



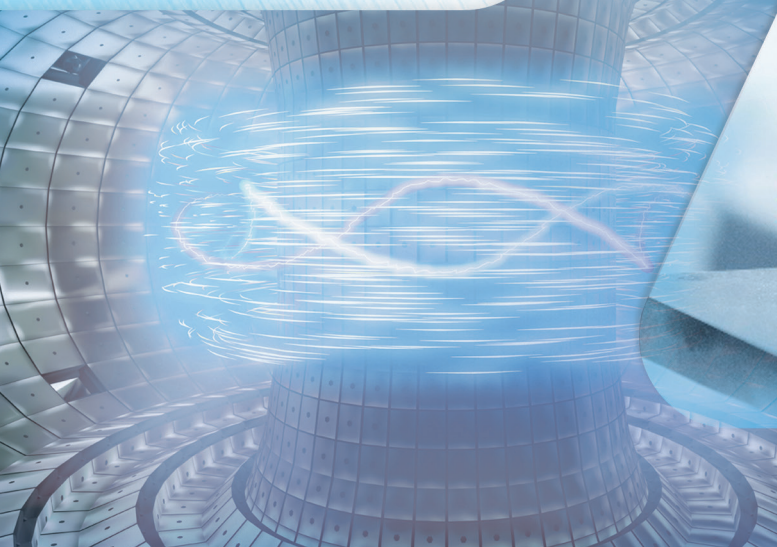
天工國際有限公司*

TIANGONG INTERNATIONAL COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 826

Interim Report 2026



* For identification purposes only

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Corporate Information

REGISTERED NAME

Tiangong International Company Limited

CHINESE NAME

天工國際有限公司

STOCK CODE

Hong Kong Stock Exchange: 826

BOARD OF DIRECTORS

Executive Directors

Mr. Zhu Xiaokun (*Chairman*)

Mr. Zhu Zefeng (*Chief Executive Officer*)

Ms. Xu Huixia (appointed 1 September 2026)

Mr. Wu Suojun (resigned 1 September 2026)

Mr. Zhu Zhonghua (appointed 16 June 2026)

Mr. Jiang Guangqing (resigned 16 June 2026)

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

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PRINCIPAL PLACE OF BUSINESS

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Jiangsu Province

The PRC

AUDITORS

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Certified Public Accountants

Public Interest Entity Auditor registered in

accordance with the Accounting and

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PRINCIPAL BANKERS

China Construction Bank Corporation

Industrial and Commercial Bank of China Limited

Bank of China Limited

Agricultural Bank of China Limited

The Export-import Bank of China

The Hongkong and Shanghai Banking Corporation Limited

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Management Discussion and Analysis

BUSINESS REVIEW

	For the six months ended 30 June					
	2026		2025		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Die steel ("DS")	1,165,621	47.2	1,154,590	49.3	11,031	1.0
High speed steel ("HSS")	476,338	19.3	394,434	16.8	81,904	20.8
Cutting tools	565,389	22.9	397,365	17.0	168,024	42.3
Titanium alloy	226,232	9.1	348,786	14.9	(122,554)	(35.1)
Others	37,537	1.5	47,320	2.0	(9,783)	(20.7)
	2,471,117	100.0	2,342,495	100.0	128,622	5.5

DS – accounted for approximately 47.2% of the Group's revenue in 1H2026

	For the six months ended 30 June					
	2026		2025		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Domestic	587,770	50.4	565,627	49.0	22,143	3.9
Export	577,851	49.6	588,963	51.0	(11,112)	(1.9)
	1,165,621	100.0	1,154,590	100.0	11,031	1.0

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

During the period, the Group continued to optimise its domestic sales strategy for DS, by focusing on the high-end market to increase the average selling price of its products and implementing differentiation strategy. Despite a slight decline in sales volume, turnover rose by 3.9% to RMB587,770,000 (1H2025: RMB565,627,000).

For the export business, against a backdrop of high inflation, demand for DS in overseas markets remained relatively subdued; compared with the same period last year, sales volume, average selling price and turnover remained broadly unchanged.

Overall, turnover in the DS segment during the period rose modestly by 1.0% to RMB1,165,621,000 (1H2025: RMB1,154,590,000).

Management Discussion and Analysis

HSS – accounted for approximately 19.3% of the Group's revenue in 1H2026

	For the six months ended 30 June					
	2026		2025		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Domestic	275,807	57.9	259,800	65.9	16,007	6.2
Export	200,531	42.1	134,634	34.1	65,897	48.9
	476,338	100.0	394,434	100.0	81,904	20.8

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

For the domestic operations, due to an imbalance between supply and demand for tungsten, a raw material of HSS, the average unit price of tungsten has risen nearly fivefold compared with the same period last year. Faced with such a substantial increase in unit price, some downstream customers have adopted a wait-and-see approach, resulting in a decline of approximately 18% in domestic sales volume compared with the same period last year. Meanwhile, the average selling price of products increased by approximately 30%. Overall domestic sales revenue increased by approximately 6.2% to RMB275,807,000 (1H2025: RMB259,800,000).

For the export business, overseas downstream demand gradually picked up during the period. Replacement demand for high-end HSS continued to rise. With export sales volumes rising by approximately 6% and average selling prices increasing by approximately 40%, the combination of higher volumes and prices led to an increase in total export turnover of approximately 48.9% to RMB200,531,000 (1H2025: RMB134,634,000).

During the period, overall turnover of HSS segment increased by 20.8% to RMB476,338,000 (1H2025: RMB394,434,000).

Cutting tools – accounted for approximately 22.9% of the Group's revenue in 1H2026

	For the six months ended 30 June					
	2026		2025		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Domestic	308,782	54.6	159,524	40.1	149,258	93.6
Export	256,607	45.4	237,841	59.9	18,766	7.9
	565,389	100.0	397,365	100.0	168,024	42.3

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

Management Discussion and Analysis

The mainstream products in the domestic cutting tool market include HSS and cemented carbide cutting tools, both of which contain tungsten as a raw material. Due to the significant rise in tungsten prices, the average selling price for the period increased substantially by approximately 66%. Furthermore, due to tight export controls on primary tungsten and tungsten products, overseas manufacturers faced a raw material shortage, causing prices for imported cemented carbide billets and finished cutting tools to surge. As a result, domestic downstream enterprises showed a marked increase in their willingness to switch to domestic supply chains, leading to a significant increase in the volume of cemented carbide products during the period and driving approximately 17% increase in sales. Domestic turnover from cutting tools during the period rose substantially by approximately 93.6% to RMB308,782,000 (1H2025: RMB159,524,000).

For the overseas markets, the market is primarily in North America where consumer spending has slowed due to high inflation and increased cost of living. This resulted in a year-on-year decline in export order volume of approximately 14%. However, due to a rise in the price of tungsten, a key raw material, the average selling price increased by approximately 25% during the period. In summary, export turnover during the period increased by approximately 7.9% to RMB256,607,000 (1H2025: RMB237,841,000).

In the first half of 2026, the revenue of the Group's cutting tools segment increased by 42.3% to RMB565,389,000 (1H2025: RMB397,365,000).

Titanium alloy – accounted for approximately 9.1% of the Group's revenue in 1H2026

	For the six months ended 30 June					
	2026		2025		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Domestic	224,992	99.5	347,213	99.5	(122,221)	(35.2)
Export	1,240	0.5	1,573	0.5	(333)	(21.2)
	226,232	100.0	348,786	100.0	(122,554)	(35.1)

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

Sales in the titanium alloys segment were driven primarily by domestic sales during the period; however, due to adjustments in production plans for new consumer electronics products in downstream sectors, order deliveries for titanium and titanium alloy wire used in those sectors were delayed, resulting in a year-on-year decline in sales volume of approximately 25% during the period. The sales mix by product type differed between the two periods, the combined sales volume of titanium tubes and sheets increased during the period. However, as the primary application areas are in the energy and chemical industries and in consumer goods, in which intense market competition has caused the average selling price to fall by approximately 14%. Overall turnover decreased by approximately 35.1% to RMB226,232,000 (1H2025: RMB348,786,000).

Management Discussion and Analysis

Others – accounted for approximately 1.5% of the Group’s revenue in 1H2026

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

	For the six months ended 30 June					
	2026		2025		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Export	37,537	100.0	47,320	100.0	(9,783)	(20.7)

Demand in this segment stemmed primarily from entry-level hardware and power tool sets supplied to brand customers for export to the US. In the US market, consumer spending power has generally slowed due to inflation and high energy costs, leading to an overall decline in power tool sales. Overall, turnover from other segments decreased by 20.7% to RMB37,537,000 (1H2025: RMB47,320,000).

FINANCIAL REVIEW

Net profit attributable to equity shareholders of the Company increased by 11.2% from RMB203,583,000 in the first half of 2025 to RMB226,341,000 in the first half of 2026. Detailed review of the individual components were as follows:

Revenue

During the reporting period, the Group’s overall turnover increased, primarily driven by the HSS and cutting tools segments. This was mainly attributable to (i) the significant rise in the price of raw materials (tungsten) for HSS and cutting tools, with costs successfully passed on to downstream customers; and (ii) the commencement of volume production of cemented carbide products within the cutting tools segment, which substantially boosted its contribution to turnover. However, turnover in the titanium alloys segment decreased due to cyclical fluctuations in demand for titanium materials from the consumer electronics industry. All things considered, revenue of the Group for the first half of 2026 totalled RMB2,471,117,000, which showed an increase of 5.5% when compared with RMB2,342,495,000 in the first half of 2025. For an analysis of individual segments, please refer to the “Business Review” section.

Cost of sales

The Group’s cost of sales decreased from RMB1,898,620,000 for the first half of 2025 to RMB1,857,680,000 for the first half of 2026, representing a decrease of 2.2%. The decrease was primarily attributable to the optimisation, to varying degrees, of gross profit margins in the DS, HSS and cutting tools segments during the period.

Management Discussion and Analysis

Gross margin

For the first half of 2026, gross margin was 24.8% (1H2025: 18.9%). Set out below is the gross margin for the five segments of the Group for the first half of 2025 and 2026:

	For the six months ended 30 June	
	2026	2025
DS	17.5%	13.8%
HSS	25.7%	15.6%
Cutting tools	34.4%	28.5%
Titanium alloy	12.5%	24.2%
Others	7.3%	7.7%

DS

The gross margin of DS increased from 13.8% in the first half of 2025 to 17.5% in the first half of 2026. The main reason was the increased demand from domestic industries for high-value-added DS products, thereby increasing the contribution of these high-value-added products to gross profit. Meanwhile, the slight upward trend in raw material prices also boosted the growth in gross profit margin.

HSS

Driven by strong demand and rising prices for ferrotungsten, the key raw material for HSS, price increases were successfully passed on to downstream customers during the period. Coupled with an upturn in overseas markets, the overall gross margin of HSS increased from 15.6% in the first half of 2025 to 25.7% in the first half of 2026.

Cutting tools

Gross margin of cutting tools increased from 28.5% in the first half of 2025 to 34.4% in the first half of 2026. This was primarily due to the rise in the price of tungsten, the key raw material, which was successfully passed on to downstream customers. Furthermore, the increased volume of high-value-added cemented carbide products made a further positive contribution to the segment's overall gross profit margin during the period.

Titanium alloy

Gross margin of titanium alloy decreased from 24.2% in the first half of 2025 to 12.5% in the first half of 2026. This was primarily due to adjustments in the production plans for new consumer electronics products by downstream customers, resulting in a decline in the proportion of sales of titanium wire products with higher gross margins, and an increase in the proportion of sales of titanium tubes and sheets with lower added value. Changes in the sales mix led to a year-on-year decline in the overall gross margin for titanium alloys.

Others

Gross margin of others segment decreased from 7.7% in the first half of 2025 to 7.3% in the first half of 2026. This is primarily due to the fact that demand for products in other segments remains relatively weak.

Management Discussion and Analysis

Other income

The Group's other income decreased from RMB170,171,000 in the first half of 2025 to RMB52,733,000 in the first half of 2026. It was mainly due to the significant depreciation of USD and EUR against RMB, causing an exchange loss of RMB64,531,000 recognised in other expenses on the trade receivables denominated in USD and EUR throughout the period. On the contrary, exchange gain of RMB129,747,000 was recognised in other income during the first half of 2025.

Distribution expenses

The Group's distribution expenses were RMB56,607,000 (1H2025: RMB55,783,000), representing an increase of 1.5%. The increase was mainly attributable to the increase in advertising, sponsorship and exhibition costs during the period. For the first half of 2026, distribution expenses as a percentage of revenue was 2.3% (1H2025: 2.4%).

Administrative expenses

For the first half of 2026, the Group's administrative expenses was RMB92,666,000 (1H2025: RMB91,415,000) representing an increase of 1.4%. The increase was mainly attributable to the share based payment attributable to the share options granted to administrative staffs in January 2026, whereas there was no such expense in the first half of 2025. For the first half of 2026, administrative expenses as a percentage of revenue was 3.7% (1H2025: 3.9%).

Research and development expenses

Research and development expenses was RMB136,984,000 in the first half of 2026, which was flatted comparing to RMB137,045,000 in the first half of 2025.

