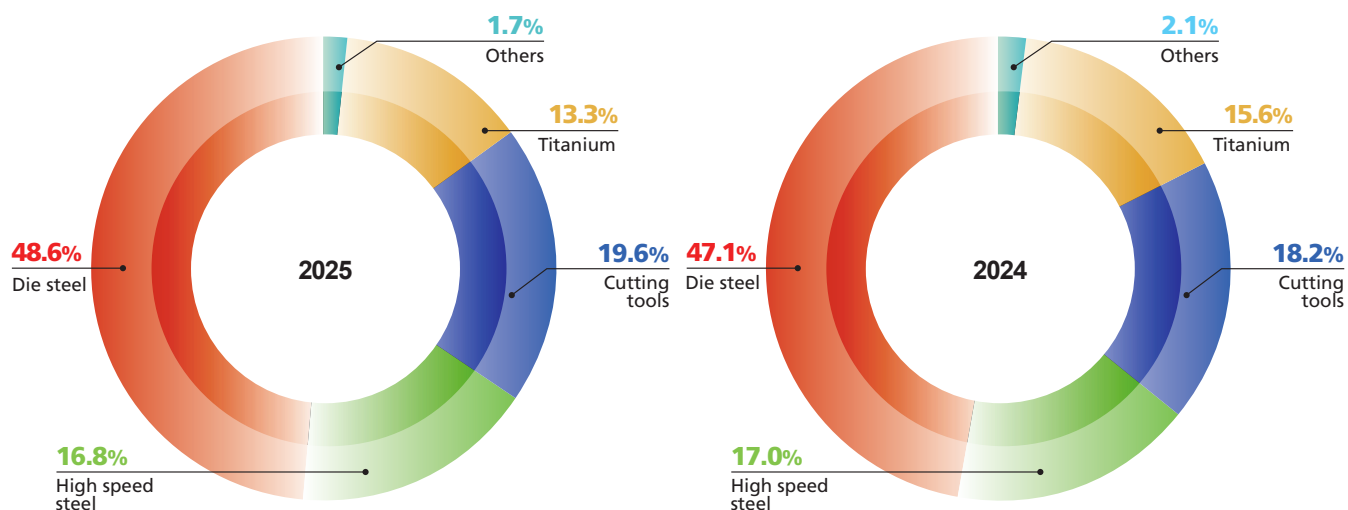
	2025	2024
Revenue (RMB'000)	4,718,830	4,832,036
Net profit for the year attributable to equity shareholders of the Company (RMB'000)	400,228	358,757
Basic earnings per share (RMB)	0.147	0.131
Proposed final dividend per share (RMB)	0.0253	0.0263

Revenue

RMB' million



Revenue by Product Mix





CHAIRMAN'S STATEMENT



In 2025, buoyed by a recovery in macroeconomic demand, the Group's results bottomed out and rebounded. The Group accelerated strategic transition toward high-end advanced materials, achieving significant breakthroughs in cutting-edge technological innovations — particularly in materials for nuclear fusion — as well as in the strategic expansion of our overseas production capacity. In 2026, the Group will leverage powder metallurgy, and plasma atomization technology as our primary growth engines. By seizing opportunities presented by the commercial scale-up of emerging industries and further enhancing our global supply chain resilience, the Group will accelerate the goal of becoming a world-leading provider of high-end equipment material solutions.

Zhu Xiaokun
Chairman

Dear Shareholders,

On behalf of the board of directors (the "Board") of Tiangong International Company Limited (the "Company"), together with its subsidiaries (collectively, the "Group"), I am pleased to present the audited annual results for the year ended 31 December 2025.

In 2025, the global trade environment remained complex and volatile, with geopolitical tension and macroeconomic fluctuations continuously challenging the supply chain resilience of the manufacturing industry. However, with the deepening implementation of the Chinese government's policies to stabilize growth and stimulate domestic demand, the recovery of the domestic manufacturing industry brought about a continuous recovery of demand, accelerating the transformation and upgrading of the overall industrial structure towards high-end and intelligent development. Driven by the rapid technological iteration in new energy vehicles, aerospace, consumer electronics, and humanoid robots, the market demand for high-performance, lightweight, and high-precision basic new materials experienced explosive growth. The Group actively seized the opportunities of import substitution and industrial upgrading, firmly promoted the advancement of its product structure towards high-end powder metallurgy and special alloys, and successfully achieved a breakthrough amid the adverse environment, demonstrating strong development resilience and outstanding R&D capabilities.

CHAIRMAN'S STATEMENT

Business Overview

Benefiting from the steady recovery of domestic market demand and the significant optimization of the Group's product structure, the Group achieved a bottoming-out and rebound in its financial results in 2025, demonstrating strong resilience in profitability. During the year, the Group's revenue reached RMB4,719 million; profit attributable to equity shareholders of the Company was approximately RMB400 million, representing a year-on-year increase of 11.5%; total comprehensive income attributable to equity shareholders of the Company surged by 48.2% to RMB402 million. Based on the trend in the second half of 2025, the Group's overall profitability showed a sound momentum of gradual improvement. This was mainly attributable to the recovery of prosperity in the domestic manufacturing industry and the Group's successful pass-through of raw material costs to downstream customers by virtue of the absolute pricing power of our high-end products.

In terms of core businesses, domestic sales of tools steel achieved steady growth, among which the domestic sales of high-speed steel increased by 37.0% year-on-year. The cutting tools segment also recorded a favorable result of increases in both sales volume and selling price. Regarding the titanium alloy segment, Tiangong Technology, a subsidiary of the Group, was successfully listed on the Beijing Stock Exchange during the year, injecting strong capital momentum into the long-term development of the titanium alloy segment. Although the titanium alloy segment was affected by the phased material adjustment of consumer electronics end-customers — shifting from titanium alloy to aluminum alloy, which led to a drop in average selling price and recorded a revenue of approximately RMB626 million, the overall sales volume of this segment still grew against the trend, fully demonstrating the robust underlying demand. On a highly positive note, the Group believes that the adjustment period for the consumer electronics industry has passed. In the fourth quarter, major customers initiated mass supply for new products. Furthermore, the Group's achievements in the aerospace and 3D printing sectors were prominent, successfully delivering the first batch of aerospace-grade titanium alloy wire during the year, effectively breaking the reliance on imports.

Technological R&D and breakthroughs in new materials were the Group's most significant highlights in 2025. Based on the underlying technology of powder metallurgy, the Group achieved a strategic leap from 0 to 1 in emerging business. The relevant high-end materials successfully passed technical verification and achieved the first batch of delivery during the year, winning high recognition from customers in multiple high-growth industry sectors. Moreover, the Group is one of the few enterprises in China that has mastered plasma atomization powder-making technology, enabling the production of ultra-high purity titanium alloy powder. This further consolidated the Group's competitiveness in seizing global opportunities in the high-end titanium and titanium alloy fields and injected new momentum into the growth of high-end application scenarios. Last year, at the National Powder Metallurgy Academic Conference and the 7th Asian International Conference on Powder Metallurgy, the Group was awarded the "Powder Metallurgy Innovation Award" in recognition of the technological breakthrough and industrialization achievements of its "Integrated Powder Metallurgy Key Components with Built-in Cooling Channels for Large Molds".

Concurrently, the Group also made breakthroughs in major national scientific research fields. In the field of controllable nuclear fusion, leveraging the Group's leading technological strength, the Group successfully produced 600kg-class TPM304B7 high boron steel plates and actively advancing the R&D of RAFM steel, effectively resolving the bottleneck of nuclear reactor blanket materials. This move is expected to established the Group's strategic position in the domestic and global high-end nuclear power materials supply chain.

CHAIRMAN'S STATEMENT

Regarding overseas production capacity, against the backdrop of complicated international trade, the strategic value of the Group's production base located in Thailand has become further prominent. The capacity of the Thailand precision tools factory continued to ramp up rapidly, and the capacity expansion projects progressed in an orderly manner, providing solid capacity assurance and a flexible supply chain buffer for the Group's export sales. The Group will continue to optimize its global capacity allocation to further enhance its comprehensive competitiveness and resilience against risks in the international market.

Outlook

Looking ahead to 2026, the global technological revolution is evolving at an unprecedented pace. With the comprehensive popularization of integrated die-casting technology for new energy vehicles, the initiation of the AI-driven consumer electronics innovation cycle, and the accelerated commercialization of frontier industries such as nuclear fusion energy, and aerospace, the market is demanding more stringent requirements for high-performance, high-strength, and high-precision basic materials. Driven jointly by independent and controllable technology and the high-quality development of Chinese enterprises, massive growth potential will be released for the new materials sectors. The Group's product upgrade cycle highly aligns with the development trajectory of national strategic emerging industries, laying a solid foundation for the Group's long-term high-quality growth in the future.

Moving forward, the Group will continue to adhere to its principal businesses and focus on three major development directions- high-nitrogen alloy materials, nuclear fusion materials (304B7 high boron stainless steel and RAFM steel), and plasma atomization technology as growth engines to comprehensively promote the integrated upgrading of materials, technologies, and applications. The Group will further expand its market share in key component materials for humanoid robots and nuclear power equipment materials, driving the comprehensive application and import substitution of high value-added products. In the consumer electronics and aerospace sectors, the Group will seize the opportunity of mass deliveries to major clients to expand the market share of titanium materials and 3D printing powder. Meanwhile, the Group will accelerate its global sales footprint and green, low-carbon transformation. Leveraging on the industry-academia-research integrated platform and the advantages of overseas production capacity, the Group will comprehensively enhance international competitiveness, striving to become a world-leading total solution provider for high-end equipment materials and technologies.

Appreciation

Finally, I would like to take this opportunity to express my most sincere gratitude to all members of the Board for their full support in 2025, and to all employees for their hard work and relentless efforts, which enabled the Group to achieve both solid growth in financial results and core technological breakthroughs in a challenging operating environment. Concurrently, I also sincerely thank all shareholders, customers, and suppliers for their continuous support and trust. Going forward, the Group will maintain its commitment to both innovation-driven development and lean management principles, adhere to high-quality development, and strive to create value for our shareholders.

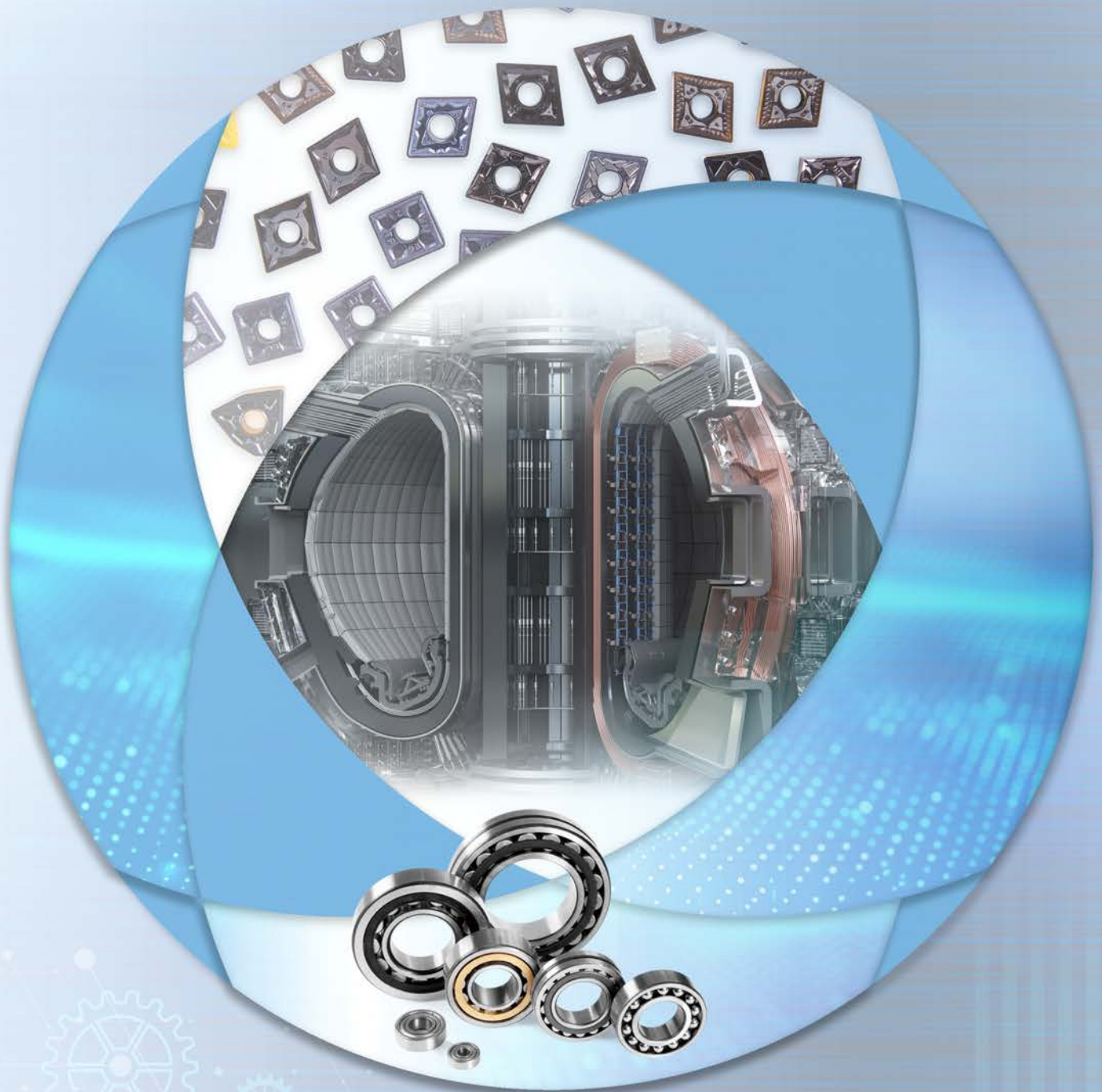
Zhu Xiaokun

Chairman

30 March 2026

MANAGEMENT

DISCUSSION & ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

	For the year ended 31 December					
	2025		2024		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
DS	2,291,959	48.6	2,273,870	47.1	18,089	0.8
HSS	791,944	16.8	821,478	17.0	(29,534)	(3.6)
Cutting tools	923,529	19.6	879,342	18.2	44,187	5.0
Titanium alloy	625,987	13.3	756,370	15.6	(130,383)	(17.2)
Others	85,411	1.7	100,976	2.1	(15,565)	(15.4)
	4,718,830	100.0	4,832,036	100.0	(113,206)	(2.3)

DS — accounted for 48.6% of the Group's revenue in FY 2025

	For the year ended 31 December					
	2025		2024		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
DS						
Domestic	1,041,180	45.4	1,008,398	44.3	32,782	3.3
Export	1,250,779	54.6	1,265,472	55.7	(14,693)	(1.2)
	2,291,959	100.0	2,273,870	100.0	18,089	0.8

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



MANAGEMENT DISCUSSION AND ANALYSIS

The positive development of domestic downstream manufacturing industries (such as the new energy vehicle industry) supported domestic demand for DS, particularly for parts, component models and integrated large die-casting, etc.. Overall domestic sales volume remained flat. The average selling price increased by 4% compared with the previous year, mainly due to the generally positive outlook of the domestic manufacturing sector, which helped to pass on procurement costs. At the same time, through years of operation, the Group has established a certain supply loyalty with our customers, giving us some pricing power.

Regarding exports, the European market was sluggish, and competition from overseas rivals was fierce. Coupled with the impact of tariffs in the North American market, purchasing attitudes were generally cautious, resulting in fewer orders. Overseas sales volume of DS decreased by 5% compared to the previous year. On the other hand, as the Group placed greater emphasis on higher-end products to maximize profitability and avoid ruthless competition, the average selling price increased 4%.

Overall, sales revenue of the DS segment increased by 0.8% to RMB2,291,959,000 (2024: RMB2,273,870,000).

HSS — accounted for 16.8% of the Group's revenue in FY 2025

	For the year ended 31 December					
	2025		2024		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
HSS						
Domestic	578,316	73.0	422,033	51.4	156,283	37.0
Export	213,628	27.0	399,445	48.6	(185,817)	(46.5)
	791,944	100.0	821,478	100.0	(29,534)	(3.6)

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

The increased demand for high-precision, high-efficiency cutting tools from manufacturing sector, coupled with improved domestic industrial conditions, boosted the procurement demand for raw material, HSS, among domestic cutting tools manufacturers. This promoted the development of the domestic HSS market, leading to rapid growth in domestic HSS sales, with sales volume having increased in 2025 by 12% year-on-year. As a result of (i) the overall increase in procurement costs of alloy material (raw materials of HSS) which was smoothly passed on to downstream industries, and (ii) coupled with the gradual increase in the revenue contribution of powder metallurgy products; the sales proportion of high-end HSS products increased. The price of domestic HSS products increased, with average selling price increased by 23% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

Regarding exports, the volume of HSS sold to North America decreased significantly this year mainly due to the impact of US tariff policies, resulting in a 50% year-on-year decrease in the total export volume of HSS. In terms of average selling price, the Group continued to adopt a high-quality, high-price marketing strategy, and powder metallurgy products with higher added value also began to contribute more, with the average selling price increasing by 7%.

Overall, sales revenue of the HSS segment decreased by 3.6% to RMB791,944,000 (2024: RMB821,478,000).

Cutting tools — accounted for 19.6% of the Group's revenue in FY 2025

	For the year ended 31 December					
	2025		2024		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Cutting tools						
Domestic	399,665	43.3	333,274	37.9	66,391	19.9
Export	523,864	56.7	546,068	62.1	(22,204)	(4.1)
	923,529	100.0	879,342	100.0	44,187	5.0

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

The domestic market for cutting tools is closely related to the machine tool industry. Based on the needs of manufacturing development, our Group produces multi-functional composite cutting tools, high-speed and high-efficiency cutting tools, and other impact-resistant, high-strength metal cutting tools, which are widely used in the automotive, machinery manufacturing, aerospace, and electronics industries. During the year, resulting from the gradual recovery of domestic economy and the rebound of downstream demand, the domestic sales volume of cutting tools increased slightly by 6.8% year-on-year while the average selling price of domestically sold cutting tools increased by 12.4% compared to the previous year. This was mainly due to the increased sales contribution of the high-priced carbide cutting tools as market conditions improved, which in turn boosted sales volume and increased average selling price. As a result, the revenue from sales of domestic cutting tools sales revenue increased by 19.9% to RMB399,665,000 in 2025.

In terms of export business, the Group's exported cutting tools were mainly for the DIY application market. Because of the imposition of worldwide tariffs by the United States this year, some customers were more conservative in their pricing due to the tariffs fluctuations, resulting in a decrease of 4.2% in average selling price, although sales volume remained about the same as last year. In summary, cutting tools export sales revenue decreased by RMB22,204,000 in 2025.

Overall, sales revenue of the cutting tools segment increased by 5.0% to RMB923,529,000 (2024: RMB879,342,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Titanium alloy — accounted for 13.3% of the Group's revenue in FY 2025

	For the year ended 31 December					
	2025		2024		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Titanium alloy						
Domestic	621,767	99.3	747,406	98.8	(125,639)	(16.8)
Export	4,220	0.7	8,964	1.2	(4,744)	(52.9)
	625,987	100.0	756,370	100.0	(130,383)	(17.2)

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

Sales volume of the titanium alloy segment increased by 14% compared to the previous year, while the average selling price decreased by 27%. This was mainly due to a decline in sales in the consumer electronics sector. The new series of mobile phone products of a key end customer replaced the use of titanium alloy with, and primarily uses, aluminum alloy in most of the current models, while retaining the use of titanium alloy in only one current model, leading to a decrease in orders for high-priced titanium alloy wire in the consumer electronics sector. The Group has accordingly adjusted its sales mix towards high volume titanium plates and tubes. However, the downstream applications of titanium plates and tubes are mainly in the chemical and energy industries, with relatively low added value. Therefore, although sales volume has increased, the average selling price has declined. In all, titanium alloy segment domestic revenue decreased by 16.8% to RMB621,767,000 in 2025.

In terms of exports, the Group continued to focus on developing the market for 3D printing and additive manufacturing applications. The Group is optimistic about the export demand for these applications.

Others — accounted for 1.7% of the Group's revenue in FY 2025

	For the year ended 31 December					
	2025		2024		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Export	85,411	100.0	100,976	100.0	(15,565)	(15.4)

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

MANAGEMENT DISCUSSION AND ANALYSIS

The demand in this segment were mainly driven by entry-level hardware and power tool sets from brand customers for exporting to the United States. The instability of the US tariff policies led to poor export performance, resulting in an overall decline in power tool sales.

In all, the total revenue from others segment decreased by 15.4% to RMB85,411,000 (2024: RMB100,976,000).

Financial Review

Net profit attributable to equity shareholders of the Company increased by 11.6% from RMB358,757,000 in 2024 to RMB400,228,000 in 2025.

Revenue

Recovery in domestic demand and market conditions were strong in general, causing increase in domestic revenue for DS, HSS and cutting tools segments. For titanium segments, the demand for titanium wire in the consumer electronics industry temporarily declined, mainly due to the reduction of the use of titanium alloy frames for new generation mobile phones by end customers. Although the Group rebalanced its sales mix towards titanium plate and titanium tube, the revenue of the titanium segment still decreased due to the low added value of titanium plate and titanium tube products.

On the export side, affected by the uncertainty of US tariff policy and slow recovery of European markets, purchasing intentions were generally low and competition was fierce. Export revenue decreased in general for all segments.

All things considered, revenue of the Group for 2025 totalled RMB4,718,830,000 representing a decrease of 2.3% when compared with RMB4,832,036,000 in 2024. For an analysis of individual segments, please refer to the "Business Review" section.

Cost of sales

The Group's cost of sales was RMB3,766,941,000 in 2025 representing a decrease of 2.1% as compared with RMB3,848,493,000 in 2024, primarily due to the decrease in revenue.

Gross margin

In 2025, the overall gross margin was 20.2% (2024: 20.4%). Set out below are the gross margin of the five segments of the Group in 2025 and 2024:

	2025	2024
DS	14.5%	12.1%
HSS	16.7%	15.2%
Cutting tools	28.3%	30.3%
Titanium alloy	26.8%	33.5%
Others	3.9%	15.5%

MANAGEMENT DISCUSSION AND ANALYSIS

DS

The gross margin increased to 14.5% in 2025 (2024: 12.1%), mainly due to the recovery of domestic manufacturing sector, allowing a smooth transmission of procurement costs and additional gross profit to the customers.

HSS

Similar to DS, domestic demand driven by the recovery of manufacturing sector allowed the Group to smoothly pass on the procurement costs and additional gross profit to its customers. Regarding the export market, gross profit margin also benefited from improved cost transmission. The overall gross margin increased to 16.7% in 2025 (2024: 15.2%).

Cutting tools

The gross margin of cutting tools decreased from 30.3% in 2024 to 28.3% in 2025. Exports have always accounted for a significant portion of the Group's cutting tools segment. In 2025, due to the impact of the United States imposing worldwide tariffs, the gross profit margin of cutting tools products was compressed to some extent.

Titanium alloy

The gross margin of titanium alloy decreased from 33.5% in 2024 to 26.8% in 2025. This was primarily due to the decline in demand from the consumer electronics industry during the year. Sales volume of high-gross-margin titanium alloy wires decreased, whereas sales volume of low-gross-margin plates and tubes increased. This shift in product mix contributed to the decrease in the overall gross profit margin of titanium alloys compared to the previous year.

Others

The decline in export volume prevented the business from allocating enough volume to cover fixed costs, resulting in a material decrease in the gross margin of others segment from 15.5% in 2024 to 3.9% in 2025.

Other income

The Group's other income increased from RMB176,215,000 in 2024 to RMB230,271,000 in 2025. It was mainly due to (1) significant appreciation of EUR against RMB, causing an exchange gain on the trade receivables denominated in EUR; (2) government subsidy for qualified research and development projects increased in 2025.

Distribution expenses

Distribution expenses in 2025 were RMB105,180,000 (2024: RMB144,072,000). The decrease in distribution expenses was mainly due to the decrease in export sales caused by the uncertainty in US tariffs policy. In addition, since the Red Sea Crisis was resolved, the average unit shipping cost was lower in 2025 compared to 2024.

Administrative expenses

Administrative expenses decreased from RMB172,675,000 in 2024 to RMB169,058,000 in 2025. The main reason for the decrease was the reduction of administration staffs, which saved some costs. In 2025, administrative expenses amounted to approximately 3.6% of revenue (2024: 3.6%).

MANAGEMENT DISCUSSION AND ANALYSIS

Research and development expenses

The major component of research and development expenses in the industry is usually the cost of materials consumed in research and development projects. Materials are usually consumed in early stages of a project. Compared to 2024 in which there were more research and development projects in early stages, projects of the Group in 2025 were at testing and completion stages, requiring less material input. As a result, the research and development expenses decreased from RMB301,548,000 in 2024 to RMB287,581,000 in 2025.

Other expenses

The increase in other expenses was mainly due to the increase in impairment provision of the trade receivables. The Group provided general provision according to the credit loss policy, according to aging (including not past due). The total provision increased as the balance of trade receivables increased. Other expenses changed from credited amount of RMB1,055,000 in 2024 to debited amount of RMB32,648,000 in 2025.

Net finance costs

Certain portions of contingent redeemable equity interest of TG Tools held by third party investors were redeemed by the Group in early April 2025. The finance cost relating to the remaining contingent redeemable equity interest of TG Tools was saved and reduced in 2025 compared to 2024 as a result of less interest payable to the fewer number of remaining investors. On the other hand, the continued decline in average deposit interest rates led to a decrease in interest income on bank balance. Combining the above effects, the Group's net finance costs decreased from RMB138,121,000 in 2024 to RMB136,589,000 in 2025.

Income tax

As set out in Note 8 to the financial information above, the Group's income tax expense increased from RMB7,974,000 in 2024 to RMB31,230,000 in 2025.

Profit for the year attributable to equity shareholders of the Company

As a result of the factors set out above, the Group's share of profit increased by 11.6% from RMB358,757,000 in 2024 to RMB400,228,000 in 2025. The margin of profit attributable to equity shareholders of the Company increased from 7.4% in 2024 to 8.5% in 2025.

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

In 2025, total comprehensive income for the year attributable to equity shareholders of the Company was RMB402,283,000 (2024: RMB271,536,000) after taking into account foreign currency translation differences and fair value adjustments on equity investments.

During the year, the Group credited to other comprehensive income a foreign currency translation difference of RMB2,475,000 (2024: debited RMB107,458,000) related to translation of financial statements of overseas subsidiaries and overseas equity accounted investees.

The Group also recognised a fair value loss in the consolidated statement of profit or loss and other comprehensive income of RMB608,000 (2024: gain of RMB19,782,000) on its equity investments during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Other financial assets

Other financial assets held by the Group mainly included equity interests in Bank of Jiangsu Co., Ltd., 雲南菲爾特環保科技股份有限公司 (Yunnan Filter Environment Protection S.&T. Co., Ltd.*), Nanjing Xiaomuma Technology Co., Ltd., JM Digital Steel Inc., 寧波梅山保稅港區啟安股權投資合夥企業(有限合夥) (Ningbo Meishan Free Trade Port Qian Equity Investment Partnership (Limited Partnership)*), 中金佳泰叁期(深圳)私募股權投資基金合夥企業(有限合夥) (CICC Jiatai Private Equity Fund III (Shenzhen) Partnership (Limited Partnership)*), Ji'nan Financial Fosun Weishi Equity Investment Fund Partnership (Limited Partnership), 嘉興丹墀合瑞股權投資合夥企業(有限合夥) (Jiaxing Danchi Herui Equity Investment Partnership Enterprise (Limited Partnership)*), 安慶毅泓創業投資合夥企業(有限合夥) (Anqing Yihong Entrepreneurship Investment Partnership Enterprise (Limited Partnership)*), Shanghai GZclad Laser Technologies Co., Ltd. ("Shanghai GZclad"), 丹陽博雲恒大天工產業投資中心(有限合夥) (Danyang Boyun Hengda Tiangong Industrial Investment Center (Limited Partnership)* and 蘇州毅鳴新材料創業投資合夥企業(有限合夥) (Suzhou Yiming New Materials Venture Capital Partnership Enterprise (Limited Partnership)*). All of these investments were stated at their fair value as at 31 December 2025. Other than the fair value loss, net of tax, of RMB608,000 (2024: gain of RMB19,782,000) recorded in the other comprehensive income in 2025, the fair value gain of RMB322,000 was recorded in other income (2024: loss of RMB4,769,000) for financial assets measured at fair value through profit or loss during the year.

Trade and bills receivable

Trade and bills receivable increased from RMB2,816,086,000 in 2024 to RMB3,206,973,000 in 2025. The increase in trade receivables was primarily due to the Group providing temporary payment terms to certain strategically valuable, high-potential clients in response to the unfavorable European market conditions. This measure aimed to alleviate short-term liquidity pressures caused by the local market downturn in exchange for strategic cooperation opportunities with downstream industries in Europe. The Group will closely monitor the operating conditions of these clients and dynamically adjust subsequent payment terms accordingly.

Loss allowance of RMB171,756,000 (2024: RMB143,288,000) accounted for 5.1% (2024: 4.8%) of the trade and bills receivable.

Macroeconomic Environment

In 2025, renewed escalation of global tariff disputes, heightened geopolitical tensions, persistent trade policy uncertainties, and persistently elevated financial market volatility collectively exerted pressure on the global economy. Despite these challenges, the global economy demonstrated resilience. Expansionary macroeconomic policies, positive market expectations for new technologies, and investment growth driven by artificial intelligence and robotics collectively supported global demand.

Amid multiple geopolitical conflicts and profound adjustments to the international economic and trade rules system, global industrial chains and supply chains accelerated their restructuring. Under the influence of solid progress in reform and opening-up in key areas and critical sectors, along with significant achievements in risk prevention, social stability was maintained. China's economy achieved steady progress, with its growth rate remaining among the highest among major global economies.

According to data released by the National Bureau of Statistics of China on 19 January 2026, China's GDP growth rate for 2025 was 5.0%, unchanged from 2024. New achievements were made in pursuing high-quality development, but the impact of external environmental changes deepened, and the economy still faces numerous challenges.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the value-added of equipment manufacturing industries above designated size, including automotive, electronics and aerospace sectors, increased by 9.2% compared to the previous year. Among these, the value-added of two sectors, namely (i) the automotive manufacturing industry and (ii) the railway, shipbuilding, aerospace and other transportation equipment manufacturing industry, grew by double-digit rates of 11.5% and 14%, respectively. This provided crucial support for profit growth in these industries, injecting momentum into domestic economic expansion. National R&D expenditure reached 2.8% of GDP that year, an increase of 0.11 percentage points from the previous year, surpassing the average level of the OECD countries. According to data from the China National Intellectual Property Administration, as of the end of December 2025, China's strategic emerging industries held over 1.534 million valid invention patents, while the value-added of patent-intensive industries accounted for over 13% of GDP.

China's overall development trajectory is characterized by "marching toward innovation." Compared globally, China's economic growth rate continues to lead among major economies worldwide. From the accelerated development of artificial intelligence to breakthroughs in robot manufacturing and application, and the explicit designation of aerospace as a strategic emerging industry in the "15th Five-Year" proposal, China's innovation-driven development strategy has yielded remarkable results. As a leading Chinese manufacturer of high-end materials like specialty steel and titanium alloys, the Group will actively seize the vast market opportunities and development space brought by emerging industries in a challenging operating environment.

Industry Review

Technological Upgrades of Tool Steel Drive Competitiveness

In 2025, special steel served as a vital foundational material for cultivating new productive forces. Through intensified technological innovation, product portfolio adjustments, and proactive expansion into international markets, it maintained steady growth while demonstrating heightened application value across multiple sectors. In 2025, the output of high-quality special steel and crude steel was projected to reach 79.74 million tonnes, representing a year-on-year increase of 1.3%. The output of crude steel for tool steel was expected to reach 870,000 tonnes, representing an increase of 2.4%. The industry continued to show improving prosperity and strong resilience.

With the rapid development of high-end manufacturing sectors such as automotive, machinery manufacturing and energy, demand for high-performance tool steel has significantly increased. Reviewing demand by sector, the automotive industry accounted for 35%, where lightweighting requirements were driving expanded use of aluminum alloy die-casting DS, with related demand reached RMB42 billion in 2025. Home appliances and electronics accounted for 28%, with miniaturization of consumer electronics boosting demand for precision DS.

China's mold industry has achieved breakthroughs in technological upgrading and in the application of intelligent and digital technologies, with growing market demand, particularly in high-precision and customized sectors. Domestic high-end tool steel technology continued advancing, achieving a 45% substitution rate for key materials, significantly enhancing competitiveness.

In overseas markets, Europe and North America remained major destinations for China's steel exports, where demand was primarily driven by high-end customised products and stock replacement, accounting for approximately 25% and 20% of global demand respectively. Despite challenges arising from supply — demand imbalances and pricing pressures, Chinese enterprises, leveraging cost advantages and technological improvements, still maintained a certain level of competitiveness in the international market.

MANAGEMENT DISCUSSION AND ANALYSIS

HSS Achieved Key Technological Breakthroughs and Import Reliance Gradually Declined

In 2025, driven by robust demand from key sectors such as new energy vehicles, consumer electronics and high-end equipment manufacturing, China's high-end HSS market demonstrated steady overall growth. Industry data indicates that the market scale for high-end steel (including HSS, DS and other specialty steels) continued to expand. In 2025, demand in related segments showed a marked recovery, with manufacturing steel consumption increasing to 51% of total steel consumption, surpassing structural steel for the first time and becoming the core driver of structural upgrading in the steel industry.

Among these, high-end products such as powder metallurgy tool steel have seen continuously increasing market penetration in high-end application fields like aerospace, automotive molds and precision machinery. This growth stems from their fine-grained microstructure, excellent red hardness, wear resistance and fatigue resistance. Compared to traditional forged/cast tool steels, powder metallurgy products offer distinct advantages in service life, machining precision and consistency. Their demand growth is particularly robust, positioning them as a crucial material foundation driving China's high-end manufacturing sector toward intelligent and lightweight upgrades.

Leveraging significant technological advancements and distinct production cost advantages, China's powder metallurgy HSS products have continuously enhanced their international competitiveness. Concurrently, the widespread adoption of intelligent manufacturing and digital management has further elevated product quality and production efficiency, making China's powder metallurgy HSS increasingly attractive in the global market. During the year under review, China achieved independent breakthroughs in key technologies like powder metallurgy HSS, with performance approaching international standards. These products were widely used in aerospace, automotive manufacturing and precision machinery, leading to a continuous decline in import dependency.

Although China maintained an overall trade surplus in powder metallurgy HSS, certain high-end products still relied on imports. As enterprises actively introduced advanced technologies and equipment and accelerated independent R&D, domestic production capacity and technological standards in powder metallurgy HSS will be further improved, leading to a gradual reduction in import dependence.

The Group's independently developed and produced powder metallurgy HSS, TPM330 and TPMD31, exhibit outstanding strength, wear resistance, and comprehensive mechanical properties. They are particularly suitable for high-precision transmission structures and high-end tooling applications, possessing significant market potential and substitution opportunities. These materials are poised to become key strategic materials across various manufacturing industries.

Cutting Tools: Manufacturing Sector Continues Recovery, with Accelerated Domestic Substitution of High-End Products

Driven by policy guidance and sustained equipment upgrade investments, the high-tech manufacturing PMI of the fourth quarter rose steadily from 50.5 in October 2025 to 52.5 in December 2025, indicating a gradual recovery and steady improvement in the high-tech manufacturing sector during the fourth quarter. This trend has significantly benefited the machine tool industry. Production of metal-cutting machine tools grew by 9.7% compared to the full year of 2024, directly boosting the machine tool sector and further driving demand in the cutting tool market. High-performance cutting tools increasingly play a pivotal role in enhancing machining precision, while specialized cutting tools support efficient processing. Together, they underpin the overall expansion of the cutting tool market. Within the industry, the application proportion of high-end cutting tools continues to rise, reflecting the manufacturing sector's demand for precision and intelligent transformation.

MANAGEMENT DISCUSSION AND ANALYSIS

With the steady advancement of domestic technological capabilities, the process of domestic substitution for high-end cutting tools has accelerated further, continuously reducing reliance on imports. This progress stems from sustained investments by local enterprises in material innovation, coating technologies and manufacturing precision. These efforts have enhanced the competitiveness of domestic products in terms of durability, machining efficiency and stability, while also delivering cost-effectiveness advantages. As competition in the low-end tool market intensifies, companies must strengthen product differentiation, enhance technological content and extend tool life to maintain market share and pursue sustainable profitability amid competition.

Beyond domestic market upgrades, although the global DIY retail market has seen some recovery, the competitiveness of domestic cutting tools in the North American market was temporarily affected following the introduction of tariff policies in April this year. North American customers have adopted a wait-and-see attitude in the short term, though export demand is expected to further rebound in the future.

In 2025, the cutting tool industry achieved high-quality, steady growth amid the domestic manufacturing recovery and accelerated domestic substitution. Trends toward high-end, intelligent, and green manufacturing became more pronounced, laying a solid foundation for sustained industry stability in 2026. The overall market is expected to become more positive once tariff tensions ease and exports recover.

Titanium Alloys: High-End Products Benefit from Global High-Tech Industry Upgrades

Overall, the titanium alloy industry remains in a phase of structural adjustment and upgrading. Demand for high-end titanium materials remains robust in aerospace, medical and precision manufacturing sectors, with prices holding firm, while mid-to-low-end products face price pressures and low capacity utilization due to supply-demand imbalances and import competition.