Net finance costs

The Group's net finance costs increased from RMB64,537,000 in the first half of 2025 to RMB71,711,000 in the first half of 2026. These were attributable to the combined effects of (i) increased average balance of interest bearing borrowings causing increased interest expenses; and (ii) during the first half of 2026, certain portions of contingent redeemable equity interest of TG Tools held by third party investors were redeemed by the Group. The finance cost relating to these contingent redeemable equity interest of TG Tools was saved and reduced during the period.

Income tax expense

The Group's income tax expense decreased from RMB19,213,000 in the first half of 2025 to RMB17,650,000 in the first half of 2026. Pre-tax profit contributed by the Group's Thailand subsidiary, Tiangong Precision Tools (Thailand) Company Limited ("TGPT"), increased during the period. TGPT was in tax holiday in the first 6 years from May 2021, effectively reduced the Group's income tax expense and effective tax rate comparing to the first half of 2025.

Profit for the period

As a result of the factors set out above, the Group's profit increased by 6.2% from RMB218,619,000 for the first half of 2025 to RMB232,110,000 for the first half of 2026. The Group's net profit margin for the first half of 2026 was 9.4% (1H2025: 9.3%).

Profit attributable to equity shareholders of the Company

For the first half of 2026, profit attributable to equity shareholders of the Company was RMB226,341,000 (1H2025: RMB203,583,000), representing an increase of 11.2%.

Management Discussion and Analysis

Other financial assets

Other financial assets held by the Group mainly included equity interests in Bank of Jiangsu 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"), 丹陽博雲恒天大工業產業投資中心(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. The movement in the value of these financial assets on the Consolidated Statement of Financial Position mainly represented the net increase in fair market value of these financial assets.

Trade and bills receivable

Net trade and bills receivable increased from RMB3,206,973,000 as at 31 December 2025 to RMB3,348,344,000 as at 30 June 2026. Loss allowance of RMB172,658,000 (1H2025: 171,756,000) accounted for 4.9% (1H2025: 5.1%) of the trade and bills receivable during the period.

REVIEW OF THE MACROECONOMIC OPERATING ENVIRONMENT

In the first half of 2026, the global economic recovery was characterised by mixed performance. Trade protectionism continued to complicate the already complex and severe geopolitical landscape, whilst rising crude oil prices, coupled with expectations of intensified monetary policy manoeuvring amongst major economies, led to frequent volatility in international financial markets. Compounded by rising inflationary expectations, in May 2026, the US Consumer Price Index (CPI) accelerated sharply to 4.2% as energy prices surged by 23.5% year-on-year, reaching a three-year high. In its updated World Economic Outlook published in July, the International Monetary Fund (IMF) also revised its forecast for global inflation in 2026 upwards to 4.7%. Nevertheless, the global economy demonstrated a degree of resilience, with the continued boom in cutting-edge technology sectors; in particular, the continued rapid growth in cutting-edge technology sectors such as artificial intelligence, semiconductors and high-end manufacturing has provided the key driving force behind global industrial upgrading and investment demand.

Faced with changes in the external environment and the ongoing restructuring of global supply chains, the Chinese economy maintained a course of 'seeking progress whilst ensuring stability' in the first half of 2026. With the formal launch of the "15th Five-Year Plan", China accelerated the cultivation of "new-quality productive forces", deepened reforms in key sectors, and continued to strengthen counter-cyclical macroeconomic policy adjustments. Against the backdrop of positive progress in preventing and defusing risks in key areas, high-quality economic development was steadily advanced.

According to data expected to be released by the National Bureau of Statistics of China on 15 July 2026, China's gross domestic product grew by approximately 4.7% year-on-year in the first half of 2026. Although domestic effective demand still needs to be stimulated and uncertainty in the external environment has increased, China's economic growth rate remains at the forefront among the world's major economies, demonstrating strong resilience and development potential.

Management Discussion and Analysis

During the period under review, the real economy, represented by advanced manufacturing, has played a vital role in underpinning domestic economic growth. Value added in the equipment manufacturing sector for enterprises above designated size grew by approximately 9.3% year-on-year. Within this sector, the automotive manufacturing industry and the railway, shipbuilding and aerospace equipment manufacturing industries continued to maintain robust growth, increasing by approximately 7.0% and 12.6% respectively. Furthermore, the pace of scientific and technological innovation continued to advance. In the first half of the year, national expenditure by enterprises on R&D equipment and R&D services, which reflects corporate investment in innovation, rose by 10.7% and 10.8% year-on-year respectively, with innovation input and output complementing one another. At the same time, sales income in the scientific research and technical services sector, which reflects innovation output, and in technology-intensive, patent-intensive industries grew by 17.1% and 12.5% year-on-year respectively.

Currently, the overarching theme of China's economic development is firmly "moving towards innovation", with vigorous efforts to advance new industrialisation. From the deepening application of artificial intelligence, to the commercialisation of emerging industries such as humanoid robots and semiconductors, and the prioritised support for strategic emerging industries such as aerospace under the "15th Five-Year Plan", China's innovation-driven strategy is continuously being transformed into tangible productive capacity. As a leading Chinese manufacturer of high-end materials such as special steels and titanium alloys, the Group will, amidst the current challenging and transformative business environment, actively capitalise on the vast market opportunities and growth potential in emerging industries brought about by the vigorous development of 'new-quality productive forces'.

Industry Review

Technological Upgrade of Tool Steel to Match Market Demand

In the first half of 2026, China's domestic market for tool steel continued its transition from a loose supply-demand balance to structural upgrading. Statistics show that major domestic high-grade special steel enterprises produced 56.36 million tonnes of crude steel from January to June 2026, representing a mild year-on-year growth of 0.62%. Nevertheless, mid-to-low grade tool steel varieties faced structural mismatching pressure amid the nationwide shift from ordinary-grade steel to high-grade special steel, resulting in distinct structural divergence across the whole industry. Against this backdrop, market competition is rapidly accelerating its shift towards high-end, high-precision and differentiated product.

Driven by the high-quality development of high-end manufacturing sectors including automobiles, general machinery, aerospace and energy, market requirements for the performance of premium materials have kept rising, which in turn fuelled substantial growth in demand for high-performance tool steel. In terms of end-market consumption, the automotive sector accounts for around 36% of total demand and ranks first. The extensive rollout of lightweighting and large-scale integrated die-casting technologies for new energy vehicles has continuously boosted market expansion for ultra-large aluminium alloy die-casting tool steel. According to industry reports, in 2026, the global markets for die-casting and tool steel are projected to reach USD100 billion and USD7 billion respectively. Meanwhile, the electronics sector contributes roughly 28% of total demand for tool steel. As consumer electronics and AI computing infrastructure evolve toward miniaturisation and ultra-precision, customised demand for high-temperature resistant, high-strength precision tool steel has risen sharply.

Management Discussion and Analysis

Supported by policy guidance and industrial transformation and upgrading, China's tool steel industry has achieved sustained breakthroughs in material research and development, intelligent manufacturing and digitalised application. Its product portfolio is shifting toward large-size specifications, ultra-high precision and customisation. The technological standards and domestic market share of domestically produced high-end tool steel have been lifted continuously, and the domestic substitution of key materials is advancing steadily. For overseas markets, Europe and North America serve as core demand sources for high-end customised products and stock replacement. Despite uncertainties arising from geopolitics, trade policies and inflation, Chinese manufacturers with cost advantages and core technological competitiveness have maintained strong resilience in international markets.

In the first half of 2026, as China's manufacturing sector advanced toward high-end, intelligent and green development, downstream industries including new energy vehicles, robotics, aerospace, consumer electronics, printed circuit board ("PCB") and high-end equipment recorded growing demand for high-precision, high-efficiency cutting processes, unlocking structural opportunities for high-speed steel and high-performance tool materials.

From the perspective of industrial technological evolution, powder metallurgy high-speed steel features homogeneous microstructure, fine carbide particles, outstanding wear resistance, superior red hardness and excellent anti-fatigue performance. Its penetration rates across application scenarios such as precision cutting tools, high-end tools, transmission components and aerospace equipment have kept climbing. Faced with stricter requirements for material consistency, processing stability and service life imposed by high-end machining work, domestic enterprises are accelerating the R&D and industrialisation of highly homogeneous powder metallurgy materials, precision heat treatment and intelligent manufacturing technologies. Such progress is driving high-speed steel products to upgrade from conventional general-purpose tool materials to high value-added customised products with composite functional properties.

During the period under review, the Group further deepened the coordinated development of powder metallurgy materials technologies and high-end cutting tools. The Group also participated in both the formulation and implementation of GB/T 9943–2025 National Standard for High-Speed Tool Steel, which came into force in February 2026. This further demonstrates the Group's accumulated technical expertise in the R&D, manufacturing and quality control of high-speed steel materials.

Looking ahead, notwithstanding uncertainties surrounding raw material price volatility, international trade environments and overseas market demand, there remains broad scope for domestic substitution of high-performance high-speed steel, underpinned by the localisation of high-end equipment and upgrading demand for precision machining from downstream manufacturers. Meanwhile, domestic downstream tool and equipment producers are actively promoting local procurement and joint verification of core materials. Powder high-speed steel is gradually expanding its application scope from niche high-end scenarios to mass industrial use, creating new market opportunities for suppliers with integrated capabilities in material R&D, stable mass production and joint customer development. The domestic production capacity and technical standards of powder high-speed steel will be further improved, and reliance on imported products is expected to decline gradually.

Management Discussion and Analysis

Cutting Tools: Manufacturing Sentiment Improves; High-End, Precision and Domestic Substitution Trends Persist

In the first half of 2026, overall sentiment across China's manufacturing sector trended upward. Investment in high-end equipment, automobiles, new energy, aerospace, consumer electronics and AI computing infrastructure continuously drove demand for metal processing and precision manufacturing. China's Manufacturing Purchasing Managers' Index (PMI) stood at 50.3% in June 2026, returning to expansion territory. Among sub-indices, the High-tech Manufacturing PMI registered 53.5% and the Equipment Manufacturing PMI hit 52.5%, reflecting robust expansion momentum in high-end manufacturing activities and supporting demand for cutting tools.

Benefiting from equipment renewal, technological transformation in manufacturing and higher precision requirements for downstream processing, the machine tool and tool industry maintained an overall growth trajectory. In the first six months of 2026, China's machine tool industry recorded operating income of RMB530.9 billion, representing a year-on-year growth of 7.6%. Operating income from metal-cutting machine tools posted a year-on-year growth of 43%, while new orders and outstanding orders for metal processing machine tools rose by 20.5% and 19.1% year-on-year respectively. The data reflects robust capital expenditure and processing demand among manufacturers, which in turn boosted demand for tool replacement, product upgrading and supporting services.

In terms of industry structure, demand for cutting tools is shifting away from general-purpose, low-end consumables toward high-end products featuring ultra-high precision, high efficiency, long service life and compatibility with intelligent machining. As domestic tool manufacturers continuously enhance their capabilities in substrate materials, precision manufacturing, coating treatment and cutting edge finishing, alongside integrated solution provision, domestic cutting tools have delivered steady improvements in performance, delivery efficiency and cost-effectiveness across selected mid-to-high-end application fields, steadily advancing the domestic substitution of high-end imported tools.

For precision PCB cutting tools, technological iteration of AI servers, high-density interconnect (HDI) boards and high-layer-count PCBs has raised stricter standards for high-performance drill bits and end mills in terms of machining precision, hole quality, durability and batch consistency. Such advanced PCBs usually require machining of high-density microvias, through-holes and blind vias, with stringent control over hole wall quality, positional accuracy, drilling consistency and tool service life. As a result, PCB manufacturers need to deploy high-end drill bits and end mills with superior rigidity, wear resistance, dimensional accuracy and operational stability, to mitigate risks including drill bit breakage, hole offset, burr formation and rough hole wall surfaces, while lifting production yield and processing efficiency. Industry statistics indicate that the size of China's PCB drill bit market expanded from RMB1.885 billion in 2020 to RMB3.451 billion in 2025, at a compound annual growth rate of 12.86%. Driven by expanding applications of artificial intelligence, data centres and autonomous driving, rising demand for high-layer-count boards, HDI boards and high-reliability automotive PCBs will continuously generate incremental demand for high-end PCB drill bits and create new opportunities for domestic substitution.

In July 2026, Jiangsu Tiangong Carbide Technology Company Limited ("Carbide Technology"), an indirect subsidiary of the Group, launched an expansion project for ultra-fine grain rod blanks dedicated to PCB cutting tools with an annual output of 300 tonnes, aiming to upgrade the industrial chain for high-end precision PCB cutting tools and boost large-scale supply capacity. Meanwhile, Tiangong Carbide established a project company with industry partners to develop the PCB precision cutting tool business, targeting an annual sales volume of 300 million PCB drill bits and 100 million end mills upon full completion, to capture demand opportunities arising from the upgrading of high-end electronics manufacturing and AI computing infrastructure.

Management Discussion and Analysis

On the export front, the North American DIY retail market for cutting tools is recovering cautiously following the rollout of new tariff policies targeting Chinese imports. Although the most severe tariff impacts have eased, products manufactured in China still face additional tariffs, rising raw material costs and higher compliance expenses, leading to generally prudent procurement sentiment among US clients.

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

In the first half of 2026, the global and domestic titanium alloy industries remained in a phase of profound structural adjustment and industrial upgrading, featuring clear market polarisation. Mid-to-low grade conventional titanium products faced sustained pricing pressure and low capacity utilisation due to cyclical supply-demand imbalance and homogeneous competition. In contrast, demand for high-end titanium materials represented by aerospace, biomedical, high-end intelligent equipment and emerging consumer electronics maintained robust growth momentum with firm product pricing.

Industry reports released in April this year forecast that the global titanium alloy market (covering titanium wires, bars, sheets and high-end powders) will expand from approximately USD6.62 billion in 2026 to USD10.78 billion by 2035, at a compound annual growth rate of 5.0%. In China, the deepened implementation of the “15th Five-Year Plan” for high-end manufacturing and the construction of self-reliant supply chains are accelerating domestic substitution of high-end titanium materials. Globally, rigid demand for aerospace fasteners, medical implants and lightweight next-generation consumer electronics from major industrial nations collectively drives the prosperous development cycle of high-end titanium alloys, especially fine titanium wires and additive manufacturing powders.

In terms of applications that have already been implemented, the Group will benefit from the growing number of customers in the consumer electronics sector using titanium alloys as core materials for their products, which is driving market demand, particularly the rising trend toward using lightweight, high-strength titanium alloys in high-end consumer electronics. For example, when titanium alloy is used as the material for structural components, its resistance to bending is significantly better than that of aluminum alloy, providing better protection for the screen and internal components, while also offering greater weight reduction compared to traditional stainless steel. Furthermore, as consumer electronics incorporating titanium alloy materials scale up production, the Group’s titanium alloys business is poised for accelerated growth.

The application of titanium materials has become a powerful emerging trend in consumer sectors. Among them, 3D printing effectively addresses pain points encountered in traditional computer numerical control (“CNC”) machining of titanium alloys, including high processing difficulty, excessive tool wear, generation of large volumes of cutting scrap and challenges in machining complex internal cavities. The technology has achieved dual optimisation of production costs and finished product yield across products such as aerospace structural components, consumer electronics components, spectacle arms and premium bicycle components. Market forecasts indicate that the production costs of 3D printed structural components have gradually narrowed the gap with traditional manufacturing processes, strengthening their cost advantages. The penetration rate of 3D printed titanium alloy products in consumer applications is projected to surge substantially in the future.

Management Discussion and Analysis

SIGNIFICANT EVENTS AND ACHIEVEMENTS OF THE GROUP

During the period under review, the Group achieved a significant milestone in the high-end automotive steel sector. In February 2026, products supplied by the Group helped Atlas Special Steels Unipessoal Lda (“Atlas”), the Group’s authorised distributor partner in Portugal, obtain a Grade A Supplier rating for Volkswagen’s Portuguese plant in 2025 with an outstanding score of 96.82. 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.

In the same month, a senior management delegation from Bodycote plc, a world-leading UK provider of heat treatment and hot isostatic pressing (HIP) technologies, visited the Group. Both sides held in-depth discussions on comprehensive synergistic planning for domestic and overseas powder metallurgy and heat treatment businesses covering high-end manufacturing sectors including aerospace, automobiles, energy and medical devices. The Group is actively planning Phase II of its powder metallurgy project, under which an additional five HIP furnaces are proposed to be installed. This strategic partnership is expected to leverage the Group’s full industrial chain strengths and Bodycote’s top-tier technologies to create a cross-border collaborative model integrating “technology + production capacity + market access”.

In March 2026, Jiangsu Tiangong Investment Management Company Limited, a subsidiary of the Group, invested RMB3 million to subscribe for new shares issued by Shanghai GZclad Laser Technologies Co., Ltd. (“GZclad Laser”). Following the capital injection, the Group’s shareholding in GZclad Laser rose from 5.56% to approximately 10.53%, further deepening its layout in laser cladding and additive manufacturing. GZclad Laser specialises in intelligent laser solutions applicable to die repair and ultra-wear-resistant coating treatments, supporting the Group’s expansion into the high-end tool service market.

In the same month, the Group, together with its subsidiary TG Tech, participated in TCT Asia 2026, Asia’s flagship additive manufacturing exhibition. At the exhibition, the Group fully showcased its complete industrial chain layout underpinned by two core business segments: powder metallurgy tool steels and titanium alloys. The Group prominently launched TFME23A 3D printing powder dedicated to die-casting dies and core conformal cooling components including sprue bushings and material barrels, alongside TG Tech’s product series of titanium alloy 3D printing bars, wires and high-end powders. The exhibition enabled the Group to establish connections with high-quality clients across multiple high-end manufacturing sectors, building abundant channel reserves for subsequent market expansion and extension of its titanium material supply chain.

Furthermore, the Group extensively participated in the 2026 National Die Casting Annual Conference as a key cooperative partner and technology leader of the event. Dr Yu Yang, the Group’s Chief Scientist, delivered a keynote speech titled “Comprehensive Frontier Material and Process Solutions for Integrated Die Casting (《一體化壓鑄前沿材料與工藝全面解決方案》)” at the conference. The presentation elaborated on how the Group integrates powder metallurgy near-net-shaping technology with conformal cooling channel design to lift cooling efficiency of large dies by more than 30%. As the lead undertaking entity for national key R&D programmes, the Group is accelerating the domestic substitution of high-end die-casting die materials, delivering a robust material foundation for the lightweight revolution in the automotive industry.

Management Discussion and Analysis

Boasting superior product quality, consistent global delivery performance and deep customisation capabilities tailored to client demands, the Group was awarded the “2025 Top Performance Supplier” accolade by Fastenal, a global benchmark industrial distributor, in April 2026. This marked the sixth consecutive year the Group has won this prestigious international award. Six successive years of recognition represents the highest affirmation from top-tier global clients of the Group’s commitment to excellence and full supply chain stability, deepening the mutually beneficial strategic partnership between both parties overseas and laying a solid foundation for sustained volume growth and market share expansion of the Group’s high value-added cutting tools across mainstream global markets.

In May 2026, Beijing Stock Exchange (BSE) and China Securities Index Co., Ltd. released regular index adjustment results. Supported by outstanding technological innovation strength, steady operating performance and prominent specialised, refined, distinctive and innovative (SRDI) attributes, TG Tech was officially included in the BSE SRDI Enterprises Index. This followed its inclusion in the BSE 50 Enterprises Index in March of the same year, marking another entry into the core asset pool of the BSE and sending a strong signal of sound operational performance. As a core barometer for technology-focused listed enterprises on the BSE, this authoritative recognition substantially elevates the Group’s brand influence and industry discourse power, facilitates allocation by medium and long-term institutional investors such as public offering funds, national social security funds and QFII, optimises the Group’s shareholder structure and enhances the liquidity of its shares.

Also in May, the management of the Group visited Han’s Laser, a leading Asian manufacturer of laser equipment, for strategic cooperation exchanges. Both sides held in-depth discussions on extended applications of laser equipment, 3D printing technologies and high-end titanium alloy powders in computers, communications and consumer electronics. Leveraging Han’s Laser’s market advantages and the Group’s R&D strengths in titanium alloy powders, both parties reached important consensus on strengthening joint technical R&D and industrial synergy, fully opening up a collaborative industrial chain integrating “high-end materials + end manufacturing equipment + advanced processing technologies”.

In the same month, the Group entered into a strategic cooperation framework agreement with Luxshare Precision Industry Co., Ltd., a global leader in consumer electronics manufacturing. The cooperation focuses on innovative applications of precision tools, titanium and titanium alloy materials, as well as additive manufacturing in the consumer electronics sector. Both parties will deepen upstream and downstream collaboration. Drawing on Luxshare Precision’s global supply chain advantages, the two sides will accelerate the industrialisation of high-end titanium materials and domestically produced precision tools in new consumer electronic structural components, unlocking new market segments for the Group. During the period under review, the Group continued to ramp up R&D investment in powder high-speed steel, cemented carbide and 3D printing metal powders, committed to empowering lightweight development of consumer electronics via new materials and advanced manufacturing processes.

In July 2026, the Group wrapped up its participation in the CHINA DIECASTING & CHINA NONFERROUS 2026 (第二十屆上海國際壓鑄暨有色鑄造展). During the exhibition, the Group launched TGE23 GROUPER die steel specially developed for integrated new energy vehicle die-casting. The product has obtained certification issued by the North American Die Casting Association (NADCA), rendering the Group the first Chinese manufacturer to secure such certification, with world-leading technical indicators and full capacity to replace imported equivalents. Meanwhile, tools manufactured using the Group’s TGE21 material won the “Gold Award Tool” honour at the exhibition. Meanwhile, the Group exhibited a matrix of core conformal cooling components including sprue bushings and material barrels built on integrated technologies of powder metallurgy, built-in cooling channels and near-net-shaping. Field tests have proven these components can lift cooling efficiency by over 30% and have been deployed in mass production, fully targeting the trillion-dollar market opportunity for large integrated die-cast components in the future.

Management Discussion and Analysis

In the same month, the Group further accelerated its business layout for high-end precision PCB cutting tools. Following the launch of its expansion project for ultra-fine grain rod blanks dedicated to PCB cutting tools with an annual output of 300 tonnes, Carbide Technology, a subsidiary of the Group, entered into a joint venture agreement with Shenzhen Mingchuang Investment Partnership Enterprise (Limited Partnership) and Dongguan Fanyu Automation Technology Company Limited to jointly establish Jiangsu Tiangong Electronics Technology Co., Ltd. for the PCB precision cutting tool project. The joint venture company has a registered capital of RMB30 million. Carbide Technology contributes RMB21 million in cash, holding a 70% equity interest. The joint venture will integrate respective strengths in market resources, sales channels, technical R&D, production management and cost control, with the aim of ultimately achieving an annual production and sales capacity of 300 million PCB drill bits and 100 million end mills upon full operation.

Moreover, TG Tech, a subsidiary of the Group, contributed RMB17.5415 million to participate in Gongqing Chengxing Enke Venture Capital Partnership* (共青城星恩科創業投資合夥企業) managed by Fosun Capital. The fund will make full investments in Nanjing Encos, a leading developer of integrated joint assemblies for bipedal robots with an annual output of over 100,000 units. This investment marks the Group's expansion from its core titanium alloy business into the emerging high-end intelligent equipment track, adopting a dual-driven strategy of "technology + industry" to explore synergistic value between advanced new materials and robotic application scenarios and cultivate long-term growth drivers.

Green Technology Achievements and Major Innovations

Practice green production

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.

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.

In August 2026, the Jiangsu Provincial Department of Industry and Information Technology announced that TG Tools, Carbide Technology, Weijian Tools and TG Tech, all of which being the Group's subsidiaries, had been selected for the 2026 List of Jiangsu Provincial Advanced-Level Smart Factories. This list serves as a prestigious recognition of the depth of digital transformation and the maturity of smart manufacturing at the Group's factories.

Significant Innovations

In the same month, the Jiangsu Provincial Department of Industry and Information Technology has released the first batch of technical products proposed for "Three Firsts and Two News" certification in 2026. A total of five technologies and products from four of the Group's subsidiaries, namely TG Tech, Tiangong Aihe, TG Tools and Jiangsu Tiangong Precision Tools Company Limited, were included in the "Two News" certification list. The Group's five selected technologies and products, including titanium alloy bars, crown drill cutting tools, high-nitrogen stainless steel, monolithic die-casting and plastic mold steel, fully demonstrate the Company's innovative breakthroughs in multiple cutting-edge fields and serve as authoritative recognition of the enterprise's independent innovation capabilities in core technologies and the advanced nature of its products.

These accolades attest to the Group's outstanding performance in green manufacturing, energy conservation, emission reduction and continuous innovation.

Management Discussion and Analysis

Product Innovation, Leading National Key Projects

Nuclear Fusion Sector

In January 2026, Jiangsu Tiangong Aihe Technology Company Limited (“Tiangong Aihe”), a subsidiary of the Group, signed a cooperation agreement at the 2026 Nuclear Fusion Energy Technology and Industry Conference to officially become a member entity of the Joint Research Laboratory for Advanced Metallic Materials for Fusion Energy. The laboratory is led by the Institute of Energy, Hefei Comprehensive National Science Center and focuses on material development to meet the demand of major magnetic confinement fusion devices. Leveraging its full-process manufacturing capabilities in powder metallurgy and HIP technologies, the Group will undertake key technical research and engineering verification for tonnage-scale production of large-format 304B7 materials and novel neutron shielding steel with a boron mass fraction of 3.2wt%. This milestone signifies the Group’s deep participation in major national nuclear fusion projects. By establishing a closed-loop collaborative mechanism integrating “material research and development — engineering verification — application feedback”, the Group accelerates the industrialisation of cutting-edge nuclear energy materials and comprehensively elevates its industry discourse power in the global nuclear fusion materials segment.