The Group anticipates that high-end titanium wire materials will benefit from multiple industries transitioning from low-end to high-end applications and increased downstream demand. Specifically, industry reports indicate that the entire titanium alloy market, encompassing various wire forms, is projected to reach approximately US\$6.57 billion by 2026 and US\$11.60 billion by 2035, with a compound annual growth rate of 6.52%. The growth of the high-end titanium wire market in 2026 is expected to benefit from multiple drivers, including increased demand from high-end manufacturing sectors such as aerospace, healthcare and 3D printing, expanded penetration in the consumer electronics sector, industrial technology upgrades, and resource security and policy support.

The Group stands to benefit from the increasing adoption of titanium alloys as frame materials in premium smartphones, driving market demand growth. This trend is particularly pronounced in foldable phone hinges and high-end models, where lightweight, high-strength titanium alloys are increasingly favored. Titanium alloy frames offer significantly superior bending resistance compared to aluminum alloys while achieving weight reduction, thereby better protecting screens and internal components. Furthermore, as consumer electronics incorporating titanium alloy materials scale up production, the Group's business is poised for accelerated growth.

MANAGEMENT DISCUSSION AND ANALYSIS

As the consumer electronics industry increasingly demands lightweight, high-strength and complex structural components, metal 3D printing is accelerating its transition from validation to mass production, significantly expanding the application boundaries of titanium alloys. Demand for titanium alloy 3D printing materials will experience further explosive growth between 2026 and 2027. Titanium material applications will emerge as a new trend in consumer products. 3D printing technology addresses the challenges of machining titanium alloys via traditional CNC processes and the high tool wear associated with them. It enables dual optimization of cost and yield rates in products such as aerospace fasteners, eyeglass temples, smartphone hinges, and high-end bicycle components. The penetration rate of titanium-based 3D-printed products in the consumer market is expected to increase substantially in the future. In 2025, customers achieved new milestones in 3D printing certifications, and the Group successfully delivered its first batch of 3D-printed titanium alloy wire for aerospace applications.

Entering 2026, the Group will cater to diverse customer needs with both titanium alloy wire and powder products. As subsequent production capacity gradually increases and product certifications advance, the Group is poised to continuously elevate the revenue contribution of high value-added products in strategic emerging sectors such as aerospace, medical, high-end equipment and green energy, thereby further optimizing its product and profit structures.

Significant Events of the Group

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

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

In terms of business development, during the period under review, the Group delivered orders for several landmark projects and achieved breakthrough collaborations in its core high-end manufacturing sectors, laying a more solid foundation for the Group’s future growth. In March 2025, TG Tech officially delivered its first order of titanium alloy wire materials for aerospace-grade fasteners, marking a new milestone in the Group’s R&D and market capabilities in high-end titanium alloy materials and achieving a major breakthrough in the aerospace materials sector. The titanium alloy wire delivered this time underwent multiple rounds of technical breakthroughs and process optimizations, ultimately passing strict certification and comprehensive performance tests to meet aerospace standards and receive customer validation, successfully entering the formal supply phase. This demonstrates TG Tech’s independent innovation capabilities in aerospace-grade material technology. Commercial aerospace is one of China’s key development areas. This delivery serves as a driving force for the continued promotion of localised production of high-end materials in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

In May 2025, the Group engaged in cooperative discussions with the Aerospace Precision Engineering Research Institute and successfully signed the “Joint Development Agreement for TC4 Titanium Alloy Coiled Wire Materials for Civil Aircraft and UAV Fasteners”. This secured orders for civil aircraft and UAV fasteners that fully meet the aerospace standard AMS4931 requirements, breaking reliance on imports. With the steady rise in demand for high-end titanium materials in the aerospace sector and the commencement of production for commercial airliners, the growth potential for titanium wire demand is substantial. Among these, the Group has successfully delivered its first batch of titanium alloy wire for application in aerospace.

In August 2025, the Group gained access to plasma atomization technology and related equipment applicable to metals such as titanium, high-temperature alloys and copper alloys through its equity interests in Jiangsu Tiangong Tigrant New Materials Co., Ltd.* (江蘇天工鈦晶新材料有限公司). This further solidified the Group’s competitive edge in seizing opportunities within the global high-end titanium and titanium alloy sector while ensuring stable supply of titanium alloy materials for consumer electronics.

In the medical sector, the Group completed ISO13485 medical device quality system certification. Medical-grade titanium alloys such as TC4ELI and Ti6Al7Nb entered the supply chains of multiple leading medical device manufacturers. Production capacity for H8-grade precision medical rods and wires steadily increased, providing robust support for the high-quality development of the healthcare industry.

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

In September 2025 and March 2026, Jiangsu Tiangong Investment Management Company Limited, an indirect wholly-owned subsidiary, subscribed for approximately 10.53% equity interest in Shanghai GZclad for a total price of RMB6 million, entering the laser cladding and additive manufacturing sector. Shanghai GZclad specializes in intelligent laser solutions for mold repair and ultra-wear-resistant coatings, supporting the Group’s expansion into the high-end mold service market.

In October 2025, the central laboratory of TG Aihe was officially accredited by the China National Accreditation Service for Conformity Assessment (CNAS) with registration number CNAS L24384. This accreditation demonstrates that its laboratory management system, technical capabilities and testing standards have fully met national and international benchmarks. The laboratory’s test results are recognized in over 80 member countries and regions of the International Laboratory Accreditation Cooperation (ILAC) mutual recognition arrangement, facilitating the Group’s access to international markets and reducing technical trade barriers.

MANAGEMENT DISCUSSION AND ANALYSIS

In November 2025, TG Tools successfully obtained two certifications from the Korea Testing & Research Institute (KTR), namely “JIS G 4404 Alloy Tool Steel” and “JIS G 4403 High-Speed Tool Steel”, demonstrating that its tool steel products have fully aligned with the globally recognized high-end Japanese Industrial Standards across the entire production process.

During the year, leveraging over forty years of metallurgical expertise, the Group comprehensively deployed core products in the field of integrated die-casting with “near-net shape forming with built-in cooling channels”, achieving mass production and application. Notable breakthroughs were achieved in four key components, namely sprue bushings, plunger tips, shot sleeves and dispersion cones. Integrated die-casting represents a disruptive manufacturing process for the global new energy vehicle and intelligent equipment industries. Major international and domestic players are actively expanding their presence in this area, which holds immense market potential.

On 3 February 2026, the Group achieved a significant milestone in the high-end automotive steel sector: Atlas Special Steels Unipessoal Lda (“Atlas”), a distributor of the Group, received a supplier assessment notification from Volkswagen’s Portuguese plant based on products supplied by the Group. Leveraging the Group’s products, Atlas achieved an outstanding score of 96.82 points and was rated as a 2025 A-grade supplier by Volkswagen. The assessment covered multiple core indicators including technology, quality, delivery and commercial aspects. The Group’s products demonstrated outstanding performance in technical compatibility, quality stability and supply reliability, fully reflecting the Group’s product strength in the high-end manufacturing sector and international customer recognition. This achievement will further consolidate the Group’s brand image and competitive advantage in the global high-end special steel market.

Major Innovations and Green Technology Achievements

Practice green production

In March 2025, the No. 2 EB furnace project completed by the Group for increasing the utilization of recycled titanium alloy, successfully completed its hot test on casting high-quality titanium ingots. This breakthrough further consolidates the Group’s technological advantage in the high-end titanium and titanium alloy sector. Since the commissioning of the No. 1 EB furnace at the beginning of 2024, the Group has continuously optimised the smelting process, overcome challenges, and successfully smelted several high-end titanium alloy grades. In February 2026, the No. 3 EB furnace successfully commenced trial production. This milestone not only further solidified the Group’s first-mover advantage in electron beam cold-bed melting technology but also provided robust support for the medium-to-long-term growth of its high-end titanium and titanium alloy business. In addition, the Group’s innovations in return material processing and recycling technology have effectively improved resource utilization, reduced production costs, and met the stringent environmental and ESG standards required by domestic and international customers. This technological breakthrough not only strengthened the Group’s competitiveness in the global high-end titanium alloy market but also promoted the expansion of the Group’s products in the consumer electronics, aerospace fasteners, and medical devices sectors.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group's scientific research and technology won numerous awards. In February 2025, TG Tech and TG Tools, subsidiaries of the Company, were successfully selected for the Jiangsu Province 2024 "Green Factory" list.

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

In February 2026, TG Tools was successfully selected for the "Green Factory, Green Industrial Park (2025)" list of the Ministry of Industry and Information Technology.

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

Product Innovation, Leading National Key Projects

In the first half of 2025, the Group collaborated with eight renowned institutions, including Tsinghua University and Contemporary Amperex Technology Co. Limited, to jointly initiate the national key research and development project — "Research and Application of Key Technologies in Powder Metallurgy and Additive Manufacturing for New Die Casting Mold Steel". The implementation of this project will accelerate China's technological breakthroughs in the field of DS manufacturing and promote the industrial application of high-end die-casting mold materials. As the leading entity in DS manufacturing with powder metallurgy technology, the Group has not only enhanced its research capabilities in the field of advanced materials but also secured an important position in the layout of national strategic emerging industries.

Looking back at 2025, the Group achieved multiple innovations in the high-end product sector. Particularly as China's humanoid robotics industry entered the golden development phase preceding industrialization, the Group proactively invested in independent R&D and launched high-end materials specifically engineered for the robotics sector. This initiative not only secured the Group's competitive edge in a market poised to reach trillion-dollar scale but also laid a solid foundation for empowering downstream industrial chains and advancing critical component development. It has garnered widespread recognition across multiple high-growth sectors.

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's TGE23 product series met the urgent demand for high-performance, large-scale die-cast components in cutting-edge industries such as new energy vehicles and communications. This overcame the long-standing technical challenge in China of large-scale modules being unable to meet the demands of integrated die-casting due to structural segregation. In January 2025, the TGE23 series products produced by the Group successfully passed the certification of the North American Die Casting Association (NADCA), becoming the first enterprise in China to receive this honor. This recognition demonstrates that the Group has established itself as a world leader in materials for large-scale integrated die-casting molds. The certification is highly authoritative, with only a limited number of companies worldwide having obtained it. The Group has successfully broken through with its excellent product quality and technological strength, providing strong endorsement for further expansion into the North American and international markets.

In August 2025, through its equity interest in Jiangsu Tiangong Tigiant New Materials Co., Ltd.* (江蘇天工鈦晶新材料有限公司), the Group successfully introduced and mastered plasma atomization technology. This technology utilizes a high-temperature plasma jet exceeding 10,000 degrees Celsius to melt metal wire, primarily used for producing ultra-high-purity spherical titanium alloy powder. It finds extensive applications in cutting-edge fields such as 3D printing (additive manufacturing), aerospace, and medical devices, where atomization is particularly challenging. Plasma atomization powder technology resolves the issue of poor microstructure uniformity in traditional powder metallurgy processes caused by the difficulty in processing certain high-melting-point metals. The powder produced by plasma atomization exhibits exceptional sphericity and a finer, more controllable particle size (as low as 1–20µm), offering superior flowability. This meets the demanding performance requirements for aerospace-grade and micro-precision components. This technology is applicable to various metals that are difficult to atomize, such as titanium, high-temperature alloys, and copper alloys, enabling the Group to offer more high-value precious metal powder products in the future. With the iterative development of new processes such as additive manufacturing, market demand for high-performance metal powders is becoming increasingly diversified. Leveraging its output of powders with exceptional sphericity and ultra-high purity, plasma atomization technology significantly enhances the forming precision and density of end products in additive manufacturing, making the production of complex precision components more efficient. It has become a key driver of innovation in the aerospace and high-end medical sectors. As one of the few domestic enterprises to have mastered plasma atomization technology, the Group is well-positioned to further demonstrate its strong technological capabilities in emerging fields such as laser cladding, 3D printing and metal injection molding, where metal powder applications are increasingly expanding.

In 2025, the Group achieved a major breakthrough in new structural materials for nuclear fusion. It successfully produced 600kg-grade TPM304B7 plates using powder metallurgy technology, which passed rigorous reliability and stability assessments conducted internally, by the Institute of Energy, Hefei Comprehensive National Science Center, and by third-party evaluators. This milestone demonstrates that the Group has established end-to-end customized R&D and production capabilities encompassing raw material selection, powder metallurgy forming, and performance testing, positioning it to supply core structural materials with superior performance and higher reliability for next-generation fusion devices. Looking ahead, the Group will continue to leverage the joint laboratory platform to accelerate the development of next-generation materials, including novel neutron shielding steel with a boron equivalent exceeding 3.2wt%.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Outlook

Looking ahead, having successfully positioned itself among the world's leading enterprises in high-end materials through years of dedicated effort, the Group is turning challenges into opportunities. In the face of a complex and volatile environment, the Group will further strengthen domestic circulation and differentiated competition, precisely seizing the opportunities arising from import substitution and green transformation. The Group will continue to focus on global high-end industrial chains, upholding its mission to "empower cutting-edge technologies with advanced powder metallurgy materials" and continuously drive material innovation in critical sectors such as aerospace, nuclear fusion and new energy, achieving steady development through strong comprehensive strength.

The Group will continue to deepen its dual-wheel strategy of "core business + emerging sectors."

Core Businesses

Tools steel

Looking ahead to 2026, China's steel industry will maintain a stable yet progressive development trajectory amid deepening structural adjustments and accelerated cultivation of new productive forces. According to forecasts by the Chinese Metallurgical Industry Planning and Research Institute, national steel demand is projected to reach approximately 800 million tonnes in 2026, representing a slight year-on-year decline of about 1.0%. However, steel demand in manufacturing sectors such as automotive, shipbuilding, home appliances and mechanical equipment will continue to demonstrate growth momentum. Among which, driven by the ongoing implementation of the national "Two New" policies and the further increase in new energy vehicle penetration, the automotive industry is projected to consume approximately 66.7 million tonnes of steel in 2026, representing a year-on-year increase of about 4.4%. Demand for high-strength, high-performance mold steel used in new energy vehicles is expected to show particularly significant growth.

As vehicle lightweighting and green manufacturing concepts gain traction, integrated die-casting technology is accelerating its penetration into medium-to-large structural components. China's integrated die-casting market is projected to expand further in 2026, imposing higher requirements on mold steel in terms of heat resistance, toughness and dimensional stability. This will drive continuous upgrades in high-end mold steel products and accelerate import substitution. The Group will continue to deepen strategic collaborations with OEMs and Tier 1 suppliers, actively participate in R&D and application validation of integrated die-casting mold materials, and seize structural opportunities arising from industry upgrades.

On the other hand, the application scope of powdered HSS continues to broaden. Driven by demands for precision manufacturing, smart manufacturing and domestic production of high-end equipment, powder metallurgy technology is evolving toward higher homogeneity and performance. Its penetration rate is steadily increasing in sectors such as precision cutting tools, molds, aerospace and new energy equipment. The Group will further increase R&D investment in powdered HSS products, refine its product portfolio, enhance product consistency and machining stability, and consolidate its technological leadership.

MANAGEMENT DISCUSSION AND ANALYSIS

Cutting tools

In 2025, propelled by policy support and investment, China's manufacturing sector pressed forward against headwinds, embracing innovation and excellence. According to the National Bureau of Statistics, China's latest high-tech manufacturing PMI for February 2026 reached 51.5%, entering the expansionary range, indicating robust performance in downstream high-end manufacturing. Stable demand growth in high-end sectors downstream of machine tools, such as new energy vehicles, robotics and aerospace, has significantly benefited machine tool manufacturers. Domestic key machine tool products have approached or reached internationally advanced technical standards. Exports of host machine tools have transitioned from conventional machines to mid-range CNC machines and high-end five-axis machining centers. The market share of domestic mid-to-high-end products has increased, with prospects for further boosting revenue and profit margins.

According to the China Machine Tool & Tool Builders' Association, the operating revenue of China's machine tool industry grew from RMB1,040.7 billion in 2024 to RMB1,057.1 billion in 2025, representing an increase of 1.6%. Additionally, based on statistics from the General Administration of Customs, China's machine tool exports reached US\$12.91 billion in 2025, representing a year-on-year increase of 14.60%, further driving demand in the cutting tool market. Relatively speaking, export prospects still face trade frictions and pressures stemming from geopolitical factors. Confronting both structural opportunities and export challenges within the industry, the Group steadfastly advances its competitive strategy of transforming the cutting tool business toward "high value-added, high technological barriers". We will continue investing in R&D within the precision cutting tools sector, accelerating product iteration and upgrades for cutting-edge applications. Leveraging our superior foundational material technologies and stable customized delivery capabilities, the Group will further strengthen its competitive edge in high-end domestic substitution. This approach enables us to withstand external geopolitical risks while steadily expanding our core share within global high-end manufacturing supply chains.

Titanium alloy

According to the aforementioned market analysis, the global titanium alloy market size is projected to reach US\$6.57 billion in 2026, representing approximately 6.48% growth from US\$6.17 billion in 2025. Technological innovation and process optimization will further expand the boundaries of the titanium alloy market, while high-end demand will drive enterprises to increase R&D investment, enhancing product performance and reliability. In key sectors such as aerospace, medical devices, consumer electronics and automotive industry, titanium alloy applications are accelerating. For instance, in aerospace, titanium alloys are extensively used in engine blades, airframe structures and rocket components to reduce weight and enhance energy efficiency. In healthcare, their exceptional biocompatibility enables applications in joint replacements, dental implants, and cardiac stents, enhancing the safety and durability of equipment. The consumer electronics industry has integrated titanium alloys into smartphones, laptops and wearable devices to enhance durability and portability. In the automotive sector, titanium alloys are commonly used in exhaust systems, lightweight bodies and battery casings for high-performance vehicles and electric vehicles, optimizing overall performance and reducing energy consumption. The market volume was projected to reach 166,440 tonnes in 2026, representing approximately 5.2% growth from 158,230 tonnes in 2025. To align with this trend, the Group has continuously advanced product and technological upgrades, establishing a differentiated competitive strategy focused on high value-added segments. Leveraging its first-mover advantage in securing multiple internationally recognized industry certifications, the Group has not only solidified its foundation in traditional high-end applications but also achieved significant breakthroughs in the consumer electronics sector. With the rapid increase in titanium alloy penetration within smartphones and wearable devices, we are leveraging upgraded production capacity and superior quality control to position the consumer electronics segment as the core engine driving robust growth in the Group's titanium alloy business.

MANAGEMENT DISCUSSION AND ANALYSIS

Emerging Sectors

Commercialization of Humanoid Robotics Drives Demand for High Value-Added High Nitrogen Steel

China's humanoid robotics industry is entering a pivotal phase of accelerated technological maturation, rapid commercialization and tangible market deployment. After years of technical accumulation and supply chain refinement, China has transitioned from early-stage proof-of-concept and prototyping to a phase of scaled production, deep application integration and ecosystem development. This trend was further validated in 2025. According to the "Humanoid Robotic Industry Development White Paper (2025)" (《人形機器人產業發展白皮書(2025)》) released by the China Academy of Information and Communications Technology (CAICT), the global humanoid robot market size reached RMB17.0 billion in 2025, with China contributing RMB8.5 billion, accounting for more than half of the global total. Annual shipments amounted to 12,000 units, surging by 420% year-on-year. In its "Humanoid Robotic Industry Development Research Report (2024)" (《人形機器人產業發展研究報告(2024)》), CAICT also maintained an optimistic outlook on long-term penetration rates and industry scale, indicating that the number of humanoid robotics in use may exceed 100 million units after 2045, extensively penetrating multiple sectors including manufacturing, logistics, healthcare, elderly care and domestic services. The overall market size is projected to surge to approximately RMB10 trillion, becoming a new engine supporting high-quality economic development. According to International Data Corporation (IDC) forecasts in March 2026, the global intelligent robotic hardware market size will approach US\$30 billion, with China leading the growth of the global humanoid robotic market and becoming the core dominant force driving market acceleration. By then, China's humanoid robotic market size will exceed US\$11 billion, while Chinese service and consumer robotic manufacturers will account for over 85% of global shipments, with related markets continuing to experience nearly 120% high-speed growth. The strong industrial momentum will extend across the upstream and downstream segments of robotic manufacturing, driving cyclical growth in demand for related materials. In addition, the expanding market arising from the growing trend of domestic production of key humanoid robotic components will also spur structural growth in demand for related materials.

China's humanoid robotic core structures impose extremely high demands on steel performance, particularly in balancing lightweight design with high strength. Critical components like skeletons, joints and drive systems must simultaneously exhibit excellent rigidity, fatigue resistance, wear resistance and corrosion resistance. This directly drives the R&D and application of high value-added specialty steels. Although high-performance steels account for a relatively limited share of total steel usage in humanoid robotics, their high-margin characteristics in niche markets position them as a crucial structural growth engine for high-end materials enterprises.

The Group has proactively expanded into the field of specialized materials for planetary roller screws, a critical transmission component in humanoid robotics, and in collaboration with premium domestic partners, has successfully overcome long-standing technological barriers previously monopolized by foreign entities. Through independently developed and proprietary smelting processes, the Group has effectively resolved key technical challenges such as precise control of nitrogen content and material purity, thereby completely eliminating its reliance on imported high-nitrogen alloy materials and successfully launching its flagship product TPMDC02A, being a high-nitrogen alloy material. This will increase the proportion of high value-added products, thereby providing positive support for the overall gross profit margin. As the penetration rate of high-performance materials in high-end application areas increases, this product is expected to enhance the Group's competitiveness and profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

High-nitrogen stainless steel, with its ultra-high strength, high toughness, excellent corrosion resistance, high wear resistance, and outstanding fatigue resistance, is particularly suited for applications in the most value-critical segments of humanoid robotics. This includes the manufacturing of core components such as the screw shaft, nut or rollers for planetary roller screws. This significant technological breakthrough not only substantially enhances China's self-reliance and control over the supply chain for high-performance transmission components but also provides robust material support for advancing the high-quality development of the humanoid robotic industry and accelerating the localization of premium alloy materials. It propels Chinese manufacturing toward ascending the global high-end value chain. Industry reports indicate that planetary roller screws account for approximately 15-20% of the total cost of humanoid robotics, demonstrating substantial market potential.

Nuclear Fusion “Ultimate Energy” Technology Drives Demand for New Materials and Fine Powder Metallurgy

In 2025, the rapid development of artificial intelligence and big data industries created long-term power supply gaps. Additionally, the application of high-temperature superconductivity and artificial intelligence technologies in nuclear fusion substantially reduced construction costs for fusion devices. The industrialization of controlled nuclear fusion projects gained significant momentum. Driven by both anticipated demand surges and technological breakthroughs on the supply side, upstream material suppliers and midstream equipment manufacturers within the controlled nuclear fusion industry chain experienced a definitive surge in orders.

Nuclear fusion is hailed as the “ultimate energy source.” Its principle involves replicating the nuclear fusion reactions occurring within the sun, where light elements fuse into heavier ones, releasing immense energy in the process. Fusion fuel sources, such as deuterium, are virtually inexhaustible and pose lower radioactive risks, making it safer than traditional nuclear fission (e.g., nuclear power plants). The cladding of a fusion reactor must withstand a complex extreme environment involving high-energy neutron irradiation, extreme temperatures, intense heat flux, and powerful magnetic fields. This demands exceptionally high material performance to prevent any leakage of radioactive substances. Cladding structural materials are primarily used to form and support this critical component. In nuclear fusion reactions, plasma must be heated to over 100 million degrees Celsius within the vessel, imposing stringent demands on cladding structural materials. These materials must exhibit excellent resistance to radiation-induced swelling, high-temperature strength, thermal conductivity, and inherently low activation characteristics. Consequently, cladding materials represent one of the core bottlenecks determining the commercial viability of nuclear fusion energy.

The Group utilizes powder metallurgy technology to produce nuclear fusion materials, including high-boron steel (304B7) and advanced low-activation steel (RAFM steel) for nuclear power applications. Core application areas include shielding layers and vacuum chamber interlayers. In respect of high-boron steel (304B7), the Group has successfully produced 600kg-grade TPM304B7 plates using powder metallurgy technology, which passed rigorous reliability and stability assessments conducted internally, by the Institute of Energy, Hefei Comprehensive National Science Center, and by third-party evaluators. This marks a substantial step forward in the Group's R&D of critical nuclear fusion materials.

Concurrently, the Group jointly accelerated R&D process of advanced low-activation steel (RAFM steel), a key structural material for nuclear fusion, achieving laboratory-stage breakthroughs in residual element control and high-temperature radiation resistance. The material maintains stable performance in harsh environments exceeding 550°C, with engineering applications anticipated by 2027. With the growing global demand for sustainable energy and the ongoing advancement of nuclear fusion commercialization, the Group is poised to become a key material supplier in this field, benefiting from the anticipated surge in nuclear fusion demand.

MANAGEMENT DISCUSSION AND ANALYSIS

Emerging sectors will focus on the following three key development directions:

- (1) in the robotics materials sector, we are advancing the upgrade of TPMDC02A high-nitrogen alloy materials from scaled supply to routine mass production, aiming to achieve annual large-scale deliveries;
- (2) in the nuclear fusion materials sector, we are accelerating capacity expansion for 304B7 high-boron stainless steel, aiming to advance commercial-scale production and enter the supply chain for China's mainstream fusion experimental facilities. We strive to complete engineering validation for RAFM steel to support the construction of the CFETR experimental reactor; and
- (3) in the plasma atomization technology application sector, we are expanding the production of titanium alloys, copper alloys and high-temperature alloy powders while developing additional metal powders. We extend 3D printing applications into high-end sectors such as aerospace and medical implants;

At the same time, the Group will persistently address raw material price volatility and trade policy uncertainties by strengthening risk resilience through supply chain diversification, technological cost reduction and product portfolio upgrades. We will leverage technological innovation to establish a global footprint.

Operation Strategy of the Group

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

Proactively Seizing New Opportunities in Domestic Demand

In response to China's ongoing strategy to expand domestic demand and achieve high-quality development in 2025, the Group aligns with national policy directives and industrial upgrading trends, further refines our high-end materials technology portfolio and deepens our presence in core application sectors such as new energy vehicles, consumer electronics and aerospace. To align with the development trends of lightweighting, integrated die casting and green intelligent manufacturing in the new energy vehicle sector, the Group has continuously increased R&D investment. It has successfully launched a new generation of high-performance mold steel materials featuring enhanced thermal fatigue resistance and wear resistance, significantly improving mold stability and service life. This supports vehicle manufacturers in boosting production line efficiency and product quality.

In the powder metallurgy and precision smart manufacturing sectors, the Group actively participates in the smart manufacturing ecosystem. The national key R&D project "Key Technologies for Powder Metallurgy and Additive Manufacturing of New Die-Casting Mold Steel (新型壓鑄模具用鋼粉末冶金與增材製造關鍵技術)" led by the Group has achieved phased results, overcoming multiple core technical bottlenecks and further solidifying its global leadership in high-end mold materials. Additionally, the precision tools business accelerated its upgrade with the official launch of the Group's Precision Tools Research Institute. Gathering top-tier expert teams from Sweden, South Korea and China, the institute successfully introduced multiple domestically produced ultra-precision cutting tools featuring enhanced durability and machining accuracy. This significantly increased the market share of domestic tools, providing cost-effective solutions for high-end manufacturing sectors such as aerospace and consumer electronics, and comprehensively supporting China's manufacturing initiatives.

MANAGEMENT DISCUSSION AND ANALYSIS

Simultaneously, the Group's No. 2 EB furnace project has commenced full-scale production, further enhancing refining and processing capabilities for high-purity titanium and premium titanium alloys, meeting the growing market demand for advanced materials in emerging industries including consumer electronics, aerospace and high-end medical equipment.

Moving forward, the Group will continue to drive development through innovation, optimize product portfolios and manufacturing processes, consolidate its core competitive advantages in high-end materials, and contribute to industry transformation, upgrading and high-quality growth in domestic demand.

Expansion of Export Business

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

Guided by its globalization strategy, the Group has established a diversified overseas sales network. The total annual production capacity of the plants in Rojana Rayong Pluak Daeng Industrial Park, Rayong, Thailand amounted to approximately 100 million pieces, and is currently expanding to 140 million pieces. This project not only strengthens the production capacity of the Group but also actively responds to the demand in overseas markets. It also demonstrates the Group's keen insight into global market trends. The Group will leverage the supply chain flexibility of its Thailand production base to significantly reduce logistics costs and delivery cycles, enhancing competitiveness for clients in Europe, America and the Asia-Pacific region.

Marketing Strategy

Facing supply chain restructuring in high-end manufacturing and clients' surging demand for integrated solutions, the Group is accelerating its transformation from a traditional materials supplier to a comprehensive materials service provider. It is embedding itself in sectors such as the consumer electronics industry chain, aerospace and new energy vehicles. The Group provides technical support to downstream customers, enhances product performance, reduces finished product defect rates, strengthens customer service systems, and deepens understanding of customer needs to improve product R&D and after-sales service capabilities. Through high-end customized services, the Group gains deep insights into market demands, enabling it to deliver specialized, tailored products and services.

Brand and Industry Influence Continue to Rise

The Group actively participated in TCT ASIA 2025, the China International Hardware Fair (中國國際五金博覽會), the Shanghai Powder Metallurgy Industry Forum (上海粉末冶金產業論壇) and the Suzhou Commercial Heat Treatment and 3D Printing User Conference (蘇州商業熱處理與3D打印用戶大會) at the end of March 2025, comprehensively showcasing technological innovations in powder metallurgy and cutting tools. The Group highlighted its powder metallurgy tool and die steel and full range of cutting tools, attracting attention from high-end industries such as aerospace, new energy vehicles and 3D printing. Dr. Yu Yang, the Group's Chief Scientist, delivered multiple professional presentations and received accolades, underscoring the Group's technological leadership. These exhibitions enhanced the Group's brand influence and highlighted its strategic vision of driving manufacturing development through technological innovation.

MANAGEMENT DISCUSSION AND ANALYSIS

In April 2025, the Company's subsidiary, Jiangsu Tiangong Precision Tools Company Limited, was once again honored with the FASTCO 2024 Global "Best Supplier Award," marking its third consecutive year receiving this distinction. Moving forward, the Group will continue to enhance product performance and quality to create greater customer value.

In October 2025, the Company's subsidiary Jiangsu Tiangong Aihe Technology Company Limited received the Powder Metallurgy Innovation Award for its "Integrated Powder Metallurgy Key Components with Built-in Cooling Channels for Large Molds." Dr. Yu Yang, the Group's Chief Scientist, was honored with the "Outstanding Contribution Individual Award". This technology overcomes bottlenecks in high-temperature strength and thermal fatigue crack resistance for die-casting molds, enhancing cooling efficiency and service life. It has been validated by leading new energy vehicle manufacturers. Dr. Yu's keynote presentation on applying new powder metallurgy materials in automotive chassis integrated die-casting molds signifies Tiangong International's powder metallurgy technology has reached internationally leading standards.

In January 2026, the Group actively participated in the 2026 Nuclear Fusion Energy Technology and Industry Conference held in Hefei. The conference focused on original breakthroughs in nuclear fusion technology and industrialization pathways, accelerating the joint construction of an innovation and industrial ecosystem for nuclear fusion energy. As China's first enterprise to achieve large-scale production of powder metallurgy tool steel materials, the Group has successfully integrated into the national nuclear fusion innovation chain. This demonstrates the Group's professional reputation in high-reliability materials for extreme environments. The Group has also become a member unit of the Joint Laboratory (the "Joint Laboratory") led by the Institute of Energy, Hefei Comprehensive National Science Center. It is tackling key technological challenges and conducting engineering verification for material bottlenecks faced by magnetic confinement fusion devices, such as intense neutron irradiation, high thermal loads and long-term stability. Key projects include ton-scale manufacturing of large-dimension 304B7 materials, addressing challenges in composition uniformity, structural stability and synergistic strength-toughness; and R&D of novel neutron shielding steel with boron content exceeding 3.2wt%, achieving integrated shielding and load-bearing functions. The Group's participation in the Joint Laboratory represents a significant step for corporate's deeply engaging with national nuclear fusion initiatives and strategically positioning itself for future energy materials. In addition, the Group is expected to deeply participate, through its membership unit in the Joint Laboratory, in the International Thermonuclear Experimental Reactor (ITER) project under construction in France, and support the development and delivery of multiple core procurement packages, including key neutron shielding materials such as 304B7 nuclear-grade high-boron steel, thereby further consolidating the Group's strategic position in the global high-end nuclear power materials supply chain.

MANAGEMENT DISCUSSION AND ANALYSIS

Our Mission

Facing the complexity and uncertainty of the global macroeconomic environment, including geopolitical risks, shifts in international trade policies and fluctuations in raw material prices, the Group will adhere to prudent business principles. We will continuously optimize supply chain management and cost structures, flexibly adjust overseas market strategies, and actively expand into key regional markets such as Europe, Southeast Asia and the Americas. Through technology-driven innovation, product portfolio optimization and deepening global footprint, the Group is confident in continuously enhancing its core competitiveness amid the industry's transition towards high-end, intelligent and green transformation, thereby creating long-term sustainable value for shareholders.

Forward Looking Statements

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

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

Liquidity and Financial Resources

As at 31 December 2025, the Group's current assets included cash and cash equivalents of RMB1,069,583,000, inventories of RMB2,581,705,000, trade and other receivables of RMB4,037,664,000, pledged deposits of RMB114,954,000 and time deposits of RMB603,324,000. As at 31 December 2025, the interest-bearing borrowings of the Group were RMB3,434,032,000 (2024: RMB3,284,666,000), RMB2,490,507,000 of which was repayable within one year and RMB943,525,000 of which was repayable after one year. The Group's adjusted net debt-to-equity ratio, which is calculated based on adjusted net debt (defined as total interest-bearing borrowings plus other financial liabilities and unaccrued proposed dividends, less time deposits and cash and cash equivalents) divided by adjusted capital (comprising all components of equity, less unaccrued proposed dividends) as at 31 December 2025, was 35% (2024: 36%).

As at 31 December 2025, borrowings of RMB2,609,984,000 were in RMB, none were in USD, EUR46,313,000 were in EUR and HKD156,687,000 were in HKD. The borrowings of the Group were subject to interest payable at rates ranging from 2.20%–4.85% per annum. Approximately 54.1% (2024: 54.9%) of the interest-bearing borrowings was at fixed interest rates. There is no seasonality in borrowing requirements of the Group.

Cash and cash equivalent of RMB949,000,000 were in RMB, USD11,254,000 were in USD, EUR1,370,000 were in EUR, HKD8,885,000 were in HKD, THB94,445,000 were in THB and IDR1,776,630,000 were in IDR.

During the year, net cash generated from operating activities was RMB294,439,000 (2024: RMB501,762,000). The decrease was mainly attributable to the sales in fourth quarters of 2025 was significantly higher, resulting in an increase in working capital tied up in trade receivables at the end of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Conversion Cycle

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

The Group's turnover days of inventory for 2025 was 247 days (2024: 237 days). The increase in inventory turnover days was primarily attributable to the upward trend in the price of tungsten, the Group's key raw material, which elevated the carrying value of inventory. This, combined with a short-term lag in sales outbound velocity, led to a temporary rise in turnover days. The Group will continue to enhance inventory management and adjust procurement schedules as appropriate.

The Group's turnover days of trade receivables for 2025 was 233 days (2024: 216 days) while the turnover days of trade payables for 2025 was 114 days (2024: 116 days). The increase in turnover days of trade receivables was mainly attributable to the Group's provision of temporary credit term support to strategic customers in Europe in response to the market downturn. The Group will continue to monitor the operating status of these customers and adjust credit terms dynamically.

Accordingly, the Group's cash conversion cycle for 2025 was 366 days (2024: 337 days). The management will continue to monitor closely the operations in view of the changing business environment.

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

Capital Expenditure and Capital Commitments

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

For 2025, the Group's net decrease in property, plant and equipment amounted to RMB64,267,000. Major capital expenditures were completed in previous years and net depreciation began to reflect. As at 31 December 2025, capital commitments amounted to RMB535,009,000 (2024: RMB734,949,000), of which RMB207,601,000 (2024: RMB129,633,000) were contracted for and RMB327,407,000 (2024: RMB605,316,000) were authorised but not contracted for. The majority of capital commitments related to expansion of titanium rod, wire and powder production line, and new screw tap production line etc. and will be funded by internal resources and operating cash flows of the Group.

Foreign Exchange Exposure

The Group's revenues were denominated in RMB, USD, EUR and THB, with RMB accounting for the largest portion of 56%. 44% of total sales and operating profit were subject to exchange rate fluctuations. The Group has put in place measures such as monthly review of product pricing in the light of foreign exchange fluctuations and incentivising overseas customers to settle balances on a more timely basis to minimise the financial impact of exchange rate exposures.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge Of Assets

As at 31 December 2025, the Group pledged certain bank deposits amounting to RMB114,954,000 (2024: RMB134,494,000) and certain trade receivables amounting to RMB142,634,000 (2024: RMB137,751,000). Both pledged bank deposits and trade receivables are for issuing bank acceptance bills.

Material acquisition and disposal

Deemed disposal of equity interest in TG Tech

On 13 May 2025, TG Tech was listed on the Beijing Stock Exchange ("BSE"). Upon the completion of the public offering with over-placing option fully executed, the Company is indirectly interest in 443,380,623 shares of TG Tech, representing 67.63% of the enlarged issued capital of TG Tech, a decrease of 7.95%.

For further details, please refer to the Company's announcement dated 31 October 2022, 21 December 2023, 24 April 2025, 30 April 2025 and 12 June 2025.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries and associates of the Group during the reporting period.

Employees' Remuneration and Training

As at 31 December 2025, the Group employed 3,601 employees (2024: 3,527 employees). Total staff costs for the year amounted to RMB406,151,000 (2024: RMB421,605,000). The decrease in total staff costs was mainly due to the decrease in the average wage in the production department. A portion of the production workers' wages were related to piece-rate production, and overall output quantity in 2025 was lower than last year, resulting in a corresponding decrease in labor costs. The Group provided employees with remuneration packages comparable to market rates and employees are further rewarded based on their performance according to the framework of the Group's salary, incentives and bonus scheme. 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. The Group maintained a share option scheme for incentive purposes. For further details of the share option scheme, please refer to the section headed "Share Scheme" in the Report of the Directors in this annual report.