In May 2026, Dr. Yu, the Group’s Chief Scientist, on behalf of the Group, delivered a special presentation on the application of novel powder metallurgy high-boron steel in nuclear reactors at an industry forum held in Shanghai, introducing the domestically industrialised 304B7 powder metallurgy high-boron steel material (with a boron mass fraction of 2.0%), the first of its kind in China. Compared with conventional cast high-boron steel, this material delivers superior comprehensive strength and toughness. Laboratory test results recorded an average V-notch impact energy of 16.92J, average tensile strength of 784.65MPa, average yield strength of 373.77MPa, an elongation after fracture of 20.20% and material density reaching 99.8%. Boasting exceptional neutron absorption and corrosion resistance, the material is applicable to multiple critical components of fusion and fission devices, including fusion reactor shielding blankets, vacuum vessel interlayers, divertors, as well as neutron absorber plates, control rod guide tubes and nuclear waste storage and transport containers for nuclear reactors. Meanwhile, the Group has completed machining tests of custom complex structural components to meet the technical requirements of the International Thermonuclear Experimental Reactor (ITER) research team and sent prototype samples to the ITER Organisation based in France for further verification and testing. A solid cooperative foundation has been established between both ITER Organisation and the Group, paving the way for deeper technical and commercial collaboration in the future.

In July and August of the same year, the Group further deepened industrial chain cooperation and exchanges in the nuclear fusion sector. On 30 July 2026, Jiangsu Tiangong Xinzhi Materials Co., Ltd.* (江蘇天工鑫智材料有限公司), a subsidiary of the Group, formally joined the Anhui Province Fusion Industry Federation. Subsequently, on 10 August 2026, the Group participated in the Jiangsu Provincial Nuclear Fusion Industry Development Forum and reported its technical progress in materials for neutron shielding and vacuum vessel structures. To address technical pain points of conventional casting and forging processes including component segregation and hot working cracking, the Group leverages its core technological route of “high-purity smelting — large-tonnage gas atomisation powder production — HIP near-full density forming” to effectively reduce boride particle size. At present, the Group is fully advancing R&D of powder metallurgy high-boron steel with a boron mass fraction of 3.2%, poised to further break through technical bottlenecks of insufficient strength and toughness plaguing traditional high-boron steel and fill relevant domestic technology gaps. Moving forward, the Group will continue to collaborate with universities, research institutes and industrial chain enterprises to advance engineering verification and industrialisation of key materials, leveraging powder metallurgy technologies to accelerate progress in the strategic nuclear fusion track.

Management Discussion and Analysis

Powder Metallurgy Sector

In April 2026, six mid-term assessment indicators of the national key R&D special project under the Advanced Structural and Composite Materials programme, undertaken by Tiangong Aihe, a subsidiary of the Group, and titled “R&D and Application of Key Technologies for Powder Metallurgy and Additive Manufacturing of Novel Die-Casting Die Steel (新型壓鑄模具用鋼粉末冶金與增材製造關鍵技術研發與應用)”, all successfully passed on-site expert appraisal. This marks systematic breakthroughs achieved by the Group in high-end die materials and powder metallurgy. The R&D outcomes successfully resolve the “die service life bottleneck” for integrated new energy vehicle die-casting, while providing high-quality material foundations for high-end metal 3D printing and conformal cooling core components, substantially accelerating the localisation, mass production and scaled application of high-end die materials.

In June 2026, integrated core die-casting components such as sprue bushings built on the Group’s integrated technologies of powder metallurgy, built-in cooling channels and near-net-shaping passed rigorous mass production testing and obtained recognition from multiple leading domestic end die-casting manufacturers. Meanwhile, TPME23A, a powder metallurgy hot work die steel independently developed by the Group, exceeded 10,000 casting shots at client production lines without surface cracking, delivering a service life significantly superior to imported Swedish equivalent materials. This technical progress successfully extends the service life of large dies for new energy vehicle die-casting and accelerates scaled industrial rollout of the Group’s advanced new materials.

FUTURE OUTLOOK

Moving forward, the Group will continue to uphold its dual-driven development strategy of “technology + industry” to deepen its leading competitive edges in global high-end new materials and precision manufacturing. The Group will accurately capture frontier market opportunities arising from AI computing infrastructure, large-scale integrated die-casting for new energy vehicles and lightweight in the consumer electronics sector, and accelerate capacity release and domestic substitution of high-end PCB precision cutting tools, titanium alloys and powder metallurgy core components. Concurrently, the Group will proactively lay out emerging industrial tracks including high-end metallic materials for nuclear fusion and intelligent equipment, striving to build a cross-border collaborative industrial ecosystem integrating “high-end materials + end manufacturing equipment + advanced processing technologies”. Faced with a volatile global macroeconomic environment, the Group will continuously advance digitalised and green intelligent upgrading of its industrial chain, leveraging outstanding innovation and R&D capabilities alongside a resilient global supply chain to inject robust new growth momentum into the Group’s long-term stable development.

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

Core Businesses

Tool Steel

Industry reports published by the World Steel Association in April 2026 forecast that the decline in China’s overall steel demand will narrow to -1.5% in 2026. China’s steel demand in 2027 is expected to remain broadly on a par with that of 2026. Driven by sustained national policy support for the “Two News” and rising export volumes of new energy vehicles, the automotive industry is expected to deliver steady support for steel demand in the second half of 2026, which will benefit market demand for high-performance die steel.

As vehicle lightweighting and green manufacturing concepts gain traction, integrated die-casting technology is accelerating its penetration into medium-to-large structural components. 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.

Management Discussion and Analysis

During the period under review, the Group comprehensively accelerated the R&D and mass production rollout of die steel products and cutting-edge technologies to cater to robust market demand for new energy vehicle (EV) integrated die-casting. In terms of product commercialisation, the Group launched TGE23 GROUPER tool steel specially developed for new energy vehicles, the first domestic product certified by NADCA. The Group also supplied TGE21 material for tools that won the Gold Award at the industry exhibition. Meanwhile, the Group deeply integrated three core technologies, being powder metallurgy, built-in cooling channels and near-net-shaping, to develop and mass-produce core conformal cooling components including sprue bushings and material barrels, which can lift cooling efficiency of large die-casting dies by over 30%, precisely addressing heat dissipation and short service life pain points encountered by vehicle OEMs during large-scale die-casting processes, and delivering a robust high-quality material foundation for lightweight transformation, cost reduction and efficiency improvement of new energy vehicles, which fully consolidated its core competitive advantages and leading position in the supply chain for integrated new energy vehicle die-casting.

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.

Cutting Tools

Entering the second half of 2026, sustained policy support and accelerated rollout of the “AI+” initiative are expected to drive China’s manufacturing sector to maintain a steady recovery trajectory underpinned by dual drivers of “demand restoration + structural upgrading”. High-end equipment and intelligent manufacturing will serve as core growth catalysts for the machine tool and cutting tool industry. The outlook for high-end manufacturing sectors, represented by new energy vehicles, semiconductors, aerospace and humanoid robots, remains positive. Driven by this, the machine tool and tool industry has emerged from its cyclical trough into a demand recovery phase, gradually shifting from volume-driven restoration to a new value creation track. The industry market is undergoing structural expansion, widening the window for domestic substitution of high-end CNC machine tools and functional components.

Looking to the second half of the year, as market demand from emerging tracks including AI servers, semiconductors and new energy vehicle integrated die-casting further releases, demand for high-precision, high-rigidity multi-process machine tools will continue to concentrate in mid-to-high-end segments. Structural market opportunities for cutting tools will increasingly tilt toward technologically differentiated cemented carbide tools and special-purpose custom tools.

Against such industry backdrop, the Group is accelerating the upgrading and extension of its cutting tool business into high-end precision PCB cutting tools, focusing on supplying high-toughness, long-service-life upstream rod blanks for PCB micro-drills and end mills, supporting performance improvement and cost optimisation of high-end cutting tools at the raw material source, targeting an annual production and sales capacity of 300 million PCB drill bits and 100 million end mills upon full operation.

Management Discussion and Analysis

Amid rapid capacity expansion of AI computing infrastructure, PCBs have evolved from simple circuit connection carriers into core electronic components that directly determine server computing efficiency and system stability, becoming an indispensable key link for all AI servers, data centres and high-speed communication equipment. As the number of layers of PCBs deployed in AI servers rises from around 20 layers to 30–40 layers with multiplied board thickness and consumption volume, high-layer-count PCBs and upstream consumables including drill bits and rod blanks have entered a structurally prosperous market cycle, with the relevant overall market scale projected to exceed USD90 billion by 2026. Against this trend, the Group's layout in high-end precision PCB cutting tools and dedicated rod blanks enables it to capture long-term growth dividends brought by AI servers, while opening a new revenue curve targeting digital infrastructure and high-end electronics manufacturing, further optimising the Group's income structure and profit quality.

In addition, the Group's cemented carbide cutting tool business delivered outstanding performance against headwinds in the first half of 2026, with operating revenue increasing 221% year-on-year to RMB176 million, accelerating the domestic substitution of high-end cutting tools. A core highlight of this robust growth lies in deep penetration into intelligent manufacturing. The Group's products have fully entered the supply chain of Siasun Robot & Automation Co., Ltd., a leading domestic robotic enterprise affiliated with the Chinese Academy of Sciences. At present, diversified milling and drilling cutting tools manufactured by the Group have replaced imported equivalents for stable application in the machining of key components including robot structural parts, precision harmonic reducers and servo motor housings, and have entered the phase of mass delivery and sustained volume growth. Moving forward, the Group will further strengthen coordination between R&D and practical application, accelerate iteration of high-end products and further lift the localisation ratio for key manufacturing processes.

For overseas markets, notwithstanding trade friction pressures arising from geopolitics, domestically manufactured key machine tool and tool products are accelerating global expansion backed by technical capabilities comparable to international advanced standards. Faced with cost challenges brought by rising upstream raw material prices, the Group firmly advances its cutting tool business toward high value-added and high technical barrier positioning, focusing on the development of high-end cemented carbide cutting tools. The Group will further strengthen its competitive advantages in domestic substitution, mitigate external geopolitical risks and steadily expand its core market share in global high-end manufacturing supply chains.

Titanium Alloys

The Group continues to advance technological upgrading of its titanium alloy product portfolio, adopting a differentiated competitive strategy tilted toward high value-added and high technical threshold market segments. The global titanium metal market in 2026 features structural polarisation characterised by firm pricing for high-end varieties and persistent pricing pressure for low-end products. Demand for high-purity titanium materials and titanium alloy powders maintains strong momentum in high-end application sectors including aerospace, medical devices and additive manufacturing, with pricing and profit margins significantly superior to industrial-grade varieties, creating a clear value upgrading channel for enterprises with integrated R&D and mass production capabilities for high-end materials.

Through collaborations and discussions with leading companies in the consumer electronics and laser equipment sectors during the period, the Group is poised to deeply embed itself into supply chains of leading domestic and international consumer electronics manufacturers, accelerating the industrialisation of high-end titanium materials and domestically produced precision tools in new consumer electronic structural components and unlocking new high-scale, high-margin market segments for the Group.

Management Discussion and Analysis

As the consumer electronics sector accelerates the adoption of titanium and titanium alloy materials across a wider range of components and product lines, as well as leveraging its authoritatively certified titanium alloy wire and powder products, and the advantages of green manufacturing processes such as the reuse of return material from EB furnaces, the Group is expected to continue expanding its market share in future iterations of multiple consumer electronics product lines. The Group anticipates that increased volume of high-end titanium materials and powder products in the consumer electronics sector will drive growth in the Group's overall income.

Meanwhile, construction of the titanium alloy powder project at Tiangong Tigrant, an investee enterprise of TG Tech, progresses steadily as scheduled. As a major provincial-level project in Jiangsu with a planned total annual capacity of 3,000 tonnes, its Phase I production line with an annual capacity of 1,000 tonnes of second-generation Plasma Atomization equipment has entered the installation and commissioning phase. At this stage, it shows that the finished products achieve industry-leading standards in purity, sphericity and particle size control, capable of meeting stringent technical requirements for aerospace, additive manufacturing and premium consumer electronics applications. Combining the high-end titanium powder production capacity of Tiangong Tigrant, the Group's accumulated R&D expertise in powder high-speed steel, cemented carbide and 3D printing metal powders, as well as its strategic partnerships with Luxshare Precision and Han's Laser, the Group has essentially completed a full industrial chain layout covering titanium raw materials, high-end titanium powders, precision cutting tools and 3D printed structural components. This lays a solid foundation for the Group's titanium alloy business to lift the proportion of high value-added product income and optimise product and profit structure in strategic emerging sectors including consumer electronics, aerospace and medical devices in the second half of the year.

Emerging Sectors

Commercialisation Milestone for High-Boron Nuclear Fusion Steel

In recent years, booming development of artificial intelligence and big data industries has driven surging power demand. Meanwhile, high-temperature superconductivity and AI technologies have substantially reduced construction costs for fusion facilities, alongside global low-carbon transition and energy security demands, making the industrial rollout of controlled nuclear fusion a clearer industry trend. Driven by anticipated explosive demand growth and expected technical breakthroughs on the supply side, upstream material suppliers and midstream equipment manufacturers within the controlled nuclear fusion industrial chain stand to benefit from surging order volumes.

During the period under review, the Group successfully developed the domestically industrialised 304B7 powder metallurgy high-boron steel material (with a boron mass fraction of 2%), the first of its kind in China. Boasting exceptional neutron absorption and corrosion resistance, the material is applicable to multiple critical components of fusion and fission devices, including fusion reactor shielding blankets, vacuum vessel interlayers, divertors, as well as neutron absorber plates, control rod guide tubes and nuclear waste storage and transport containers for nuclear reactors. This milestone marks substantive progress made by the Group in R&D of core nuclear fusion materials, and high-boron steel is set to become the Group's flagship product for the nuclear fusion track. Meanwhile, the material can also be deployed in fission power sectors as core structural materials for high-density storage racks and shielding structures in spent fuel pools.

Furthermore, the Group has completed machining tests of custom complex structural components to meet the technical requirements of the research team of International Thermonuclear Experimental Reactor (ITER) and sent prototype samples to the ITER organisation based in France for further verification and testing. A solid cooperative foundation has been established between both parties, paving the way for deeper technical and commercial collaboration in the future.

Management Discussion and Analysis

Layout of PCB Drill Bit and End Mill Business

Driven by sustained capacity expansion of AI computing infrastructure and rising demand for high-end electronics manufacturing, the global and domestic PCB industries are poised to embrace a new growth cycle. The Group actively seizes development opportunities arising from the AI industrial chain by launching its expansion project for ultra-fine grain rod blanks dedicated to PCB cutting tools with an annual output of 300 tonnes, aiming to boost production capacity of ultra-fine grain cemented carbide rod blanks. Upon completion, the project will improve the Group's vertical integration layout covering research and development of cemented carbide materials, rod blank manufacturing and precision cutting tool application, consolidating its large-scale production capacity and market competitiveness in the high-end PCB cutting tool segment.

Strategic Layout of Robotic Core Component Industrial Chain

During the period under review, the Group proactively captured opportunities arising from industrial upgrading of intelligent manufacturing and steadily advanced its strategic layout across the robotic industrial chain. The Group adopted a dual-track strategy of deepening near-term commercial applications alongside forward-looking strategic investments, delivering multi-dimensional breakthroughs in robotic body manufacturing, joint drive systems and core transmission component materials. Such progress laid a solid foundation for its future expansion into high-end application markets.

In terms of application, the Group's cemented carbide cutting tool business delivered outstanding performance against headwinds in the first half of 2026 with substantial year-on-year revenue growth. The diversified milling and drilling cutting tools have fully entered the supply chain system of Siasun Robot & Automation Co., Ltd. At present, relevant products have replaced imported equivalents for stable application in the machining of key components including robot structural parts and precision harmonic reducers and servo motor housings, and have entered the phase of mass delivery with continuously rising domestic substitution ratios for high-end manufacturing processes.

In terms of strategic investment, the Group extended its footprint into the emerging high-end intelligent equipment track via targeted capital allocation. In July 2026, TG Tech, a subsidiary of the Group, participated in venture capital funds managed by Fosun Capital, in order to leverage the resources of professional investment institutions, identify growth opportunities in core robotics components, and actively explore synergies between the Group's emerging titanium and titanium alloy materials and high-end robotics applications.

The Group has completed forward-looking reserves of core technologies and materials to cater to the broad market prospects of humanoid robots in the future. TPMDC02A, a high-nitrogen alloy material independently developed by the Group, has broken through foreign technical barriers. Featuring ultra-high strength and exceptional anti-fatigue performance, the material fully meets stringent technical requirements for core transmission components of humanoid robots such as planetary roller screws. Although large-scale commercial rollout of the humanoid robot industrial chain is expected to gradually materialise from 2027 onwards, this key technical breakthrough has secured a first-mover advantage for the Group to accelerate domestic substitution of high-end alloy materials in the future, which will deliver long-term benefits for optimisation of the Group's product mix and overall gross profit margin.

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

- (1) 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.

Management Discussion and Analysis

- (2) in the PCB cutting tools sector, we are building integrated production capacity covering “ultra-fine grain rod blanks + high-end precision cutting tools + drilling processing” and accelerating penetration into supply chains of AI servers and high-layer-count electronics PCBs, targeting an annual production capacity of 300 million PCB drill bits and 100 million end mills;
- (3) in the robotics sector, we focus on industrial chain layout of core components and upstream raw materials. Current development priorities include joint module investment synergy, expansion of precision machining application scenarios and reserves of high-performance materials, with prudent capture of medium and long-term industry opportunities.

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. Moving forward, the Group will accelerate its transformation from a traditional raw material supplier to an integrated high-performance material service provider, consolidating its market position in both overseas markets and domestic high-end manufacturing sectors. The Group will sustain innovation-driven development, optimise product mix and manufacturing processes, consolidate core competitive advantages in high-end material segments, and contribute to industrial transformation upgrading and high-quality domestic demand growth.

Capturing Commercial Opportunities Along High-Growth Technology Industrial Chains

Amid sustained national strategies to expand domestic demand and high-quality development targets outlined in the “15th Five-Year Plan”, China's technology industry is accelerating its evolution toward high-end, intelligent and low-carbon development. Industry trends including AI computing infrastructure construction, large-scale integrated die-casting for new energy vehicles and lightweight consumer electronics continuously drive rising demand for high-performance materials, precision cutting tools and advanced manufacturing processes. In particular, as applications in the high-end consumer electronics sector continue to expand, the advantages of titanium materials, such as lightweight, high-strength and corrosion resistance, have become increasingly prominent. New energy vehicles drive demand for large integrated die-casting die steel and core conformal cooling components alongside efficient processing solutions. Meanwhile, rapid capacity expansion of AI servers, data centres and high-speed communication equipment has propelled high-layer-count, high-density PCBs and upstream consumables including drill bits and rod blanks into a structurally prosperous market cycle.

Management Discussion and Analysis

The Group will fully leverage its technical and industrialisation advantages in special steel, titanium alloys, powder metallurgy and cemented carbide cutting tools to deeply embed itself into the above high-growth industrial chains. For consumer electronics, the Group will deepen cooperation with leading clients and equipment manufacturers to advance scaled application of high-end titanium materials, titanium alloy powders and additive manufacturing technologies in consumer electronics sector's structural components. For new energy vehicles, the Group will continuously promote domestic substitution of high-end die-casting die steel and core components built on integrated technologies of powder metallurgy, built-in cooling channels and near-net-shaping. For AI-related PCB sectors, the Group will accelerate construction of integrated production capacity covering ultra-fine grain rod blanks, high-end precision cutting tools and drilling processing to lift supply capacity for high-end electronics manufacturing clients. Through synergistic layout integrating high-end materials, end manufacturing equipment and advanced processing technologies, the Group strives to capture long-term growth opportunities arising from domestic and international technological innovation, and continuously optimise its income structure and profit quality.

Expansion of Export Business

Faced with global manufacturing supply chain restructuring, complex geopolitical landscapes and shifting tariff policies in certain overseas markets, the Group continues to advance its globalisation and product high-end strategies to boost resilience and competitiveness of its export business. Drawing on years of accumulated capabilities in material R&D, precision manufacturing, quality control and global client service, the Group extends its product portfolio to deep-processed, high value-added products including high-performance tool & die steel, powder high-speed steel, cemented carbide cutting tools and titanium alloys. It delivers customised product portfolios with strong technical barriers and cost-effectiveness to serve market demand from global high-end manufacturing, automotive, new energy, aerospace and consumer electronics sectors.

Notwithstanding challenges including additional tariffs, rising compliance costs and more prudent procurement sentiment among clients in certain markets, the overall impact of such factors on the Group's export business remains manageable. The Group has established a diversified sales network covering Europe, the Americas, Asia Pacific and other major global markets, while continuously optimising overseas production capacity and supply chain configuration. Its overseas production base located at Rojana Rayong Pluak Daeng Industrial Park, Rayong, Thailand currently boasts an annual output capacity of approximately 100 million tool and component products, with feasibility studies underway for capacity expansion to roughly 140 million units. This overseas base enables flexible capacity allocation, shortened delivery lead times and lower logistics costs, alongside enhanced rapid response capabilities for European, American and Asia Pacific clients. Moving forward, the Group will steadily expand its market share in global high-end manufacturing supply chains via localised overseas supply, product structure upgrading and diversified client mix.

Meanwhile, geopolitical conflicts in the Middle East including tensions related to Iran may push up global energy prices, shipping logistics expenses and costs of partial raw materials, increasing uncertainties across global supply chains. Nevertheless, backed by a high-end, differentiated product portfolio, stable long-term cooperative relationships with clients and competitive pricing capabilities, the Group can pass on reasonable incremental cost pressures to downstream clients as appropriate, and the overall impact on the Group's daily operations and export business is expected to remain controllable.

Management Discussion and Analysis

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, new energy vehicles and PCB. 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.

OUR MISSION

Faced with divergent global economic recovery, rising uncertainties surrounding geopolitics and trade policies, alongside raw material price volatility in 2026, the Group will uphold the principles of prudent operation, technology leadership and global development. The Group will continuously strengthen supply chain resilience, lean cost management and overseas capacity allocation. The Group will capture industrial upgrading opportunities arising from artificial intelligence, new energy vehicles, lightweight consumer electronics, advanced manufacturing and clean energy, accelerating technological breakthroughs and industrialisation of high-end special steel, precision cutting tools, titanium alloys, powder metallurgy and emerging new materials. Supported by sustained R&D investment, a diversified global market network and a portfolio of high value-added products, the Group is confident of further consolidating its competitive edges in global high-end material and precision manufacturing supply chains, continuously lifting profit quality and generating long-term, stable and sustainable returns for the Company's 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 potential investors, should be cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement.

LIQUIDITY AND FINANCIAL RESOURCES

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.

As at 30 June 2026, the Group's current assets mainly included cash and cash equivalents of RMB1,324,562,000, inventories of RMB2,810,277,000, trade and other receivables of RMB4,041,134,000, time deposits of RMB604,972,000 and pledged deposits of RMB115,887,000. As at 30 June 2026, the Group had cash and cash equivalents of RMB1,324,562,000, of which RMB1,050,546,000 were held in RMB, USD16,099,000 were held in USD, EUR18,567,000 were held in EUR, HKD5,430,000 were held in HKD, THB72,820,000 were held in THB and IDR1,485,876,000 were held in IDR. The Group's current assets were RMB8,904,008,000 compared to RMB8,416,191,000 as at 31 December 2025, representing an increase of 5.8%.

As at 30 June 2026, interest-bearing borrowings of the Group were RMB4,061,100,000 (31 December 2025: RMB3,434,032,000), RMB2,692,947,000 (31 December 2025: RMB2,490,507,000) of which were repayable within one year and RMB1,368,153,000 (31 December 2025: RMB943,525,000) of which were repayable over one year. The Group's net gearing ratio (calculated based on the total outstanding interest-bearing borrowings plus other financial liabilities, less pledged deposits, time deposits and cash and cash equivalents and divided by the total equity) was 29.4% (31 December 2025: 31.9%). There is no seasonality in borrowing requirement of the Group.

Management Discussion and Analysis

As at 30 June 2026, interest-bearing borrowings of RMB3,559,461,000 (31 December 2025: RMB2,609,984,000) were denominated in RMB, EUR47,063,000 (31 December 2025: EUR46,313,000) were denominated in EUR and HKD156,687,000 (31 December 2025: HKD156,687,000) were denominated in HKD. The majority of the borrowings of the Group were subject to interest payable at rates ranging from 2.19% to 4.87% (31 December 2025: 2.20% to 4.85%) per annum. Net cash generated from operating activities during the period was RMB439,812,000 (1H2025: net cash generated from operating activities RMB22,340,000).

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

For the first half of 2026, the Group's net decrease in property, plant and equipment amounted to RMB108,956,000 (1H2025: net decrease of RMB95,441,000). The net decrease was mainly caused by the depreciation for the period. As at 30 June 2026, capital commitments were RMB393,455,000 (31 December 2025: RMB535,009,000), of which RMB118,225,000 (31 December 2025: RMB207,602,000) was contracted for and RMB275,230,000 (31 December 2025: RMB327,407,000) was authorised but not contracted for. The majority of capital commitments related to expansion of production capacity and upgrade of post-processing power for titanium alloy segment.

RISK AND PREVENTION

Operating Exposure

In the first half of 2026, the global macroeconomic environment presented a complex picture characterised by both resilience and challenges. The intensification of geopolitical tensions and trade protectionism — particularly the structural evolution of China — US economic and trade relations — continued to exert sustained operational pressure on enterprises engaged in cross-border trade.

Currently, international competition has expanded comprehensively from tariff measures to investment restrictions, technology embargoes and industrial policy subsidies. In particular, the US continues to maintain and even intensify trade barriers and technology controls on strategic industries (such as semiconductors and critical basic materials), leading to profound adjustments in the structure of bilateral trade. Against a backdrop where tariff burdens and policy tensions are reshaping supply chains, two-way trade flows have weakened further compared with 2025.

The Group's core products are widely used in industries such as aerospace, new energy vehicles, consumer electronics and precision moulds, which are precisely the focal points of the current strategic rivalry amongst the major global powers. The stringent trade scrutiny and import restrictions imposed by the US and certain European countries on metal materials and high value-added manufactured goods have not only increased procurement costs for overseas buyers but have also heightened uncertainty regarding demand for China's exports of high-end materials. This policy environment may exert potential pressure on order visibility and profit margins within the affected industrial chains, thereby increasing the international operational risks faced by the Group.