Contingent Liabilities

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

Principal Risks and Uncertainties and Mitigating Measures

In addition to the financial risks mentioned above, the Group faces certain operating risks and uncertainties, including downstream demand, geopolitical tensions in the Middle East and business expansion.

Uncertainties in downstream demand fluctuations and macroeconomic recovery

The Group's high-end materials are widely used in sectors such as consumer electronics, new energy vehicles and high-end equipment manufacturing. Although domestic manufacturing demand gradually recovered in 2025, any reversal in macroeconomic recovery or persistent weakness in end-consumer spending would directly impact the Group's order growth and capacity utilization, potentially exerting downward pressure on product pricing. To address this, the Group is actively expanding into multiple emerging sectors to effectively diversify and hedge against operational risks arising from demand fluctuations in any single downstream market.

MANAGEMENT DISCUSSION AND ANALYSIS

Geopolitical conflicts in the Middle East, resulting in energy price surges and uncertainties in the raw material supply chain

The US-Israel-Iran conflict that emerged in 2026 has caused energy price spikes and disrupted global supply chain resilience, impacting global manufacturing. Although China's overall energy supply is not heavily dependent on imported oil, making the impact on domestic manufacturing relatively controllable, the global increase in electricity costs, material expenses and transportation costs will inevitably push up overall manufacturing costs. Should domestic demand in China remain persistently weak, despite having relatively strong pricing power and cost-passing ability as a high-tech barrier high-end manufacturer, the Group still faces the risk of margin compression.

To effectively hedge against this uncertainty, the Group is accelerating capacity expansion at its Thailand precision tools plant and tool & die steel base. By building a more resilient overseas localized production and delivery network, the Group can flexibly mitigate tariff and logistics cost pressures arising from international trade frictions, thereby ensuring steady growth in global market share. At the same time, the Group is promoting energy conservation and emission reduction through digitalization and smart manufacturing, while strengthening product and customer mix management and enhancing product performance to increase pricing power.

Uncertainties in new business expansion and commercialization of high-end materials

In recent years, the Group has accelerated its transformation into the high-end new materials sector, achieving major technological breakthroughs in cutting-edge fields such as humanoid robotics components, nuclear fusion materials and 3D printing titanium powder. However, these high-end materials businesses are currently mostly in the technology validation or small-batch delivery stage. The subsequent pace of large-scale commercialization is highly dependent on the development trajectory of downstream emerging industries and the timing of customer adoption. If downstream customers slow down technology upgrades due to demand or cost considerations, or if the market penetration rate of emerging industries falls short of expectations, the Group may face delays in new product sales and profit realization.

In Compliance with Laws and Regulations

As a company listed in Hong Kong, the Company is subject to the regulations of the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Stock Exchange"). Since the shares of TG Tech, a 67.63% owned subsidiary of the Company, are listed on the Beijing Stock Exchange (the "BSE"), TG Tech is subject to the regulations of the BSE. Also, various PRC government authorities, particularly the State Environmental Protection Administration, have the authority to issue and implement regulations governing various aspects of special steel production. The Group will constantly update and ensure compliance with new rules and regulations issued by these regulators.

As at 31 December 2025 and up to the date of this report, the Board was unaware of any non-compliance with the relevant laws and regulations that had a significant impact on the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Relationships with Key Stakeholders

(i) Employees

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

As at 31 December 2025, the gender ratio of the Group's workforce (including the Company's senior management) was approximately 69.3% male to 30.7% female. The Company's hiring is merit-based and non-discriminatory. Due to the nature of the businesses involved, it is common for there to be a higher number of male employees hired and therefore the Board is satisfied that the Company has achieved gender diversity in its workforce.

(ii) Suppliers

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

(iii) Customers

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE **REPORT**



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. About this ESG Report

1.1 Basis of Preparation

This report is the tenth Environmental, Social and Governance report (hereinafter referred to as “this ESG Report”) issued by Tiangong International Company Limited (hereinafter referred to as “the Company”) and its subsidiaries (hereinafter collectively referred to as “the Group”), which systematically presents the Group’s performance in environmental, social and governance (ESG) aspects for the year 2025.

The Company prepared this ESG Report in accordance with Appendix C2 Environmental, Social and Governance Reporting Code (hereinafter referred to as the “ESG Code”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1.2 Scope of the Report

This ESG Report covers the Company and its major subsidiaries. The reporting period is aligned with the 2025 annual report, from 1 January 2025 to 31 December 2025 (the reporting period). To enhance the narrative completeness of the report, some content may fall outside the above scope.

1.3 Reporting Principles

“Importance” Principle

The Group identifies and confirms materiality topics applicable to the Group for the reporting period, and discloses them as key topics in this ESG Report.

“Quantification” Principle

To comprehensively assess the Group’s ESG performance during the reporting period, the Group discloses the quantitative key performance indicators applicable under the ESG Code, and specifies the standards, methods, assumptions, and references used to calculate the quantitative KPIs, including the sources of the primary conversion factors.

“Consistency” Principle

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

“Balance” Principle

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.4 Publication Form

This ESG Report is published in Traditional Chinese and English. In case of any conflict or inconsistency between the Traditional Chinese and English versions, the Traditional Chinese version shall prevail. You can obtain the Traditional Chinese and English PDF versions of this ESG Report from the Group's website homepage at <http://www.tggj.cn/> and from the HKEXnews at https://www.hkexnews.hk/index_c.htm.

1.5 Contact Information

If you have any valuable feedback or questions about the Group's ESG work, please contact us via email.

Email: tiangongir@tggj.cn

2 Statement of Board of Directors

The Group highly recognizes the importance of ESG for the long-term and sound operation of the company. The Group strictly follows the ESG Code, continuously improving the Group's ESG management system and oversight mechanisms. The Board of Directors (the "Board") is the highest responsible, decision-making and supervisory body for ESG matters, mainly responsible for ESG-related management and for supervising and coordinating the Group's ESG risk management.

The Group regularly conducts materiality assessments on ESG topics. The specific assessment process and results are detailed in the ESG Report in the chapter on "Materiality Assessment". The Board has assessed the potential impact and opportunities of ESG-related matters on the Group's overall strategy and has reviewed the materiality assessment results of ESG topics. The Board is fully informed about the Group's ESG-related issues and confirms that the current management policies and philosophy align with the Group's sustainable development strategy. Details of the Group's important ESG topics in environmental and social aspects are disclosed in this ESG Report.

The Board continually strengthens its supervision and participation in the Group's ESG governance, and reviews progress and outcomes of ESG-related targets annually. The Group continuously monitors the progress and completion of targets related to greenhouse gas emissions, energy and resource use efficiency, and waste management, and discloses them in this ESG Report.

This ESG Report is true, accurate, and complete, with no false records, misleading statements, or material omissions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3 Strengthening ESG Management

3.1 ESG Governance Structure

The Board is the Group's highest authority for ESG matters, providing comprehensive supervision over the Group's ESG-related items and responsible for formulating and reviewing the Group's ESG development strategy and targets. The Board leads and participates in the identification, assessment, clarification and review of ESG risks (including climate change) and related matters, establishing a potential ESG risk list, and ensuring appropriate and effective risk management and internal control measures through robust risk management and internal control processes. Under the Board's leadership, the Group strictly complies with the laws and regulations of the regions where it operates in major decision-making processes, and, in line with the Group's actual situation, formulates internal charters, policies, and procedures related to ESG matters to ensure standardized and effective management and implementation.

In addition, to further integrate ESG concepts into corporate governance and comprehensively enhance the Group's ESG management capabilities, the Board has established an ESG Working Group, chaired by the Group's Directors, the Chief Financial Officer and the Finance Director, with members appointed by the Group's ESG-related departments and liaison representatives from the Company's subsidiaries.

ESG Working Group responsibilities include:

- Assisting the Board in coordinating and supervising the Group's ESG policies (including but not limited to environmental protection, climate change, human rights, health and safety, business ethics, information security, etc.) and the implementation of related ESG strategies.
- Reviewing and assessing the latest developments and trends in ESG and sustainability.
- Continuously monitoring the latest developments and trends in industry sustainable development.
- Reporting to the Board on material ESG matters and potential ESG risks (including climate change).
- Regularly collecting ESG-related data and information, and coordinating the preparation and disclosure of the annual ESG report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.2 Stakeholder Engagement

The Group has established a regular communication mechanism with stakeholders, through surveys, interviews, etc., to fully understand stakeholders' expectations and requirements regarding the Group's commitment to sustainable development and ESG management. The main issues of concern to stakeholders and the Group's main communication and response methods are as follows:

Stakeholder Categories	Key Areas of Focus	Communication and Response Methods
Shareholders and investors	Corporate governance Investment returns Operating performance Compliance and risk management	Shareholders' Meeting Earnings conference Regular and interim announcements Investor relations activities
Directors	Corporate governance Operating performance Compliance and risk management	Board of Directors Internal meetings and reporting
Employees	Protection of employee rights Employee development and training Diversity and equality Employee welfare and care Occupational health and safety	Workers' Congress Internal information sharing platform Multimedia (official accounts and other social platforms)
Government and regulatory authorities	Compliance and risk management Business ethics Tax compliance Social contribution Environmental protection	Government visits On-site research Official correspondence Information disclosure

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Categories	Key Areas of Focus	Communication and Response Methods
Customer	R&D innovation Green and low-carbon products Customer service experience Innovation and intelligent manufacturing	Customer satisfaction survey Customer hotline Official media platforms Customer/User conference
Supplier	Fair trade Supply chain ESG risk management Enterprise empowerment support	Supplier qualification review Supplier communication conference
Industry association	Innovation and intelligent manufacturing Industry co-creation and development Green and low-carbon products Product quality assurance	Industry association Communication and mutual visits Information disclosure Exhibition activities
Media	Corporate brand image Corporate strategic development Innovation and intelligent manufacturing	Media briefing Press releases/announcements Media engagement events
Community	Public welfare and charity Community participation Environmental protection	Public welfare projects Community volunteer activities Community communication

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.3 Materiality Assessment

To gain a full understanding of stakeholders' concerns, respond to their expectations and demands, and incorporate stakeholders' recommendations into our ESG management practices, the Group regularly conducts ESG materiality assessment and analysis, and reviews and audits the assessment results.

ESG Materiality Analysis Process:

Identification of Issues

- Refer to the HKEx ESG Code and capital market ratings, benchmark against peers' best practices, identify and organize material issues spanning governance and the three dimensions of economic, social, and environmental factors, forming our own issue library.

Stakeholder Survey

- Identify key stakeholder groups and the methods and channels for communicating with them.
- Invite key internal and external stakeholders to complete online or offline survey questionnaires, and prioritize the ESG topics in the topic bank by their level of impact.

Analysis and Evaluation

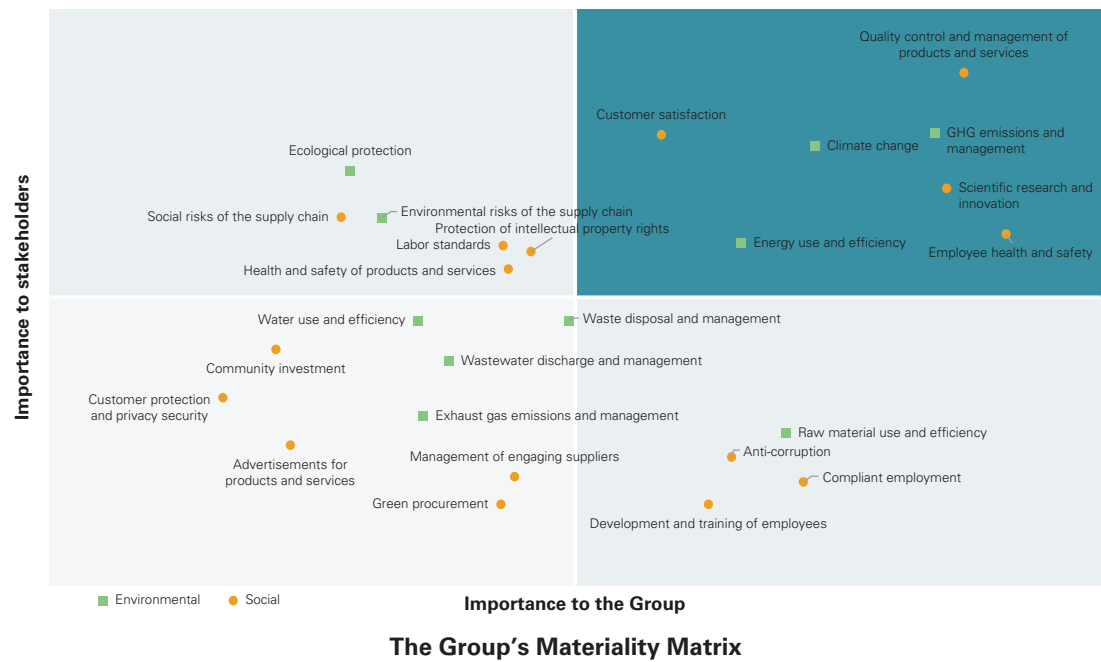
- Consolidate questionnaire feedback and survey results.
- Rank issues by maturity, stakeholder attention, and their importance to the Group.
- Derive a materiality matrix, using the matrix analysis to identify truly material issues.

Review and Confirmation

- Confirm material issues in conjunction with expert opinions.
- The Board reviews and confirms high-impact material issues, and discloses them prominently in the annual ESG report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting period, the Group reviewed the previous year’s materiality results, which showed no changes compared to the prior reporting period. The Group’s materiality matrix is as follows:



4 Enhancing Corporate Governance

The Group has always regarded improving corporate governance as the core cornerstone of sustainable business development, building a systematic, transparent, and compliant governance framework through sound internal controls, clear rights and responsibilities, and efficient supervision processes.

4.1 Fortifying Risk Defense

The Group continues to enhance its risk management framework. The Board bears ultimate responsibility for risk management in the course of operations. Its Audit Committee is responsible for monitoring the sound operation of the risk management and internal control systems, for reviewing the effectiveness of controls over the Company’s major risks, and for overall risk oversight. Management is accountable to the Board and responsible for implementing risk management.

The first line of defense	Business units and subsidiaries: formulate risk control measures in accordance with risk management standards and integrate them into daily risk management.
The second line of defense	Legal Department and various risk management functions: assist and oversee the implementation of risk management policies by each department and promptly identify risk gaps.
The third line of defense	Internal Audit Department and Audit Committee: independent from other departments, conduct risk monitoring and audits, and assess the effectiveness of risk controls.

The Group's Three Lines of Defense

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has established a comprehensive risk management process to identify, assess, and respond to risks effectively.

Risk identification	Identifying potential sources of risk through collecting information and categorizing them according to risk attributes.
Risk assessment	Assessing risk levels based on likelihood and severity, and prioritizing risks by significance.
Risk response	Establishing risk response measures at department level and continuously evaluating their effectiveness.
Risk monitoring	Continuously assessing changes in risks, and monitoring the progress and effectiveness of risk mitigation measures.

The Group conducts internal audits regularly at its operating locations to prevent and control risks. During the reporting period, the Group organized risk management-related audits, covering internal risk assessments in areas such as quality, occupational health and safety, environment, and compliance system standards. At the same time, the Group conducted external audits upon request by users, covering labor, occupational health and safety, environment, and business ethics.

The Group is committed to fostering a culture of risk management with everyone involved. Through broad risk and compliance awareness training, the Group actively promotes the continuous enhancement of employees' risk awareness and compliance capabilities. Each year, the Group arranges for directors to attend training organized by regulatory authorities, covering topics such as directors' legal responsibilities, internal controls for listed companies, interpretation of regulatory policies, and analyses of typical disciplinary cases, to help directors strengthen risk awareness and risk identification capability. When developing new products and new business relationships, the Group takes into consideration risks including financial risk, regulatory risk, and operational risk. In addition, the Group incorporates risk management indicators into the performance assessment of senior management to enhance their risk-bearing awareness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, the Group actively identifies and assesses emerging risks, and develops corresponding response strategies.

Risk Names	Impact on Business	Response Strategies
Business uncertainty risks from global trade protectionism	In 2025, geopolitical dynamics were expected to evolve in a complex manner and trade barriers were increasing, further intensifying uncertainty in the global steel market; facing market pressure, many countries strengthened protection of domestic steel industries, thereby further elevating the international trade environment risks and operating pressures faced by steel enterprises.	Strengthen overseas market monitoring and early warning, anticipate trade frictions in advance and dynamically adjust sales strategies; standardize internal management, follow international standards to refine full-process records to ensure reliable evidence in investigations; simultaneously continue to increase R&D investment, improve product quality and technical levels, and systematically enhance the Group's core competitiveness and risk resilience.
AI application risks	Production and supply chain data are vulnerable to attacks in AI modeling and transmission, potentially leading to leakage of trade secrets or regulatory penalties; excessive reliance on external AI solutions may undermine autonomy and controllability	Establish a data classification protection and access control system, implement algorithm filing and ethical review mechanisms, and set "ethical red lines" and veto rights for high-risk AI projects; conduct pilot programs first in scenarios such as quality inspection and predictive maintenance, while always ensuring that key processes involve human review and control.

4.2 Strengthening Compliance and Internal Controls

The Group has established a comprehensive compliance and internal control management framework, including policies such as the *Internal Audit System* and the *Contract Management System*. Through the coordination of business units, the Legal Department, and the Internal Audit Department, and ongoing optimization of norms and processes, the Group strictly prevents any conduct that could harm the Group's interests and safeguards its legitimate rights and interests.

The Internal Audit Department is responsible for auditing key matters such as internal controls, financial status, and trade security, and for proposing improvements. To ensure impartiality and objectivity, internal audit staff rotate every three to five years. The Group has established a positive communication and cooperation mechanism with the People's Procuratorate of Danyang City, and set up the "Jian 'Dan' Dang" private-enterprise compliance service station within the Group, continually raising the level of standardized corporate compliance governance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.3 Upholding Business Ethics

The Group adheres to the principle of integrity, with zero tolerance for any illegal acts such as corruption, bribery, extortion, money laundering, and fraud. The Group strictly complies with the laws and regulations including the *Criminal Law of the People's Republic of China*, the *Anti-Money Laundering Law of the PRC*, and the *Anti-Unfair Competition Law of the PRC*, and, in conjunction with the regulatory requirements where business operations are located, formulates the Code of Business Conduct to enhance employees' awareness of business ethics. The Group has also established management measures such as the *Employee Integrity and Self-Discipline Management Regulations*, clarifying the meanings and requirements across multiple aspects including discrimination, harassment, conflicts of interest, insider trading, bribery and corruption, fair competition, and social responsibility. The Group requires all employees to sign the *Employee Integrity and Self-Discipline Commitment Letter*, ensuring every employee complies with laws and regulations, clearly understands their responsibilities, and safeguards the mutual interests of the Group and its employees.

The Group's Internal Audit Department conducts regular audits related to business ethics, promptly identifying potential business ethics risks and issues, proposing improvements, and checking remediation to ensure business activities meet ethical standards. The Group has established a business ethics reporting mechanism and the *Management Regulations on Complaints, Reporting and Appeals*, encouraging employees and other stakeholders to actively report behaviors that violate business ethics. The Internal Audit Department is responsible for report management. The Group allows anonymous reporting and treats report information as strictly confidential. Upon receiving a report, the Group will follow the steps of intake and registration, intake evaluation and grading, establishment of an investigation team, conducting the investigation, forming conclusions and handling recommendations, follow-up remediation, and archiving, and will handle the matter in accordance with laws and regulations. The Group also provides training on reporting channels for employees and suppliers. In addition, the Group protects employees or stakeholders who file complaints, with oversight by employee representatives and the union, and strictly prohibits any retaliation or discriminatory actions such as punishment or dismissal. For employees who violate the Code of Business Ethics, the Group will take internal disciplinary measures according to the nature and severity of the violation.

During the reporting period, the Group did not receive any non-compliance (including corruption, harassment, discrimination, etc.) reports or complaints, nor did it experience any incidents of corruption, bribery, discrimination or harassment, client privacy data leakage, conflicts of interest, money laundering or insider trading violations involving itself or its employees.

Reporting email:

ia@tggj.cn

Reporting phone:

+86-511-8076 7192

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To raise employees’ awareness of the importance of integrity and self-discipline and to better implement the Employee Integrity and Self-Discipline Regulations, the Group holds monthly integrity training sessions for mid-to-senior management. At the same time, new employee onboarding includes a systematic study of professional ethics and conduct. During the reporting period, the Group achieved 100% coverage of anti-corruption and other business ethics-related training for directors. In addition, the Group encourages suppliers, partners and other stakeholders to actively participate in business ethics training and to establish and implement effective codes of conduct and enforcement mechanism.

Case: Special Legal Education and Training to Prevent Occupational Crime

During the reporting period, the Group conducted a training titled “Do Not Cross the High-Voltage Red Line, Preserve Our Professional Integrity — Special Legal Education on Preventing Occupational Crime of Tiangong International Company Limited” for key management positions such as the Chairman, General Manager, Plant Managers, Workshop Directors, and external liaisons. It profoundly reminded all personnel of the importance of “respecting, learning, and abiding by the law”, ensuring the compliance and legality when performing duties.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.4 Ensuring Information Security

The Group strictly adheres to laws and regulations such as the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, and the *Personal Information Protection Law of the People's Republic of China*. During the reporting period, it revised the *Information Security Management System*, adding privacy and personal information protection-related provisions, clarifying requirements in areas such as data minimization, consent and notice for information collection, and encryption and de-identification of sensitive information.

The Audit Committee of the Group assumes responsibility for overseeing information security. The Group has established the Information Security Management Leadership Group, responsible for information security management leadership work. The Chief Financial Officer (CFO) serves as the group leader, responsible for implementing information security-related tasks. The Data Center is responsible for the daily security management and operation and maintenance of information systems, and assists in the formulation, revision, and improvement of information security regulations.

The Group adopts comprehensive data security measures, including local, off-site, and private cloud backups, restricting access rights for external visitors. These are supplemented by real-time data protection through firewalls and vulnerability scanning. At the same time, the Group has achieved an effective separation between the business network and the internal network to prevent potential security threats from penetrating, thereby enhancing the reliability of the network environment in supporting business operations. During the reporting period, the Group continued to improve the data backup system, implementing daily incremental backup, weekly full backup, and an off-site backup mechanism to ensure data security and recoverability. The Group has established information security-related business continuity plans and conducts internal audits of the information security management system annually. In response to information security incidents, vulnerabilities, or suspicious activities, the Group has established an employee reporting process to ensure that relevant incidents are properly addressed.

The Group conducts annual information security training for employees in key positions. The training covers requirements for the secure use of information systems, information confidentiality standards, etc. During the reporting period, the Group did not experience data leakage, invasion of customer privacy, or other information security-related incidents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5 Quality Leads to an Excellent Future

Driven by innovation as the engine of R&D, and excellence as the standard of quality, the Group deeply integrates the philosophy of striving for perfection into the entire product lifecycle, builds a full-chain quality control system, and forges future-oriented sustainable competitive advantage.

5.1 Stimulating the Momentum of Innovation

The Group vigorously supports scientific research and innovation, establishing a systematic framework of tiered management, tiered evaluation, and tiered rewards, and formulating a series of policies and management measures related to scientific and technological innovation, thereby stimulating employees' innovative potential and promoting the application and transformation of scientific and technological innovation outcomes. During the reporting period, the Group's R&D expenditure was RMB287.58 million, accounting for over 6% of total annual revenue.

- ***R&D Innovation Management***

The Group has formulated supporting systems for scientific and technological innovation, including the *Measures for the Administration of Science and Technology Innovation*, the *Regulations for the Management of Scientific Research Projects*, and the *Rationalization Proposals Management System*. During the reporting period, it revised the *Management Measures for the Reward of Science and Technology Innovation* and the *Measures for the Management of Technology Innovation Projects*, significantly enhancing the rewards for scientific and technological achievements and improving the R&D evaluation system. The Group strengthens innovation incentives by raising the standards for invention patent rewards, establishing a Special Prize for Major Technological Breakthroughs, and implementing an industrialization revenue-sharing mechanism.

The Group continues to improve its innovation management system, building a research and development decision-making framework centered on the Technical Committee, forming a closed loop from strategic planning to the commercialization of results. The Technical Committee comprises management and technology heads, responsible for setting strategy, reviewing projects, and deciding key research directions. At the same time, the Group strengthens cross-department collaboration and coordination, optimizes the end-to-end project management system of "initiation — tracking — evaluation — transformation," and enhances the development of technical platforms, continually improving materials R&D capabilities and driving technological innovation to be more closely aligned with market needs, providing core support for the Group's high-quality development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to foster a company-wide culture of innovation, the Group has held the Annual Summary and Commendation Conference on Technological Innovation for 18 consecutive years. During the reporting period, 87 technological innovation projects have been evaluated and officially recognized. The teams and individuals who have achieved notable results and outstanding performance in technological innovation are commended as exemplary pioneers, in order to promote innovation and stimulate employees' innovative momentum.

- ***R&D Innovation Achievements***

The Group accelerates the commercialization of scientific research achievements. During the reporting period, the Group focused on high-performance tool materials and advanced manufacturing materials, actively participating in national and industry key technology R&D projects. It conducted targeted research on microstructure homogenization control of high-performance high-speed steel materials and the development of wear-resistant and high-toughness cutting tool materials, overcoming challenges in controlling the microstructure of high-carbon high-alloy steel materials during smelting, solidification, and hot processing. By optimizing material design and processes, the Group continues to improve material performance stability and product lifespan.

In early 2025, the Group's TGE23 series products passed certification by the North American Die Casting Association (NADCA), becoming the first domestic company to meet the material standards for large die-casting molds. This achievement marks the Group's leading position in the world tool and mould steel sector, and further demonstrates our competitiveness in the international market.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting period, the Group also achieved several honors in innovative R&D: Jiangsu Tiangong Precision Tools Company Limited (“Precision Tools”) was approved as a Jiangsu Province Enterprise Technology Center; Jiangsu Tiangong Technology Company Limited (“TG Tech”) maintained its qualification as a national high-tech enterprise; Jiangsu Tiangong Aihe Technology Company Limited (“TG Aihe”) was awarded titles such as “China’s Good Technology” and Jiangsu Province’s “Specialized, Refined, Distinctive and Innovative” SMEs. Our four technical products, including “High-Strength, High-Toughness, Corrosion-Resistant Titanium and Titanium Alloys” and “High-Strength High-Speed Steel Micro-Wire for Aerospace Micro-Drills”, were included in the Industry and Information Technology Department of Jiangsu “Two New” technology product lists.



TG Aihe Obtained China’s Good Technology

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case: New Breakthroughs in Powder Metallurgy

At the 7th Asia Powder Metallurgy International Conference, the Group's subsidiary TG Aihe, with the technology breakthroughs and industrialization results of the "Integrated large-mold built-in cooling channel powder metallurgy key component project", won the Powder Metallurgy Innovation Award. Chief Scientist Dr. Yu Yang received the Powder Metallurgy Outstanding Contribution Award. The project overcomes key bottlenecks including achieving high-temperature strength, realizing integrated manufacturing of complex conformal cooling channels. It has been implemented in leading new energy vehicle companies, successfully overcoming a key bottleneck in high-end die-casting molds, and demonstrating the international competitiveness of China's advanced manufacturing materials.

Case: Significant Progress in High-Nitrogen Alloy Materials

During the reporting period, TPMDM02N, a high-nitrogen alloy material independently developed by the Group, passed technical verification and was officially delivered to customers. The material employs a proprietary domestic refining technology to tackle challenges in nitrogen content control and purity enhancement for high-nitrogen alloys. Salt spray test results show corrosion resistance significantly superior to other materials, and it possesses high strength, high toughness, high wear resistance, and fatigue resistance. It has been progressively delivered to medical devices, high-end tooling, and other industries for validation and application. This breakthrough provides core material support for advanced equipment manufacturing and the robotics industry, and marks a major breakthrough in the domestic high-end alloy materials field.

- ***Participation in Standard Setting***

The Group actively participates in standard-setting work to promote industry-wide innovation and progress. Since 2013, the Group has edited or participated in formulating a total of 13 standards across national, industry, group, and local levels. In the reporting period, the Group contributed to the publication of two national standards: "High-speed Tool Steels" and "Tool and Mould Steels".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Selected Standards Edited/Co-edited by the Group

Standard Name	Level	Contribution
GB/T9943–2025 High-Speed Tool Steels	National standard	Participated in editing
GB/T1299–2025 Tool and Mould Steels	National standard	Participated in editing
GB/T 34564.1–2017 Cold-word Mould Steel — Part 1: High Toughness and Wear-resistance Steels	National standard	Participated in editing
GB/T 34565.1–2017 Hot-word Mould Steel — Part 1: Steels for Casting Mould	National standard	Participated in editing
GB/T 35840.3–2018 Steels for Plastic Mould — Part 3: Corrosion Resistant Steels	National standard	Participated in editing
JB/T 11448–2013 The Type and Dimensions for Drill Tip of Drills Bit for Chip Removal	Industry standards	Editor-in-Chief
JB/T 9986–2013 Micrography Tests of Heat-treated Tool Steels	Industry standards	Participated in editing

- Industry-Academic-Research Collaboration**

The Group maintains close collaboration with multiple universities and research institutes, including Shanghai Jiao Tong University, Southeast University, and China Iron & Steel Research Institute Group Co. Ltd (Formerly known as Central Iron & Steel Research Institute Co., Ltd), focusing on technologies in precision cutting tools, tool and mould steels, and titanium materials for joint research and development. Through industry-academia-research collaboration and innovative cooperation, the Group has successfully advanced 8 new materials and technologies through authoritative evaluation, of which 7 reached international advanced level and 1 reached international leading level, effectively enhancing our core competitiveness in frontier materials and technologies. The Group’s subsidiary Jiangsu Tiangong Tools New Materials Company Limited (“TG Tools”) established a postdoctoral research workstation in Jiangsu Province in 2009 and has successfully upgraded to a national-level station. In addition, the Group’s subsidiary TG Tech has also been approved for a national-level postdoctoral research workstation.



TG Tools Postdoctoral Research Workstation

5.2 Accelerating Digital Transformation

The Group drives business development through digitalization. In recent years, in smart factory construction, by deeply integrating digital, automated, and intelligent technologies, the Group has promoted overall improvements in production efficiency and product quality, building a digital system covering R&D, production, logistics, and services, including the Enterprise Resource Planning (ERP) system, Manufacturing Execution System (MES), Data Acquisition and Monitoring System (SCADA), intelligent inspection system, and a vertical/three-dimensional warehouse.

During the reporting period, the Group continued to drive operational transformation and efficiency gains through digital strategies: by upgrading ERP and MES systems, deploying a big data platform and the “Smart Operations Center,” promoting data sharing and intelligent decision-making; fully implementing paperless offices and launching Alibaba Cloud’s “Cloud Procurement and Sales” system to achieve procurement digitization and process optimization; simultaneously launching the Precision Tools Production Management System to strengthen production scheduling, and comprehensively improving operational transparency, resource utilization efficiency, and levels of intelligence.

The Group’s work in the digital field has also garnered numerous honors and recognition. The Group’s subsidiaries TG Tools and Jiangsu Tiangong Carbide Technology Company Limited (“Carbide Technology”) were recognized as Jiangsu Province Five-Star Cloud Adoption Enterprises. TG Aihe’s “Tiangong Powder Metallurgy Intelligent Factory,” and Carbide Technology’s “Tool Cutting Intelligent Manufacturing Workshop” were identified as Jiangsu Province Smart Manufacturing Demonstration Factories. TG Tech and Carbide Technology received certificates for the Integration of Informatization and Industrialization management systems.



TG Tech and Carbide Technology Obtained the Integration of Informatization and Industrialization Management System Certificates

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.3 Protecting Intellectual Property

The Group places a high priority on intellectual property protection, strictly complying with the *Trademark Law of the People's Republic of China*, the *Patent Law of the People's Republic of China*, and the *Copyright Law of the People's Republic of China*, among other IP laws. The Group has formulated systems and measures such as the *Measures for the Administration of Science and Technology Innovation* and the *Rationalization Proposals Management System*, which define the management responsibilities for copyrights, trademarks, patents, and related infringement handling processes. The Group has established a dedicated IP protection mechanism, engaged a professional law firm as a permanent legal advisor to prevent IP infringement. At the same time, the Group has established a good communication mechanism with the People's Procuratorate of Danyang City to jointly combat trademark infringement and enhance the Company's legal competitiveness. In addition, the Group regularly conducts IP training, promotes legitimate software usage, and strengthens employees' awareness of IP protection to avoid infringing others' IP rights.

During the reporting period, the Group achieved fruitful results in intellectual property, filing 99 patents, with 43 patents granted. By the end of the reporting period, we owned a total of 253 patents.

5.4 Lean Quality Control

The Group pursues excellence in quality as its core mission, focusing on advancing lean manufacturing and continually improving product quality and service levels. The Group strictly complies with laws and regulations such as the *Product Quality Law of the People's Republic of China*, and has established a series of product quality control systems, including the *New Product Development Management Procedures*, *Non-conforming Product Control Procedures*, *Enterprise Metrology Management Regulations*, *Raw and Auxiliary Materials Management Measures*, *Steel Inspection and Acceptance Rules*, and *Quality Process Control Plans*, which standardize every stage from development to production to ensure end-to-end quality control from raw material receipt to product shipment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To ensure outstanding and stable product quality, the Group implements a comprehensive quality management system covering the full product lifecycle — from development to after-sales service. During the reporting period, all subsidiaries of the Group completed and passed the annual third-party quality management system audit. In addition, the Group's subsidiary TG Tools successfully obtained two certifications: JIS G 4404 Alloy Tool Steel and JIS G 4403 High-speed Tool Steel, indicating its tool and mould steel products are fully aligned with Japanese Industrial Standards (JIS), meeting the requirements of leading international manufacturers in key areas.



The Group's Subsidiary TG Tools Obtained JIS Certification

Additionally, the Group is committed to optimizing and innovating the steelmaking process, actively deploying advanced quality inspection equipment to ensure product quality meets standards. During the reporting period, the Group introduced instruments such as an Energy Dispersive Spectroscopy (EDS), an Automatic Non-Metallic Inclusions Analysis System for steel (OTS), and an Intelligent Particulate Imaging Analysis System, continuously enhancing its capability to test and analyze steel properties. At the same time, the Group strengthened laboratory testing capabilities and standardization; the Group's subsidiary TG Aihe successfully obtained the China National Accreditation Service for Conformity Assessment (CNAS) laboratory accreditation. During the reporting period, the Group had no products that had been sold or shipped which required recall for safety or health issues.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Quality Management Measures	
R&D and Innovative Steelmaking Processes • Raw Material Sampling and Testing • Physical and Chemical Testing of Semi-finished Products at Each Production Stage • Special Quality Tests for Finished Products	Apply Advanced Quality Inspection Equipment • EVO-MA25 Zeiss Scanning Electron Microscope • Infrared Carbon-Sulfur Analyzer • Optical Emission Spectrometer • Zeiss Metallographic Microscope • MTS universal testing machine • Digital Rockwell Hardness Tester • Thermal expansion deformation/phase change tester • Fluorescence spectrometer • Intelligent particle microimage analysis system, etc.



TG Aihe Laboratory certified by CNAS

The Group attaches great importance to quality management in the production process and continuously improves the standardization of quality management. The Group strengthens the analysis and management of product yield, requires each production line and each finished-process step to achieve first-pass yield. At the same time, it utilizes the Manufacturing Execution System (MES) to centrally control and continuously optimize various production process parameters. In addition, regular quality inspections are conducted for each process and any quality issues found are promptly addressed. During the reporting period, to address pains such as dispersed quality data and cumbersome statistics, the Group used a pivot chart linkage analysis tool to enhance operational efficiency and decision optimization.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has established a normalized quality training system, regularly organizing internal topic training courses and inviting external experts to provide guidance, systematically improving employees' quality awareness and professional skills. During the reporting period, the Group organized training for personnel engaged in testing to participate in technical training by professional organizations, with 5 employees obtaining certification in physical and chemical inspection capabilities. At the same time, the Group implements a comprehensive assessment system, strictly evaluating all process production personnel and inspectors to ensure every link meets quality standards.



Employee Quality Training

5.5 Enhancing Service Experience

- **Customer Communication and Feedback**

The Group strictly complies with the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* and other laws and regulations in the operating regions, and has formulated management documents such as the *After-sales Service Management Regulations* to standardize the customer complaint handling process and ensure complaints are properly processed. The Group has established a comprehensive online customer service system to achieve efficient input of customer information and real-time collection of quality feedback.

During the reporting period, the Group further optimized the customer complaint handling process, forming a dual-path closed-loop management mechanism for quality-related and non-quality-related complaints. When a customer complaint is initiated through the Office Automation system (OA) and determined to be a quality issue, it will be handled by the quality or technical responsible person as appropriate, and archived after confirmation by the sales manager; if not a quality issue, the results are promptly communicated to the customer after verification, with an attached test report, achieving rapid response and closed-loop management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group attaches great importance to customer feedback, holding monthly meetings with core customers and periodically conducting offline visits and exchanges. The collected customer opinions are used as an important basis for continuously improving product quality. At the same time, the Group actively participates in domestic and international industry exhibitions, maintaining close communication with customers.



The Group Participated in Industry Exhibitions

The Group conducts an annual customer satisfaction survey to understand their opinions and suggestions on products and services. In the reporting period, the Group's customer satisfaction was 97.05. In terms of complaint handling, the Group received 60 customer complaints during the reporting period, and the customer complaint handling rate reached 100%.