Meanwhile, the significant rise in international crude oil prices during the first half of 2026 triggered a chain reaction in global energy and transport costs, driving up the prices of certain basic raw materials and presenting temporary structural challenges to the Group's production cost control and profit margins.

To address this complex and volatile macroeconomic environment, the Group is actively deepening its risk mitigation and strategic upgrading measures. Firstly, the Group continues to advance its global market footprint, accelerating the diversification of risks associated with any single economy, and actively exploring emerging markets with relatively stable policy environments and robust demand (such as member states of the Regional Comprehensive Economic Partnership and countries along the 'Belt and Road' initiative) to seek new engines of growth. Secondly, the Group is comprehensively upgrading its automated and intelligent production processes, optimising labour productivity and smart logistics scheduling to ensure it can maintain exceptional cost control even in the face of order fluctuations. Meanwhile, the Group has strengthened strategic cooperation with upstream suppliers and is strictly managing price risks associated with rare metals and energy.

Management Discussion and Analysis

Furthermore, the Group regards innovation and high-quality development as the core drivers for weathering economic cycles. By increasing R&D investment in strategic high-end application areas such as powder metallurgy, titanium alloys and key materials for nuclear fusion, the Group is accelerating the transition of its product portfolio towards domestic substitution and high-end upgrading. Meanwhile, the Group is firmly committed to implementing green manufacturing and low-carbon emission processes to ensure that its products comply with stringent international sustainability standards. By raising its technological barriers and achieving a significant leap in product value-added, the Group aims to consolidate its core competitive advantages and achieve high-quality, leapfrog growth against the backdrop of intensifying global trade frictions.

Foreign Exchange Exposure

The Group's revenue was denominated in RMB, USD and EUR, with RMB accounting for 56.5% (1H2025: 56.9%). 43.5% (1H2025: 43.1%) of the total sales and operating profit was subject to exchange rate fluctuations. The Group did not enter into any financial instruments to hedge against foreign exchange risk. The Group has put into place measures such as monthly reviews of product pricing in light of foreign exchange fluctuation and incentivising overseas customers to settle balances on a timely basis to minimise any significant financial impact from exchange rate exposure.

CHARGE ON ASSETS

As at 30 June 2026, the Group pledged certain bank deposits amounting to approximately RMB115,887,000 (31 December 2025: RMB114,954,000). Details are set out in the notes to the interim financial statements.

EMPLOYEE'S REMUNERATION AND TRAINING

As at 30 June 2026, the Group employed 3,649 employees (31 December 2025: 3,496). Total staff costs for the first half of 2026 was RMB219,052,000 (1H2025: RMB221,146,000). The Group provided employees with remuneration packages comparable to the market rates and employees are further rewarded based on their performance according to the framework of the Group's salary, incentives and bonus scheme. 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 this report. In order to enhance the Group's productivity and further improve the quality of the Group's human resources, the Group provides compulsory continuous education and training for all of its staff on a regular basis.

CONTINGENT LIABILITIES

Both the Group and the Company had no material contingent liabilities as at 30 June 2026 (31 December 2025: No material contingent liabilities).

EVENTS AFTER REPORTING PERIOD

In July 2026, Carbide Technology, an indirect subsidiary of the Group, entered into an agreement with third-party investors to establish a project company, namely Jiangsu Tiangong Electronic Technology Co., Ltd.* 江蘇天工電子科技有限公司 ("TG Electronic"). The registered capital of TG Electronic amounted to RMB30,000,000, of which the Group subscribed RMB21,000,000, representing a 70% equity interest in the newly established entity. The principal activities of TG Electronic are manufacturing and sales of printed circuit board ("PCB") precision cutting tools. Detailed information is disclosed in the Company's announcement dated 23 July 2026.

* English translation is for identification purpose only.

Report of the Directors

REPORT OF THE DIRECTORS

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to submit the interim report together with the unaudited consolidated financial statements of the Group for the six months ended 30 June 2026 which have been reviewed by the Company’s auditor, KPMG, and the audit committee of the Company (the “Audit Committee”).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend in respect of the period (six months ended 30 June 2025: RMB0.0262 per share).

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

As at 30 June 2026, the interests, long positions or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were recorded in the register required to be kept under Section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

(a) Interests in the Company

Director’s name	Interests	Number of ordinary shares held	Approximate attributable interests (%)
Mr. Zhu Xiaokun ⁽¹⁾	Interests of controlled corporations	784,258,000 (L)	28.78
	Beneficial owner	6,800,000 (L)	0.25
	Beneficial owner ⁽⁴⁾	600,000 (L)	0.02
			29.05
Mr. Zhu Zefeng ⁽²⁾⁽³⁾	Interests of controlled corporations	688,726,521 (L)	25.27
	Beneficial owner	1,500,000 (L)	0.06
	Beneficial owner ⁽⁴⁾	600,000 (L)	0.02
			25.35
Mr. Wu Suojun	Beneficial owner	2,400,000 (L)	0.09
	Beneficial owner ⁽⁴⁾	600,000 (L)	0.02
		3,000,000 (L)	0.11
Mr. Zhu Zhonghua	Beneficial owner ⁽⁴⁾	300,000 (L)	0.01

Notes:

As at 30 June 2026,

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

Report of the Directors

(b) Interests in the shares of associated corporation

Name of Director	Name of associated corporation	Nature of interests and capacity	Total number of Shares	Approximate percentage of interests (%)
Mr. Zhu Xiaokun	THCL	Beneficial owner	44,511 (L)	89.02
		Spousal interest ⁽¹⁾	5,489 (L)	10.98
Mr. Zhu Xiaokun	Jiangsu Tiangong Technology Company Limited ("TG Tech")	Beneficial owner	14,483,951 (L) ⁽²⁾	2.47
Mr. Zhu Zefeng	Sky Greenfield Investment Limited	Beneficial owner	1 (L) ⁽³⁾	100.00
Mr. Zhu Zefeng	Silver Power (HK) Limited	Beneficial owner	1 (L) ⁽⁴⁾	100.00

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 interim report date, as far as the Directors are aware, none of the Directors and chief executive had any other interests, long positions or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2026, save for the Company's Directors or chief executives as disclosed above, the following persons have an interest or short position in the shares or the underlying shares of the Company and its associated corporations which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept under Section 336 of the SFO:

(a) Interests in the Company

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

(L) Represents long position.

Notes:

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

Report of the Directors

(b) Interests in the shares of associated corporation

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

Notes:

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

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

(L) Represents long position.

SHARE SCHEME

The current share option scheme of the Company was approved by the Company in the Annual General Meeting held on 26 May 2017.

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

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

Report of the Directors

2. The maximum number of shares over which options may be granted under the share option scheme must not exceed 222,008,000 shares of nominal value USD0.0025 each in the capital of the Company. As at the date of this report, options in respect of 132,008,000 shares may be granted, representing approximately 4.8% 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 share option 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. That 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 share option 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 of Hong Kong Limited 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 of Hong Kong Limited for the five 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

Share options were granted pursuant to the share option scheme of the Company on 20 January 2026. Details of movements in share options under the share option scheme for the six months ended 30 June 2026 are as follows:

Participants	Number of share options				Balance as at 30 June 2026	Exercise price per share (HK\$)	Date of grant
	Balance as at 1 January 2026	Granted during the period	Exercised during the period	Cancelled or lapsed during the period			
Director							
Zhu Xiaokun	–	600,000	–	–	600,000	3.50	20 January 2026
Zhu Zefeng	–	600,000	–	–	600,000	3.50	20 January 2026
Wu Suojun (resigned 1 Sep 2026)	–	600,000	–	–	600,000	3.50	20 January 2026
Jiang Guangqing (resigned 16 Jun 2026)	–	240,000	–	–	240,000	3.50	20 January 2026
Xu Huixia (appointed 1 Sep 2026)	–	360,000	–	–	360,000	3.50	20 January 2026
Zhu Zhonghua (appointed 16 Jun 2026)	–	300,000	–	–	300,000	3.50	20 January 2026
	–	2,760,000	–	–	2,760,000		
Other participants							
Employee participants	–	27,240,000	–	–	27,240,000	3.50	20 January 2026
	–	30,000,000	–	–	30,000,000		

Notes:

- The Share Options granted shall vest in the grantees on 1 April 2029 (the "Vesting Date") subject to the performance targets below. Each of the share options granted have an exercise period commencing from the Vesting Date and ending on 31 December 2029:

Performance targets	Percentage of Share Options
Consolidated audited revenue of the Company for the year ending 31 December 2026 represents an increase of 25% or more as compared to that of the year ended 31 December 2025.	One-third of the total number of share options granted
Consolidated audited revenue of the Company for the year ending 31 December 2027 represents an increase of 25% or more as compared to that of the year ended 31 December 2026.	One-third of the total number of share options granted
Consolidated audited revenue of the Company for the year ending 31 December 2028 represents an increase of 25% or more as compared to that of the year ended 31 December 2027.	One-third of the total number of share options granted

The exercise of the share options is also conditional upon each grantee remaining employed on the exercise date. Pursuant to the Listing Rules and the rules of the share option scheme, the Board reserves its rights to specify appropriate performance targets and conditions that must be achieved before the exercise of the share options for each of the individual grantees at its absolute discretion. The share options are granted are also subject to the clawback mechanism as set out in the terms of the share option scheme, including that the share options would lapse upon cessation of employment of the grantees.

Report of the Directors

2. The closing price of the shares of the Company immediately before the date on which the share options being granted on 20 January 2026 was HK\$3.34.
3. Details of fair value of the options at the date of grant and the accounting standard and policy adopted can be found in note 19 of the notes to the Unaudited Interim Financial Report.

The number of options available for grant as at 1 January 2026 and 30 June 2026 were 162,008,000 and 132,008,000 shares respectively.

The number of shares that may be issued in respect of options granted divided by the weighed average number of ordinary shares of the Company in issue for the period was approximately 1.1%.

Save as disclosed, there were no outstanding share options as at 30 June 2026 and the date of this report.

Save as disclosed, during the six months ended 30 June 2026, the Company did not have any other share scheme in place.

PURCHASE, SALES OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2026, 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 the Central Clearing and Settlement System.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2026, Jiangsu Tiangong New Materials Co. Ltd ("TG New Materials") as the purchaser has entered into equity transfer agreements with each of Zhenjiang Qianyuan Equity Investment Partnership (Limited Partnership) and Goldstone Manufacturing Transformation and Upgrading Advance Materials Fund (Limited Partnership) as vendor respectively to for the transfer of an aggregate of 5.29% of equity interests in TG Tools, a non-wholly owned subsidiaries of the Company at the aggregate consideration of RMB544,460,000. For further details, please refer to the Company's announcements dated 7 January 2026.

CORPORATE GOVERNANCE

During the six months ended 30 June 2026, the Company has, so far where applicable, complied with the code provisions set out in the Corporate Governance Code contained in Part 2 of Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors. The Audit Committee held a meeting on 27 August 2026 to consider and review the interim report and interim financial statements of the Group and to give their opinion and recommendation to the Board. The Audit Committee considers that the 2026 interim report and interim financial statements of the Group have complied with the applicable accounting standards and the Group has made appropriate disclosure thereof.

Report of the Directors

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

CHANGE IN INFORMATION OF DIRECTORS

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

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

On 21 October 2025 and 22 July 2026, the Company (as borrower) entered into facility agreements (the "Facility Agreements") with a Hong Kong licensed bank relating to:

- Dividend loan facility amounted to HKD78,207,500 ("Dividend Loan 1")
- Dividend loan facility amounted to HKD79,297,500 ("Dividend Loan 2")

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

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

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

Since the date of the Facility Agreement and up to the date of this report, Mr. Zhu Xiaokun and Mr. Zhu Zefeng collectively held beneficial ownership of more than 45% shareholdings of the Company and there has been no breach of the Specific Performance Obligation. Dividend Loan 1 and Dividend Loan 2 will expire on 21 October 2026 and 27 July 2027, respectively.

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

By order of the Board

28 August 2026

Independent Review Report



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

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 37 to 66, which comprises the consolidated statement of financial position of Tiangong International Company Limited ("the Company") as at 30 June 2026 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim financial reporting* as issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2026 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim financial reporting*.

KPMG

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

28 August 2026

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2026 (unaudited) (Expressed in Renminbi ("RMB"))

	Note	Six months ended 30 June	
		2026 RMB'000	2025 RMB'000
Revenue	3	2,471,117	2,342,495
Cost of sales		(1,857,680)	(1,898,620)
Gross profit		613,437	443,875
Other income	4	52,733	170,171
Distribution expenses		(56,607)	(55,783)
Administrative expenses		(92,666)	(91,415)
Research and development expenses		(136,984)	(137,045)
Other expenses	5	(70,405)	(27,917)
Profit from operations		309,508	301,886
Finance income		11,539	13,418
Finance expenses		(83,250)	(77,955)
Net finance costs	6(a)	(71,711)	(64,537)
Share of profits less losses of associates		10,210	(1,767)
Share of profits less losses of joint ventures		1,753	2,250
Profit before taxation	6	249,760	237,832
Income tax	7	(17,650)	(19,213)
Profit for the period		232,110	218,619
Attributable to:			
Equity shareholders of the Company		226,341	203,583
Non-controlling interests		5,769	15,036
Profit for the period		232,110	218,619
Earnings per share (RMB)	8		
Basic and diluted		0.083	0.075

The notes on pages 44 to 66 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 19(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2026 (unaudited) (Expressed in RMB)

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
Profit for the period	232,110	218,619
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income ("FVOCI") — net movement in fair value reserve (non-recycling)	2,238	116
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities with functional currencies other than RMB (inclusive of nil tax)	(24,342)	(29,671)
Other comprehensive income for the period	(22,104)	(29,555)
Total comprehensive income for the period	210,006	189,064
Attributable to:		
Equity shareholders of the Company	204,382	174,376
Non-controlling interests	5,624	14,688
Total comprehensive income for the period	210,006	189,064

The notes on pages 44 to 66 form part of this interim financial report.

Consolidated Statement of Financial Position

as at 30 June 2026 (unaudited) (Expressed in RMB)

	Note	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Non-current assets			
Property, plant and equipment	9	4,219,638	4,328,594
Investment property	9	39,167	–
		4,258,805	4,328,594
Lease prepayments		236,686	239,833
Intangible assets		49,130	50,358
Goodwill		144,600	144,600
Interest in associates		205,511	197,705
Interest in joint ventures		24,615	25,551
Other financial assets	10	302,273	276,203
Deferred tax assets		122,351	117,989
		5,343,971	5,380,833
Current assets			
Financial assets measured at fair value through profit or loss ("FVPL")		7,176	8,961
Inventories	11	2,810,277	2,581,705
Trade and other receivables	12	4,041,134	4,037,664
Pledged deposits	13	115,887	114,954
Time deposits	14	604,972	603,324
Cash and cash equivalents	15	1,324,562	1,069,583
		8,904,008	8,416,191
Current liabilities			
Trade and other payables	16	1,631,394	1,402,457
Interest-bearing borrowings	17	2,692,947	2,490,507
Other financial liabilities	18	360,271	893,571
Current taxation		30,604	32,899
		4,715,216	4,819,434
Net current assets		4,188,792	3,596,757
Total assets less current liabilities		9,532,763	8,977,590

Consolidated Statement of Financial Position

as at 30 June 2026 (unaudited) (Expressed in RMB)

	Note	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Non-current liabilities			
Interest-bearing borrowings	17	1,368,153	943,525
Deferred income		20,887	22,137
Deferred tax liabilities		49,370	45,069
		1,438,410	1,010,731
NET ASSETS		8,094,353	7,966,859
CAPITAL AND RESERVES			
Share capital	19	48,164	48,164
Reserves		7,517,781	7,378,589
Total equity attributable to equity shareholders of the Company		7,565,945	7,426,753
Non-controlling interests		528,408	540,106
TOTAL EQUITY		8,094,353	7,966,859

Approved and authorised for issue by the board of directors on 28 August 2026.

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

The notes on pages 44 to 66 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2026 (unaudited) (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 1 January 2025		48,164	2,628,782	1,799	35,255	91,925	(241,922)	(1,091)	1,119,805	3,410,360	359,661	7,452,738
Changes in equity for the six months ended 30 June 2025												
Profit for the period		–	–	–	–	–	–	–	–	203,583	15,036	218,619
Other comprehensive income		–	–	–	–	–	(29,310)	103	–	–	(348)	(29,555)
Total comprehensive income		–	–	–	–	–	(29,310)	103	–	203,583	14,688	189,064
Capital contribution from non-controlling interests	19(b)	–	–	–	74,456	–	–	–	–	–	164,755	239,211
Dividends approved in respect of the previous year	19(a)	–	–	–	–	–	–	–	–	(71,668)	–	(71,668)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(850)	(850)
Disposal of equity investments at FVOCI		–	–	–	–	–	–	(743)	74	669	–	–
Balance at 30 June 2025 and 1 July 2025		48,164	2,628,782	1,799	109,711	91,925	(271,232)	(1,731)	1,119,879	3,542,944	538,254	7,808,495
Changes in equity for the six months ended 31 December 2025												
Profit for the period		–	–	–	–	–	–	–	–	196,645	22,468	219,113
Other comprehensive income		–	–	–	–	–	31,960	(698)	–	–	160	31,422
Total comprehensive income		–	–	–	–	–	31,960	(698)	–	196,645	22,628	250,535
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	41,000	41,000
Disposal of interest in subsidiaries		–	–	–	–	–	–	–	–	–	(39,703)	(39,703)
Interim dividend approved in respect of the six months ended 30 June 2025		–	–	–	–	–	–	–	–	(71,395)	–	(71,395)
Transfer to reserve		–	–	–	–	–	–	–	60,186	(60,186)	–	–
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(22,073)	(22,073)
Disposal of equity investments at FVOCI		–	–	–	–	–	–	(1,448)	145	1,303	–	–
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

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2026 (unaudited) (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 1 January 2026	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
Changes in equity for the six months ended 30 June 2026											
Profit for the period	-	-	-	-	-	-	-	-	226,341	5,769	232,110
Other comprehensive income	-	-	-	-	-	(24,193)	2,234	-	-	(145)	(22,104)
Total comprehensive income	-	-	-	-	-	(24,193)	2,234	-	226,341	5,624	210,006
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	3,900	3,900
Dividends approved in respect of the previous year 19(a)	-	-	-	-	-	-	-	-	(68,943)	-	(68,943)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(21,222)	(21,222)
Equity settled share-based transactions 19(b)	-	-	-	3,753	-	-	-	-	-	-	3,753
Balance at 30 June 2026	48,164	2,628,782	1,799	113,464	91,925	(263,465)	(1,643)	1,180,210	3,766,709	528,408	8,094,353

The notes on pages 44 to 66 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2026 (unaudited) (Expressed in RMB)

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
Operating activities		
Cash generated from/(used in) operations	440,782	(18,875)
Tax (paid)/refund	(970)	41,215
Net cash generated from operating activities	439,812	22,340
Investing activities		
Payments for the purchase of property, plant and equipment, lease prepayments and intangible assets	(183,634)	(103,966)
Payment for purchase of other financial assets	(3,000)	–
Proceeds from sale of other financial assets	4,887	2,682
Proceeds from time and pledged deposits, net	–	28,894
Interests received	8,201	14,685
Proceeds from disposal of/(payment for purchase of) trading securities, net	72	(5,365)
Dividends received from other financial assets	3,520	2,730
Net cash used in investing activities	(169,954)	(60,340)
Financing activities		
Proceeds from interest-bearing borrowings	1,300,814	1,617,969
Repayments of interest-bearing borrowings	(674,286)	(1,446,832)
Dividends paid to non-controlling shareholders	(21,222)	(850)
Capital contribution from non-controlling shareholders, net effect	3,900	239,211
Interest paid	(72,090)	(61,855)
Repayment of other financial liabilities	(544,460)	(114,607)
Net cash (used in)/generated from financing activities	(7,344)	233,036
Net increase in cash and cash equivalents	262,514	195,036
Cash and cash equivalents at 1 January	1,069,583	1,068,922
Effect of foreign exchange rates changes	(7,535)	18,070
Cash and cash equivalents at 30 June	1,324,562	1,282,028

The notes on pages 44 to 66 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report of Tiangong International Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 28 August 2026.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2025 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2026 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2025 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 36.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period. None of these developments have had a material effect on these financial statements.

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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.

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

	Six months ended 30 June	
	2026 RMB'000	2025 RMB'000
DS	1,165,621	1,154,590
HSS	476,338	394,434
Cutting tools	565,389	397,365
Titanium alloy	226,232	348,786
Others	37,537	47,320
	2,471,117	2,342,495

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

3 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>	Other 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 liabilities, 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.

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

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

	Six months ended 30 June 2026					
	DS RMB'000	HSS RMB'000	Cutting tools RMB'000	Titanium alloy RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	1,165,621	476,338	565,389	226,232	37,537	2,471,117
Inter-segment revenue	72	229,508	7,963	–	–	237,543
Reportable segment revenue	1,165,693	705,846	573,352	226,232	37,537	2,708,660
Reportable segment profit (adjusted EBIT)	89,148	141,551	166,853	7,017	2,983	407,552

	As at 30 June 2026					
	DS RMB'000	HSS RMB'000	Cutting tools RMB'000	Titanium alloy RMB'000	Others RMB'000	Total RMB'000
Reportable segment assets	5,969,366	2,615,093	2,116,440	649,019	159,906	11,509,824
Reportable segment liabilities	846,215	320,217	208,257	167,552	30,802	1,573,043

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

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

	As at 31 December 2025					
	DS RMB'000	HSS RMB'000	Cutting tools RMB'000	Titanium alloy RMB'000	Others RMB'000	Total RMB'000
Reportable segment assets	5,767,226	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 Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

Revenue	Six months ended 30 June	
	2026 RMB'000	2025 RMB'000
Reportable segment revenue	2,708,660	2,480,802
Elimination of inter-segment revenue	(237,543)	(138,307)
Consolidated revenue	2,471,117	2,342,495

Profit	Six months ended 30 June	
	2026 RMB'000	2025 RMB'000
Reportable segment profit	407,552	227,720
Net finance costs	(71,711)	(64,537)
Share of profits less losses of associates	10,210	(1,767)
Share of profits less losses of joint ventures	1,753	2,250
Other unallocated head office and corporate (losses)/profits	(98,044)	74,166
Consolidated profit before taxation	249,760	237,832

Assets	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Reportable segment assets	11,509,824	11,351,669
Interest in associates	205,511	197,705
Interest in joint ventures	24,615	25,551
Other financial assets	302,273	276,203
Deferred tax assets	122,351	117,989
Financial assets measured at FVPL	7,176	8,961
Pledged deposits	115,887	114,954
Time deposits	604,972	603,324
Cash and cash equivalents	1,324,562	1,069,583
Other unallocated head office and corporate assets	30,808	31,085
Consolidated total assets	14,247,979	13,797,024

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

Liabilities	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Reportable segment liabilities	1,573,043	1,393,026
Interest-bearing borrowings	4,061,100	3,434,032
Other financial liabilities	360,271	893,571
Current taxation	30,604	32,899
Deferred tax liabilities	49,370	45,069
Other unallocated head office and corporate liabilities	79,238	31,568
Consolidated total liabilities	6,153,626	5,830,165

(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	Six months ended 30 June	
	2026 RMB'000	2025 RMB'000
The PRC	1,397,018	1,332,163
North America	288,763	257,786
Europe	427,759	379,905
Asia (other than the PRC)	344,005	361,306
Others	13,572	11,335
Total	2,471,117	2,342,495

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4 OTHER INCOME

	Note	Six months ended 30 June	
		2026 RMB'000	2025 RMB'000
Government grants	(i)	18,603	29,384
Net foreign exchange gains		–	129,747
Dividends income		3,520	2,730
Net realised and unrealised fair value changes of other financial assets		25,028	1,063
Net gains on disposal of property, plant and equipment		–	139
Others		5,582	7,108
		52,733	170,171

(i) The subsidiaries of the Company, located in the PRC collectively were entitled to unconditional grants amounting to RMB17,353,000 (six months ended 30 June 2025: RMB25,403,000) from the local government. The Group also recognised amortisation of government grants related to assets of RMB1,250,000 (six months ended 30 June 2025: RMB3,981,000) for the six months ended 30 June 2026.

5 OTHER EXPENSES

	Six months ended 30 June	
	2026 RMB'000	2025 RMB'000
Provision for loss allowance on trade and other receivables	214	21,798
Charitable donations	1,567	2,909
Net foreign exchange losses	64,531	–
Net losses on trading securities	1,527	1,836
Others	2,566	1,374
	70,405	27,917

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6 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Note	Six months ended 30 June	
		2026 RMB'000	2025 RMB'000
Interest income		(11,539)	(13,418)
Finance income		(11,539)	(13,418)
Interest on bank loans		72,090	61,855
Interest arising on other financial liabilities	18	11,160	16,100
Finance expenses		83,250	77,955
Net finance costs		71,711	64,537

(b) Other items

	Note	Six months ended 30 June	
		2026 RMB'000	2025 RMB'000
Cost of inventories*		1,857,680	1,898,620
Amortisation of intangible assets		4,338	4,393
Depreciation of property, plant and equipment		181,733	195,610
Depreciation of investment property		976	—
Depreciation of lease prepayments (right-of-use assets)		3,171	2,839
Reversal of write-down of inventories	11	(4,629)	(11,331)

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

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7 INCOME TAX

	Six months ended 30 June	
	2026 RMB'000	2025 RMB'000
Current tax		
Provision for PRC Income Tax	16,903	17,958
Provision for Hong Kong Profits Tax	1,264	516
Provision for Thailand Corporate Income Tax	239	533
	18,406	19,007
Deferred tax		
Origination and reversal of temporary differences	(756)	206
	17,650	19,213

- (a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or British Virgin Islands.
- (b) The provision for PRC 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 Tiangong Precision Tools Company Limited ("Precision Tools"), Jiangsu Tiangong Technology Company Limited ("TG Tech"), Jiangsu Weijian Tools Technology Company Limited ("Weijian Tools") and Jiangsu Tiangong Carbide Technology Company Limited ("Carbide Technology") are subject to a preferential income tax rate of 15% for the six months ended 30 June 2026 available to enterprises which qualify as a High and New Technology Enterprise (six months ended 30 June 2025: 15%).