- ***Customer Empowerment and Co-creation***

Customers regularly audit the Group's ESG management and performance, covering human rights and labor management, workplace safety, climate change, environmental management, and other dimensions, and provide improvement suggestions. Through customer training and empowerment work, the Group's ESG performance has continuously improved. The Group also actively cooperates with customers in new product development, jointly developing new materials to meet customers and market needs.

- ***Responsible Marketing***

The Group strictly complies with the *Advertising Law of the People's Republic of China*, and is committed to providing customers with truthful and reliable information, firmly opposing any fraudulent activities. To ensure the accuracy of promotional materials and website content, the Group conducts strict reviews before external release, and ensures that the products or technologies mentioned do not infringe any rights, actively maintaining a good corporate image and market order.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6 Painting a Green Picture

The Group adheres to the green development philosophy, continuously improves the environmental management system, strengthens internal refined control, and aims to reduce energy consumption, lower emissions, and prevent environmental incidents, promoting the coordinated development of business and ecology. As of the end of the reporting period, the Group's subsidiary TG Tools was awarded the national and Jiangsu Province "Green Factory" titles, and TG Aihe and TG Tech were awarded the Jiangsu Province "Green Factory" title.

6.1 Addressing Climate Change

The Group integrates climate change response into its corporate strategy by optimizing the energy structure, innovating green technologies, and managing carbon emissions, actively promoting low-carbon transformation and sustainable development.

- **Governance**

The Group attaches great importance to climate risk governance, relying on an ESG governance framework led by the Board to supervise and manage climate-related risks. The Board and the ESG Working Group hold at least annual reviews of climate-related topics. In addition, the Group regularly provides climate-change training for Board members and management to continuously enhance the governance bodies' climate-related capabilities. Currently, the Group's Board remuneration policy does not incorporate climate factors; the next step is to integrate climate-related performance indicators into the incentive system to further strengthen the Board's strategic oversight and management responsibility on climate change issues.

- **Strategy**

The Group references the ESG Code and the *Conclusion on Enhancement of Climate-related Disclosures Under the Environmental, Social and Governance Framework*. We identify climate-change-related risks and opportunities relevant to our operations and assess the potential financial impact through policy research, industry benchmarking, and incorporating expert opinions. The Group has formulated corresponding response measures to effectively prevent and respond to the impacts of climate change on operations.

Meanwhile, the Group, based on its own business characteristics and development strategy, and considering the climate policy requirements of the operation location, has clarified the time horizons for climate risks and opportunities: short term (1–5 years), mid-term (6–10 years), and long-term (over 10 years).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Type	Risk category	Risk description	Potential financial impact	Time horizon	Degree of impact	Mitigation measures
Transition risk	Policies and laws	ESG-related rules and standards changes: Current climate-related regulatory requirements are tightening; governments may implement stricter climate policies (e.g., the shift from energy consumption dual control to carbon dual control, the European Union's Carbon Border Adjustment Mechanism (CBAM)); the Group will face stricter sustainable management requirements.	Rising compliance costs Rising operating costs	Short term; mid term	Medium	Continuously monitor government ESG policies and regulatory trends, and respond promptly to policy changes
	Technology	Product and technology substitutions: Low-carbon technologies face technical barriers. If specific low-carbon technologies are not promptly developed, it may bring certain negative risks to the enterprise's operations and business. R&D investment: To meet market demand for low-carbon products and technologies, the Group will increase R&D investment, but there may be risks that progress is below expectations.	Decrease in operating revenue Rising operating costs	Mid term, long term Mid term, long term	Medium Medium	Increase investment in R&D; conduct low-carbon technology research in an orderly manner Optimize R&D strategy and strengthen the deployment of core technical talents and our ability to tackle key challenges.
	Market	Customer demand changes: As customers increasingly pay attention to climate change risks and opportunities, the supply-demand structure for certain products and services has changed. Increase in input costs: In order to respond to stricter environmental and carbon emission regulations, partners need to undergo adaptive transformation and upgrading, leading to higher costs for supplying products.	Decrease in operating revenue Rising operating costs	Mid term, long term Mid term, long term	Medium Medium	Actively adapt to market changes and formulate diversified product development strategies to meet different consumer needs. Reduce dependence on a single supplier source and seek and develop alternative materials.
	Reputation	Brand image: In the current market environment and among stakeholders, if the Group fails to adequately demonstrate its ability and effectiveness in addressing climate change and to enhance the transparency of climate-related information, it may face the risk of damage to its brand image.	Rising operating costs	Short term, mid term, and long term	Low	Actively promote carbon reduction across the entire product lifecycle and the supply chain, conduct climate information disclosure, and enhance brand resilience and reputation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Type	Risk category	Risk description	Potential financial impact	Time horizon	Degree of impact	Mitigation measures
Physical risks	Acute	Extreme weather and natural disasters: Extreme weather such as heavy rain, hail, and thunderstorms occurs with increasing frequency, and the impacts of disasters are becoming more severe, potentially endangering employees and the Group's physical assets; they may also trigger supply chain disruptions and hinder production.	Rising operating costs Asset impairment	Short term, mid term, and long term	Low	Strengthen climate early warning and forecasting, develop contingency plans, and enhance extreme weather response capabilities; establish safe stock and gradually develop in-house R&D and manufacturing capabilities for components.
	Chronic	Rising global temperatures: rising sea levels and prolonged high temperatures, along with other long-term natural pattern changes, may affect the Group's normal production.	Rising operating costs	Long-term	Low	Develop emergency management plans for extreme natural disasters

Opportunity category	Opportunity Description	Potential financial impact	Time horizon	Degree of impact	Mitigation measures
Energy efficiency improvement	Improving efficiency in use of resources and energy (e.g., energy), to achieve energy savings and carbon reduction, and reduce operating costs.	Reduction in operating costs	Short term, mid term, and long term	Low	Conduct training and awareness campaigns to raise energy-saving and low-carbon awareness.
Green and low-carbon products	Developing new types of low-carbon emission products can enhance the company's competitive position and benefit from the shift in customer and manufacturer preferences towards low-carbon options.	Increase in operating revenue	Short term, mid term, and long term	Medium	Increase investment in R&D; conduct low-carbon technology research in an orderly manner

Notes:

1. Due to limited data availability, the Group has not conducted a value-chain-wide climate risks and opportunities assessment and has applied the reasonable information relief.
2. When evaluating the quantitative analysis of expected financial impacts, because these impacts cannot be identified separately or the measurement of these impacts is too uncertain to assess, the Group adopts the "financial effects relief" for the quantitative analysis of expected financial impacts related to climate risks and opportunities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group actively implements the concept of low-carbon development, adheres to a low-carbon economic model, and continuously reduces the adverse impact of operating activities on the environment. The Group enhances energy management, adopts environmentally friendly equipment, and advanced technologies to improve energy efficiency and reduce energy waste. At the same time, the Group actively promotes the use of renewable energy such as solar power to effectively reduce greenhouse gas emissions. The Group's subsidiary TG Tools has been recognized as a demonstration unit for compliance with carbon management system standards. In addition, to address policy impacts such as CBAM, the Group actively conducts product-embedded carbon emission calculations and verifications to further standardize carbon emission management. Considering the current impacts of climate risks and opportunities, the Group has not formulated a climate-related transformation plan; it will develop relevant plans as needed based on business development and changes in the internal and external environment.

Due to the fact that the Group's current skills, capabilities, and resources do not meet the analysis requirements, the Group applies the "capabilities relief" for climate scenario analysis. The Group fully recognizes the long-term nature of climate change response and that climate-related risks and opportunities are subject to multiple influences from domestic and international policies, markets, and technological advancements, with uncertain impacts on business. Therefore, the Group will continue to monitor developments in policy and regulatory, industry best practices, and climate models, and dynamically incorporate climate considerations into strategic planning to enhance overall agility and business resilience. The Group has not implemented internal carbon pricing.

- **Risk Management**
The Group has established a comprehensive climate risk management process for all operations and integrated climate risk into the overall enterprise risk management process. Compared with the previous fiscal year, there has been no change in the Group's climate risk management process.

Climate Risk Management Process

Risk Identification	Based on the TCFD's climate risks and opportunities checklist, relevant policies, and peer benchmarking, the company's climate risks and opportunities list is finally determined to ensure the comprehensiveness and applicability of climate risk management.
Risk Assessment	Taking into account internal and external stakeholders' opinions, assess the nature, likelihood, and impact of climate risks on the company's operations and finances.
Risk Response	Based on the climate risk assessment results, the Environment, Health and Safety ("EHS") department and relevant business units jointly discuss and formulate policies to respond to climate risks and opportunities and promote the implementation of management measures.
Risk Monitoring	Regularly review climate risks and opportunities and assess the effectiveness of response measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Indicators and Targets**

The Group is committed to continuously improving energy efficiency, optimizing production processes, and expanding the use of renewable energy, systematically reducing the greenhouse gas emission intensity of our operations, and gradually advancing toward the long-term vision of carbon neutrality. The Group's greenhouse gas emissions data are as follows:

Indicator Name	Unit	2025	2024	2023
Greenhouse gas emissions (Scope 1)	Tonnes of CO ₂ e	76,636.92	81,553.27	79,603.40
Greenhouse gas emissions (Scope 2 — Location-based)	Tonnes of CO ₂ e	326,301.18	325,143.98	311,354.09
Total greenhouse gas emissions (Scope 1+ Scope 2)	Tonnes of CO ₂ e	402,938.10	406,697.25	390,957.49
Greenhouse gas emission intensity (Scope 1+ Scope 2)	Tonnes of CO ₂ e/ RMB10,000 of revenue	0.85	0.84	0.76

Note:

1. Based on the ESG Code requirements and applicability of accounting standards, the Group's 2025 Scope 1 and Scope 2 emissions are calculated in accordance with the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)*. The relevant emissions data for 2023 and 2024 have also been restated in line with the same standard. Scope 1 emissions mainly come from the Group's natural gas usage, diesel usage and process emissions, while Scope 2 emissions mainly come from purchased electricity. The purchased electricity emissions are calculated using the 2023 emission factors published in the Ministry of Ecology and Environment's *Announcement on the Release of 2023 Electricity Carbon Dioxide Emission Factors*. Greenhouse gas accounting is presented in terms of CO₂ equivalent.
2. Since significant costs would be required to obtain all reasonable and well-substantiated data, the Group adopts "reasonable information relief " for Scope 3 emissions.

Since the Group has not identified any climate-related risks or opportunities that could have a material impact on its financial position, financial performance and cash flows in the short or medium term, and the disclosure of the two indicators "amounts and percentages of assets or business activities susceptible to climate-related physical and transition risks" and "amounts and percentages of assets or business activities with climate-related opportunities" would require substantial costs to obtain all reasonable and supportable information, the reasonable information relief is applied. During the reporting period, the capital expenditure, financing and investment amount of the Group related to climate-related risks and opportunities exceeded RMB3 million.

6.2 Efficient Use of Resources

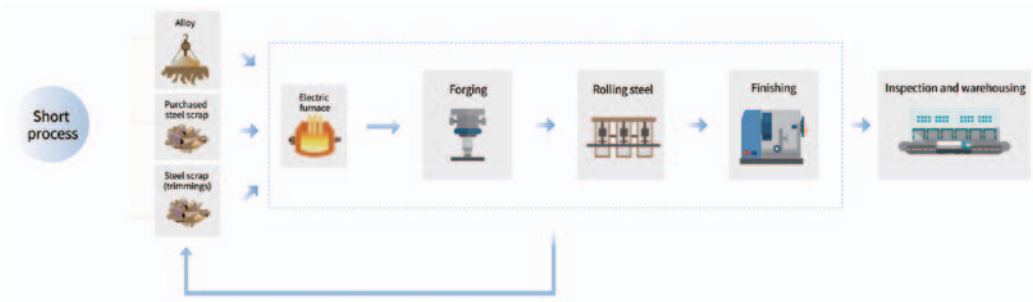
The Group is committed to achieving efficient and circular use of resources and energy, guided by the principles of reducing, reusing, and recycling, to promote resource conservation and improve utilization efficiency.

- **Raw Material Recycling**

The Group’s smelting uses alloys and scrap steel as primary raw materials. Scrap steel is sourced from internal recycling and upstream procurement, which reduces procurement costs and production energy consumption through circular use. At the same time, the Group innovatively adopts a short-process smelting technology, shortening production cycles and efficiently utilizing alloys and scrap, ensuring product quality. This optimized process significantly improves resource efficiency and reduces energy consumption, emissions, and environmental impact.



Traditional Long-Process Special Steel Manufacturing



The Group’s Short-Process Special Steel Manufacturing with Recycle Mechanism

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has upgraded its titanium alloy smelting process and is continuously exploring production processes with electron beam cooling bed (EB) furnaces beyond the Vacuum Arc Remelting (VAR). Compared with VAR, EB furnaces do not require electrode prep, effectively remove impurities from raw materials, and can accept more scrap titanium, thereby improving scrap titanium recovery and achieving efficient circular use of titanium metal resources.



The Group's Recycled-Material Production Flow Diagram

The Group continuously improves EB furnace smelting technology, especially in returned-material handling and recycling input, conducting in-depth exploration and practice around different grades, specifications, and returned-material addition ratios. It has successively overcome issues such as aluminum volatilization losses and the uniformity control of oxygen elements, continuously optimizing the production process and enhancing the level of titanium alloy resource recycling. During the reporting period, the Number 2 EB furnace project completed hot testing smoothly.

- **Energy Management**

The Group has established a comprehensive energy management system, formulated the *Energy Management Handbook*, the *Energy Use Management Measures*, the *Water and Electricity Conservation Management System* and various other policies, set annual energy consumption targets, and continuously refined energy management. The Group has completed and put into operation an integrated energy management system, achieving real-time monitoring and visualized control of power equipment, auxiliary systems, and overall plant energy consumption. Through data analysis and energy consumption forecasting, the system can support the dynamic formulation and optimization of energy-saving solutions, thereby continuously improving energy management efficiency.

As of the end of the reporting period, the Group has 5 subsidiaries that have successfully passed the annual surveillance audit for ISO 50001 Energy Management System certifications.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



TG Tools



TG Tech



Jurong Tiangong New Materials Technology Company Limited
("TG New Materials")



TG Aihe



Jiangsu Weijian Tools Technology Company Limited ("Weijian Tools")

Energy Management System Certification Certificate of the Group's Subsidiaries

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting period, the Group continued to advance energy-saving upgrades and renewable energy utilization projects, continuously improving energy efficiency performance:

- Ø **Replacement of efficient equipment:** The Group constructed a 2,000-tonne fast forging chamber furnace to replace the existing car-bottom heating furnace, reducing natural gas consumption per ton of steel by 20%.
- Ø **Lighting retrofit:** The Group continued to retrofit traditional lighting fixtures with LED ones. As of the end of the reporting period, the proportion of LED lighting fixtures reached 85%.
- Ø **Rooftop photovoltaic installation:** The Group has intensified the use of photovoltaic and other renewable energy sources, with a total installed solar capacity of 14.8 MW, continuously improving the cleanliness of energy consumption.

- **Water Resource Management**

The Group strictly adheres to the *Water Law of the People's Republic of China* and other laws and regulations and has established a comprehensive water resources management system to promote lean water management. Our goal is to improve water use efficiency in production and operations, reduce water resource waste, and achieve rational use and recycling of water resources. During the reporting period, the Group planned to use 1 million cubic meters of water; through daily strengthened water management, actual water use was 761,000 cubic meters, achieving the water usage target.

The Group conducts water risk assessments for major production sites using the World Resources Institute (WRI)'s Aqueduct Water Risk Atlas. Assessment dimensions include water resource dependence, impacts, and more. The assessment results indicate that the Group does not face water scarcity risks but is exposed to a high level of water quality risk.

Assessment Entity	WRI Water Risk Level	Water Stress in 2030	Water Stress in 2050
TG Tools	Medium-High (2–3)	Low (<10%)	Low (<10%)
TG Aihe	Medium-High (2–3)	Low (<10%)	Low (<10%)
Precision Tools	Medium-High (2–3)	Low (<10%)	Low (<10%)
TG Tech	Medium-High (2–3)	Low (<10%)	Low (<10%)
TG New Materials	Medium-High (2–3)	Low (<10%)	Low (<10%)

Notes:

1. WRI Water Risk: Low (0–1), Medium-Low (1–2), Medium-High (2–3), High (3–4), Very High (4–5).
2. WRI Water Stress: Low (<10%), Medium-Low (10%–20%), Medium-High (20%–40%), High (40%–80%), Very High (>80%).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The water resources for the Group's production and operations are sourced from municipal water supply and surface water. During the reporting period, the Group did not withdraw water in water-scarce areas. To reduce water resource consumption, the Group implements refined water resource management by regularly comparing sub-meter data with the main meter to promptly detect water leakage, repair pipes and flushing systems, and replace old faucets. Water saved for the year totaled about 6,000 cubic meters. At the same time, the Group refines the assessment of water-saving targets and rewards part of the reduced costs as performance bonuses to employees to motivate water conservation.

The Group actively promotes water resource recycling. By introducing professional technical equipment, industrial wastewater after treatment at the sewage treatment plant meets reuse standards and is reused as circulating cooling water; closed cooling tower equipment is adopted to reduce evaporation; and treated water is used for ground washing, workshop makeup water, etc., using reclaimed water treatment, rainwater collection, and other devices.

In addition, the Group conducts quarterly water-saving training for employees, sharing advanced water-saving measures to continuously raise awareness of water conservation. No material incidents related to water resource usage occurred during the reporting period.

6.3 Improving Environmental Protection Mechanisms

The Group strictly adheres to the *Environmental Protection Law of the People's Republic of China* and other laws and regulations, and has formulated management systems such as the *Environmental Protection Management System*, *Regulations on the Prevention and Control of Wastewater, Waste Gas, and Noise*, *Environmental Supervision Management System*, *Environmental Monitoring Management System*, and *Management System for Environmental Protection Statistics*, and publicly discloses the Environmental Protection Statement on its official website, aiming to reduce the adverse impact of its production and operations on the environment. During the reporting period, no penalties were incurred due to environmental violations.

The Group continually improves its environmental protection management system, establishing an environmental protection management system consisting of the Group headquarters and affiliated companies, and assigns environmental responsibilities to individuals. The Group's EHS Department serves as the core responsible unit, responsible for formulating environmental protection policies, implementing them, ensuring equipment operation procedures, and coordinating environmental issues and hazards. The general managers of the affiliated companies serve as the primary persons responsible for environmental protection, fully responsible for their company's environmental work, including strategy development, risk monitoring, and effectiveness assessment. As of the end of the reporting period, the Group had 6 subsidiaries that obtained ISO 14001 environmental management system certification and passed the annual surveillance audit.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



TG Tools



TG Aihe



TG Tech



Precision Tools



TG New Materials



Weijian Tools

Environmental Management System Certifications of the Group's Subsidiaries

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6.4 Strict Control of Pollution Emissions

The Group continues to strengthen pollution prevention and control efforts, aiming to reduce the emissions of wastewater, exhaust gas, and solid waste pollutants, and to avoid the environmental impact of its operations.

- **Wastewater Management**

The Group strictly complies with the *Water Pollution Prevention and Control Law of the People's Republic of China*, and has formulated the *Sewage Treatment Measures* and the *Water Pollution Prevention and Control Management Regulations*. The Group strictly applies the requirements of regulatory authorities and industry wastewater discharge standards, standardizes the wastewater treatment processes, and reinforces the upgrading of wastewater treatment facilities and technologies. The Group has established a complete wastewater treatment system. Industrial wastewater and domestic sewage generated from production and operations are discharged into a wastewater treatment plant, where they are treated to meet standards before discharge. A monitoring system dynamically tracks pollutant discharges and water quality at outlets, thereby strengthening the prevention of water pollution risks. During the reporting period, the Group's wastewater discharges complied with discharge regulatory requirements and achieved wastewater management objectives.

- **Exhaust Gas Management**

The Group strictly complies with the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, and has formulated regulations such as the *Regulations on the Prevention and Control of Waste Gas, Wastewater, and Noise*, and the *Regulations on the Prevention and Control of Atmospheric Pollution*, etc., and strictly implements the requirements of the *Emission Standard of Air Pollutants for Steel Rolling Industry* and the *Emission Standard of Air Pollutants for Steel Smelt Industry*, thereby strengthening the management of exhaust gas emissions. The Group's exhaust pollutants mainly include nitrogen oxides, sulfur dioxide, particulates, and fluorides. All smelting workshops are equipped with dusts removal devices, and the exhaust gas is treated by dust removal device before discharge to meet the standards. The related emission data have been linked to environmental protection authorities for real-time monitoring of emissions.

During the reporting period, the Group increased the online monitoring coverage of exhaust emission outlets to 100%, completed real-time data integration with the national regulatory platform, and established an intelligent early warning and closed-loop disposal mechanism, achieving a one-minute response to anomalies. By linking monitoring equipment with the operation of pollution-control facilities, the Group has shifted from end-point control to full-process control. The Group established a standardized operations and maintenance system of "daily inspection + calibration + verification" to ensure data is authentic and traceable, and the emission data consistently outperforms national standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Waste Management**

The Group strictly complies with the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes*, and has formulated regulations such as the *Waste Management Regulations* to strictly manage waste emissions. In addition, the Group regularly audits waste-generation points in the production process to identify potential sources of waste generation. During the reporting period, the Group formulated and achieved the following waste management objective: 100% compliant disposal and utilization of hazardous waste.

The Group adopts classified disposal for general industrial waste and hazardous waste. For hazardous waste, such as spent emulsions, spent lubricating oil, dust removal ash, spent dust bags, spent lead-acid batteries, oil rags, barium-containing waste, and pickling sludge, the Group centrally collects and stores them in a dedicated hazardous waste warehouse, and entrusts qualified third-party transport and disposal entities to handle them. During the reporting period, the Group invested in innovative technology, employing a peel-shot blasting process to replace the traditional acid blasting process; by using a dry physical method to treat metal surfaces, it greatly reduces the generation of hazardous wastes such as spent acids and spent alkalis. In addition, this process enables the clean recovery of steel chips, directly recycled into production processes, and eliminates acid mist and acidic/alkaline wastewater discharges, while simultaneously improving treatment efficiency and product quality.

For general industrial waste, the Group actively promotes recycling and reuse, continuously improving the rate of waste circulation. During the reporting period, the Group achieved internal recycling by re-melting the oxide scale generated from rolling and forging after briquetting; at the same time, for smelted steel slag, the Group employed magnetic separation and screening to efficiently recover steel scrap and alloy components, significantly increasing alloy recovery and effectively reducing resource waste and end-of-pipe treatment pressure.

The Group regularly provides waste management training to employees to raise awareness of waste reduction and regulatory compliance.

- **Noise Control**

The Group has formulated the *Noise Pollution Prevention and Control Management Regulations*, prioritizes low-noise equipment, and is committed to reducing noise pollution. During the reporting period, the Group adopted comprehensive noise control measures, enclosed and damped high-noise equipment to achieve a noise reduction of 40–60%; installed sound barriers at the plant boundary and in key areas; established an equipment operation and maintenance ledger and optimized operating processes; provided protective earplugs to employees and conducted targeted training. Through real-time monitoring at monitoring points and quarterly inspections, plant boundary noise remains below the national standard, and there were no related complaints throughout the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- ***Environmental Protection Training***

The Group centers on the EHS Department, EHS Administrators, and Workshop Supervisors, and has systematically established and implemented a three-level environmental training system that covers all staff, continuously enhancing management to frontline employees' compliance awareness and practical ability in environmental governance. The training system includes three levels:

- **Professional Capability Building (Special Training for EHS Officers):** Led by the EHS Department, 12 training sessions are held annually with a total of 256 participants. The content focuses on in-depth interpretation of environmental laws and regulations, emission permit management, compliant disposal of hazardous waste, environmental emergency response planning, environmental ledger management, and operation and maintenance of environmental facilities.
- **Management Awareness and Responsibility Enhancement (Company-level Safety and Environmental Meetings):** Adopting a "meetings-as-training" model, the meetings are organized by the Group's Safety Production Committee, EHS Department, and management, with one session per month, totaling 920 participants. The meetings focus on policy dissemination, setting annual environmental goals and key tasks, reporting typical issues and organizing corrective actions, and reinforcing environmental management responsibilities at all levels.
- **Grassroots Practical Ability Consolidation (Frontline On-site Training):** Implemented by Workshop Supervisors (who also serve as on-site EHS officers), this level features 73 targeted training courses conducted throughout the year, covering 1,465 participants. The training content is closely aligned with production realities, including on-site environmental operation procedures, key points for on-site control of wastewater, exhaust gas, and solid wastes, routine operation of environmental facilities, and initial identification and reporting of environmental hazards.

6.5 Promoting Green Office

The Group promotes green office practices by regulating the use of office equipment, turning on lighting as needed, and reasonably setting air conditioning temperatures, actively guiding employees to adopt low-carbon office concepts, and creating an energy-saving, environmentally friendly work atmosphere.

- **Paperless Office:** The Group actively advances a paperless office by increasing the digitization of business processes to reduce paper usage. In addition, the Group strengthens centralized control of printers, enabling real-time monitoring of printing paper and consumables and eliminating paper waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Energy Conservation:** The Group implements office energy-saving measures, uses energy-saving lighting, and powers night-time lighting with a photovoltaic storage system; central air conditioning is uniformly set to 26°C, with seasonal temperature-based operation; employees are also required to turn off computers and lighting in public areas when leaving.
- **Procurement of New Energy Vehicles for Commuting:** The Group purchases new energy buses and cars for employee commuting and installs charging stations within the factory area to reduce carbon emissions from commuting.
- **Initiate Environmental Protection Publicity:** The Group actively advocates the concepts of conservation and environmental protection, strengthens energy-saving awareness among all staff through internal publicity, requires employees to promptly shut off power to production and office equipment when leaving, and eliminates electricity waste. At the same time, the canteen implements the "Clean Plate Campaign," encouraging staff to take meals according to their needs to reduce food waste.

6.6 Protecting Biodiversity

The Group is committed to integrating ecological protection into its entire operation and has issued and publicized the *Environmental Protection Statement*, which includes biodiversity management requirements. In addition, the Group uses WWF's Biodiversity Risk Filter to conduct biodiversity risk assessments, evaluating factors such as the dependence of production and operational activities on the ecological environment and potential impacts. Evaluation dimensions include basin physical risk, ecosystem provisioning services, biodiversity pressure, and basin reputational risk. The assessment results indicate that the Group's main operating locations face medium-to-high biodiversity risk.

The Group strictly adheres to national ecological red line regulations, ensuring that all construction projects complete environmental impact assessments and approvals in accordance with procedures. Through systematic checks, the Group confirms that no production facilities are located within ecological red line areas and there are no sites with significant biodiversity impacts. Meanwhile, the Group continues to promote green production transformation and site environmental optimization, strengthens controls on resource consumption and pollutant emissions, and, through standardized and institutional long-term mechanisms, maintains regional ecological balance and fulfills the primary responsibility for ecological protection.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

7 Strengthening the Safety Foundation

The Group always places the life, health, and safety of its employees first, by improving the safety management system, enhancing safety training, and improving equipment safety, to continuously ensure safe production and employees' occupational health.

7.1 Implementing Safety Responsibilities

The Group strictly complies with the *Law of the People's Republic of China on Work Safety*, the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, the *Interim Provisions on Occupational Health Supervision and Management in the Workplace* and the *Management Measures for Occupational Disease Diagnosis and Identification*, and other laws and regulations. The Group has formulated systems including the *Occupational Health Management System*, the *Special Operations Safety Management System*, the *Safety Production Responsibility Insurance Management System*, and the *Safety Production Reward and Punishment Management System*. During the reporting period, the Group revised 12 core systems, including the *Safety Production Responsibility System* and the *Hazard Identification and Rectification Management Measures*, and added the *New Equipment Safety Operation Procedures* and the *Special Management Regulations for Confined Space Operations*, to fully safeguard employees' life safety and physical health in production.

The Group has established a three-level safety management framework with a company-level Safety Committee as the decision-making core, department/workshop-level bodies as the execution entities, and frontline teams/positions as the on-site foundation. The Safety Committee is led by the key person in charge and is responsible for formulating policies and objectives; the Safety, Environment, and Health Department acts as a dedicated unit coordinating daily management. Heads of production workshops and functional departments are the primary safety responsible persons for their units, equipped with dedicated or part-time safety personnel to implement specific tasks. Frontline teams and position-based employees strictly follow operating procedures and carry out hazard self-inspections and mutual checks. The Group's safety management system achieves hierarchical safety responsibilities, ensuring coverage of all staff and end-to-end control.

As of the end of the reporting period, the Group's six subsidiaries have obtained ISO 45001 Occupational Health and Safety Management System certification and passed the annual audit during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



TG Aihe



TG Tools



Precision Tools



TG Tech



TG New Materials



Weijiang Tools

Occupational Health and Safety Management System Certifications of the Group's Subsidiaries

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting period, the Group established quantitative safety production and occupational health goals, and, aligning with the quantitative safety goals, determined the priorities of action plans. All safety targets have been achieved.

Safety production and Occupational health targets	Progress during the reporting period
Core safety production targets (partial) - Major accidents, serious accidents, and general accidents — zero occurrence - Minor injury incidence rate declined by more than 10% year on year - Equipment availability rate not less than 95%, 100% regular inspections for special equipment - Implementation rate of major risk control measures 100%	All targets have been achieved by 2025
Occupational health management targets (partial) - The regular detection rate of occupational disease hazard factors exceeds 85%. - Personal protective equipment (PPE) provision rate above 95% - Awareness rate of occupational health knowledge above 95%	All targets for 2025 have been achieved

7.2 Strict Risk Control

To eliminate or reduce potential risks in the safety production process, the Group has established the *Hazard Identification and Hierarchical Control Management System*. The system requires relevant responsible departments to comprehensively identify, classify, and evaluate health and safety hazard factors in production activities, equipment and facilities, raw materials and products, safety protections, processes, and other activities, implement corresponding control management, and take targeted preventive measures to effectively curb major and catastrophic production safety incidents. In the past three years, the Group has not had any work-related fatalities.

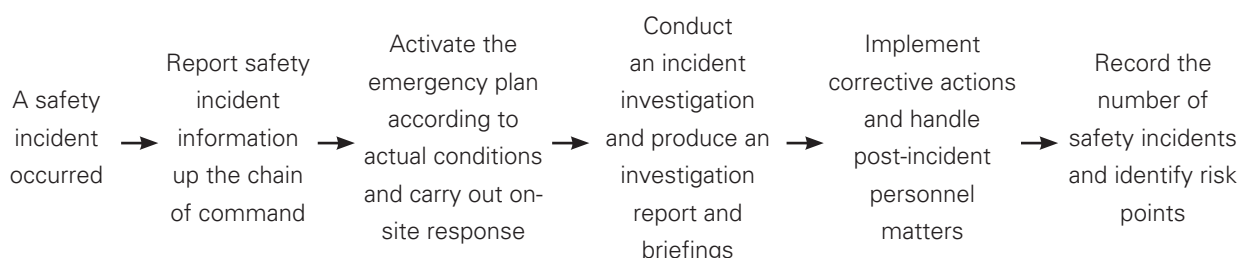
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Criteria for determining safety risk levels and control measures

Risk level	Actions/controls to be taken	Implementation deadline
Level A (Red)	Operations cannot continue until measures have been taken to reduce harm, and improvement measures must be evaluated.	Immediate rectification
Level B (Orange)	Take emergency measures to reduce risk; promptly implement corrective actions, establish operating control procedures, and conduct regular inspection, measurement, and assessment.	Immediate or time-bound rectification
Level C (Yellow)	Take measures to rectify promptly and strengthen training and communication according to operating procedures.	Rectification by a specified deadline
Level D (Blue)	Consider establishing operating procedures, work instructions, etc., but regular inspections and record keeping are required.	Rectification by a specified deadline

Regarding hazard identification and remediation, the Group has established a three-tier hazard inspection system — “routine inspections + targeted inspections + quarterly supervision” — relying on the “online reporting + on-site remediation” model to achieve closed-loop management. In the inspection process, the Group strictly uses safety checklists that cover all production and operation sites, environments, personnel, equipment and facilities, and activities. Identified accident hazards are analyzed and assessed by each department (workshop) to determine the hazard level, and recorded in files, with the HSE Department verifying and assessing the remediation and its effectiveness to ensure the hazards are thoroughly eliminated. The Group strictly holds the responsible parties accountable for accidents caused by inadequate hazard investigation and remediation work. During the reporting period, the Group’s completion rate for safety hazard remediation reached 100%.

In response to workplace injury incidents and other safety accidents, the Group has established a comprehensive accident investigation process to ensure that safety accidents are properly handled:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

7.3 Caring for Occupational Health

The Group strictly complies with the laws and regulations such as the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* and the *Technical Specifications for Occupational Health Surveillance*, and has formulated the *Occupational Health and Safety Management System* to ensure employees' occupational health is effectively safeguarded. During the reporting period, the Group continued to deepen the occupational health management system, focusing on four key areas: employee health surveillance, work environment control, professional capability development, and improvement of the system framework, and systematically carried out occupational health management work. Specific measures include:

- **Improve management systems:** continuously enhance management systems for occupational hazard disclosure and protective equipment labeling, and refine emergency plans and the distribution mechanism for personal protective equipment, building a comprehensive and effective occupational health protection network;
- **Occupational health examinations:** organize four types of health checks — pre-employment, on-the-job, pre-departure, and emergency special examinations — and establish health surveillance records covering the full lifecycle of employees;
- **Workplace hazard factor testing:** commission third-party professional agencies to regularly conduct hazard factor testing in the workplace, implement risk-based control, and continuously optimize protective facilities and the working environment;
- **Specialized training and drills:** organize targeted safety training and emergency drills, strengthen management of licensed operation for special operation personnel, and organize occupational health management staff to participate in specialized training and assessment, with 12 employees obtaining the qualifications of Occupational Health Administrator.

7.4 Relevant Party Safety Management

The Group treats employees and employees of relevant parties equally and implements effective safety management measures for relevant parties at all stages, including qualification review, education and training, entry inspection, work commencement authorization, operation supervision, and completion confirmation. In addition, the Group has established clear occupational health and safety standards for suppliers as part of the new supplier onboarding process.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's safety management measures for relevant parties

Qualification review: Before entering a plant, a safety audit confirmation checklist must be completed.

Education and training: Participate in factory safety education; attend the company's monthly safety meetings for outsourced units.

Entry checks: Access permits must be checked before entering the plant.

Work commencement authorization: Before operations, inform the work plan and risks, identify risks and establish safety measures, and confirm the work tasks and location.

Operation supervision: Periodic inspections of the operation site to promptly stop violations and forced risky operations.

Completion confirmation: After the relevant party completes construction, the local workshop conducts the first inspection; once approved, the EHS Department conducts a second confirmation.

7.5 Cultivating a Safety Culture

To raise employees' safety awareness and skills, the Group conducts comprehensive production safety education and training. The Group has established the *Safety Education System*, which provides clear, systematic standards for safety production training. At the same time, before officially performing duties, employees are required to sign the *Safety Production Commitment Letter* to ensure that each employee understands and is familiar with the Group's safety management requirements.

For all new employees, the Group implements a strict three-level safety education system at the company level, workshop level, and team level. The training covers safety production knowledge, occupational hazard prevention, emergency response, and other aspects; employees may assume their positions only after passing the assessment.

Training levels	Training content
Company level	Laws and regulations on production safety, rules and regulations for production safety, prevention and control of occupational hazards, emergency rescue procedures, etc.
Workshop level	Workshop production rules and regulations, introduction to mechanical equipment, accident prevention measures, etc.
Team level	Job safety technical operating procedures, safety facilities, methods for using personal protective equipment, and case studies of accidents, etc.

Additionally, the Group has established a systematic daily safety training system, implementing a normalized training mechanism of 'annual plan + quarterly focus + monthly routine.' Each month, comprehensive safety training for all staff is conducted through 'online micro-lessons + offline meetings,' covering topics such as occupational health protection and hazard reporting; each quarter, seasonal characteristics are considered to organize specialized training sessions, such as protection during summer high-temperature operations and winter anti-freezing and anti-slip measures. The Group's management is required to participate in annual safety management training, studying regulations, policies, and risk management, to continually strengthen overall safety awareness and practical capability. In addition, the Group conducts specialized training sessions on safety for hazardous operations and occupational health safety.

Case: Occupational Health and Safety Special Training

During the reporting period, the Group conducted systematic occupational health training focused on major occupational disease risks such as dust, noise, and toxic and hazardous substances. The training covered regulation awareness, hazard identification, proper use of protective equipment, health surveillance, and emergency response, with on-site teaching to strengthen employees’ practical skills. At the same time, the Group organized continuing education for occupational health managers to continuously enhance their professional capabilities in system development, records management, and on-site supervision, ensuring the effective operation of the occupational health management system and safeguarding employees’ physical and mental health.

To ensure employee safety, the Group has established a production safety accident emergency plan, conducted regular emergency drills for sudden incidents, and summarized and evaluated the drill results to ensure rapid and effective response when incidents occur. During the reporting period, the Group organized fire safety, chemical leakage, acute poisoning, heatstroke, and suffocation safety emergency drills to enhance on-site response capabilities, continuously boosting employees’ safety awareness and self-rescue skills. During the reporting period, the Group conducted a total of 28 emergency drills, including 4 comprehensive drills and 24 special drills, with participation exceeding 1,800 person-times.



Fire Emergency Drill

8 Practicing Responsible Procurement

The Group fully promotes responsible procurement, integrating sustainable development concepts into supply chain management, establishing transparent procurement processes, and striving for green, compliant, and win-win development across the industry chain.

8.1 Supply Chain Compliance Management

The Group strictly adheres to the laws and regulations such as the *Bidding Law of the People's Republic of China*, and has formulated and implemented management systems including the *Supplier Management Regulations*, the *Regulations on Standardizing the Procurement and Price Accounting of Supplies*, the *Tender Work Management Regulations*, and the *Procurement Management Regulations and Implementation Details (Trial Version)*. During the reporting period, the Group revised the *Tender Work Management Regulations* to strengthen supervision and management of procurement, ensuring tender and procurement activities are fair, transparent, and compliant.

During the reporting period, the Group fully promoted the online tendering and procurement process, relying on the "Cloud Procurement and Sales" platform to achieve full-process digital closed-loop management. The system facilitates centralized bidding, online bidding, and full traceability, effectively preventing compliance risks and eliminating arbitrary requisitioning. By introducing competition, the Group achieves price transparency and cost optimization, while building a standardized supplier management system to upgrade the supply chain towards refinement and efficiency.

The Group has established a comprehensive, qualified supplier mechanism, setting explicit requirements for the qualifications and capabilities of all raw materials, auxiliary materials, and equipment suppliers to ensure material quality and supply stability. Each year, the Group conducts performance evaluations of suppliers within the contract period as planned. Evaluation dimensions include product quality, service efficiency, after-sales support, management level, environmental management and social performance, and stringent screening of major violations. For suppliers that fail the evaluation, the Group will temporarily suspend cooperation and require remediation until the issue is resolved for re-evaluation. For suppliers failing the evaluation, the Group actively provides support with corrective guidance, helps suppliers develop corrective action plans, and regularly monitors and assesses the effectiveness of remediation efforts to prevent recurrence. During the reporting period, the Group evaluated the performance of 505 suppliers, with all results rated as qualified.

Meanwhile, the Group has established a long-term communication and training mechanism with suppliers. During the reporting period, the Group conducted systematic training and exchanges around three core areas — quality control, Cloud Procurement platform operation, and ESG compliance — for more than 150 core and key suppliers, using a blend of online and offline formats. This included three in-person supplier training sessions and six online classes, covering ISO systems, environmental management, and integrity in collaboration, with hands-on drills and Q&A. The Group also held an annual supplier conference and multiple category-specific matching meetings to promote deeper cooperation in process optimization and emergency response, effectively enhancing overall supply chain collaboration and compliant operation capabilities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

8.2 Supply Chain ESG Management

The Group attaches great importance to supply chain ESG management and has established policies such as the *Supplier Management System* and the *Supplier Code of Conduct*, which clearly specify requirements in areas including environmental protection, labor and human rights management, and business ethics within the supplier evaluation process, ensuring that suppliers comply with the Group's sustainability standards during cooperation, and jointly build a fair, transparent, and healthy business environment.

The Group's Board of Directors bears ultimate responsibility for supplier ESG management. The Group conducts ongoing reviews of suppliers' procurement practices to ensure alignment with the *Supplier Code of Conduct* and to avoid conflicts with ESG requirements. If a supplier fails to meet the minimum ESG standards within the specified deadline, cooperation will be terminated. In the process of selecting suppliers and awarding contracts, The Group sets and strictly enforces minimum weight requirements for ESG standards, and prioritizes suppliers with stronger performance in this area. At the same time, the Group provides training for the purchasing personnel to enhance their awareness and capacity in supplier ESG management.

Supplier Management Stage	Supplier ESG Management Initiatives
Prequalification	• ISO 14001 certification, no environmental violations in the past three years, and proof of compliant pollutant emissions. • No violations of child labor or forced labor, a sound compensation and benefits system and occupational health and safety policies, and no major labor disputes.
Risk assessment	• Establish a risk assessment framework covering Environment (E), Social (S), Governance (G), business relevance, country risk, specific industry risks, and specific product risks, identifying concrete risk points (such as pollution, labor rights and anti-corruption). • Classify overall risk levels (high/medium/low) according to supplier product categories, and identify core risks (such as focusing on carbon emissions for energy-related categories). • A differentiated strategy based on supplier risk levels; high-risk suppliers must undergo on-site audits.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Supplier Management Stage	Supplier ESG Management Initiatives
Audit	• On-site audit: The audit dimensions cover quality control, production supply capability, and system compliance, as well as new requirements related to environment, labor rights, and anti-corruption. The audit also verifies environmental management system operation, protection of labor rights, and the implementation of anti-corruption measures. In 2025, 85 audits on main-material suppliers were completed, with an overall pass rate above 90% and an issue-closure rate of 98.2%. • Questionnaire audit: The audit covers four dimensions-qualification compliance, quality control, supply capability, and social responsibility-explicitly including environmental, labor rights, and anti-corruption requirements. In 2025, the Group issued dedicated questionnaires to 85 main-material suppliers, with an effective response rate of 95.3%, an overall pass rate of 88.9%, and the Group urged non-conforming suppliers to rectify and undergo re-verification.
Improvements and enhancements	• For suppliers with issues identified during audits, the Group issues recommendations for environmental and social management improvement, provides relevant technical support, and issues correction notices. • Suppliers must develop corrective action plans, with eligibility to resume or maintain cooperation subject to successful re-verification.

In promoting green procurement, the Group prioritizes local suppliers to reduce carbon emissions and waste in the supply chain's transportation, aiming to build a greener, low-carbon, and eco-friendly supply chain. In promoting transparent procurement, the Group requires all suppliers to sign the *Supplier Integrity and Honesty Commitment* to ensure strict adherence to integrity principles during cooperation, jointly fostering a transparent and fair business environment. Additionally, in conflict mineral management, the Group verifies the origin certificates of raw materials annually to ensure no minerals from conflict-affected regions are used. During the reporting period, the Group did not purchase raw materials from conflict-affected regions.

9 Empowering Talent Development

The Group regards employees as a valuable asset for high-quality sustainable development. Upholding a people-oriented corporate culture, the Group is committed to attracting and retaining outstanding industry talent to build an excellent team. During the reporting period, the Group's subsidiary TG Tools was honored with the title "Zhenjiang City Outstanding Talent Workstation."

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

9.1 Committing to Diverse Hiring

The Group strictly complies with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Provisions on Prohibition of Child Labor*, and other relevant laws and regulations. It has established and improved human resources management systems, including the *Employment Management and Employee Rights Protection Regulations*, the *Recruitment Procedures*, the *Employee Resignation Management Methods*, and the *Anti-Discrimination, Abuse, and Harassment Management Regulations*. These ensure standardized and transparent processes for recruitment, departure, and dismissal, and effectively protect employee rights. The Group has formulated and published the *Human Rights Statement*, committed to respecting and promoting labor rights protection in all business operation stages, ensuring not to engage in or participate in any human rights violations, and advocating that suppliers, distributors and other partners comply with relevant norms.

The Group always adheres to the principles of “openness, equality, competition, merit-based selection, and voluntariness,” actively practicing an employment policy that values equality and diversity, and safeguarding employees’ basic rights such as freedom of association, aiming to create a diverse and inclusive work environment. The Group has signed a collective contract with the union to protect employees’ rights to collective bargaining and conducts regular negotiations with employee representatives on working conditions and other topics. The Group strongly opposes any form of discrimination based on race, nationality, age, gender, etc., ensuring all applicants have equal employment opportunities regardless of background. For discrimination and harassment, the Group has set up reporting channels including a dedicated union mailbox and HR email, workshop suggestion boxes, and a clear incident reporting and escalation procedure outlining reporting, handling, and investigation processes. If such conduct is confirmed, the Group will take necessary corrective or disciplinary actions to stop improper behavior and handle the personnel involved. At the same time, the Group adheres to local hiring policies and provides relevant training for local employees. The local hiring ratio at the Thailand production base is 75%, and the proportion of local employees in management is 10%.

In addition, the Group consistently pays attention to the working and living conditions of special groups of employees, actively fostering an inclusive and caring employment environment. For employees with physical disabilities, the Group provides suitable job opportunities and, based on their health status and actual capabilities, implement job optimization and reasonable adjustments to ensure stable employment and meaningful contributions in suitable positions.

The Group has established the *Child Labor and Minor Worker Management Regulations*, strictly verifying applicants’ age information, ensuring that all employees provide valid identification before onboarding to prevent employment of child or underage workers. In case of misemployment of child workers, the labor relationship will be terminated immediately with relevant responsibilities pursued. Additionally, the Group firmly opposes any form of forced labor and has formulated the *Regulations on Preventing Involuntary Labor* to ensure that all candidates are hired and work voluntarily. Regarding working hours, the Group strictly complies with the *Labor Law of the People's Republic of China* and the relevant provisions in employees’ labor contracts, ensuring daily working hours do not exceed eight hours and the average weekly working hours do not exceed forty hours. If overtime is necessary, employees should submit a request to their supervisor in advance. The Group ensures overtime wages are paid in accordance with relevant regulations. During the reporting period, there were no instances of child labor or forced labor in the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group conducts the human rights due diligence annually for all employees and develops corresponding mitigation measures. During the reporting period, the Group did not experience any negative human rights events.

The Group's Human Rights Due Diligence

Key Issues	Assessment Content	Mitigation Measures
Prohibition of child labor	Employee age verification mechanism; onboarding identity verification process	When recruiting, thoroughly verify applicants' identity documents, comply with laws and regulations of the country or region, and ensure that no workers below the minimum employment age are hired.
Prohibition of forced labor	Whether there are any instances of forced overtime, confiscation of documents, or restrictions on freedom	In accordance with laws and regulations, strictly manage working hours through a time-tracking system; ensure employees' leave entitlements.
Prohibition of discrimination	Whether an inclusive and fair workplace environment is provided	In the recruitment stage, emphasize prohibitions on illegal discrimination and employment-related regulatory requirements; provide anti-discrimination training for employees.
Freedom of association and collective bargaining agreements	Employee representation participation mechanisms; union coverage; status of collective bargaining agreement signing and implementation	Regularly engage with employees through forums such as roundtables, and employee representative conferences, to understand the current state of human rights issues.
Provision of a healthy and safe working environment	Implementation of the safety production responsibility system; occupational health monitoring; safety production training, etc.	Establish a three-tier safety production management structure, and implement safety accountability at each level; carry out special inspections on safety of operations, working environment, and occupational health; provide employees with adequate safety production training.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

9.2 Optimizing Incentive System

The Group has formulated a series of compensation management policies, including the *Administrative Management Position Compensation Management Regulations*, *Technical and Management Position Compensation Management Regulations*, and *Regulations on Subsidy Standards and Accounting for Academic Qualifications and Professional Titles*, etc., establishing an appealing compensation and benefits system. The Group provides employees with competitive compensation, ensuring wage levels above local benchmarks. At the same time, the Group regularly monitors gender pay gaps to ensure equal pay for equal work.

The Group adopts a “base salary + performance” pay system, and implements a “one person, one position, one assessment form” for different positions; based on performance, additional rewards are provided. This effectively motivates employees and enhances initiative. During the reporting period, the Group continued to optimize the compensation system by refining payroll calculations and linking performance evaluation, fully implementing a remuneration reform oriented toward productivity, quality, and cost savings. Additionally, the Group issued the *Administrative Regulations on Compensation Calculation and Management for Non-Operational Logistics Personnel in Production Frontline*, standardizing duties and compensation for frontline logistics roles such as fitters and electricians.

The Group conducts an annual comprehensive evaluation based on three dimensions — self-assessment, peer review, and supervisor assessment — and uses the results as an important basis for salary adjustments. At the same time, the Group sets role-based targets for employees and team performance targets, and engages in agile conversations with employees about performance to ensure the comprehensiveness of the appraisal. During the reporting period, employee performance evaluation coverage reached 100%.

The Group strictly pays social insurance premiums in line with national requirements, including basic pension, basic medical insurance, maternity insurance, work-related injury insurance, and unemployment insurance, as well as housing provident fund, and ensures every employee can enjoy statutory holidays and other paid leave, effectively safeguarding employees’ basic rights. At the same time, the Group fully guarantees paid annual leave. In addition, the Group provides comprehensive additional benefits, including free meals at work, a nursing room, regular medical examinations, additional “critical illness” insurance and other commercial insurance, festive benefits, Spring Festival travel subsidies, and travel benefits. For core management, the Group adds a supplementary “Million Medical Insurance” for supervisory level and above, further enhancing the employee healthcare benefits system.

9.3 Broadening Development Paths

- **Clarifying Promotion Channels**

The Group has established a clear career development path for employees, ensuring fair, impartial, and transparent promotion opportunities to motivate them to continuously enhance their overall competencies, fully realize their individual potential, and achieve mutual growth of the organization and the employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In terms of employee development and promotion, the Group has formulated and implemented the *Promotion Management Regulations*, introducing a diversified career development path across all positions to attract and motivate talents from different fields to fully realize their value. The Group is committed to discovering and cultivating outstanding talents from the grassroots. Upon onboarding of new employees, the Group allocates positions scientifically and reasonably according to their personal interests and professional backgrounds. The Group has established clear and well-defined promotion paths for both management and technical positions: Frontline production employees can gradually advance to higher-level technical roles through continuous effort and experience accumulation; Employees in management positions can start from entry-level management roles, and through systematic training and practical experience, gradually progress to more core management positions. Additionally, this Group promotes a job rotation system to cultivate well-rounded talents with multi-faceted management abilities through exposure to different roles, thus providing employees with broader career development opportunities. In 2025, internal job rotations covered 199 employees.

- **Employee Training**
This Group attaches great importance to employee training and education, aiming to continuously enhance employees' overall quality and personal abilities through diversified training programs. To this end, this Group has established the *Training Management Procedures* to standardize management of employee training. At the beginning of each year, the Group formulates an annual employee training plan based on job responsibilities and needs, and arranges appropriate training content and assessments for different positions to ensure employees continue to grow and progress across various roles and duties. In addition, this Group forms online learning groups via WeChat and other platforms, where employees voluntarily study frontier knowledge related to their roles.

The Group's Training System

Types of Training	Training Content and Effectiveness
New Employee Onboarding Training Program	This Group conducts systematic training on corporate culture, systems and processes, compliance and safety, and workplace literacy through a combination of centralized classroom instruction, on-site visits, mentorship, and concluding assessments. This year, the program covered about 160 new employees, significantly improving pass rates for probation and sense of belonging among staff.
Management Capability Improvement Program	This Group provides management with specialized training, case studies, and scenario simulations covering strategy implementation, team management, and internal training delivery skills for approximately 20 mid-to-senior managers. The program has enhanced cross-department collaboration and execution, and achieved full coverage of internal training delivery skills among the management team.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Types of Training	Training Content and Effectiveness
Professional Post Skills Enhancement Program	The Group targets core roles in technology and business through practical training, on-job drills, skills competitions and assessments, focusing on professional skills, process optimization, and quality control. The program covers about 120 key role personnel, strengthening the talent pool for critical positions.
Workers' School (Talent Pipeline) Program	The Group leverages the Workers' School platform to continuously develop career literacy, compliance and safety, mental health, and general capabilities for all young employees through centralized lectures, online micro-courses, monthly seminars, and reading-sharing activities. The program effectively enhances overall staff professionalism and compliance awareness, fosters a learning-oriented organization culture, and strengthens employee satisfaction and stability.



Workers' School Training

To encourage employees to improve their academic qualifications and professional titles, the Group continues to enhance subsidies in this regards. Employees pursuing relevant professional titles can receive examination allowances, which are provided as additional learning incentives. During the reporting period, the Group granted education subsidies of RMB1.48 million in total to 613 employees; 275 person-times received subsidies for various professional titles, including Certified Public Accountant, Certified Safety Engineer, Tax Advisor, Human Resource Management Professional, and Intermediate Engineer, totaling RMB1.57 million.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case: Digital Transformation Special Training

During the reporting period, the Group, aligned with digital transformation goals, conducted tiered training program on digital concepts, office collaboration, system operation, and data analysis for management, functional departments, and key business positions, covering 500 person-times. The training program significantly enhanced overall digital literacy and system operation capabilities, effectively promoting online and standardized management processes, laying a solid foundation for organization-wide digital transformation.

Case: Advancing Internal Trainer Training

During the reporting period, the Group systematically advanced the development of the internal trainer team, focusing on senior management level and department heads. Training sessions covered teaching skills, course development, conversion of management experience, and teaching standards, implemented through a combination of centralized classroom instruction, practical refinement, and assessment certification. The initiative successfully realized the “managers as lecturers” concept, achieving 100% participation and certification among management, effectively promoting a systematic transfer of organizational knowledge and experience.

With in-depth school-enterprise cooperation with universities, the Group makes full use of universities’ professional resources and integrates practical on-the-job training to achieve significant results. During the reporting period, the Group signed a joint training agreement with Nanjing Normal University Zhongbei College and established a dedicated Teaching Award Fund and the “Tiangong Talent Cultivation” award, systematically building a campus recruitment system from nurturing to retaining talent. Meanwhile, the Group has connected with Harbin University of Science and Technology, Changchun University, and other universities, preliminarily establishing stable talent supply channels.



Signing of the School-Enterprise Cooperation Agreement

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

9.4 Creating Happy Workplace

- ***Democratic Communication and Exchange***

The Group has adopted a variety of employee communication channels, including regular meetings, the employee mailbox, email, and an annual Employee Representative Congress, to ensure that employees' voices are conveyed promptly and effectively. During the reporting period, the Group continued to increase the proportion of female employees among employee representatives, fully listening to the needs and suggestions from female staff. The proportion of female employee representatives in 2025 increased by 8% compared to 2024. In 2025, the Employee Representative Congress received 408 opinions from employees, all of which have been addressed. In addition, the Group requires production and administrative units to hold monthly staff meetings, actively listen to employee suggestions, and exchange work updates and feedback. The Group also regularly conducts employee satisfaction surveys, covering dimensions such as compensation and benefits and incentives, leadership management and communication, training and career development, work environment and logistics support, corporate culture and team atmosphere, and systems, processes and work efficiency, ensuring that employees' opinions and needs are effectively addressed and used for continuous improvement based on survey results.



The Group's Employee Representative Congress

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- ***Caring for Employees***

The Group places high importance on the well-being and physical and mental health of its employees, continuously improving the employee care system to foster a warm and dynamic work environment. On special holidays and occasions, the Group provides thoughtful care for employees. For example, for the International Women's Day on March 8, the Group arranges half-day paid leave for female employees and provides a special allowance, expressing respect and care for female staff. For employees' birthdays, the Group offers birthday cash bonuses and other benefits to let them feel warmth amidst busy schedules. For lactating female employees, the Group provides a nursing room and offers a daily 1-hour paid break to support work-life balance, and grants priority in job reassignment to meet the needs of female employees during special periods; at the same time, male employees are also entitled to paid paternity leave.¹

In addition, the Group provides special incentive grants to the children of employees who gain admission to prestigious schools, and helps non-local employees with their children's education, achieving comprehensive coverage from kindergarten to junior high. During the reporting period, the Group helped a total of 60 employees successfully enroll their children in school, effectively addressing employees' concerns about their children's education.

The Group also pays attention to the physical and mental health of employees by establishing psychological counseling rooms, enhancing workplace stress management through improved communication mechanisms and care measures, and regularly organizing physical examinations and cultural and sports activities. In addition, the Group offers flexible working hours for employees in sales and other departments. Placing particular emphasis on the health and safety of frontline production workers, the Group has prepared a Summer Heat-Relief Care Package for frontline staff, to reduce the risk of heatstroke and ensures their health in high-temperature environments. The Group operates an employee canteen with a wide variety of dishes.



Free Medical Checkups for Female Employees

¹ The Group ensures the protection of employees' maternity and paternity leave rights in accordance with the law. As per the relevant regulations of Zhenjiang City, Jiangsu Province, female employees are entitled to 158 days of paid maternity leave (approximately 22.5 weeks), male employees are entitled to one week of paid paternity leave, and most employees are provided with no less than one week of paid childcare leave.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's labor union also has a funding mechanism that provides solid support for employees, always focusing on and assisting in solving employees' practical difficulties. The Group also establishes the Serious Illness Employee Aid Foundation, which provides basic salary subsidies for employees with illnesses and special subsidies for employees with serious illnesses. During the reporting period, the foundation assisted a total of 27 people and disbursed over RMB640,000.

- ***Diverse and Enriching Activities***

The Group is committed to improving the working atmosphere and team culture through a rich array of cultural and athletic activities, enriching employees' after-work life and enhancing their happiness and sense of belonging. The Group holds a biennial staff sports day, and each year organizes team-building activities and annual parties to promote teamwork and collaboration. In addition, the Group also encourages employees to voluntarily organize clubs and regularly host various cultural and sports activities to strengthen connections and communication among employees.



The Group's Annual Party



Staff Team-Building

10 Spreading Warmth of Charity

The Group has always been actively engaging in public welfare and charitable causes. Leveraging its resources and industry advantages, the Group has long been committed to fulfilling social responsibility, and co-creating sustainable value with communities. During the reporting period, the Group was awarded the title “Charity Star of Jiangsu Province” by the Jiangsu Charity Federation, recognizing our active contributions to charity.



“Charity Star” Honorary Title

10.1 Deepening Rural Support

Anchored in local characteristics and market demands, the Group strategically directs resources toward long-term rural revitalization. The Group increases villagers’ income through measures such as consumption assistance and donations, addresses the practical problems in rural areas, and contributes to the modernization of rural communities.

Case: Multi-dimensional Support for Rural Revitalization

The Group actively participates in and supports the national rural revitalization plan. To improve the living standards and address the challenges of a high disability rate and poor living conditions in Jinshan Village, Jurong City, the Group has made targeted donations RMB110,000 to support village industrial development. At the same time, the Group implements paired assistance, purchasing peanuts and sweet potatoes grown by villagers as employee benefits to help rural economic development. The Group sources wooden crates from Jinshan Village for its product packaging, empowering villagers to build a prosperous local industry.

10.2 Working Hand in Hand with Communities

The Group actively engages with surrounding communities, striving to form a mutually beneficial and positive relationship with nearby communities, continually focusing on and supporting school education and teaching work, and driving inclusive development and shared prosperity for the Group and society. During the reporting period, the Group’s total donations to all sectors of society reached RMB3.49 million, including RMB1.6 million to Nanjing Normal University, RMB440,000 to the Ma Xiangbo Educational Development Promotion Association to optimize educational resources, approximately RMB970,000 to the Danyang Charity Federation for social assistance and public welfare projects, and RMB400,000 to the Zhenjiang Charity Federation to support local public welfare initiatives.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Appendix 1 ESG Key Performance Indicators

Environment²

Indicator Name	Unit	2023	2024	2025
Environmental management				
Environmental protection investment expensed	RMB10,000	/	/	202
Environmental protection investment capitalized	RMB10,000	/	/	68.50
Pollution emissions management				
Exhaust gas				
Sulfur dioxide (SO ₂) emissions	tonnes	1.88	3.51	1.45
Nitrogen oxides (NO _x) emissions	tonnes	31.44	34.68	32.49
Particulate matter emissions	tonnes	13.35	16.31	23.23
Wastewater				
Total wastewater discharge	tonnes	96,092.00	69,716.00	77,639.50
Chemical Oxygen Demand (COD) emissions	tonnes	2.08	1.54	2.59
Ammonia nitrogen (NH ₃ -N) emissions	tonnes	0.07	0.05	0.06
Waste				
Total amount of waste	tonnes	36,281.42	38,427.18	35,019.89
Total emissions of general industrial solid waste	tonnes	35,030.96	36,640.30	33,803.10
Of which: landfill	tonnes	/	/	30,889.48
Of which: incineration (not for power generation)	tonnes	/	/	1,583.24
Of which: recycling and utilization	tonnes	/	/	1,330.38
General industrial solid waste Emissions Intensity	tonnes/RMB10,000 of revenue	0.07	0.08	0.07
Total amount of hazardous waste	tonnes	1,250.46	1,786.88	1,216.79
Of which: landfill	tonnes	/	/	352.18
Of which: incineration (not for power generation)	tonnes	/	/	10.90
Of which: recycling and utilization	tonnes	/	/	826.95
Of which: others	tonnes	/	/	26.76
Hazardous waste emission intensity	tonnes/RMB10,000 of revenue	0.002	0.004	0.003

² Based on changes in statistical standards, historical data on pollutant emissions, greenhouse gas emissions, energy use, water resources usage and packaging materials usage have been restated. The scope of data disclosure covers all listed entities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator Name	Unit	2023	2024	2025
Greenhouse gas emissions				
Scope 1: Direct emissions	tonnes of CO ₂ e	79,603.40	81,553.27	76,636.92
Scope 2: Indirect emissions	tonnes of CO ₂ e	311,354.09	325,143.98	326,301.18
Total greenhouse gas emissions	tonnes of CO ₂ e	390,957.49	406,697.25	402,938.10
Greenhouse gas emission intensity	tonnes of CO ₂ e/ RMB10,000 of revenue	0.76	0.84	0.85
Energy use				
Diesel consumption	liters	198,016.00	222,922.70	239,654.10
Natural gas consumption	cubic meters	34,105,807.00	35,020,619.00	31,065,383.00
Photovoltaic power generation	MWh	13,608.21	15,341.74	21,283.32
Purchased electricity	MWh	586,796.25	612,785.49	614,966.41
Direct energy consumption	MWh	384,411.81	396,287.03	359,623.14
Total indirect energy consumption	MWh	586,796.25	612,785.49	614,966.41
Total energy consumption	MWh	971,208.06	1,009,072.52	974,589.56
Energy consumption intensity	MWh/RMB10,000 of revenue	1.88	2.09	2.07
Water resources usage				
Water consumption	cubic meters	720,994	745,809	761,199
— Municipal water use	cubic meters	436,108	505,185	555,366
— Surface water	cubic meters	284,886	240,624	205,833
Freshwater consumption intensity in production	cubic meters/RMB10,000 of revenue	1.40	1.54	1.61
Packaging materials usage				
Total packaging material consumption	tonnes	1,710.05	1,740.22	1,726.50
Paper	tonnes	505.25	510.80	505.00
Metal	tonnes	53.45	63.42	61.50
Plastic	tonnes	182.55	186.00	180.00
Wood	tonnes	968.80	980.00	960.00
Others (buffer materials, adhesives, strapping tapes, etc.)	tonnes	0	0	20.00
Packaging materials consumption density	tonnes /RMB10,000 of revenue	0.003	0.004	0.004

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social

Indicator Name	Unit	2023	2024	2025
Employee basic information				
Total number of employees (as of the end of the reporting period)	no. of employees	3,517	3,527	3,601
Number of new hires during the reporting period	no. of employees	559	423	784
Number of fresh graduates employed	no. of employees	65	74	90
Annual employee satisfaction	%	/	98.00	97.68
Number of internal transfers and internal recruitment	no. of employees	/	/	199
Percentage of vacancies filled by internal recruitment	%	/	/	22.18
By gender				
Male	no. of employees	2,357	2,564	2,496
Female	no. of employees	1,160	963	1,105
By employment type				
Full-time	no. of employees	3,517	3,527	3,601
Part-time	no. of employees	0	0	0
By age group				
Under 30	no. of employees	517	466	522
Ages 30-50	no. of employees	1,950	1,964	1,957
Ages 50 and above	no. of employees	1,050	1,097	1,122
By region				
Chinese mainland	no. of employees	3,431	3,421	3,404
Hong Kong, Macao and Taiwan	no. of employees	1	1	3
Overseas	no. of employees	85	105	194
By educational attainment				
Bachelor's degree	no. of employees	/	289	349
Master's degree	no. of employees	/	23	30
Doctorate	no. of employees	/	2	2
Other educational qualifications	no. of employees	/	3,213	3,220
By job level³				
Senior management	no. of employees	/	20	21
Middle management	no. of employees	/	218	219
Frontline employees	no. of employees	/	3,289	3,361

³ The Group defines senior management as employees at the assistant plant-manager level or above, middle management as employees at the departmental-head or director levels, and frontline employees as accounting-level staff or general administrative personnel.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator Name	Unit	2023	2024	2025
Employee turnover				
Annual employee turnover rate	%	27.55	19.28	17.00
By gender				
Male	%	28.68	17.24	15.58
Female	%	25.26	24.71	20.18
By age group				
Under 30	%	25.92	33.26	23.95
Ages 30-50	%	29.59	18.13	17.02
Ages 50 and above	%	24.57	15.41	13.73
By region				
Chinese mainland	%	27.16	18.74	16.92
Hong Kong, Macao and Taiwan	%	0.00	0.00	0.00
Overseas	%	43.53	37.14	18.56
Employee training and development				
Employee training coverage	%	100.00	100.00	100.00
Average training hours per employee	hours	30	36	38
Percentage of employees who receive regular performance and career development assessments	%	100.00	100.00	100.00
Average training hours per employee by gender				
Male	hours	32	36	40
Female	hours	25	36	36
Training percentage by gender				
Male	%	67.02	72.70	69.31
Female	%	32.98	27.30	30.69
Average training hours per employee by employee category				
Senior management	hours	2	1	7
Middle management	hours	14	15	19
Frontline employees	hours	84	84	83
Training percentage by employee category				
Senior management	%	/	0.57	0.58
Middle management	%	/	6.18	6.08
Frontline employees	%	/	93.25	93.34

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator Name	Unit	2023	2024	2025
Diversity, equity and inclusion				
Employment contract coverage	%	100.00	100.00	100.00
Social insurance coverage	%	100.00	100.00	100.00
Health check-up and health records coverage	%	100.00	100.00	100.00
Percentage of female employees in management positions	%	/	27.68	32.28
Percentage of female employees in junior management positions	%	/	72.35	53.50
Percentage of female employees in middle management positions	%	/	26.27	40.00
Percentage of female employees in senior management positions	%	/	1.38	2.50
Percentage of female employees in management positions in revenue-generating functions	%	/	48.63	50.08
Percentage of female employees in STEM-related positions	%	/	16.67	18.89
Percentage of mainland employees in labor union	%	/	100.00	100.00
Suppliers' management				
Number of suppliers	no. of suppliers	485	495	869
Number of suppliers by region				
Chinese mainland	no. of suppliers	480	490	864
Hong Kong, Macao and Taiwan	no. of suppliers	2	2	2
Overseas	no. of suppliers	3	3	3
Number of suppliers by level				
Core suppliers	no. of suppliers	183	183	440
Non-core suppliers	no. of suppliers	302	312	429
Total training duration for suppliers	hours	/	/	108

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator Name	Unit	2023	2024	2025
Product responsibility and customer service				
Annual customer satisfaction	%	93.14	95.10	97.05
Number of complaints received about products and services	cases	69	139	60
Complaint resolution rate for products and services	%	100.00	100.00	100.00
Proportion of products recalled due to safety and health concerns out of total products sold	%	0.00	0.00	0.00
Total number of violations related to health, safety, and labeling of products and services provided	cases	0	0	0
Total number of violations in marketing and promotional activities	cases	0	0	0
Technological innovation and intellectual property				
Number of R&D personnel	person	/	455	448
Number of patent applications filed	items	69	89	99
Number of patents granted	items	61	57	43
Cumulative number of patents	items	263	277	253

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator Name	Unit	2023	2024	2025
Occupational health and safety				
Work-related injuries and fatalities				
Number of work-related fatalities	person	0	0	0
— Employees				
Number of work-related fatalities	person	0	0	0
— Suppliers				
Rate of work-related fatalities	%	0.00	0.00	0.00
Lost workdays due to work-related injuries	day	0	0	30
Lost Time Injury Frequency Rate (LTIFR)	n/per million work hours	0	0	0.252
— Employees				
Lost Time Injury Frequency Rate (LTIFR)	n/per million work hours	0	0	0
— Contractors				
Total Recordable Injury Frequency Rate (TRIFR) — Employees	n/per million work hours	0	0	0.252
Total Recordable Injury Frequency Rate (TRIFR) — Contractors	n/per million work hours	0	0	0
Safety training				
Number of safety production training sessions	sessions	87	92	180
Total attendance of safety production training	no. of people	2,798	2,808	2,782
Total duration of safety production training	hours	174	183	360
Safety production training coverage	%	100.00	100.00	100.00
Public welfare, charity and community activities				
Total outgoing donations	RMB10,000	/	240	349
Total hours employees volunteered in public welfare activities	hours	/	180	240

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Governance

Indicator Name	Unit	2023	2024	2025
Business ethics				
Number of embezzlement lawsuits filed and concluded against the issuer or its employees during the reporting period	cases	0	0	0
Number of employees penalized or dismissed for violations of anti-corruption policies	person	0	0	0
Fines, penalties or settlement costs related to corruption	RMB10,000	0	0	0
Total duration of anti-corruption training	hours	/	21	16.5
Board anti-corruption training				
Proportion of directors covered by anti-corruption training	%	/	100.00	100.00
Average duration of anti-corruption training attended by directors	hours	/	0.5	1
Employee anti-corruption training				
Number of employees participating in anti-corruption training	person	/	3,439	3,500
Anti-corruption training coverage among employees	%	/	97.50	97.20
Average duration of anti-corruption training for employees	hours	/	0.5	0.5

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Appendix 2 ESG Reporting Code Index

Part C: “Comply or explain” Provisions		
Category	Disclosure requirements	Disclosure in the report
Environmental		
A1 Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. A1.1 The types of emissions and respective emissions data. A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility) A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility) A1.5 Description of emissions target(s) set and steps taken to achieve them. A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Strict Control of Pollution Emissions ESG Key Performance Indicators ESG Key Performance Indicators ESG Key Performance Indicators Strict Control of Pollution Emissions Strict Control of Pollution Emissions
A2 Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility). A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them. A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Efficient Use of Resources ESG Key Performance Indicators ESG Key Performance Indicators Efficient Use of Resources Efficient Use of Resources ESG Key Performance Indicators
A3 The Environment and Natural Resources	General Disclosure Policies on minimizing the issuer’s significant impacts on the environment and natural resources. A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Group’s activities have no significant impact on the environment and natural resources. The Group’s activities have no significant impact on the environment and natural resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Part C: “Comply or explain” Provisions		
Category	Disclosure requirements	Disclosure in the report
Social		
B1 Employment	General Disclosure	Committing to Diverse Hiring
	Information on:	
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	
	B1.1 Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	ESG Key Performance Indicators
	B1.2 Employee turnover rate by gender, age group and geographical region.	ESG Key Performance Indicators
B2 Health and Safety	General Disclosure	Strengthening the Safety Foundation
	Information on:	
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	ESG Key Performance Indicators
	B2.2 Lost days due to work injury.	ESG Key Performance Indicators
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Strengthening the Safety Foundation
B3 Development and Training	General Disclosure	Broadening Development Paths
	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	ESG Key Performance Indicators
	B3.2 The average training hours completed per employee by gender and employee category.	ESG Key Performance Indicators

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Part C: “Comply or explain” Provisions		
Category	Disclosure requirements	Disclosure in the report
B4 Labor Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Committing to Diverse Hiring
	B4.1 Description of measures to review employment practices to avoid child and forced labor.	Committing to Diverse Hiring
	B4.2 Description of steps taken to eliminate such practices when discovered.	Committing to Diverse Hiring
B5 Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Practicing Responsible Procurement
	B5.1 Number of suppliers by geographical region.	ESG Key Performance Indicators
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Practicing Responsible Procurement
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Practicing Responsible Procurement
	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Practicing Responsible Procurement
B6 Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Lean Quality Control Enhancing Service Experience
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	ESG Key Performance Indicators
	B6.2 Number of products and service related complaints received and how they are dealt with.	Enhancing Service Experience ESG Key Performance Indicators
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Protecting Intellectual Property
	B6.4 Description of quality assurance process and recall procedures.	Lean Quality Control
	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Ensuring Information Security

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Part C: “Comply or explain” Provisions		
Category	Disclosure requirements	Disclosure in the report
B7 Anticorruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Upholding Business Ethics
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Upholding Business Ethics
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Upholding Business Ethics
	B7.3 Description of anti-corruption training provided to directors and staff.	Upholding Business Ethics ESG Key Performance Indicators
B8 Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	Spreading Warmth of Charity
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Spreading Warmth of Charity
	B8.2 Resources contributed (e.g. money or time) to the focus area.	Spreading Warmth of Charity

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Part D: Climate-related Disclosures		
	Disclosure requirements	Disclosure in the report
Governance	(a) The governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities	Addressing Climate Change
	(b) Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities	Addressing Climate Change
Strategy	Climate-related risks and opportunities	Addressing Climate Change
	Business model and value chain	Addressing Climate Change
	Strategy and decision-making	Addressing Climate Change
	Financial position, financial performance and cash flows	Addressing Climate Change
	Climate resilience	Addressing Climate Change
Risk Management	Risk Management	Addressing Climate Change
Metrics and Targets	Greenhouse gas emissions	Addressing Climate Change
	Climate-related transition risks	Addressing Climate Change
	Climate-related physical risks	Addressing Climate Change
	Climate-related opportunities	Addressing Climate Change
	Capital deployment	Addressing Climate Change
	Internal carbon prices	Addressing Climate Change
	Remuneration	Addressing Climate Change
	Industry-based metrics	Addressing Climate Change
	Climate-related targets	Addressing Climate Change
	Applicability of cross-industry metrics and industry-based metrics	Addressing Climate Change

DIRECTORS & SENIOR MANAGEMENT

Executive Directors

Mr. ZHU Xiaokun, aged 69, is an Executive Director and the Chairman of the Company. He is responsible for the overall business development strategy of the Group and has over 30 years of experience in special steel and cutting tools industry. Mr. Zhu graduated from the Economic and Management Department of Jiangsu Open University. In 1984, he joined Danyang Houxiang Television Antenna Factory (the predecessor of Jiangsu Tiangong Group Company Limited (“TG Group”)) as the general manager. He led the factory to transform from a television antenna factory to an enterprise of HSS cutting tools in 1987 and also subsequently to expand to include the production of HSS in 1992, the production of DS in 2005 and the production of titanium alloy in 2012. He has been acting as the Chairman of the Group since July 1997. In 1998, he was awarded as a National Township Factory Manager, named as a National Township Entrepreneur in 2004 by Ministry of Agriculture, awarded as Model of Work Force in the Jiangsu Province in 2006, Model of the National Steel Industry Work Force in 2008, Top Ten Annual Jiangsu Businessman in 2010, “Most Benevolent Model” on Charitable Donations in Jiangsu Province in 2011, awarded National Labor Medal in 2012, continuously awarded of “Most Honored Business Leader of the Twelfth Five-year Plan in Jiangsu” in 2013 to 2015 and awarded of “National Model Worker” in 2015. Mr. Zhu is the representative of the Thirteenth National People’s Congress. Mr. Zhu is the father of the Chief Executive Officer of the Company and the Chief Investment Officer of the Group, Mr. Zhu Zefeng.