The statutory corporate income tax rate applicable to the Group's other operating subsidiaries in the PRC is 25% for the six months ended 30 June 2026 (six months ended 30 June 2025: 25%).

The income tax law of the PRC and its relevant regulations also impose withholding tax at 10%, unless reduced by a tax treaty/arrangement, on dividend distributions made out of the PRC from earnings accumulated from 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

- (c) Pursuant to the income tax rules and regulations of Hong Kong, the Group's subsidiaries in Hong Kong are liable to Hong Kong Profits Tax at a rate of 16.5% for the six months ended 30 June 2026 (six months ended 30 June 2025: 16.5%).

Notes to the Unaudited Interim Financial Report

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7 INCOME TAX (continued)

- (d) According to the policy of Industrial Promotion Act of Thailand, Tiangong Precision Tools (Thailand) Company Limited ("TGPT"), a subsidiary of the Company located in Thailand, is entitled to a preferential income tax rate of 0% for six years from May 2021, and 20% from May 2027 and thereafter.

Pursuant to the income tax rules and regulations of Thailand, Tiangong Special Steel Company Limited ("TGSS") and Tiangong New Material (Thailand) Co., Ltd. ("TGNM"), the subsidiaries of the Group in Thailand are liable to Thailand Corporate Income Tax at a rate of 20% for the six months ended 30 June 2026 (six months ended 30 June 2025: 20%).

- (e) 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 six months ended 30 June 2026 (six months ended 30 June 2025: 22%).

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB226,341,000 (six months ended 30 June 2025: RMB203,583,000) and the weighted average of 2,725,000,000 ordinary shares in issue during the interim period (six months end 30 June 2025: 2,725,000,000 shares).

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2026 and 2025 are the same as the basic earnings per share as there are no dilutive potential ordinary shares during the periods.

9 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the six months ended 30 June 2026, the Group acquired items of property, plant and equipment at a cost of RMB130,240,000 (six months ended 30 June 2025: RMB95,042,000). There were no material disposals of property, plant and equipment for the periods presented.

During the six months ended 30 June 2026, RMB40,143,000 of property, plant and equipment was transferred to investment property, which was stated at cost less accumulated depreciation.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

10 OTHER FINANCIAL ASSETS

	Note	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Equity securities designated at FVOCI (non-recycling)			
— Listed in the PRC	(i)	33,441	30,512
Financial assets measured at FVPL			
— Unlisted units in investment funds	(ii)	163,584	140,443
Financial assets measured at amortised cost			
— Amount due from a third party		105,248	105,248
		302,273	276,203

Notes:

- (i) The listed equity securities are interests in Bank of Jiangsu Co., Ltd., a company listed on the Mainboard of the Shanghai Stock Exchange ("SSE") and 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 RMB2,912,000 were received from these investments for the six months ended 30 June 2026 (six months ended 30 June 2025: RMB519,000).
- (ii) The unlisted units in investment funds 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 RMB534,000 were received from these investments during the six months ended 30 June 2026 (six months ended 30 June 2025: RMB2,211,000).

11 INVENTORIES

During the six months ended 30 June 2026, the Group reversed a write-down of RMB4,629,000 (six months ended 30 June 2025: reversed a write-down of RMB11,331,000) against those inventories with net realisable value higher than carrying value. The write-down is included in cost of sales in the consolidated statement of profit or loss.

Notes to the Unaudited Interim Financial Report

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12 TRADE AND OTHER RECEIVABLES

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Trade receivables	2,698,104	2,650,485
Bills receivable	822,898	728,244
Less: loss allowance	(172,658)	(171,756)
Net trade and bills receivable	3,348,344	3,206,973
Prepayments	148,039	163,320
Other receivables	548,302	650,276
Less: loss allowance	(10,679)	(10,729)
Taxation recoverable	7,128	27,824
Net prepayments and other receivables	692,790	830,691
	4,041,134	4,037,664

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

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Within 1 year	3,048,847	2,859,485
1 to 2 years	282,906	326,450
Over 2 years	16,591	21,038
	3,348,344	3,206,973

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

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13 PLEDGED DEPOSITS

As at 30 June 2026, bank deposits of RMB115,887,000 (2025: RMB114,954,000) have been pledged to banks as security for bank acceptance bills of the Group.

14 TIME DEPOSITS

As at 30 June 2026, time deposits of RMB604,972,000 (2025: RMB603,324,000) in the consolidated statement of financial position represent bank deposits that are over 3 months of maturity at acquisition.

15 CASH AND CASH EQUIVALENTS

All the balances of cash and cash equivalents as at 30 June 2026 are cash at bank and on hand.

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Cash at bank and on hand	1,324,562	1,069,583

As of the end of the reporting period, cash and cash equivalents situated in Chinese Mainland amounted to RMB1,201,961,000 (2025: RMB990,367,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

16 TRADE AND OTHER PAYABLES

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Trade and bills payable	1,335,338	1,154,354
Contract liabilities	25,416	10,851
Dividends payable	68,943	—
Other payables and accrued expenses	201,697	237,252
	1,631,394	1,402,457

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(Expressed in RMB unless otherwise indicated)

16 TRADE AND OTHER PAYABLES (continued)

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

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Within 1 year	1,318,111	1,131,423
1 to 2 years	8,938	15,024
Over 2 years	8,289	7,907
	1,335,338	1,154,354

17 INTEREST-BEARING BORROWINGS

	Note	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Current			
Secured bank loans	(i)	99,549	127,898
Unsecured bank loans	(ii)	1,509,726	1,430,309
Current portion of non-current unsecured bank loans		1,083,672	932,300
		2,692,947	2,490,507
Non-current			
Secured bank loans	(iii)	206,555	218,095
Unsecured bank loans	(iv)	2,245,270	1,657,730
Less: Current portion of non-current unsecured bank loans		(1,083,672)	(932,300)
		1,368,153	943,525
		4,061,100	3,434,032

Notes to the Unaudited Interim Financial Report

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17 INTEREST-BEARING BORROWINGS (continued)

Notes:

- (i) Current secured bank loans are secured by certain trade receivables at annual interest rates ranging from 2.48% to 2.59% (31 December 2025: 2.19% to 2.27%) per annum.
- (ii) Current unsecured bank loans carry interest at annual rates ranging from 2.50% to 4.76% (31 December 2025: 2.20% to 4.85%) per annum.
- (iii) Non-current secured bank loans are secured by the Group's equity interest in Precision Tools and Guangdong Aihe Mould Technology Co., Ltd. ("Guangdong Aihe") leasehold land at annual interest rate from 3.00% to 3.65% (31 December 2025: 3.00% to 3.55%) per annum.
- (iv) Non-current unsecured bank loans carried interest at annual rates ranging from 2.19% to 3.60% (31 December 2025: 2.70% to 3.85%) per annum.

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

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Within 1 year	1,083,672	932,300
Over 1 year but less than 2 years	478,900	444,775
Over 2 years but less than 5 years	889,253	498,750
	2,451,825	1,875,825

As at 30 June 2026, the Group's banking facility with banks are subject to the fulfilment of a covenant relating to certain of the balance sheet ratios of the Company's certain subsidiaries, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenant, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with covenants.

As at 30 June 2026, the Company issued a guarantee to Tiangong Development Hong Kong Company Limited ("TG Development"), in respect of bank loans granted to the TG Development, of RMB99,963,000 (31 December 2025: RMB193,502,000).

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18 OTHER FINANCIAL LIABILITIES

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

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Contingent redeemable capital contributions in a subsidiary	360,271	893,571

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

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

For the six months ended 30 June 2026, the Group redeemed the Investment in TG Tools from some of the Investors at a total consideration of RMB544,460,000 (for the six months ended 30 June 2025: RMB114,607,000).

19 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2026 RMB'000	2025 RMB'000
Dividend declared after the end of the reporting period of RMB nil per ordinary share (six months ended 30 June 2025: 0.0262 per share)	—	71,395

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19 CAPITAL, RESERVES AND DIVIDENDS (continued)

(a) Dividends (continued)

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

	2026 RMB'000	2025 RMB'000
Dividends in respect of the previous financial year, approved but not paid during the interim period, of RMB0.0253 per share (six months ended 30 June 2025: RMB0.0263 per share)	68,943	71,668

(b) Equity settled share-based transactions

On 20 January 2026, 30,000,000 share options to subscribe for ordinary shares of USD0.0025 each in the capital of the Company were granted to employees of the Company under the Company's employee share option scheme adopted on 26 May 2017. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options will vest on 1 April 2029 subject to certain performance conditions and then be exercisable until 31 December 2029. The exercise price is Hong Kong Dollar ("HKD") 3.5 per option, and each share option was valued at approximately HKD1.11 by an external independent valuer. The effect under the equity settled share-based transactions of RMB3,753,000 was charged to the Group's profit or loss for the six months ended 30 June 2026.

No options were vested or exercised for the six months ended 30 June 2026.

The fair value of services received in return for options granted is measured by reference to the fair value of options granted. The estimate of the fair value of the options granted is measured based on a binomial options pricing model. The contractual life of the share options is used as an input into this model.

Fair value of share options and assumptions

	Six months ended 30 June 2026
Fair value at grant date	HKD1.11 per share option
Risk-free rate	2.43%
Volatility	44.68%
Dividend yield	1.67%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant-date fair value measurement of the services received. There were no market conditions associated with the share option grants.

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20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets measured at fair value

(i) Fair value hierarchy

The following presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data is not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 30 June 2026	Fair value measurement at 30 June 2026 categorised into		
	RMB'000	Level 1	Level 2	Level 3
Recurring fair value measurement				
Other financial assets:				
— Listed equity securities — SSE	10,564	10,564	—	—
— Listed equity securities — NEEQ	22,877	—	—	22,877
— Unlisted equity securities	6,000	—	6,000	—
— Unlisted units in investment funds	157,584	—	—	157,584
Financial assets at FVPL:				
— Listed equity securities	7,176	7,176	—	—
Trade and other receivables:				
— Bills receivable	175,054	—	175,054	—

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20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

(i) Fair value hierarchy (continued)

	Fair value at 31 December 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 FVPL:				
— Listed equity securities	8,961	8,961	—	—
Trade and other receivables:				
— Bills receivable	129,817	—	129,817	—

During the six months ended 30 June 2026, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) 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.

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20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

(iii) Information about Level 3 fair value measurements

	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%

Fair value of the equity securities listed on the NEEQ, which do not have quoted prices in active markets, and that of unlisted equity securities and unlisted units in investment funds mentioned in Note 10 is determined using the price/earning or price/book value ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability.

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

	At 30 June 2026 RMB'000	At 30 June 2025 RMB'000
Unquoted equity securities and units in investment funds:		
At 1 January	157,763	135,295
Disposal of other financial assets	(4,887)	–
Net unrealised losses recognised in other comprehensive income during the period	2,557	(2,690)
Net unrealised fair value changes of other financial assets recognised in profit or loss during the period	25,028	1,063
At 30 June	180,461	133,668

Any gains or losses arising from the remeasurement of the Group's listed and unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

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

All financial instruments measured at other than fair value carried at cost or amortised cost were not materially different from their fair values as at 30 June 2026 and 31 December 2025.

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21 COMMITMENTS

Capital commitments outstanding at 30 June 2026 not provided for in the interim financial report were as follows:

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Contracted for		
— acquisition of property, machinery and equipment	118,225	207,602
Authorised but not contracted for		
— acquisition of property, machinery and equipment	275,230	327,407

22 RELATED PARTY TRANSACTIONS

The Group had transactions with associates and joint ventures. The Group entered into the following related party transactions for the periods presented:

(a) Significant related party transactions

	Six months ended 30 June	
	2026 RMB'000	2025 RMB'000
Sales of goods to:		
Joint ventures	67,682	77,414
Associates	59,124	120,111
	126,806	197,525

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22 RELATED PARTY TRANSACTIONS (continued)

(b) Amounts due from related parties

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Joint ventures	406,551	393,277
Associates	99,973	129,600
	506,524	522,877

23 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In July 2026, Carbide Technology, an indirect subsidiary of the Group, entered into an agreement with third-party investors to establish a project company, namely Jiangsu Tiangong Electronic Technology Co., Ltd.* 江蘇天工電子科技有限公司 ("TG Electronic"). The registered capital of TG Electronic amounted to RMB30,000,000, of which the Group subscribed RMB21,000,000, representing a 70% equity interest in the newly established entity. The principal activities of TG Electronic are manufacturing and sales of printed circuit board ("PCB") precision cutting tools. Detailed information is disclosed in the Company's announcement dated 23 July 2026.

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2026

A number of amendments and new standards are not yet mandatory for annual periods beginning 1 January 2026. Earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

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 and is still in the progress of assessing the impact of the adoption.

* English translation is for identification purpose only.