Mr. ZHU Zefeng, aged 44, is an Executive Director, the Chief Executive Officer of the Company and the Chief Investment Officer of the Group. He graduated with advanced diploma in Business Operation Management from the Durham College, Canada. He joined the Company as management trainee in January 2016 to acquire the relevant experience and knowledge of the manufacturing process of the Group’s products. He is also involved in investigation and investment project on downstream subcontractor. Prior to his joining, he worked for TopTech Tools Manufacturing Inc. as an operation manager, with over 7 years of experience in overseeing and integration of upstream and downstream operation of its special steel business. His prime focus is to execute the Group’s future investment strategy, in particular, in the integration of upstream and downstream component of the supply chain of the Group’s existing business, as approved by the Board from time to time. He is also a director of TG Tech, a subsidiary of the Company, which securities are quoted on NEEQ and listing on Beijing Stock Exchange is being sought. Mr. Zhu is the son of the Executive Director and Chairman of the Company, Mr. Zhu Xiaokun.

Mr. WU Suojun, aged 53, is an Executive Director of the Company and the General Manager of TG Tools. Mr. Wu joined the Group in 1993 as a workshop officer. He is in charge of the purchase, sales, production and operation management of HSS and DS. He is also responsible for the security and environmental works.

Mr. JIANG Guangqing, aged 61, is an Executive Director of the Company. He graduated from Aerospace Industry 061 Base Technical School (航天工業零六一基地技工學校), joined the Group in 1993 and currently is the special assistant of the general manager. He is in charge of the production, operation and management of cutting tools.

DIRECTORS & SENIOR MANAGEMENT

Independent Non-Executive Directors

Mr. LEE Cheuk Yin, Dannis, aged 55, joined the Company as an Independent Non-executive Director in 2010. He obtained the Bachelor of Business Administration from Texas A & M University, the USA. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. He possesses over 20 years of experience in accounting and auditing field. Mr. Lee is currently a managing director of DLK Advisory Limited, and is an independent non-executive director of CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited, Stock Code of HKEx: 1141), Cathay Group Holdings Inc. (Formerly known as Cathay Media and Education Group Inc.) (Stock Code of HKEx: 1981), C&D Property Management Group Co., Ltd. (Stock Code of HKEx: 2156), Luen Thai Holdings Limited (Stock Code of HKEx: 0311) and Eternal Beauty Holdings Limited (Stock Code of HKEx: 6883). He was an independent non-executive director of U-Home Group Holdings Limited (Stock Code of HKEx: 2327) (resigned in 2015), Southern Energy Holdings Group Limited (formerly known as China Unienergy Group Limited, Stock Code of HKEx: 1573) (resigned in 2019) and Geely Automobile Holdings Limited (Stock Code of HKEx: 175) (resigned in 2022), and an independent director of Gridsum Holding Inc. (GSUM.US) (resigned in 2021).

Mr. WANG Xuesong, aged 54, joined the Company as an Independent Non-executive Director in 2016. He is a holder of a Bachelor's Degree in Electronic Engineering from the Tsinghua University and a Master's Degree of Business Administration from the Columbia University. Mr. Wang has been the project manager of Sun Microsystems, Inc., responsible for the development of the world's leading fourth and fifth generations of UltraSPARC CPU chips. He has been awarded the second class National Science Progress Award of the People's Republic of China with his development in 32-bit slot in CPU technology. He has over 10 years of management and engineering experience in various industries in Silicon Valley in the United States and in China. Further, Mr. Wang has nearly 20 years of operating and investment experience in the United States and China. He has been a principal of China Renaissance Capital Investment, where he was responsible for private equity investments. He has also been an executive director and a senior investment member of China Everbright Investment and Assets Management Co., Ltd. Mr. Wang was a co-founding partner of Everbright ReinFore in 2013 and is currently a member of the firm's Investment Committee.

Ms. QIN Ke, aged 63, joined the Company as an Independent Non-executive Director on 19 June 2024. She graduated from the Materials Department of University of Science and Technology Beijing (formerly Beijing Iron and Steel Institute) majoring in Metal Materials Science and Engineering. Since August 1996, she served as deputy secretary-general, executive deputy secretary-general and secretary general of China Mold Industry Association* (中國模具工業協會), and is currently the executive vice president and secretary-general of China Mold Industry Association* (中國模具工業協會). Since 2012, she was appointed as the deputy director of the National Mold Standardization Technical Committee* (全國模具標準化技術委員會). She was an independent director of Ningbo Heli Technology Co., Ltd.* (寧波合力科技股份有限公司) (formerly known as Ningbo Heli Mold Technology Co., Ltd.* (寧波合力模具科技股份有限公司)) (Shanghai Stock Exchange stock code: 603917) from January 2017 to January 2023. She was also a director of China Model Cloud (Ningbo) Technology Co., Ltd.* (中模雲(寧波)科技有限公司) from August 2020 to February 2023. From May 2019 to December 2023, she was an independent director of Ningbo Fangzheng Automotive Mold Co., Ltd.* ("Ningbo Fangzheng") (寧波方正汽車模具股份有限公司) (Shenzhen Stock Exchange stock code: 300998). From November 2018 to November 2024, she was an independent director of Ningbo Zhenyu Technology Co., Ltd.* (寧波震裕科技股份有限公司) (Shenzhen Stock Exchange stock code: 300953). She is currently an independent director of Shangda Xinlun Material Technology (Shanghai) Co., Ltd.* (上大鑫侖材料科技(上海)有限公司) (appointed on December 2021).

DIRECTORS & SENIOR MANAGEMENT

Senior Management

Mr. JIANG Rongjun, aged 62, is an Executive Director and the General Manager of TG Tech. He joined the Group in 1985 as a workshop officer. Mr. Jiang is currently in charge of the production, sales and management of titanium alloy plant.

Mr. LIAO Jun, aged 60, is the Chief Technology Officer of the Group. He graduated from the College of Materials Science and Engineering of Chongqing University and acquired an Executive MBA from Shanghai Jiao Tong University in 2008. Prior to joining the Company in July 2014 as head of innovation and technology department, he worked as deputy chief of technical section of Shanghai No. 5 Steel Co., Ltd. He then served as deputy head of technical center of China Bao Steel Group and director of its branch steel plant. He has over 30 years of experience in special steel production and technology innovation. Mr. Liao is taking the responsibility of the Company's technology advance and development in order to enhance the product grading, technical specification and quality control.

Mr. WANG Gang, aged 42, is the Chief Financial Officer of the Group. He graduated with a master's degree from the Royal Institute of Technology, Sweden. He is a member of The Chinese Institute of Certified Public Accountants. Prior to joining the Group in August 2015, he worked in KPMG Hong Kong and KPMG China and was promoted to the position of audit manager of KPMG China. Mr. Wang then joined TG Group as chief accountant in 2014. He was appointed as a director and the financial controller of TG Tech from August 2015 and subsequently resigned from the position of financial controller in TG Tech in January 2017, in preparation for the appointment as the Chief Financial Officer of the Company. Mr. Wang has over 10 years of experience in the fields of finance, auditing, accounting and administration and is familiar with the business and operation of the Group.

Mr. LEE Johnly, aged 46, is the Financial Controller and Company Secretary of the Company. Mr. Lee joined the Group in July 2015 and has over 15 years of experience in the field of finance, auditing, accounting and administration, including working in the assurance and advisory business services department of Ernst & Young Certified Public Accountants. Mr. Lee graduated with a Bachelor's Degree in Accountancy from the Hong Kong Polytechnic University. He is a member of The Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

The Group strives to attain and maintain high standards of corporate governance and to apply the principles set out in the Corporate Governance Code (the “Code”) set out in Appendix C1 to the Listing Rules as it believes that good corporate governance practices are fundamental to the Group’s development and essential for safeguarding shareholders’ interests. To achieve this objective, the Group strengthens its internal policies and procedures, provides continuous training to its staff and increases the transparency of its operation and accountability to all shareholders. The Group is committed to improving this practice and maintaining an ethical corporate culture. During the year ended 31 December 2025, the Group has complied with the applicable principles and code provisions set out in the Code.

The Board

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

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

- (a) to develop and review the Company’s policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company’s policies and practices in compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company’s compliance with the Code.

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

CORPORATE GOVERNANCE REPORT

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

Number of Meetings and Directors’ Attendance

Name of Director	Attendance/Number of Board Meetings			
	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Zhu Xiaokun (<i>Chairman</i>)	6/6	N/A	1/1	1/1
Mr. Zhu Zefeng	6/6	N/A	N/A	N/A
Mr. Wu Suojun	6/6	N/A	N/A	N/A
Mr. Jiang Guangqing	6/6	N/A	N/A	N/A
Mr. Lee Cheuk Yin Dannis	6/6	3/3	1/1	1/1
Mr. Wang Xuesong	6/6	3/3	1/1	1/1
Ms. Qin Ke	2/2	2/2	0/0	0/0

General Meetings With Shareholders

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

The annual general meeting (“AGM”) was held on 19 June 2025. Mr. Zhu Xiaokun acted as the chairman of the AGM.

The attendance records of the Directors at the shareholders’ meeting held in the year 2025 are set out below:

AGM	
Executive Directors	
Mr. Zhu Xiaokun (<i>Chairman</i>)	✓
Mr. Zhu Zefeng	✓
Mr. Wu Suojun	–
Mr. Jiang Guangqing	–
Independent non-executive Directors	
Mr. Lee Cheuk Yin Dannis	✓*
Mr. Wang Xuesong	✓
Ms. Qin Ke	✓*

* Mr. Lee Cheuk Yin Dannis and Ms. Qin Ke attended the AGM by way of video conference.

CORPORATE GOVERNANCE REPORT

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

Composition of the Board

As at the date of this report, the Board comprises four Executive Directors (Mr. Zhu Xiaokun, Mr. Zhu Zefeng, Mr. Wu Suojun and Mr. Jiang Guangqing), and three Independent Non-Executive Directors (Mr. Lee Cheuk Yin, Dannis, Mr. Wang Xuesong and Ms. Qin Ke). Biographical details of the Directors as at the date of this report are set out on pages 107 to 109 of this annual report.

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

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

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

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

As at 31 December 2025, the ratio of women to men of the employees of the Group (including senior management) was approximately 31:69. The Group also recognises and embraces the benefits of having a diverse workforce and targets to hire with achieving a balance on diversity in mind.

Directors and Company Secretary's Continuous Training and Development

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

During the year ended 31 December 2025, all Directors have been provided with and read seminar materials covering topics including the Code, the disclosure of inside information and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements to refresh their knowledge and to facilitate the discharge of their responsibilities. Each of the Directors has provided to the Company their respective records of training received during the financial year ended 31 December 2025.

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

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

For the financial year ended 31 December 2025, the Company Secretary has taken no less than 15 hours of relevant professional training.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

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

In 2025, the Chairman has held a meeting with the Independent Non-Executive Directors without the Executive Directors being present.

Appointment, Re-election and Removal of Directors

While there was no appointment of new Directors this year, a person may be appointed as a member of the Board at any time either by shareholders' resolutions in general meetings or by resolutions of the Board upon recommendation by the Nominations Committee of the Company. New Directors appointed by the Board during the year are required to retire and submit themselves for re-election at the first general meeting immediately following their appointments.

Each newly appointed Director is provided with induction material on the first occasion of his/her appointment, so as to ensure that he/she has an appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules, code of conduct and other relevant regulatory compliance requirements.

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

Board Committees

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

Audit Committee

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

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

The Audit Committee had held a meeting on 27 March 2026 to consider and review the 2025 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 2025 annual report and annual financial statements of the Company have complied with the Listing Rules and the applicable accounting standards and the Company has made appropriate disclosure thereof.

The Audit Committee held three meetings in 2025 and one meeting to date in 2026.

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

CORPORATE GOVERNANCE REPORT

Remuneration Committee

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

The primary role of the Remuneration Committee is to assess the performance of executive directors, approve the terms of service contracts of the executive directors, make recommendation to the Board on the Company's policy and structure for remuneration (including but not limited to share schemes) of Directors and senior management and to ensure that their compensation arrangements are determined in accordance with relevant contractual terms. The Company's remuneration policy is to maintain fair and competitive remuneration packages based on business needs and market practice. Factors such as market rate, an individual's qualification, experience, performance and expected workload are taken into account during the remuneration package determination process. The Remuneration Committee has consulted the Chairman of the Board, Mr. Zhu Xiaokun or the Chief Executive Officer, Mr. Zhu Zefeng, about their proposals relating to the remuneration of other Executive Directors and have access to professional advice if considered necessary. The Remuneration Committee was provided with sufficient resources to discharge its duties.

The Remuneration Committee held one meeting in 2025 and two meeting to date in 2026.

The meetings were held to assess the performance of the Directors and senior management, approve the terms of executive Director's service contracts, discuss and review the overall remuneration policy and structure (including the share schemes). Recommendations have been made to the Board on the remuneration packages of individual executive Directors and senior management. No Director and any of his associates has taken part in any discussion on his own remuneration. Details of the fees of the Directors are set out in note 10 to the financial statements.

For the year ended 31 December 2025, the remuneration of the Directors and senior management is listed as below by band:

Band of remuneration	No. of persons
RMB0 to RMB1,000,000	8
RMB1,000,000 to RMB2,000,000	3

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

Nomination Committee

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

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

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

The Nomination Committee held one meeting in 2025 and one meeting to date in 2026. The meetings were held to discuss and review the composition and structure of the Board and senior management and the re-appointment arrangement of the Directors in the Company's forthcoming annual general meeting. The Executive Directors were appointed based on their qualification and experience in relation to the Group's business. The Independent Non-Executive Directors were appointed based on their professional qualifications and experience in their respective areas.

Directors' Responsibility for the Financial Statements

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

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

Internal Control and Risk Management

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

The Board, through the Audit Committee, has conducted a review covering all material controls, including financial, operational and compliance controls and risk management functions of the Group for the year ended 31 December 2025. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the Group's financial position or results of operations and, having taken into account of the adequacy of resources, staff qualifications and experience, training programs, internal audit and financial reporting functions, considered that effective and adequate internal control and risk management systems of the Group had been in place and had been functioning effectively.

External Auditors

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

During the year ended 31 December 2025, the total remuneration paid or payable to KPMG was RMB8,180,000, including RMB3,500,000 for audit service of the Company, RMB4,680,000 for other audit related services and nil for non-audit professional service.

The Model Code for Securities Transactions by Directors of Listed Issuers

The Group has adopted a code of conduct governing securities transactions by Directors in compliance with and on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the "Model Code"). All of the Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Group's code of conduct governing securities transactions by Directors and employees who may possess or have access to price sensitive information or inside information during the year ended 31 December 2025.

Independent views

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

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

Dividend Policy

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Shareholders' Rights

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

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

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

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

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

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

Procedures for directing shareholders' enquiries to the Board

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

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

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

Investor Relationship and Communication

The Company recognizes the importance of communication with shareholders and accountability to shareholders and has adopted a shareholders' communication policy, which is subject to annual review to ensure its implementation and effectiveness. Such policy aims to ensure that shareholders will have equal and timely access to information about the Company, so as to enable them to exercise their rights in an informed manner and to allow them to engage actively with the Company. A summary of the Company's shareholders' communication policy is set out below: Annual and interim reports offer comprehensive operational and financial performance information to shareholders and the annual general meetings provide a forum for shareholders to make comments and raise concerns to the Board directly. The Group's senior management also maintains close communication with investors, analysts and the media by other channels including roadshows, briefings and individual meetings. The Group has set up its own website www.tggj.cn, which is updated on a regular basis, as a means to provide updated information on the Company to investors. Shareholders are encouraged to attend the forthcoming annual general meeting of the Company for which not less than 21 days' notice (pursuant to the articles of association of the Company) is given. At the meeting, the Chairman of the Board, the Chairman of the Board Committees (or their respective committee members) and the Directors are available to answer questions on the Group's business. The Company has reviewed the implementation and effectiveness of its shareholders' communication policy for the year ended 31 December 2025, including the steps taken at the general meetings, the handling of enquiries received and the multiple communication channels in place. The Company is of the view that the policy is effective and has been properly implemented.

There is no change in the Company constitutional documents during the year. The Company's constitutional documents are posted on the website of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Directors are pleased to submit the annual report together with the audited financial statements for the year ended 31 December 2025.

Principal Place of Business

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

Principal Activities

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

Financial Statements

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 142 to 143.

The financial position of the Group as at 31 December 2025 is set out in the consolidated statement of financial position of the Group on pages 144 to 145. The financial position of the Company as at 31 December 2025 is set out in note 37 to the financial statement on page 226.

The cash flows of the Group for the year ended 31 December 2025 are set out in the consolidated cash flow statement on pages 148 to 149.

Results and Appropriations

The Board proposed a final dividend payment of RMB0.0253 per share for the financial year ended 31 December 2025 (2024: RMB0.0263).

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB3,488,800 (2024: RMB2,400,000).

Property, Plant and Equipment

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

Reserves

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

Distributable Reserves

Distributable reserves of the Company as at 31 December 2025, calculated in accordance with the Companies Law (Cap. 22) (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to RMB1,133,258,000 (2024: RMB1,283,869,000).

Pre-emptive Rights

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

Share Capital

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

Business Review

The principal activities of the Group, a review of the business of the Group during the year and a discussion on the Group's future business development are provided in the management discussion and analysis and the Chairman's statement of this annual report. Descriptions of possible risks and uncertainties that the Group may be facing and an analysis of the Group's performance during the year using financial key performance indicators is provided on pages 6 to 34 of this annual report. Particulars of important events affecting the Group that have occurred since the end of the financial year are provided in note 39 to the financial statements.

In addition, further information of the Company's environmental protection policies and compliance with relevant laws and regulations which have a significant impact on the Group are provided in the ESG Report and in the management discussion and analysis of this annual report. An account of the Company's relationships with its key stakeholders are disclosed in the section heading "Relationships with key stakeholders" on page 34 of the management discussion and analysis of this annual report.

Directors

The Directors during the financial year were:

Executive Directors

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

Independent Non-Executive Directors

Mr. Lee Cheuk Yin, Dannis
Mr. Wang Xuesong
Ms. Qin Ke

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

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

REPORT OF THE DIRECTORS

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

As at 31 December 2025, the interests, long positions or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept under Section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code (set out in Appendix 10 of the Listing Rules) were as follows:

(a) Interests in the Company

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

Notes:

As at 31 December 2025,

- (1) Tiangong Holdings Company Limited ("THCL") held 784,258,000 ordinary shares. THCL was held as to 89.02% and 10.98% by Zhu Xiaokun and Yu Yumei, the spouse of Zhu Xiaokun, respectively. Zhu Xiaokun is deemed to be interested in the 784,258,000 shares held by THCL.
- (2) Zhu Zefeng controlled 100% of Sky Greenfield Investment Limited, which held 644,794,521 ordinary shares.
- (3) Silver Power (HK) Limited, which was wholly owned by Sky Greenfield Investment Limited, held 43,932,000 ordinary shares.
- (L) Represents long position.

(b) Interests in the shares of associated corporations

Name of Director	Name of associated corporation	Nature of interests and capacity	Total number of shares	Approximate percentage of interests (%)
Mr. Zhu Xiaokun	THCL	Beneficial owner	44,511 (L)	89.02
		Spousal interest ⁽¹⁾	5,489 (L)	10.98
Mr. Zhu Xiaokun	TG Tech	Beneficial owner	14,483,951 (L) ⁽²⁾	2.21
Mr. Zhu Zefeng	Sky Greenfield Investment Limited	Beneficial owner ⁽³⁾	1 (L)	100.00
Mr. Zhu Zefeng	Silver Power (HK) Limited	Beneficial owner ⁽³⁾⁽⁴⁾	1 (L)	100.00

Notes:

- (1) Ms. Yu Yumei, the spouse of Mr. Zhu Xiaokun held 5,489 shares in THCL. Mr. Zhu Xiaokun is deemed to be interested in such 5,489 shares in THCL.
- (2) Mr. Zhu Xiaokun held 14,483,951 shares in TG Tech.
- (3) Mr. Zhu Zefeng held 1 share in Sky Greenfield Investment Limited.
- (4) Sky Greenfield Investment Limited held 1 share in Silver Power (HK) Limited.
- (L) Represents long position.

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

REPORT OF THE DIRECTORS

Substantial Shareholders' Interests

As at 31 December 2025, save for the Directors or chief executives as disclosed above, the following persons have an interest or short position in the shares or the underlying shares or debentures of the Company and its associated corporations which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept under Section 336 of the SFO:

(a) Interests in the Company

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

(L) Represents long position.

Notes:

- (1) THCL is owned as to 89.02% by Mr. Zhu Xiaokun and 10.98% by his spouse, Ms. Yu Yumei.
- (2) Ms. Yu Yumei is the spouse of Mr. Zhu Xiaokun and is deemed to be interested in the shares of the Company held by Mr. Zhu Xiaokun. For information in relation to shares of the Company held by Mr. Zhu Xiaokun, please refer to the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures — (a) Interests in the Company".
- (3) Zhu Zefeng controlled 100% of Sky Greenfield Investment Limited.
- (4) Silver Power (HK) Limited, which was wholly owned by Sky Greenfield Investment Limited, held 43,932,000 ordinary shares.
- (5) Ms. Niu Qiu Ping is the spouse of Mr. Zhu Zefeng and is deemed to be interested in the shares of the Company held by Mr. Zhu Zefeng. For information in relation to shares of the Company held by Mr. Zhu Zefeng, please refer to the paragraph headed "Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures — (a) Interests in the Company".

(b) Interests in the shares of associated corporation

Substantial shareholder's name	Name of associated corporation	Nature of interests and capacity	Total number of shares	Approximate percentage of interests (%)
Ms. Yu Yumei	THCL	Beneficial owner	5,489 (L)	10.98
		Spousal interest ⁽¹⁾	44,511 (L)	89.02
Ms. Yu Yumei	TG Tech	Spousal interest ⁽¹⁾	14,483,951 (L)	2.21
Ms. Niu Qiu Ping	Sky Greenfield Investment Limited	Spousal interest ⁽²⁾	1 (L)	100.00
Ms. Niu Qiu Ping	Silver Power (HK) Limited	Spousal interest ⁽²⁾	1 (L)	100.00

(L) Represents long position.

Notes:

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

Loan Agreement with Specific Performance Obligation

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

On 29 July 2025 and 21 October 2025, the Company, as a borrower (the "Borrower") entered into separate facility agreements (the "Facility Agreements") with a licensed bank in Hong Kong relating to dividend loan facility which amounted to HKD78,480,000 and HKD78,207,500 respectively.

Both of the dividend loan facilities are unsecured and interest bearing and any outstanding amounts are with a tenor of one year from drawdown.

REPORT OF THE DIRECTORS

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

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

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

Arrangements to Acquire Shares or Debentures

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

Biographical Details of Directors and Senior Management

Brief biographical details of the Directors and the senior management are set out on pages 107 to 109.

Closure of Register of Members and Final Dividend

Shareholders of the Company whose names appear on the register of members of the Company on 16 June 2026 are eligible to attend and vote at the forthcoming annual general meeting of the Company (the “Annual General Meeting”) on 16 June 2026.

The register of members of the Company will be closed from 11 June 2026 to 16 June 2026 (both days inclusive), for the purpose of determining shareholders’ entitlement to attend and vote at the forthcoming Annual General Meeting, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the Annual General Meeting, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration by no later than 4:30 p.m. on 10 June 2026.

The Board has resolved on 30 March 2026 to recommend the payment of a final dividend of RMB0.0253 per share for the year ended 31 December 2025 (2024: RMB0.0263) to shareholders of the Company whose names appear on the register of members of the Company on 30 June 2026. The register of members will be closed from 30 June 2026 to 3 July 2026, both days inclusive, and the proposed final dividend is expected to be paid on or before 29 July 2026. 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 16 June 2026. 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 29 June 2026.

Share Scheme

The current share option scheme of the Company was approved by the Company in the annual general meeting held on 26 May 2017 ("Share Option Scheme").

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

1. The Directors may, at their discretion, invite any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisers, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group (the "Participants") to participate in the Share Option Scheme.
2. The maximum number of shares over which options may be granted under the Share Option Scheme must not exceed 222,008,000 shares of nominal value USD0.0025 each in the capital of the Company. As at the date of this report, options in respect of 162,009,000 shares may be granted, representing approximately 5.8% of the issued share capital of the Company as at the date of this report.
3. The total number of shares of the Company issued and to be issued upon exercise of the options granted to each Participant (including both exercised, cancelled and outstanding options) under the Scheme in any 12 month period must not exceed 1% of the shares in issue. Any further grant of options which would result in the number of shares issued as aforesaid exceeding the said 1% limit must be subject to prior shareholders' approval with the relevant Participant and his associates abstaining from voting.
4. The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the relevant date of grant (being the date on which the Board resolves to make an offer of option to the relevant grantee).
5. At the time of grant of the options, the Company may specify any minimum period(s) for which an option must be held before it can be exercised. The Scheme does not contain any such minimum period.
6. The amount payable on acceptance of an option is HKD1.00. An offer of option shall remain open for acceptance by the relevant Participant for a period of 10 business days from the date that the offer of option is given to the relevant Participant.
7. The subscription price for the shares, the subject of the options, shall be no less than the higher of (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant. The subscription price will be established by the Board at the time the option is offered to the Participants.
8. The Share Option Scheme shall be valid and effective till 24 May 2027.

REPORT OF THE DIRECTORS

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

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

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

There were no share options granted since the last grant of options on 11 January 2018 and up till 31 December 2025 and therefore, there were no outstanding share options during the year ended 31 December 2025.

Subsequently on 20 January 2026, options entitled holders to subscribe for a total of 30,000,000 shares of USD0.0025 each were granted to and accepted by certain Directors and employees of the Company in respect of their services to the Group. One-third of these share options would be vested if the consolidated audited revenue of the Company for the year ended 31 December 2026 represented an increase of 25% or more as compared to that of the year ended 31 December 2025. Another one-third of these share options would be vested if the consolidated audited revenue of the Company for the year ending 31 December 2027 represented an increase of 25% or more as compared to that of the year ended 31 December 2026. Final one-third of these share options would be vested if the consolidated audited revenue of the Company for the year ending 31 December 2028 represented an increase of 25% or more as compared to that of the year ended 31 December 2027. All these options will be vested on 1 April 2029 ("Vesting Date"). All these options have an initial exercise price of HKD3.50 per share of USD0.0025 each and an exercise period commencing from the Vesting Date and ending on 31 December 2029. The closing price of the Company's shares at the date of grant was HKD3.43 per share of USD0.0025 each.

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

During the year ended 31 December 2025, the Company did not have any other share scheme in place.

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

Directors' and Controlling Shareholders' Interests in Contracts

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

Directors' Service Contracts

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

Permitted indemnity provision

During the year ended 31 December 2025, there was no permitted indemnity provision in force for the benefit of one or more (existing or former) directors of the Company or of its associated companies or such directors' associated companies.

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

During the year ended 31 December 2025, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities and the Company does not have any treasury shares, whether registered in its own name or deposited with Central Clearing and Settlement System.

During the year ended 31 December 2025, TG New Materials as the purchaser has entered into share buy-back agreements with Huazi Shengtong, Huazi Huizhi and Letong Huazi (each as vendor) respectively to buy-back an aggregate of 1.06% of equity interests in TG Tools, a non-wholly owned subsidiaries of the Company, pursuant to the terms of a shareholders' agreement among the parties, at the aggregate consideration of RMB121,403,000. For further details, please refer to the Company's announcements dated 1 April 2025.

During the year ended 31 December 2025, TG Tech was listed and traded on the Beijing Stock Exchange on 13 May 2025, where 69,000,000 new TG Tech new Shares (including 9,000,000 new TG Tech Shares issued under the Over-placing Option) (representing approximately 11.76% of the issued share capital and 10.52% of the enlarged share capital) were offered by way of placing and issue through the Sponsor cum Underwriter at an issue price of RMB3.94 per share. For further details, please refer to the Company's announcements dated 24 April 2025, 30 April 2025 and 12 June 2025.

Issue of Shares or Debentures

Save as disclosed in this annual report, during the year ended 31 December 2025, neither the Company nor any of its subsidiaries has issued any shares or debentures.

Corporate Governance

The Company has, so far where applicable, adopted and complied with the principles and code provisions set out in the Code during the year ended 31 December 2025.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors. The Audit Committee held a meeting on 27 March 2026 to consider and review the 2025 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 2025 annual report and annual financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

Defined contribution pension funds

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

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

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

REPORT OF THE DIRECTORS

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to major customers and suppliers during the financial year ended 31 December 2025 is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer/supplier	4%	32%
Five largest customers/suppliers in aggregate	20%	56%

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

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

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

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

Connected Transactions/Continuing Connected Transactions

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

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

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year ended 31 December 2025. The independent non-executive Directors have reviewed the continuing connected transactions (if any) and confirmed that they have been entered into in the ordinary and usual course of business of the Group on normal commercial terms and according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pledge of Assets

As at 31 December 2025, the Group pledged certain bank deposits amounting to approximately RMB114,954,000 (31 December 2024: RMB134,494,000) and certain trade receivables amounting to approximately RMB142,634,000 (31 December 2024: RMB137,751,000).

REPORT OF THE DIRECTORS

Financial Information Summary

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 229. This summary does not form part of the audited financial statements.

Directors' Interests in Competing Business

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

Management Contracts

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

Sufficiency of Public Float

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

Auditors

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

Tax Relief and Exemption

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

By order of the Board

Tiangong International Company Limited

Zhu Xiaokun

Chairman

Hong Kong, 30 March 2026

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the shareholders of

Tiangong International Company Limited

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Tiangong International Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 142 to 228, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Revenue recognition

Refer to Note 5 to the consolidated financial statements and the accounting policies on pages 165 to 166.

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

INDEPENDENT AUDITOR'S REPORT

Revenue recognition (continued)

Refer to Note 5 to the consolidated financial statements and the accounting policies on pages 165 to 166.

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

Expected credit loss allowances for trade receivables

Refer to Note 24 to the consolidated financial statements and the accounting policies on pages 158 to 161.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2025, the gross amount of the Group's trade receivables totalled RMB2,650 million, against which a loss allowance of RMB172 million for expected credit losses (ECLs) was made. Management measures the loss allowance at an amount equal to lifetime ECLs based on estimated loss rates for each category of trade receivables grouped according to the shared credit risk characteristics. The estimated loss rates take into account the ageing of trade receivable balances, the repayment history of the Group's customers, current market conditions, customer-specific conditions, and forward-looking information. Such assessment involves significant management judgement and estimation. We identified the expected credit loss allowance for trade receivables as a key audit matter because determining the level of the loss allowance requires the exercise of significant management judgement which is inherently subjective.	Our audit procedures to assess the expected credit loss allowance for trade receivables included the following: - obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimating the expected credit loss allowance; - evaluating the Group's policy for estimating the expected credit loss allowance with reference to the requirements of the prevailing accounting standard; - assessing whether items in the trade receivables ageing report were categorised in the appropriate ageing bracket by comparing individual items therein with sales invoices and other relevant underlying documentation, on a sample basis; - obtaining an understanding of the key parameters and assumptions of the expected credit loss model adopted by management, including the basis of segmentation of the trade receivables based on shared credit risk characteristics of customers in management's estimated loss rates; - assessing the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current market conditions, customer-specific conditions and forward-looking information; and - re-performing the calculation of the loss allowance as at 31 December 2025 based on the Group's expected credit loss allowance policies.

INDEPENDENT AUDITOR'S REPORT

Valuation of inventories

Refer to Note 23 to the consolidated financial statements and the accounting policies on page 162.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2025, the Group's gross inventories totalled RMB2,629 million, against which provisions for inventories of RMB47 million were recorded. The Group's inventories are valued at the lower of cost and net realisable value. The Group's provisions for inventories to write down the cost of inventories to their net realisable value is determined by management on an individual item basis by taking into account the estimated selling prices of the Group's products, the estimated costs of completion of work in progress at the reporting date and the estimated costs necessary to make the sales. The selling prices of the Group's special steel products are subject to market price volatility of the main raw materials, which include steel and alloys. Certain steel products are produced to meet the specific needs of downstream customers, the demand for which may change significantly from time to time. We identified the valuation of inventories as a key audit matter because of the significant management judgment involved in assessing the level of provisions for inventories, particularly in respect of slow moving inventories and inventories where the net realisable value may be less than the recorded cost.	Our audit procedures to assess the valuation of inventories included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls over making provisions for inventories; • assessing the assumptions and estimates made by management in making provisions for inventories by performing a retrospective review of the historical accuracy of these estimates, discussing any significant variances with management and considering the impact of these variances on the current year's assumptions and estimates; • evaluating whether items were correctly categorised in the inventories ageing report by comparison with production records, on a sample basis; • recalculating the Group's inventory provision with reference to the sales order received, or historical selling price; • comparing year end inventory levels of individual products, on a sample basis, with sales plans agreed with customers in order to assess the residual risk of the inventories' realisability; and • inspecting the inventory ageing report and observing the condition of inventory during our attendance at the year-end inventory count to identify any slow moving and obsolete inventory items and critically assessing whether appropriate provisions have been established for slow moving and obsolete items, for which there has been a lack of recent sales transactions.

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

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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



INDEPENDENT AUDITOR'S REPORT

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

The engagement partner on the audit resulting in this independent auditor's report is Yue Tat Wai (practicing certificate number: P06438).

KPMG

Certified Public Accountants

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

30 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025 (Expressed in Renminbi ("RMB"))

	Note	2025 RMB'000	2024 RMB'000
Revenue	5	4,718,830	4,832,036
Cost of sales		(3,766,941)	(3,848,493)
Gross profit		951,889	983,543
Other income	6	230,271	176,215
Distribution expenses		(105,180)	(144,072)
Administrative expenses		(169,058)	(172,675)
Research and development expenses		(287,581)	(301,548)
Other expenses	7	(32,648)	1,055
Profit from operations		587,693	542,518
Finance income		24,106	33,530
Finance expenses		(160,695)	(171,651)
Net finance costs	8(a)	(136,589)	(138,121)
Share of profits less losses of associates	19	15,678	4,857
Share of profits less losses of joint ventures	20	2,180	(1,117)
Profit before taxation	8	468,962	408,137
Income tax	9	(31,230)	(7,974)
Profit for the year		437,732	400,163
Attributable to:			
Equity shareholders of the Company		400,228	358,757
Non-controlling interests		37,504	41,406
Profit for the year		437,732	400,163
Earnings per share (RMB)	13		
Basic and diluted		0.147	0.131

The notes on pages 150 to 228 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 33(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025 (Expressed in RMB)

	Note	2025 RMB'000	2024 RMB'000
Profit for the year		437,732	400,163
Other comprehensive income for the year (after tax adjustment)	12		
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income ("FVOCI") — net movement in fair value reserve (non-recycling)		(608)	19,782
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
— financial statements of entities with functional currencies other than RMB		2,475	(107,458)
Other comprehensive income for the year		1,867	(87,676)
Total comprehensive income for the year		439,599	312,487
Attributable to:			
Equity shareholders of the Company		402,283	271,536
Non-controlling interests		37,316	40,951
Total comprehensive income for the year		439,599	312,487

The notes on pages 150 to 228 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2025 (Expressed in RMB)

	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	14	4,328,594	4,392,861
Lease prepayments	15	239,833	242,711
Intangible assets	16	50,358	56,224
Goodwill	17	144,600	144,600
Interest in associates	19	197,705	103,781
Interest in joint ventures	20	25,551	25,141
Other financial assets	21	276,203	265,070
Deferred tax assets	32(b)	117,989	117,871
		5,380,833	5,348,259
Current assets			
Financial assets measured at fair value through profit or loss ("FVPL")	22	8,961	61,025
Inventories	23	2,581,705	2,524,870
Trade and other receivables	24	4,037,664	3,543,048
Pledged deposits	25	114,954	134,494
Time deposits	26	603,324	605,231
Cash and cash equivalents	27	1,069,583	1,068,922
		8,416,191	7,937,590
Current liabilities			
Trade and other payables	28	1,402,457	1,452,755
Interest-bearing borrowings	29	2,490,507	1,827,473
Other financial liability	31	893,571	983,676
Current taxation	32(a)	32,899	35,042
		4,819,434	4,298,946
Net current assets		3,596,757	3,638,644
Total assets less current liabilities		8,977,590	8,986,903

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2025 (Expressed in RMB)

	Note	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Interest-bearing borrowings	29	943,525	1,457,193
Deferred income	30	22,137	30,098
Deferred tax liabilities	32(c)	45,069	46,874
		1,010,731	1,534,165
NET ASSETS		7,966,859	7,452,738
CAPITAL AND RESERVES			
Share capital	33(c)	48,164	48,164
Reserves		7,378,589	7,044,913
Total equity attributable to equity shareholders of the Company		7,426,753	7,093,077
Non-controlling interests		540,106	359,661
TOTAL EQUITY		7,966,859	7,452,738

Approved and authorised for issue by the board of directors on 30 March 2026.

Zhu Xiaokun
Directors

Zhu Zefeng
Directors

The notes on pages 150 to 228 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025 (Expressed in RMB)

Attributable to equity shareholders of the Company																						
		Share capital	Share premium	Capital redemption reserve	Capital reserve	Merger reserve	Exchange reserve	Fair value reserve (non-recycling)	PRC statutory reserve	Retained earnings	Non-controlling interests	Total equity										
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000										
Balance at 1 January 2024		49,055	2,707,612	908	35,255	91,925	(134,881)	38,080	1,070,464	3,206,137	320,033	7,384,588										
Changes in equity for 2024:																						
Profit for the year		-	-	-	-	-	-	-	-	358,757	41,406	400,163										
Other comprehensive income		12	-	-	-	-	(107,459)	20,238	-	-	(455)	(87,676)										
Total comprehensive income		-	-	-	-	-	(107,459)	20,238	-	358,757	40,951	312,487										
Dividends approved in respect of the previous year												33(b)(ii)	-	-	-	-	-	-	-	(109,074)	-	(109,074)
Interim dividend approved in respect of the six months ended 30 June 2025		33(b)(ii)	-	-	-	-	-	-	-	(55,110)	-	(55,110)										
Transfer to reserve		33(d)(vi)	-	-	-	-	-	-	43,505	(43,505)	-	-										
Liquidation of subsidiaries		-	-	-	-	-	-	-	(105)	105	(1,323)	(1,323)										
Disposal and withdrawal of joint ventures		-	-	-	-	-	418	-	-	(418)	-	-										
Disposal of equity investments at FVOCI		-	-	-	-	-	-	(59,409)	5,941	53,468	-	-										
Repurchase of own shares		(891)	(78,830)	891	-	-	-	-	-	-	-	(78,830)										
Balance at 31 December 2024		48,164	2,628,782	1,799	35,255	91,925	(241,922)	(1,091)	1,119,805	3,410,360	359,661	7,452,738										

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025 (Expressed in RMB)

	Note	Attributable to equity shareholders of the Company										Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	PRC statutory reserve RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	
Balance at 31 December 2024 and 1 January 2025		48,164	2,628,782	1,799	35,255	91,925	(241,922)	(1,091)	1,119,805	3,410,360	359,661	7,452,738
Changes in equity for 2025:												
Profit for the year		-	-	-	-	-	-	-	-	400,228	37,504	437,732
Other comprehensive income	12	-	-	-	-	-	2,650	(595)	-	-	(188)	1,867
Total comprehensive income		-	-	-	-	-	2,650	(595)	-	400,228	37,316	439,599
Capital contribution from non-controlling interests		-	-	-	74,456	-	-	-	-	-	205,755	280,211
Disposal of interest in subsidiaries		-	-	-	-	-	-	-	-	-	(39,703)	(39,703)
Dividends approved in respect of the previous year	33(b)(iii)	-	-	-	-	-	-	-	-	(71,668)	-	(71,668)
Interim dividend approved in respect of the six months ended 30 June 2025	33(b)(iii)	-	-	-	-	-	-	-	-	(71,395)	-	(71,395)
Transfer to reserve	33(d)(vi)	-	-	-	-	-	-	-	60,186	(60,186)	-	-
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(22,923)	(22,923)
Disposal of equity investments at FVOCI		-	-	-	-	-	-	(2,191)	219	1,972	-	-
Balance at 31 December 2025		48,164	2,628,782	1,799	109,711	91,925	(239,272)	(3,877)	1,180,210	3,609,311	540,106	7,966,859

The notes on pages 150 to 228 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2025 (Expressed in RMB)

	Note	2025 RMB'000	2024 RMB'000
Operating activities			
Cash generated from operations	27(b)	267,717	564,364
Tax refund/(paid)		26,722	(62,602)
Net cash generated from operating activities		294,439	501,762
Investing activities			
Payment for purchase of property, plant and equipment		(324,734)	(287,689)
Payment for purchase of lease prepayments		(3,502)	–
Payment for purchase of intangible assets		(482)	(1,604)
Payment for purchase of trading securities, net		–	(65,294)
Proceeds from disposal of trading securities, net		54,806	–
Net change in cash position arising from disposal of interest in subsidiaries		(45,520)	–
Payment for purchase of other financial assets		(123,750)	(24,000)
Proceeds from sale of other financial assets		99,377	90,979
Proceeds from time deposits, net		–	697,548
Interest received		26,117	27,998
Dividends received from other financial assets	6	8,185	12,476
Net cash (used in)/generated from investing activities		(309,503)	450,414

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2025 (Expressed in RMB)

	Note	2025 RMB'000	2024 RMB'000
Financing activities			
Proceeds from interest-bearing borrowings	27(c)	3,635,931	3,991,914
Repayment of interest-bearing borrowings	27(c)	(3,486,461)	(3,601,689)
Repayment of other financial liability	27(c)	(90,000)	(565,190)
Interest paid	27(c)	(160,800)	(204,035)
Dividends paid to equity shareholders of the Company	33(b)(ii)	(143,063)	(164,184)
Dividend paid to non-controlling shareholders		(22,923)	–
Capital contribution from non-controlling shareholders, net effect		272,210	–
Payment for repurchase of shares		–	(78,830)
Net cash generated from/(used in) financing activities		4,894	(622,014)
Net (decrease)/increase in cash and cash equivalents		(10,170)	330,162
Cash and cash equivalents at 1 January		1,068,922	749,087
Effect of foreign exchange rate changes		10,831	(10,327)
Cash and cash equivalents at 31 December	27(a)	1,069,583	1,068,922

The notes on pages 150 to 228 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 Reporting entity

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

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

2 Basis of preparation

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements of the Group as at and for the year ended 31 December 2025 comprise the Company and its subsidiaries and the Group’s interests in associates and joint ventures.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 Basis of preparation (continued)

(c) Accounting estimates and judgements

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

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

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

(d) Changes in accounting policies

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies

(a) Subsidiaries and non-controlling interests

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

(b) Associates and joint ventures

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

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

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

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

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

(c) Goodwill

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

(d) Other investments in securities

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

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 34(f). These investments are subsequently accounted for as follows, depending on their classification.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

(d) Other investments in securities (continued)

(i) *Non-equity investments*

Non-equity investments are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(s)(iv)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) *Equity investments*

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

(e) Property, plant and equipment

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

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

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

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

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

— Freehold land	not depreciated
— Plant and buildings	20–40 years
— Machinery	10–20 years
— Motor vehicles	8 years
— Office equipment and others	3–5 years

(f) Intangible assets (other than goodwill)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

(f) Intangible assets (other than goodwill) (continued)

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

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

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

(g) Leased assets

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

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

(i) As a lessee

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

(g) Leased assets (continued)

(i) As a lessee (continued)

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

(g) Leased assets (continued)

(i) As a lessee (continued)

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

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

(ii) As a lessor

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

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

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

Measurement of ECLs

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

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

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

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

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

Significant increases in credit risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

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

(i) Credit losses from financial instruments (continued)

Credit-impaired financial assets

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

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

(iii) *Impairment of other non-current assets*

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

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

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

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

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

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

(iii) *Interim financial reporting and impairment*

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

(i) Inventories

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

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

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

(j) Contract assets and contract liabilities

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

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

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

(k) Trade and other receivables

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

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

(l) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

(m) Trade and other payables

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

(n) Contingent redeemable capital contributions

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

(o) Interest-bearing borrowings

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

(p) Employee benefits

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

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

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

(q) Income tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

(q) Income tax (continued)

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

(r) Provisions and contingent liabilities

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

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

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

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

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

(s) Revenue and other income

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

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

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

(i) Sales of goods

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

(s) Revenue and other income (continued)

(ii) *Rental income from operating leases*

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

(iii) *Dividends*

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

(iv) *Interest income*

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

(v) *Government grants*

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

(t) Translation of foreign currencies

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

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

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

- an investment in equity securities designated as at FVOCI ;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

(u) Borrowing costs

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

(v) Business combination

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

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

(w) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Material accounting policies (continued)

(w) Related parties (continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

(x) Segment reporting

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

4 Accounting judgements and estimates

Sources of estimation uncertainty

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

(i) *Impairment losses on trade receivables*

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

(ii) *Depreciation*

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

(iii) *Net realisable value of inventories*

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

(iv) *Income taxes*

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

5 Revenue and segment reporting

(a) Revenue

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

(i) Disaggregation of revenue

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

	2025 RMB'000	2024 RMB'000
DS	2,291,959	2,273,870
HSS	791,944	821,478
Cutting tools	923,529	879,342
Titanium alloy	625,987	756,370
Others	85,411	100,976
	4,718,830	4,832,036

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

The Group's customer base is diversified and includes nil customer (2024: one customer) with whom transactions have exceeded 10% of the Group's revenue.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

5 Revenue and segment reporting (continued)

(b) Segment reporting

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

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

(i) Segment results, assets and liabilities

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

5 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

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

Information regarding the Group's reportable segments as provided to the Chairman (the chief operating decision maker) for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2025 and 2024 is set out below.

	2025					
	DS RMB'000	HSS RMB'000	Cutting tools RMB'000	Titanium alloy RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	2,291,959	791,944	923,529	625,987	85,411	4,718,830
Intersegment revenue	150	318,462	5,240	–	–	323,852
Reportable segment revenue	2,292,109	1,110,406	928,769	625,987	85,411	5,042,682
Reportable segment profit (adjusted EBIT)	92,660	104,326	201,217	151,891	2,920	553,014
Reportable segment assets	5,767,226	2,680,346	2,046,078	701,762	156,257	11,351,669
Reportable segment liabilities	663,573	304,726	200,278	202,117	22,332	1,393,026

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

5 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

	2024					
	DS RMB'000	HSS RMB'000	Cutting tools RMB'000	Titanium alloy RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	2,273,870	821,478	879,342	756,370	100,976	4,832,036
Intersegment revenue	8	303,698	5,494	–	–	309,200
Reportable segment revenue	2,273,878	1,125,176	884,836	756,370	100,976	5,141,236
Reportable segment profit (adjusted EBIT)	24,867	81,817	200,841	200,808	14,911	523,244
Reportable segment assets	5,505,231	2,618,865	1,858,533	758,493	132,183	10,873,305
Reportable segment liabilities	668,962	293,185	347,623	108,527	41,241	1,459,538

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

Revenue	2025 RMB'000	2024 RMB'000
Reportable segment revenue	5,042,682	5,141,236
Elimination of intersegment revenue	(323,852)	(309,200)
Consolidated revenue (Note 5(a))	4,718,830	4,832,036

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

5 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

Profit	2025 RMB'000	2024 RMB'000
Reportable segment profit	553,014	523,244
Net finance costs	(136,589)	(138,121)
Share of profits less losses of associates	15,678	4,857
Share of profits less losses of joint ventures	2,180	(1,117)
Unallocated head office and corporate profits	34,679	19,274
Consolidated profit before taxation	468,962	408,137

Assets	2025 RMB'000	2024 RMB'000
Reportable segment assets	11,351,669	10,873,305
Interest in associates	197,705	103,781
Interest in joint ventures	25,551	25,141
Other financial assets	276,203	265,070
Deferred tax assets	117,989	117,871
Financial assets measured at FVPL	8,961	61,025
Pledged deposits	114,954	134,494
Time deposits	603,324	605,231
Cash and cash equivalents	1,069,583	1,068,922
Unallocated head office and corporate assets	31,085	31,009
Consolidated total assets	13,797,024	13,285,849

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

5 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

Liabilities	2025 RMB'000	2024 RMB'000
Reportable segment liabilities	1,393,026	1,459,538
Interest-bearing borrowings	3,434,032	3,284,666
Other financial liability	893,571	983,676
Current taxation	32,899	35,042
Deferred tax liabilities	45,069	46,874
Unallocated head office and corporate liabilities	31,568	23,315
Consolidated total liabilities	5,830,165	5,833,111

(iii) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The Group's business is managed on a worldwide basis and divided into four principal economic regions, the People's Republic of China, and for the purposes of this disclosure only and except where the context requires otherwise, excluding Hong Kong, Macao Special Administrative Region and Taiwan (the "PRC"), North America, Europe and Asia (other than the PRC). The geographical location of customers is based on the location at which the services were provided or the goods delivered.

Substantially all of the Group's assets and liabilities are located in the PRC and accordingly, no geographical analysis of segment assets and liabilities is provided.

Revenue	Revenues from external customers	
	2025 RMB'000	2024 RMB'000
The PRC	2,640,928	2,511,112
North America	560,678	719,275
Europe	897,947	1,004,074
Asia (other than the PRC)	595,544	561,394
Others	23,733	36,181
	4,718,830	4,832,036

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

6 Other income

	Note	2025 RMB'000	2024 RMB'000
Government grants	(i)	94,034	54,695
Dividend income	(ii)	8,185	12,476
Unrealised fair value changes of other financial assets		322	(4,769)
Net gains/(losses) on trading securities		2,618	(5,380)
Net foreign exchange gains		92,289	113,136
Net gains/(losses) on disposal of property, plant and equipment		612	(843)
Net gains on disposal of interest in subsidiaries	19	20,251	–
Others		11,960	6,900
		230,271	176,215

Notes:

- (i) The subsidiaries of the Company, located in the PRC collectively were entitled to unconditional grants amounting to RMB86,073,000 (2024: RMB46,440,000) from the local government. The Group also recognised amortisation of government grants related to assets of RMB7,961,000 (2024: RMB8,255,000) during the year ended 31 December 2025 (see Note 30).
- (ii) The Group received dividends totaling RMB8,185,000 (2024: RMB12,476,000) from listed equity investments, unlisted units in investment funds and trading securities (see Notes 21 and 22).

7 Other expenses

	2025 RMB'000	2024 RMB'000
Provision for/(reversal of) loss allowance on trade and other receivables	27,265	(4,652)
Charitable donations	3,489	2,400
Others	1,894	1,197
	32,648	(1,055)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

8 Profit before taxation

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

(a) Net finance costs

	2025 RMB'000	2024 RMB'000
Interest income	(24,106)	(33,530)
Finance income	(24,106)	(33,530)
Interest on bank loans	129,397	120,345
Interest expenses arising on other financial liability	31,298	51,306
Finance expenses	160,695	171,651
Net finance costs	136,589	138,121

(b) Staff costs

	2025 RMB'000	2024 RMB'000
Contributions to defined contribution retirement plans	33,078	33,760
Salaries, wages and other benefits	373,073	387,845
	406,151	421,605

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

8 Profit before taxation (continued)

(c) Other items

	Note	2025 RMB'000	2024 RMB'000
Amortisation of intangible assets	16	8,436	7,684
Depreciation charge			
— owned property, plant and equipment	14	386,693	386,994
— lease prepayments (right-of-use assets)	15	6,380	6,158
		393,073	393,152
Auditor's remuneration			
— audit services		4,400	3,730
— other audit related services		3,780	3,065
		8,180	6,795
Reversal of write-down of inventories	23(b)	(12,003)	(12,071)
Cost of inventories*	23(b)	3,766,941	3,848,493

* Cost of inventories includes amounts relating to staff costs and depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above or in Note 8(b) for each of these types of expenses

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

9 Income tax in the consolidated statement of profit or loss

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

	2025 RMB'000	2024 RMB'000
Current tax		
Provision for PRC Corporate Income Tax (Note 32(a))	39,282	55,352
Provision for Hong Kong Profits Tax (Note 32(a))	2,827	4,526
Provision for Thailand Corporate Income Tax (Note 32(a))	813	553
	42,922	60,431
Deferred tax		
Origination and reversal of temporary differences	(11,692)	(52,457)
	31,230	7,974

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

Jiangsu Tiangong Tools New Materials Company Limited ("TG Tools"), Jiangsu Tiangong Aihe Technology Company Limited ("TG Aihe"), Jiangsu Weijian Tools Technology Company Limited ("Weijian Tools"), Jiangsu Tiangong Technology Company Limited ("TG Tech"), Jiangsu Tiangong Precision Tools Company Limited ("Precision Tools") and Jiangsu Tiangong Carbide Technology Company Limited ("Carbide Technology") are subject to a preferential income tax rate of 15% in 2025 available to enterprises which qualify as a High and New Technology Enterprise (2024: 15%).

The statutory corporate income tax rate applicable to the Group's other operating subsidiaries in the PRC is 25% (2024: 25%).

The income tax law of the PRC and its relevant regulations also impose withholding tax at 10%, unless reduced by a tax treaty/arrangement, on dividend distributions made out of the PRC from earnings accumulated from 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

9 Income tax in the consolidated statement of profit or loss (continued)

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

- (iii) Pursuant to the income tax rules and regulations of Hong Kong, the Group's subsidiaries in Hong Kong are liable to Hong Kong Profits Tax at a rate of 16.5% (2024: 16.5%) for the year ended 31 December 2025.
- (iv) According to the policy of Industrial Promotion Act of Thailand, Tiangong Precision Tools (Thailand) Company Limited ("TGPT"), a subsidiary of the Group located in Thailand, is entitled to a preferential income tax rate of 0% for six years from May 2021, and 20% from May 2027 and thereafter.

Pursuant to the income tax rules and regulations of Thailand, Tiangong Special Steel Company Limited ("TGSS") and Tiangong New Material (Thailand) Co., Ltd. ("New Material (Thailand)") are liable to Thailand Corporate Income Tax at a rate of 20% (2024: 20%) for the year ended 31 December 2025.
- (v) Pursuant to the income tax rules and regulations of Indonesia, PT Tiangong Precision Tools Manufacturing Indonesia ("Indonesia Precision") is liable to Indonesia Income Tax at a rate of 22% for the year ended 31 December 2025.

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

	2025 RMB'000	2024 RMB'000
Profit before taxation	468,962	408,137
Notional tax on profit before taxation, calculated using the PRC statutory tax rate of 25% (2024:25%)	117,241	102,034
Effect of preferential tax rates	(25,231)	(3,558)
Effect of different tax rates	119	(25,993)
Tax effect of non-deductible expenses	14,156	12,703
Tax effect of non-taxable income	(4,524)	(7,747)
Tax effect of tax losses not recognised	4,290	1,592
Tax effect of derecognition of previously recognised tax losses	853	100
Tax effect of bonus deduction for research and development expenses	(71,658)	(75,011)
(Over)/under-provision in respect of prior year	(4,016)	1,527
Effect on deferred tax balances at 1 January resulting from a change in tax rate (note 32(b))	–	2,327
Actual tax expense	31,230	7,974

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

10 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the year ended 31 December 2025	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefit schemes RMB'000	Discretionary bonuses RMB'000	2025 Total RMB'000
Executive directors					
Zhu Xiaokun	–	393	–	509	902
Wu Suojun	–	642	10	483	1,135
Jiang Guangqing	–	412	5	249	666
Zhu Zefeng	417	–	–	–	417
Independent non-executive directors					
Wang Xuesong	88	–	–	–	88
Qin Ke	96	–	–	–	96
Lee Cheuk Yin, Dannis	88	–	–	–	88
Total	689	1,447	15	1,241	3,392

For the year ended 31 December 2024	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefit schemes RMB'000	Discretionary bonuses RMB'000	2024 Total RMB'000
Executive directors					
Zhu Xiaokun	–	357	–	518	875
Wu Suojun	–	587	9	535	1,131
Jiang Guangqing	–	397	9	280	686
Zhu Zefeng	416	–	–	–	416
Independent non-executive directors					
Wang Xuesong	88	–	–	–	88
Qin Ke (Note (i))	56	–	–	–	56
Gao Xiang (Note (ii))	15	–	–	–	15
Lee Cheuk Yin, Dannis	88	–	–	–	88
Total	663	1,341	18	1,333	3,355

Notes:

- (i) Qin Ke was appointed as independent non-executive director on 19 June 2024.
- (ii) Gao Xiang resigned from his position as an independent non-executive director on 19 June 2024.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

11 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2024: two) are directors whose emoluments are disclosed in Note 10. The aggregate of the emoluments in respect of the other three (2024: three) individuals are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	2,022	2,015
Discretionary bonuses	1,085	1,093
Contributions to retirement benefit schemes	39	35
	3,146	3,143

The emoluments of the three (2024: three) individuals with the highest emoluments are within the following bands:

	2025 Number of individuals	2024 Number of individuals
Hong Kong Dollar ("HKD")500,001 to HKD1,000,000	1	–
HKD1,000,001 to HKD1,500,000	2	3

12 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	Equity investments at FVOCI – net movement in fair value reserves (non-recycling) RMB'000	Exchange differences on translation of financial statements RMB'000	Total RMB'000
For the year ended 31 December 2025			
Before-tax amount	(1,326)	2,475	1,149
Tax expense	718	–	718
Net-of-tax amount	(608)	2,475	1,867
For the year ended 31 December 2024			
Before-tax amount	22,576	(107,458)	(84,882)
Tax expense	(2,794)	–	(2,794)
Net-of-tax amount	19,782	(107,458)	(87,676)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

13 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB400,228,000 (2024: RMB358,757,000) and the weighted average of 2,725,000,000 ordinary shares (2024: 2,743,226,197 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2025	2024
Issued ordinary shares at 1 January	2,725,000,000	2,775,000,000
Effect of repurchase of own shares	–	(31,773,803)
Weighted average number of ordinary shares at 31 December	2,725,000,000	2,743,226,197

(b) Diluted earnings per share

The diluted earnings per share for 2025 and 2024 are the same as the basic earnings per share as there are no dilutive potential ordinary shares during the years.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

14 Property, plant and equipment

	Freehold land RMB'000	Plant and buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
Balance at 1 January 2024	14,557	1,412,700	5,764,612	13,099	86,645	189,636	7,481,249
Additions	–	14,906	75,142	945	6,424	190,272	287,689
Transfers	–	5,979	174,687	–	681	(182,286)	(939)
Disposals	–	–	(21,677)	(679)	(37)	–	(22,393)
Transfer to intangible assets (Note 16)	–	–	–	–	–	(4,583)	(4,583)
Exchange adjustment	365	1,216	2,652	47	49	–	4,329
Balance at 31 December 2024	14,922	1,434,801	5,995,416	13,412	93,762	193,039	7,745,352
Additions	43,678	–	60,714	2,956	4,431	240,584	352,363
Transfers	–	50,585	61,374	–	3,136	(115,095)	–
Disposals	–	–	(18,280)	(2,060)	(59)	–	(20,399)
Transfer to intangible assets (Note 16)	–	–	–	–	–	(1,821)	(1,821)
Disposal of interest in subsidiaries	–	–	(25,553)	–	(459)	–	(26,012)
Exchange adjustment	695	2,322	4,356	65	84	(182)	7,340
Balance at 31 December 2025	59,295	1,487,708	6,078,026	14,373	100,896	316,525	8,056,823
Accumulated depreciation:							
Balance at 1 January 2024	–	(491,692)	(2,424,386)	(8,668)	(49,585)	–	(2,974,331)
Charge for the year	–	(44,159)	(326,393)	(1,907)	(14,535)	–	(386,994)
Written back on disposals	–	–	8,678	645	29	–	9,352
Transfers	–	–	939	–	–	–	939
Exchange adjustment	–	(437)	(873)	(9)	(138)	–	(1,457)
Balance at 31 December 2024	–	(536,288)	(2,742,035)	(9,939)	(64,229)	–	(3,352,491)
Charge for the year	–	(44,992)	(327,183)	(1,744)	(12,774)	–	(386,693)
Written back on disposals	–	–	10,819	1,948	56	–	12,823
Transfers	–	–	8	–	–	(8)	–
Disposal of interest in subsidiaries	–	–	808	–	11	–	819
Exchange adjustment	–	(254)	(2,364)	(26)	(43)	–	(2,687)
Balance at 31 December 2025	–	(581,534)	(3,059,947)	(9,761)	(76,979)	(8)	(3,728,229)
Net book value:							
At 31 December 2025	59,295	906,174	3,018,079	4,612	23,917	316,517	4,328,594
At 31 December 2024	14,922	898,513	3,253,381	3,473	29,533	193,039	4,392,861

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

15 Lease prepayments

	RMB'000
Cost:	
At 1 January 2024, 31 December 2024 and 1 January 2025	292,725
Additions (Note)	3,502
At 31 December 2025	296,227
Accumulated amortisation:	
At 1 January 2024	(43,856)
Charge for the year	(6,158)
At 31 December 2024	(50,014)
Charge for the year	(6,380)
At 31 December 2025	(56,394)
Net book value:	
At 31 December 2025	239,833
At 31 December 2024	242,711

The amortisation charge for the year is included in “cost of sales” and “administrative expenses” in the consolidated statement of profit or loss.

Note:

During the year, additions to lease prepayments were RMB3,502,000 (2024: nil), representing the purchase of a parcel of leasehold land.

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2025 RMB'000	2024 RMB'000
Lease prepayments, carried at depreciated cost in the PRC	239,833	242,711

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2025 RMB'000	2024 RMB'000
Amortisation charge of right-of-use assets by class of underlying asset:		
Lease prepayments	6,380	6,158
Expenses relating to short-term leases and low-value assets	3,443	3,630

Details of land leases included in the carrying amount of total cash outflow for leases are set out in Note 27(d).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

16 Intangible assets

	Patents and trademarks RMB'000	Technical know-how RMB'000	Software RMB'000	Total RMB'000
Cost:				
At 1 January 2024	19,000	44,500	14,422	77,922
Additions	–	–	1,604	1,604
Transfer from property, plant and equipment (Note 14)	–	–	4,583	4,583
At 31 December 2024 and 1 January 2025	19,000	44,500	20,609	84,109
Additions	–	8,000	482	8,482
Transfer from property, plant and equipment (Note 14)	–	–	1,821	1,821
Disposal of interest in subsidiaries	–	(8,000)	–	(8,000)
At 31 December 2025	19,000	44,500	22,912	86,412
Accumulated amortisation:				
At 1 January 2024	(5,858)	(6,358)	(7,985)	(20,201)
Charge for the year	(1,900)	(4,768)	(1,016)	(7,684)
At 31 December 2024 and 1 January 2025	(7,758)	(11,126)	(9,001)	(27,885)
Charge for the year	(1,900)	(5,035)	(1,501)	(8,436)
Disposal of interest in subsidiaries	–	267	–	267
At 31 December 2025	(9,658)	(15,894)	(10,502)	(36,054)
Net book value:				
At 31 December 2025	9,342	28,606	12,410	50,358
At 31 December 2024	11,242	33,374	11,608	56,224

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

17 Goodwill

	RMB'000
Cost:	
Balance at 1 January and 31 December	144,600
Accumulated impairment losses:	
Balance at 1 January and 31 December	—
Carrying amount:	
At 31 December 2025 and 2024	144,600

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Goodwill is allocated to the Group's CGUs identified according to the reportable segments as follows:

	2025 RMB'000	2024 RMB'000
DS	21,959	21,959
Cutting Tools	122,641	122,641
	144,600	144,600

The recoverable amount of the CGU is determined based on value-in-use calculation. The Group engaged an independent professional valuer to assist with the calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate which is consistent with the forecasts included in industry reports at 2.0% (2024: 2.0%). The key assumptions used in estimating the recoverable amount are as follows:

Cutting tools

	2025	2024
Annual revenue growth rate during the forecast period	3.0%–19.3%	6.0%–18.3%
Gross profit margin	43.9%	42.5%
Pre-tax discount rate	14.9%	16.0%

As at 31 December 2025, the recoverable amount of the CGU was higher than its carrying amount by RMB12,516,000 (2024: RMB28,506,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

17 Goodwill (continued)

DS

	2025	2024
Annual revenue growth rate during the forecast period	2.8%–5.1%	1.0%–7.2%
Gross profit margin	9.1%	8.7%
Pre-tax discount rate	9.0%	8.2%

As at 31 December 2025, the recoverable amount of the CGU was higher than its carrying amount by RMB689,075,000 (2024: RMB102,890,000).

18 Interest in subsidiaries

The following list contains only the subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary shares unless otherwise stated.

Name of company	Place of incorporation/ operation and date of incorporation	Proportion of ownership interest		Issued and fully paid-up/ registered capital	Principal activity
		Direct	Indirect		
China Tiangong Company Limited	British Virgin Islands/ Hong Kong, 14 August 2006	100%	–	United States dollar ("USD") 50,000/ USD50,000	Investment holding
TG Tools	The PRC/the PRC, 7 July 1997	–	99%	RMB2,608,441,142/ RMB2,608,441,142	Research and development, manufacture and sale of high speed steel and die steel
TG Aihe	The PRC/the PRC, 5 December 2003	–	100%	RMB2,000,000,000/ RMB2,000,000,000	Research and development, manufacture and sale of die steel and high speed steel
China Tiangong (Hong Kong) Company Limited	Hong Kong/ Hong Kong, 13 June 2008	–	100%	HKD1/ HKD1	Investment holding
TG Tech	The PRC/the PRC, 27 January 2010	–	67.6%	RMB655,600,015/ RMB655,600,015	Research and development, manufacture and sale of titanium related products
Tiangong Development Hong Kong Company Limited ("TG Development")	Hong Kong/ Hong Kong, 15 February 2012	–	100%	USD5,500,000/ USD5,500,000	Trading of special steel

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

18 Interest in subsidiaries (continued)

Name of company	Place of incorporation/ operation and date of incorporation	Proportion of ownership interest		Issued and fully paid-up/ registered capital	Principal activity
		Direct	Indirect		
Weijian Tools	The PRC/the PRC, 29 May 2013	–	100%	RMB46,705,425/ RMB52,195,485	Research and development, manufacture and sale of high speed steel-related products
Jurong Tiangong New Materials Technology Company Limited ("TG New Materials")	The PRC/the PRC, 29 July 2015	–	100%	RMB300,000,000/ RMB300,000,000	Research and development, manufacture and sale of high speed steel and die steel related products
Precision Tools	The PRC/the PRC, 25 January 2016	–	100%	HKD600,000,000/ HKD680,000,000	Research and development, manufacture and sale of cutting tools related products
Jiangsu Tiangong Investment Management Company Limited	The PRC/the PRC, 9 March 2017	–	100%	RMB563,002,996.60/ RMB563,002,996.60	Investment management and advisory related services
Tiangong Precision Tools Company Limited	British Virgin Islands/ Hong Kong, 12 January 2018	100%	–	–/ USD50,000	Investment holding
Tiangong Precision Tools (Hong Kong) Company Limited	Hong Kong/ Hong Kong, 7 February 2018	–	100%	HKD1/ HKD1	Investment holding and trading of cutting tools
TGSS	Thailand/Thailand, 16 August 2019	–	99.2%	Thai Baht ("THB") 100,000,000/ THB100,000,000	Trading of special steel
TGPT	Thailand/Thailand, 25 October 2019	–	100%	THB270,000,000/ THB270,000,000	Manufacture and sale of cutting tools related products
Jiangsu Tiangong New Materials Company Limited ("Jiangsu New Materials")	The PRC/the PRC, 29 September 2020	–	100%	RMB300,000,000/ RMB300,000,000	Investment holding
Guangdong Aihe Mould Technology Co., Ltd. ("Guangdong Aihe")	The PRC/the PRC, 27 July 2021	–	99%	RMB52,500,000/ RMB120,000,000	Research and development, manufacture and sale of special steel related product
Carbide Technology	The PRC/the PRC, 21 December 2021	–	84%	RMB26,000,000/ RMB26,000,000	Manufacture and sale of carbide cutting tools

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

18 Interest in subsidiaries (continued)

Name of company	Place of incorporation/ operation and date of incorporation	Proportion of ownership interest		Issued and fully paid-up/ registered capital	Principal activity
		Direct	Indirect		
Tiangong Ostte (Shenzhen) Industrial Technology Co., Ltd.	The PRC/the PRC, 27 July 2022	–	51%	RMB2,000,000/ RMB5,000,000	Research and development, manufacture and sale of cutting tools related products
Jiangsu Tianguan Precision Machinery Development Co., Ltd.	The PRC/the PRC, 8 November 2016	–	100%	RMB100,000,000/ RMB100,000,000	Research and development, manufacture and sale of cutting tools related products
Jiangsu Tiangong Soloman Alloy New Material Co., Ltd	The PRC/the PRC, 8 March 2021	–	55%	RMB30,000,000/ RMB30,000,000	Research and development, manufacture and sale of titanium related products
Tiangong International Trading (Dongguan) Co., Ltd.	The PRC/the PRC, 6 January 2023	–	100%	HKD3,000,000/ HKD10,000,000	Processing and sales of electric tool sets
Tiangong Precision Manufacturing (Dongguan) Co., Ltd.	The PRC/the PRC, 5 December 2023	–	100%	–/ HKD10,000,000	Processing and sales of electric tool sets
New Material (Thailand)	Thailand/Thailand, 20 May 2024	–	100%	THB 250,750,000/ THB 1,000,000,000	Manufacture and sale of die steel
Jiangsu Tianzhuo New Material Technology Co., Ltd.	The PRC/the PRC, 20 March 2025	–	51%	RMB2,200,000/ RMB10,000,000	Thin plate processing
Jiangsu Tiangong Intelligent Manufacturing Technology Co., Ltd.	The PRC/the PRC, 15 September 2025	–	51%	RMB6,100,000/ RMB10,000,000	Mold manufacturing
Indonesia Precision	Indonesia/Indonesia, 12 October 2025	–	100%	Indonesian Rupiah ("IDR") 46,160,515,765/ IDR65,000,000,000	Processing and sales of electric tool sets
Jiangsu Tiangong Xinzhi Materials Co., Ltd.	The PRC/the PRC, 12 December 2025	–	100%	RMB1,000,000/ RMB644,225,252	Research and development, manufacture, and sales of powder steel products

All of the subsidiaries incorporated in PRC are limited liability companies except for TG Tools and TG Tech, which are joint stock limited companies.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

18 Interest in subsidiaries (continued)

The following table lists out the information relating to TG Tech, the only subsidiary of the Group which has a material NCI. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2025 RMB'000	2024 RMB'000
NCI percentage	32.37%	24.42%
Current assets	1,202,105	983,350
Non-current assets	397,779	233,564
Current liabilities	(234,750)	(161,811)
Non-current liabilities	(5,031)	(7,792)
Net assets allocated to TG Tech	1,341,594	1,026,123
Carrying amount of NCI	434,274	250,579
Revenue	630,999	801,251
Profit for the year allocated to TG Tech	139,945	172,420
Total comprehensive income allocated to TG Tech	139,945	172,420
Profit allocated to NCI	39,510	42,105
Dividend paid to NCI	21,222	–
Cash flows from operating activities	333,218	301,979
Cash flows from investing activities	(197,390)	(35,610)
Cash flows from financing activities	219,302	(5,425)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

19 Interest in associates

The following list contains only the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Xinzhengong Company Limited ("XZG")	Incorporated	Taiwan	Taiwan new dollars ("TWD") 200,000,000	20.8%	–	20.8%	Sale of special steel related products
SB Specialty Metals Holdings LLC ("SBSMH")	Incorporated	United States of America	USD8,625,000	19.8%	–	19.8%	Sale of special steel related products
Kushan Tianzhong New Materials Technology Co., Ltd ("TZNMT")	Incorporated	The PRC	RMB10,000,000	40%	–	40%	Sale of special steel related products
Tiantai Mould Technology (Kunshan) Co., Ltd ("TTMT")	Incorporated	The PRC	RMB10,000,000	40%	–	40%	Sale of special steel related products
Chengdu Tiantie Mould Technology Co., Ltd. ("CDTT")	Incorporated	The PRC	RMB10,000,000	40%	–	40%	Sale of special steel related products
Guangdong Tiannuo New Materials Technology Co., Ltd ("GDTN")	Incorporated	The PRC	RMB5,000,000	30%	–	30%	Sale of special steel related products
Guangdong Tianjiayu Mould Technology Co., Ltd ("GDTJY")	Incorporated	The PRC	RMB12,500,000	30%	–	30%	Sale of special steel related products
Jiangsu Tiangong Titanium Crystal New Materials Co., Ltd. ("TGTC") (Note)	Incorporated	The PRC	RMB60,000,000	49.0%	–	49.0%	Research and development, manufacture and sale of titanium related products

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Note:

On 22 August 2025, TG Tech, along with certain third parties, established a PRC subsidiary TGTC, which is principally engage in research and development, manufacture and sale of titanium related products. TG Tech subscribed for 60% of the equity interest in TGTC and paid up the capital contribution of RMB60,000,000. On 26 December 2025, the Group, TGTC and a third party investor entered into a capital contribution agreement, pursuant to which, the investor agreed to subscribe for 18.40% of the equity interest in TGTC through additional capital injection of RMB300,000,000 to TGTC and had the right to nominate one director in the board of TGTC. Consequently, the shareholding percentage held by the Group in TGTC was diluted to 48.96% and TGTC became an associate of the Group upon the completion of this capital injection in December 2025.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

19 Interest in associates (continued)

Aggregate information of associates that are not individually material:

	2025 RMB'000	2024 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	197,705	103,781

	2025 RMB'000	2024 RMB'000
Aggregate amounts of the Group's share of those associates'		
— Profits from continuing operations	15,678	4,857
— Other comprehensive income	(1,510)	(197)
Total comprehensive income	14,168	4,660

20 Interest in joint ventures

Details of the Group's interest in joint ventures, which are accounted for using the equity method in the consolidated financial statements, are set out below:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
TGK Special Steel PVT Limited ("TGK")	Incorporated	India	USD2,000,000	50%	—	50%	Sale of special steel related products
TG Czech S.R.O. ("CTM")	Incorporated	Czech Republic	Czech Koruna ("CZK") 26,140,000	50%	—	50%	Sale of special steel related products

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

20 Interest in joint ventures (continued)

Aggregate information of joint ventures that are not individually material:

	2025 RMB'000	2024 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	25,551	25,141

	2025 RMB'000	2024 RMB'000
Aggregate amount of the Group's share of those joint ventures'		
— Profit/(losses) from continuing operations	2,180	(1,117)
— Losses from disposal and withdrawal of interest in joint ventures	—	(3,845)
— Other comprehensive income	(1,770)	280
Total comprehensive income	410	(4,682)

21 Other financial assets

	Note	2025 RMB'000	2024 RMB'000
Equity securities designated at FVOCI (non-recycling)			
— Listed in the PRC	(i)	30,512	33,145
Financial asset measured at FVPL			
— Unlisted units in investment funds	(ii)	140,443	114,425
Financial assets measured at amortised cost			
— Amount due from a third party		105,248	117,500
		276,203	265,070

Notes:

- (i) The listed equity securities are shares in Bank of Jiangsu Co., Ltd., a company listed on the Mainboard of the Shanghai Stock Exchange ("SSE") and shares in JM Digital Steel Inc., a company listed on the National Equities Exchange and Quotations System ("NEEQ"). The Group designated these investments at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends of RMB2,494,000 were received from these investments during the year ended 31 December 2025 (2024: RMB7,877,000).
- (ii) The unlisted units in investment fund are interests in Yunnan Filter Environment Protection S.&T. Co., Ltd., Jinan Financial Fosun Weishi Equity Investment Fund Partnership, Ningbo Meishan Free Trade Port Qian Equity Investment Partnership (Limited Partnership), CICC Jiatai Private Equity Fund III (Shenzhen) Partnership (Limited Partnership), Danyang Boyun Hengda Tiangong Industrial Investment Center (Limited Partnership), Suzhou Yiming New Materials Venture Capital Partnership Enterprise (Limited Partnership), Jiaxing Danchi Herui Equity Investment Partnership (Limited Partnership) and Anqing Yihong Venture Capital Partnership (Limited Partnership) which are partnerships incorporated in the PRC and interest in Shanghai GZclad Laser Technologies Co., Ltd. which is a company incorporated in the PRC. These investments are primarily engaged in or further invested in the industrial and technology sectors. Dividends of RMB4,766,000 were received from these investments during the year ended 31 December 2025 (2024: RMB3,976,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

22 Financial assets measured at fair value through profit or loss (FVPL)

	2025 RMB'000	2024 RMB'000
Trading securities		
— Equity securities listed in Hong Kong	6,770	59,407
— Equity securities listed outside Hong Kong	2,191	1,618
	8,961	61,025

The trading securities are the Group's portfolio of listed equity securities in the capital markets of the PRC and Hong Kong. The Group measured these listed equity securities at FVPL, as the investments are held for trading purposes. Dividends of RMB925,000 were received from these trading securities during the year ended 31 December 2025 (2024: RMB623,000).

23 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2025 RMB'000	2024 RMB'000
Raw materials	182,630	141,804
Work in progress	1,433,230	1,477,700
Finished goods	965,845	905,366
	2,581,705	2,524,870

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount of inventories sold	3,778,944	3,860,564
Reversal of write-down of inventories	(12,003)	(12,071)
	3,766,941	3,848,493

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

24 Trade and other receivables

	2025 RMB'000	2024 RMB'000
Trade receivables	2,650,485	2,226,434
Bills receivable	728,244	732,940
Less: loss allowance	(171,756)	(143,288)
Net trade and bills receivable	3,206,973	2,816,086
Prepayments	163,320	159,747
Other receivables	650,276	477,599
Less: loss allowance	(10,729)	(9,498)
Taxation recoverable	27,824	99,114
Net prepayments and other receivables	830,691	726,962
	4,037,664	3,543,048

Certain bills receivable held by the Group are achieved by both collection of contractual cash flows and sales, which are measured at fair value through other comprehensive income. As at 31 December 2025, bills receivable of RMB129,817,000 (2024: RMB209,887,000) whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under IFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the year. Historically, the Group has experienced no significant credit losses on bills receivable. The Group from time to time endorses certain bills receivable to suppliers in order to settle trade and other payables.

As at 31 December 2025, the Group endorsed certain bills receivable with a total carrying amount of RMB339,868,000 (2024: RMB300,376,000) to suppliers for settling trade payables of the same amount on a full recourse basis. In the opinion of the directors of the Company, the Group has not transferred the substantial risks and rewards relating to these bills, and accordingly, it continued to recognise the full carrying amounts of these bills receivable and the associated trade payables settled.

As at 31 December 2025, the Group endorsed certain bills receivable to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considers the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at 31 December 2025, the Group's maximum exposure to loss and undiscounted cash outflow, which is the same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB486,360,000 (2024: RMB279,974,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

24 Trade and other receivables (continued)

As at 31 December 2025, bills receivable of RMB588,000,000 (2024: RMB405,000,000) were discounted to financial institutions. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considers the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. Therefore, the Group has derecognized these bills receivable.

Trade receivables of RMB142,634,000 (2024: RMB137,751,000) have been pledged to a bank as security for the Group's bank loans.

Ageing analysis

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

	2025 RMB'000	2024 RMB'000
Within 1 year	2,859,485	2,546,878
1 to 2 years	326,450	252,646
Over 2 years	21,038	16,562
	3,206,973	2,816,086

Trade receivables are due from 90 to 180 days from the date of billing. Further details on the Group's credit policy and credit risk arising for trade receivables are set out in Note 34(a).

25 Pledged deposits

As at 31 December 2025, bank deposits of RMB114,954,000 (2024: RMB134,494,000) have been pledged to banks as security for the Group to issue bank acceptance bills. The pledge in respect of the bank deposits will be released upon the settlement of the related bills by the Group.

26 Time deposits

As at 31 December 2025, time deposits of RMB603,324,000 (2024: RMB605,231,000) in the consolidated statement of financial position represent bank deposits that are over 3 months of maturity at acquisition.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

27 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	2025 RMB'000	2024 RMB'000
Cash at bank and on hand	1,069,583	1,068,922

As at 31 December 2025, cash and cash equivalents situated in Chinese Mainland amounted to RMB990,367,000 (2024: RMB868,748,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2025 RMB'000	2024 RMB'000
Profit before taxation		468,962	408,137
Adjustments for:			
Depreciation of property, plant and equipment	8(c)	386,693	386,994
Amortisation of lease prepayments	8(c)	6,380	6,158
Amortisation of intangible assets	8(c)	8,436	7,684
Interest income		(24,106)	(33,530)
Interest expenses	8(a)	160,695	171,651
Net (gains)/losses on disposal of property, plant and equipment	6	(612)	843
Dividend income	6	(8,185)	(12,476)
Unrealised fair value changes of other financial assets	6	(322)	4,769
Net (gains)/losses on trading securities	6	(2,618)	5,380
Net gains on disposal of interest in subsidiaries	6	(20,251)	–
Provision for/(reversal of) loss allowance on trade and other receivables	7	27,265	(4,652)
Share of profits less losses of associates	19	(15,678)	(4,857)
Share of profits less losses of joint ventures	20	(2,180)	1,117
Changes in working capital:			
Change in inventories		(76,056)	(47,378)
Change in trade and other receivables		(580,160)	(86,005)
Change in trade and other payables		(72,021)	(231,781)
Change in deferred income		(7,961)	(7,690)
Change in pledged deposits		19,436	–
Cash generated from operations		267,717	564,364

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

27 Cash and cash equivalents and other cash flow information (continued)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Interest-bearing borrowings (Note 29) RMB'000	Interest payable RMB'000	Other financial liability (Note 31) RMB'000	Total RMB'000
At 1 January 2024	2,895,021	–	1,581,250	4,476,271
Changes from financing cash flows:				
Proceeds from interest-bearing borrowings	3,991,914	–	–	3,991,914
Repayment of interest-bearing borrowings	(3,601,689)	–	–	(3,601,689)
Repayment of other financial liability	–	–	(565,190)	(565,190)
Interest paid	–	(120,345)	(83,690)	(204,035)
Total changes from financing cash flows	390,225	(120,345)	(648,880)	(379,000)
Exchange adjustments	(580)	–	–	(580)
Other changes:				
Interest expenses (Note 8(a))	–	120,345	51,306	171,651
Total other changes	–	120,345	51,306	171,651
At 31 December 2024 and 1 January 2025	3,284,666	–	983,676	4,268,342
Changes from financing cash flows:				
Proceeds from interest-bearing borrowings	3,635,931	–	–	3,635,931
Repayment of interest-bearing borrowings	(3,486,461)	–	–	(3,486,461)
Repayment of other financial liability	–	–	(90,000)	(90,000)
Interest paid	–	(129,397)	(31,403)	(160,800)
Total changes from financing cash flows	149,470	(129,397)	(121,403)	(101,330)
Exchange adjustments	(104)	–	–	(104)
Other changes:				
Interest expenses (Note 8(a))	–	129,397	31,298	160,695
Total other changes	–	129,397	31,298	160,695
At 31 December 2025	3,434,032	–	893,571	4,327,603

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

27 Cash and cash equivalents and other cash flow information (continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2025 RMB'000	2024 RMB'000
Within operating cash flows	3,443	3,630
Within investing cash flows	3,502	–
	6,945	3,630

These amounts relate to the following:

	2025 RMB'000	2024 RMB'000
Lease rentals paid	3,443	3,630
Acquisition of leasehold land	3,502	–
	6,945	3,630

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 Trade and other payables

	2025 RMB'000	2024 RMB'000
Trade and bills payable	1,154,354	1,189,125
Contract liabilities	10,851	14,445
Other payables and accrued expenses	237,252	249,185
	1,402,457	1,452,755

All trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

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

	2025 RMB'000	2024 RMB'000
Within 1 year	1,131,423	1,160,725
1 to 2 years	15,024	16,470
Over 2 years	7,907	11,930
	1,154,354	1,189,125

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

29 Interest-bearing borrowings

	Note	2025 RMB'000	2024 RMB'000
Current			
Secured bank loans	(i)	127,898	123,629
Unsecured bank loans	(ii)	1,430,309	1,114,544
Current portion of non-current unsecured bank loans		932,300	589,300
		2,490,507	1,827,473
Non-current			
Secured bank loans	(iii)	218,095	203,763
Unsecured bank loans	(iv)	1,657,730	1,842,730
Less: Current portion of non-current unsecured bank loans		(932,300)	(589,300)
		943,525	1,457,193
		3,434,032	3,284,666

Notes:

- (i) Current secured bank loans are secured by certain trade receivables at annual interest rate ranging from 2.19% to 2.27% (2024: 2.95% to 2.96%) per annum.
- (ii) Current unsecured bank loans carry interest at annual rates ranging from 2.20% to 4.85% (2024: 2.60% to 6.14%) per annum and are all repayable within one year.
- (iii) Non-current secured bank loans are secured by Precision Tool's share capital and Guangdong Aihe's leasehold land at annual interest rate ranging from 3.00% to 3.55% (2024: 3.10% to 3.90%) per annum.
- (iv) Non-current unsecured bank loans carry interest at annual interest ranging from of 2.70% to 3.85% (2024: 2.70% to 3.85%) per annum.

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

	2025 RMB'000	2024 RMB'000
Within 1 year or on demand	932,300	589,300
After 1 year but within 2 years	444,775	611,950
After 2 years but within 5 years	498,750	845,243
	1,875,825	2,046,493

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

29 Interest-bearing borrowings (continued)

As at 31 December 2025, the Group's banking facility with four (2024: four) banks are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenant, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with covenants. Further details of the Group's management of liquidity risk are set out in Note 34(b).

As at 31 December 2025, the Company issued a guarantee to TG Development in respect of bank loans granted to the TG Development, of RMB193,502,000 (31 December 2024: RMB256,139,000).

30 Deferred income

Deferred income consists of conditional government grants received for completion of certain construction projects. As at 31 December 2025, the carrying amount of deferred income in respect of unamortized government grants amounted to RMB22,137,000 (2024: RMB30,098,000).

31 Other financial liability

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

	2025 RMB'000	2024 RMB'000
Contingent redeemable capital contributions in a subsidiary	893,571	983,676

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

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

During the year ended 31 December 2025, the Group redeemed the Investment in TG Tools from some Investors at a total consideration of RMB121,403,000. As at 31 December 2025, 90.06% of the equity interest in TG Tools was held by the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

32 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2025 RMB'000	2024 RMB'000
At the beginning of the year	35,042	26,729
Provision for PRC Corporate Income Tax for the year	39,282	55,352
Effect of disposal of equity investments at FVOCI	(10,484)	10,484
Provision for Hong Kong Profits Tax for the year	2,827	4,526
Provision for Thailand Corporate Income Tax for the year	813	553
Hong Kong Profits Tax paid	(2,279)	–
Thailand Corporate Income Tax paid	(901)	(113)
PRC Corporate Income Tax paid	(31,401)	(62,489)
At the end of the year	32,899	35,042

(b) Deferred tax assets and liabilities recognised

(i) *Movement of each component of deferred tax assets and liabilities*

The components of the deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Deductible tax losses RMB'000	Unrealised profits RMB'000	Loss allowance for trade and other receivables RMB'000	Write-down of inventories RMB'000	Government grants RMB'000	Deductible capitalised borrowing costs RMB'000	Revaluation of financial assets RMB'000	Fair value adjustment arising from business combination RMB'000	Other RMB'000	Total RMB'000
At 1 January 2024	25,673	10,708	26,702	13,116	4,561	(28,076)	(10,052)	(23,040)	(8,743)	10,849
Credited/(charged) to profit or loss	44,898	(405)	385	(2,771)	2,447	1,584	1,266	1,777	950	50,131
Effect on deferred tax balances resulting from a change in tax rate note (9(b))	2,211	–	116	–	–	–	–	–	–	2,327
Credited to tax payable	–	–	–	–	–	–	10,484	–	–	10,484
Debited to reserves	–	–	–	–	–	–	(2,794)	–	–	(2,794)
At 31 December 2024 and 1 January 2025	72,782	10,303	27,203	10,345	7,008	(26,492)	(1,096)	(21,263)	(7,793)	70,997
Credited/(charged) to profit or loss	12,574	318	3,731	(2,631)	(3,852)	1,650	343	1,778	(2,219)	11,692
Debited to tax payable	(10,484)	–	–	–	–	–	–	–	–	(10,484)
Credited to reserves	–	–	–	–	–	–	715	–	–	715
At 31 December 2025	74,872	10,621	30,934	7,714	3,156	(24,842)	(38)	(19,485)	(10,012)	72,920

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

32 Income tax in the consolidated statement of financial position (continued)

(b) Deferred tax assets and liabilities recognised (continued)

(ii) Reconciliation to the consolidated statement of financial position

	2025 RMB'000	2024 RMB'000
Net deferred tax asset in the consolidated statement of financial position	117,989	117,871
Net deferred tax liability in the consolidated statement of financial position	(45,069)	(46,874)
	72,920	70,997

(c) Deferred tax assets and liabilities not recognised

In accordance with the accounting policy set out in Note 3(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB53,323,000 (2024: RMB36,163,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses incurred by subsidiaries in the PRC expire within 5 or 10 years from the year when such losses were incurred under current tax legislation.

Deferred tax liabilities of RMB263,796,000 (2024: RMB218,359,000) have not been recognised in respect of distributable profits of certain subsidiaries of the Group, as the Group controls the timing of the reversal of temporary differences associated with undistributed profits of these subsidiaries and it has been determined that it is probable that the undistributed profits earned by these subsidiaries of the Group will not be distributed in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

33 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2024		49,055	2,707,612	908	3,195	5,854	(1,164,782)	1,601,842
Total comprehensive income for the year		–	–	–	–	–	(15,947)	(15,947)
Dividends approved in respect of the previous year	33(b)(ii)	–	–	–	–	–	(109,074)	(109,074)
Interim dividend approved in respect of the six months ended 30 June 2024	33(b)(ii)	–	–	–	–	–	(55,110)	(55,110)
Repurchase of own shares	33(c)	(891)	(78,830)	891	–	–	–	(78,830)
Balance at 31 December 2024 and 1 January 2025	37	48,164	2,628,782	1,799	3,195	5,854	(1,344,913)	1,342,881
Total comprehensive income for the year		–	–	–	–	–	(7,548)	(7,548)
Dividends approved in respect of the previous year	33(b)(ii)	–	–	–	–	–	(71,668)	(71,668)
Interim dividend approved in respect of the six months ended 30 June 2025	33(b)(ii)	–	–	–	–	–	(71,395)	(71,395)
Balance at 31 December 2025	37	48,164	2,628,782	1,799	3,195	5,854	(1,495,524)	1,192,270

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

33 Capital, reserves and dividends (continued)

(b) Dividends

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

	2025 RMB'000	2024 RMB'000
Dividend proposed after the end of the reporting period of RMB0.0253 per ordinary share (2024: RMB0.0263 per ordinary share)	68,826	71,751

Dividends declared to equity shareholders of the Company in respect of the interim period:

	2025 RMB'000	2024 RMB'000
Declared interim dividend of RMB0.0262 per ordinary share (six months ended 30 June 2024: RMB0.0203 per ordinary share)	71,395	55,311

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

	2025 RMB'000	2024 RMB'000
Dividend in respect of the previous financial year, approved and paid during the year of RMB0.0263 per ordinary share (2024: RMB0.0400 per ordinary share)	71,668	109,074

Dividends payable to equity shareholders of the Company in respect of the interim period, approved and paid during the year:

	2025 RMB'000	2024 RMB'000
Interim dividend of RMB0.0262 per ordinary share (six months ended 30 June 2024: RMB0.0203 per ordinary share)	71,395	55,110

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

33 Capital, reserves and dividends (continued)

(b) Dividends (continued)

(ii) Dividends payable to equity shareholders of the Company in respect of the previous financial year, approved and paid during the year: (continued)

In respect of the final dividend for the year ended 31 December 2024, there is a difference of RMB83,000 between the final dividend disclosed in the 2024 annual financial statements and amounts approved and paid during the year, which is mainly due to the RMB/HKD exchange rate difference between the fixed middle average exchange rate on the date of the 2024 annual result announcement and the actual exchange rate applied on the date of payment.

(c) Share capital

Issued and fully paid share capital

Authorised:

	2025 and 2024	
	No. of	Amount
	Shares	USD
	('000)	'000
Ordinary shares of USD0.0025 each (2024: USD0.0025)	4,000,000	10,000

Ordinary shares issued and fully paid:

	No. of shares ('000)	2025 Amount USD ('000)	RMB equivalent ('000)	No. of shares ('000)	2024 Amount USD ('000)	RMB equivalent ('000)
At 1 January	2,725,000	6,822	48,164	2,775,000	6,947	49,055
Repurchase of own shares	-	-	-	(50,000)	(125)	(891)
At 31 December	2,725,000	6,822	48,164	2,725,000	6,822	48,164

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

33 Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves

(i) *Share premium and capital redemption reserve*

The share premium represents the difference between the par value of the shares of the Company and the proceeds received from the issuance of shares or the consideration paid for the repurchased shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account is distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to repay its debts as they fall due in the ordinary course of business.

Capital redemption reserve represents the par value of shares repurchased by the Company pursuant to section 37 of the Cayman Islands Companies Law.

(ii) *Capital reserve*

The capital reserve comprises the following:

- Waived payables due to the Group in connection with the acquisition of land use rights and plant in 2007. These waivers of liabilities by the Group were regarded as equity transactions and recorded in the capital reserve account;
- Consideration received from issuance of warrants in accordance with the terms of warrant placing agreements entered into by the Company and the subscribers net of direct expenses.

(iii) *Merger reserve*

The merger reserve comprises the excess amount arising from the Group's reorganisation of group entities under common control in 2006 and 2007, of its share of the net identifiable assets acquired in these subsidiaries over the consideration paid. The reorganisation transactions were regarded as equity transactions and the excess of the share of the net identifiable assets over the consideration paid was transferred to the merger reserve in the consolidated financial statements.

(iv) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of Hong Kong subsidiaries and overseas equity-accounted investees. The reserve is dealt with in accordance with the accounting policies set out in Notes 3(a), (b) and (t).

(v) *Fair value reserve (non-recycling)*

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 3(d)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

33 Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves (continued)

(vi) PRC statutory reserves

According to the PRC Company Law, the Company's PRC subsidiaries are required to transfer 10% of their profit after taxation, as determined under the PRC accounting regulations, to statutory reserve until the reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to reserve, the profit after taxation shall be the amount determined based on the statutory financial statements prepared in accordance with PRC accounting standards. The transfer to this reserve must be made before distribution of dividend to shareholders.

Statutory reserve fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(e) Distributability of reserves

As at 31 December 2025, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB1,133,258,000 (2024: RMB1,283,869,000). After the end of the reporting period, the directors of the Company proposed a final dividend of RMB0.0253 per ordinary share (2024: RMB0.0263), amounting to RMB68,826,000 (2024: RMB71,751,000). This dividend has not been recognised as a liability at the end of the reporting period.

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

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

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

33 Capital, reserves and dividends (continued)

(g) Capital management (continued)

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing borrowings) plus unaccrued proposed dividends, less cash and cash equivalents and time deposits. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

During 2025, the Group's strategy was to maintain a stable adjusted net debt-to-capital ratio. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's adjusted net debt-to-capital ratios at 31 December 2025 and 2024 were as follows:

	Note	2025 RMB'000	2024 RMB'000
Current liability:			
Interest-bearing borrowings	29	2,490,507	1,827,473
Non-current liability:			
Interest-bearing borrowings	29	943,525	1,457,193
Total debt		3,434,032	3,284,666
Add: Proposed dividends	33(b)	68,826	71,751
Less: Cash and cash equivalents	27	(1,069,583)	(1,068,922)
Time deposits	26	(603,324)	(605,231)
Adjusted net debt		1,829,951	1,682,264
Total equity		7,966,859	7,452,738
Less: Proposed dividends	33(b)	(68,826)	(71,751)
Adjusted capital		7,898,033	7,380,987
Adjusted net debt-to-capital ratio		23%	23%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, time deposits, pledged deposits and bills receivable is limited because the counterparties are reputable financial institutions with high credit standing, for which the Group considers to have low credit risk.

(i) Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 2% (2024: 6%) and 32% (2024: 30%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90–180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowance for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

(i) Trade receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	Expected loss rate %	2025 Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	5.0%	1,214,018	60,709
1–9 months past due	5.0%	1,029,388	51,456
9–21 months past due	10.0%	362,711	36,261
More than 21 months past due	52.6%	44,368	23,330
		2,650,485	171,756

	Expected loss rate %	2024 Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	5.0%	1,078,721	53,857
1–9 months past due	5.0%	830,676	41,602
9–21 months past due	10.0%	280,608	27,962
More than 21 months past due	54.5%	36,429	19,867
		2,226,434	143,288

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

(i) Trade receivables (continued)

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2025 RMB'000	2024 RMB'000
Balance at 1 January	143,288	149,555
Loss allowance recognised/(reversed) during the year	28,782	(6,895)
Exchange adjustment	(314)	628
Balance at 31 December	171,756	143,288

(ii) Other receivables and amount due from a third party

Credit risk arising from other receivables and amount due from a third party was granted taken into account of its financial position, past experience and other factors. The Group monitored the credibility of the counterparty continuously by monitoring the operation and financial position of the counterparty and considered that the credit risk arising from the receivable was insignificant.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's certain financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

		2025				
		Contractual undiscounted cash outflow				
		Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	28	1,402,457	–	–	1,402,457	1,402,457
Interest-bearing borrowings	29	2,534,649	469,209	589,400	3,593,258	3,434,032
Other financial liability	31	921,299	–	–	921,299	893,571
		4,858,405	469,209	589,400	5,917,014	5,730,060

		2024				
		Contractual undiscounted cash outflow				
		Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	28	1,452,755	–	–	1,452,755	1,452,755
Interest-bearing borrowings	29	1,857,734	644,156	916,258	3,418,148	3,284,666
Other financial liability	31	1,017,676	–	–	1,017,676	983,676
		4,328,165	644,156	916,258	5,888,579	5,721,097

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 Financial risk management and fair values of financial instruments (continued)

(c) Foreign currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to receivables, payables, borrowings and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the entity to which the transactions relate. The currencies giving rise to this risk are primarily USD, Euro ("EUR"), HKD and THB.

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposures are shown in RMB, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of the foreign operations into the Group's presentation currency are excluded.

	2025			2024		
	Exposure to foreign currencies (expressed in RMB)			Exposure to foreign currencies (expressed in RMB)		
	USD RMB'000	EUR RMB'000	HKD RMB'000	USD RMB'000	EUR RMB'000	HKD RMB'000
Trade and other receivables	1,070,022	882,104	28,451	551,586	746,630	87
Cash and cash equivalents	78,467	7,041	8,025	112,905	205,742	16,495
Trade and other payables	(178,813)	(421)	(589)	(33,221)	(14,341)	–
Interest-bearing borrowings	–	(127,976)	(141,520)	–	(379,560)	(110,851)
Net exposure arising from recognised assets and liabilities	969,676	760,748	(105,633)	631,270	558,471	(94,269)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 Financial risk management and fair values of financial instruments (continued)

(c) Foreign currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had increased at that date, assuming all other risk variables remained constant.

	2025		2024	
	Increase in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits RMB'000	Increase in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits RMB'000
USD	10%	50,323	10%	40,985
EUR	10%	59,265	10%	(28,787)
HKD	10%	(11,112)	10%	(3,689)
RMB	10%	(23,127)	10%	(13,320)

A decrease in foreign exchange rates would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis as for 2024.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 Financial risk management and fair values of financial instruments (continued)

(d) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings, pledged deposits and time deposits.

Pledged bank deposits are not held for speculative purposes but are placed to satisfy conditions for the Group to issue bank acceptance bills and other banking facilities.

Interest-bearing borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates and terms of repayment of the interest-bearing borrowings of the Group are disclosed in Note 29.

(i) Interest rate risk profile

The following table details the interest rate profile of the Group's interest-bearing financial instruments at the end of the reporting period:

	2025		2024	
	Effective Interest rate %	Amount RMB'000	Effective Interest rate %	Amount RMB'000
Fixed rate instruments				
Interest-bearing borrowings	2.20%~3.85%	1,857,931	2.60%~3.80%	1,803,138
Other financial liability	4%	893,571	4%	983,676
Variable rate instruments				
Interest-bearing borrowings	based on HIBOR or LPR	1,576,101	based on HIBOR or LPR	1,481,528

(ii) Sensitivity analysis

As at 31 December 2025, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB13,319,000 (2024: RMB12,464,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate non-derivative instruments held by the Group, which expose the Group to cash flow interest rate risk at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group. The impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as for 2024.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 Financial risk management and fair values of financial instruments (continued)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments held for trading and non-trading purposes (see Notes 21 and 22). Other than unquoted securities held for strategic purposes, all of these investments are listed.

The Group's listed investments are listed on the SSE, NEEQ, Shenzhen Stock Exchange and the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the index and other industry indicators, as well as the Group's liquidity needs. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

At 31 December 2025, it is estimated that an increase/(decrease) of 10% (2024: 10%) in the relevant stock market index (for listed investments), the price/earning or price/book value ratios of comparable listed companies (for unquoted investments) as applicable, with all other variables held constant, would have increased/(decreased) the Group's profit after tax (and retained earnings) and fair value reserve (non-recycling) of consolidated equity as follows:

	2025			2024		
	Effect on	Effect on		Effect on	Effect on	
	profit after	fair value		profit after	fair value	
	tax and	reserve		tax and	reserve	
	retained	(non-		retained	(non-	
	earnings	recycling)		earnings	recycling)	
	RMB'000	RMB'000		RMB'000	RMB'000	
Changes in the relevant equity price risk variable:						
Increase	10%	730	2,390	10%	13,664	2,609
Decrease	(10%)	(730)	(2,390)	(10%)	(13,664)	(2,609)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained earnings) and fair value reserve (non-recycling) of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2024.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 Financial risk management and fair values of financial instruments (continued)

(f) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data is not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Analysis on fair value measurement of financial instruments are as follows:

	Fair value at 31 December 2025 RMB'000	Fair value measurement at 31 December 2025 categorised into		
		Level 1	Level 2	Level 3
Recurring fair value measurement				
Other financial assets:				
— Listed equity securities — SSE	10,192	10,192	—	—
— Listed equity securities — NEEQ	20,320	—	—	20,320
— Unlisted equity securities	3,000	—	3,000	—
— Unlisted units in investment funds	137,443	—	—	137,443
Financial assets at fair value through profit or loss:				
— Listed equity securities	8,961	8,961	—	—
Trade and other receivables:				
— Bills receivable	129,817	—	129,817	—

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 Financial risk management and fair values of financial instruments (continued)

(f) Fair value measurement (continued)

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

Fair value hierarchy (continued)

	Fair value at 31 December 2024 RMB'000	Fair value measurement at 31 December 2024 categorised into		
		Level 1	Level 2	Level 3
Recurring fair value measurement				
Other financial assets:				
— Listed equity securities — SSE	12,275	12,275	—	—
— Listed equity securities — NEEQ	20,870	—	—	20,870
— Unlisted equity securities	1,360	—	—	1,360
— Unlisted units in investment funds	113,065	—	—	113,065
Financial assets at fair value through profit or loss:				
— Listed equity securities	61,025	61,025	—	—
Trade and other receivables:				
— Bills receivable	209,887	—	209,887	—

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of unlisted equity securities in Level 2 is determined by recent comparable transaction price on the market. These investments were either acquired, re-invested by the Group recently or newly financed on the market.

The fair values of the bills receivable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 Financial risk management and fair values of financial instruments (continued)

(f) Fair value measurement (continued)

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

Valuation techniques and inputs used in Level 2 fair value measurements (continued)

Fair value of the equity securities listed on the NEEQ, which do not have quoted prices in active markets, and that of unlisted equity securities and unlisted units in investment funds mentioned in Note 21 is determined using the price/earning or price/book value ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability.

	Valuation techniques	Significant unobservable inputs	Weighted average
Equity securities listed on the NEEQ and unlisted equity securities	Market comparable companies	Discount for lack of marketability	28%

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2025 RMB'000	2024 RMB'000
Unquoted equity securities and units in investment funds:		
At 1 January	135,295	122,394
Purchase of other financial assets	120,750	24,000
Disposal of other financial assets	(96,694)	–
Net unrealised gains recognised in other comprehensive income during the year	(1,910)	(6,040)
Unrealised fair value changes of other financial assets during the year	322	(5,059)
At 31 December	157,763	135,295

Any gains or losses arising from the remeasurement of the Group's listed and unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

35 Commitments

Capital commitments outstanding as at 31 December 2025 not provided for in the consolidated financial statements were as follows:

	2025 RMB'000	2024 RMB'000
Contracted for:		
— acquisition of property, machinery and equipment	207,602	129,633
Authorised but not contracted for:		
— acquisition of property, machinery and equipment	327,407	605,316

36 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 10 and the highest paid employees as disclosed in Note 11, is as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	4,601	5,126
Discretionary bonuses	2,559	2,747
Contributions to retirement benefit schemes	76	47
	7,236	7,920

Total remuneration is included in "staff costs" (see Note 8(b)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

36 Material related party transactions (continued)

(b) Transactions with related companies

(i) Significant related party transactions

	2025 RMB'000	2024 RMB'000
Sale of goods to:		
Joint ventures	191,767	454,343
Associates	203,848	155,004
	395,615	609,347

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and on normal commercial terms or in accordance with the terms of the agreements governing such transactions.

(ii) Significant related party balances

	2025 RMB'000	2024 RMB'000
Trade and other receivables due from:		
Joint ventures	393,277	298,584
Associates	129,600	115,203
	522,877	413,787

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

37 Company-level statement of financial position

	2025 RMB'000	2024 RMB'000
Non-current assets		
Property, plant and equipment	11	11
Interest in subsidiaries	1,326,539	1,444,881
Interest in associates	5,972	5,972
Other receivables	527	582
	1,333,049	1,451,446
Current asset		
Cash and cash equivalents	1,555	3,114
	1,555	3,114
Current liabilities		
Interest-bearing borrowings	141,520	110,851
Other payables	814	828
	142,334	111,679
Net current liabilities	(140,779)	(108,565)
Net assets	1,192,270	1,342,881
Capital and reserves		
Share capital	48,164	48,164
Reserves	1,144,106	1,294,717
Total equity	1,192,270	1,342,881

38 Immediate and ultimate controlling parties

At 31 December 2025, the directors of the Company consider the immediate parents of the Group to be Tiangong Holding Company Limited, which is incorporated in the British Virgin Islands and Sky Greenfield Investment Limited, which is incorporated in the Cayman Islands. Both entities do not produce financial statements available for public use.

At 31 December 2025, the directors of the Company consider the ultimate controlling parties of the Group to be Mr. Zhu Xiaokun, Ms. Yu Yumei and Mr. Zhu Zefeng.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

39 Non-adjusting events after the reporting period

(a) Share options scheme

On 20 January 2026, the Company granted an aggregate of 30,000,000 share options to the directors and employees of the Company (collectively "Grantees"), pursuant to the share option scheme adopted by the Company on 26 May 2017. The Grantees are entitled to subscribe for ordinary shares of USD0.0025 each in the share capital of the Company at an exercise price of HKD3.50 per share, with an exercise period from 31 March 2029 to 31 December 2029, on the condition that certain performance conditions was met. Detailed information is disclosed in the Company's announcement dated 20 January 2026.

(b) Proposed 2025 final dividend

After the end of the reporting period, the directors of the Company proposed a final dividend. Further details are disclosed in Note 33(b).

40 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2025

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9 <i>Financial instruments</i> and IFRS 7, <i>Financial instruments</i> : <i>disclosures — Contracts referencing nature-dependent electricity</i>	1 January 2026
Amendments to IFRS 9 <i>Financial instruments</i> and IFRS 7, <i>Financial instruments</i> : <i>disclosures — Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to IFRS Accounting Standards — Volume 11	1 January 2026
IFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
IFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027
Amendments to IAS 21, <i>Translation to a hyperinflationary presentation currency</i>	1 January 2027
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

40 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2025 (continued)

The Group is in the process of making an assessment of what the impact of these developments are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group except for the following:

IFRS 18, *Presentation and disclosure in financial statements*

IFRS 18 will replace IAS 1, *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18. IFRS 18 will impact the presentation of financial statements and is not expected to have significant impact on the financial performance and position of the Group.

FINANCIAL INFORMATION SUMMARY

	Year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	4,718,830	4,832,036	5,163,306	5,066,807	5,744,873
Profit before taxation	468,962	408,137	465,470	519,360	751,655
Income tax	(31,230)	(7,974)	(45,542)	4,750	(80,025)
Profit for the year	437,732	400,163	419,928	524,110	671,630
Other comprehensive income/(loss) for the year	1,867	(87,676)	(20,290)	(80,721)	12,344
Attributable to:					
Equity shareholders of the Company	402,283	271,536	349,996	422,697	676,701
Non-controlling interests	37,316	40,951	49,642	20,692	7,273
Earnings per share (RMB)					
Basic (RMB)	0.147	0.131	0.133	0.181	0.244

	As at 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Assets					
Non-current assets	5,380,833	5,348,259	5,343,324	5,444,214	4,803,513
Current assets	8,416,191	7,937,590	8,217,751	7,918,937	7,761,073
Total assets	13,797,024	13,285,849	13,561,075	13,363,151	12,564,586
Liabilities					
Non-current liabilities	1,010,731	1,534,165	775,909	1,142,336	1,188,397
Current liabilities	4,819,434	4,298,946	5,400,578	5,079,482	4,483,632
Total liabilities	5,830,165	5,833,111	6,176,487	6,221,818	5,672,029
Equity					
Total equity	7,966,859	7,452,738	7,384,588	7,141,333	6,892,557

Note: The results of the Group for the four financial years ended 31 December 2021, 2022, 2023 and 2024 and its assets and liabilities were extracted from previous annual reports, which also set forth the details of the basis of presentation of the combined accounts.

CORPORATE INFORMATION

Registered Name

Tiangong International Company Limited

Chinese Name

天工國際有限公司

Stock Code

Hong Kong Stock Exchange: 826

Board of Directors

Executive Directors

Mr. Zhu Xiaokun (Chairman)
Mr. Zhu Zefeng (Chief Executive Officer)
Mr. Wu Suojun
Mr. Jiang Guangqing

Independent Non-executive Directors

Mr. Lee Cheuk Yin, Dannis
Mr. Wang Xuesong
Ms. Qin Ke

Company Secretary

Mr. Lee Johnly

Authorized Representatives

Mr. Lee Cheuk Yin, Dannis
Mr. Lee Johnly

Audit Committee

Mr. Lee Cheuk Yin, Dannis (*Chairman*)
Mr. Wang Xuesong
Ms. Qin Ke

Remuneration Committee

Mr. Wang Xuesong (*Chairman*)
Mr. Zhu Xiaokun
Mr. Lee Cheuk Yin, Dannis
Ms. Qin Ke

Nomination Committee

Mr. Lee Cheuk Yin, Dannis (*Chairman*)
Mr. Zhu Xiaokun
Mr. Wang Xuesong
Ms. Qin Ke

Registered Office in the Cayman Islands

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Registered Office in Hong Kong

20/F, Tien Chu Commercial Building
173–174 Gloucester Road
Wanchai
Hong Kong

Principal Place of Business

Zhenjiang City
Jiangsu Province
The PRC

Auditors

KPMG

Certified Public Accountants

Public Interest Entity Auditor registered in accordance
with the Accounting and Financial Reporting
Council Ordinance
8/F Prince's Building
10 Chater Road
Central, Hong Kong

Hong Kong Legal Adviser

Reed Smith Richards Butler LLP
17th Floor, One Island East
18 Westlands Road
Taikoo Place, Quarry Bay
Hong Kong

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Center
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
Bank of China Limited
Agricultural Bank of China Limited
The Export-import Bank of China
The Hongkong and Shanghai Banking Corporation Limited

Company Website

www.tggj.cn

Investor Relations

Email: tiangongir@tggj.cn
Telephone: (852) 3102-2386
Fax: (852) 3102-2331