Application Proof of

上海拓璞数控科技股份有限公司
Shanghai Top Numerical Control Technology Co., Ltd.

(the **"Company"**)

(A joint stock company incorporated in the People's Republic of China with limited liability)

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上海拓璞数控科技股份有限公司
Shanghai Top Numerical Control Technology Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	:	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	:	**[REDACTED] H Shares (subject to [REDACTED])**
Number of [REDACTED]	:	**[REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])**
Maximum [REDACTED]	:	**HK$[REDACTED] per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, Hong Kong [REDACTED] trading fee of 0.00565% and Accounting and Financial Reporting Council transaction levy of 0.00015% (payable in full on application and subject to refund on final pricing)**
Nominal value	:	**RMB[0.10] per H Share**
[REDACTED]	:	**[●]**

***Joint Sponsors,* [REDACTED], [REDACTED], [REDACTED] *and* [REDACTED]**

國泰君安國際 GUOTAI JUNAN INTERNATIONAL　　建银国际 CCB International

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EXPECTED TIMETABLE

[REDACTED]

[REDACTED]

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This summary aims to give you an overview of the information contained in this document. Because this is a summary, it does not contain all the information that may be important to you. You should be read in document in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the **[REDACTED]**. *There are risks associated with any investment. Some of the particular risks in investing in the* **[REDACTED]** *are set out in the "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* **[REDACTED]**. *Various expressions used in this summary are defined in "Definitions" and "Glossary of Technical Terms" in this document.*

OVERVIEW

Who We Are

We are a leading enterprise specialising in the R&D, design, production and sales of high-end intelligent manufacturing equipment, comprising primarily five-axis CNC machine tools, in China. We focus on developing five-axis CNC machine tools to address the demand for advanced manufacturing in China's aviation and aerospace sector. According to the CIC Report, in 2024, we ranked first in China's aviation and aerospace five-axis CNC machine tool market with a market share of 11.6%, fifth among all suppliers and third among domestic suppliers in China's five-axis CNC machine tool market, with a market share of 4.3%. According to the same source, five-axis CNC machine tools represent a foundational industrial manufacturing equipment, with growing adoption across industries due to their superior precision, efficiency and intelligent machining capabilities. The market size of five-axis CNC machine tools is expected to increase from RMB10.8 billion in 2024 to RMB27.0 billion in 2029, with a CAGR of 20.1%. During the Track Record Period, we had successfully expanded our market presence into the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing.

Our Products Portfolio and Applications

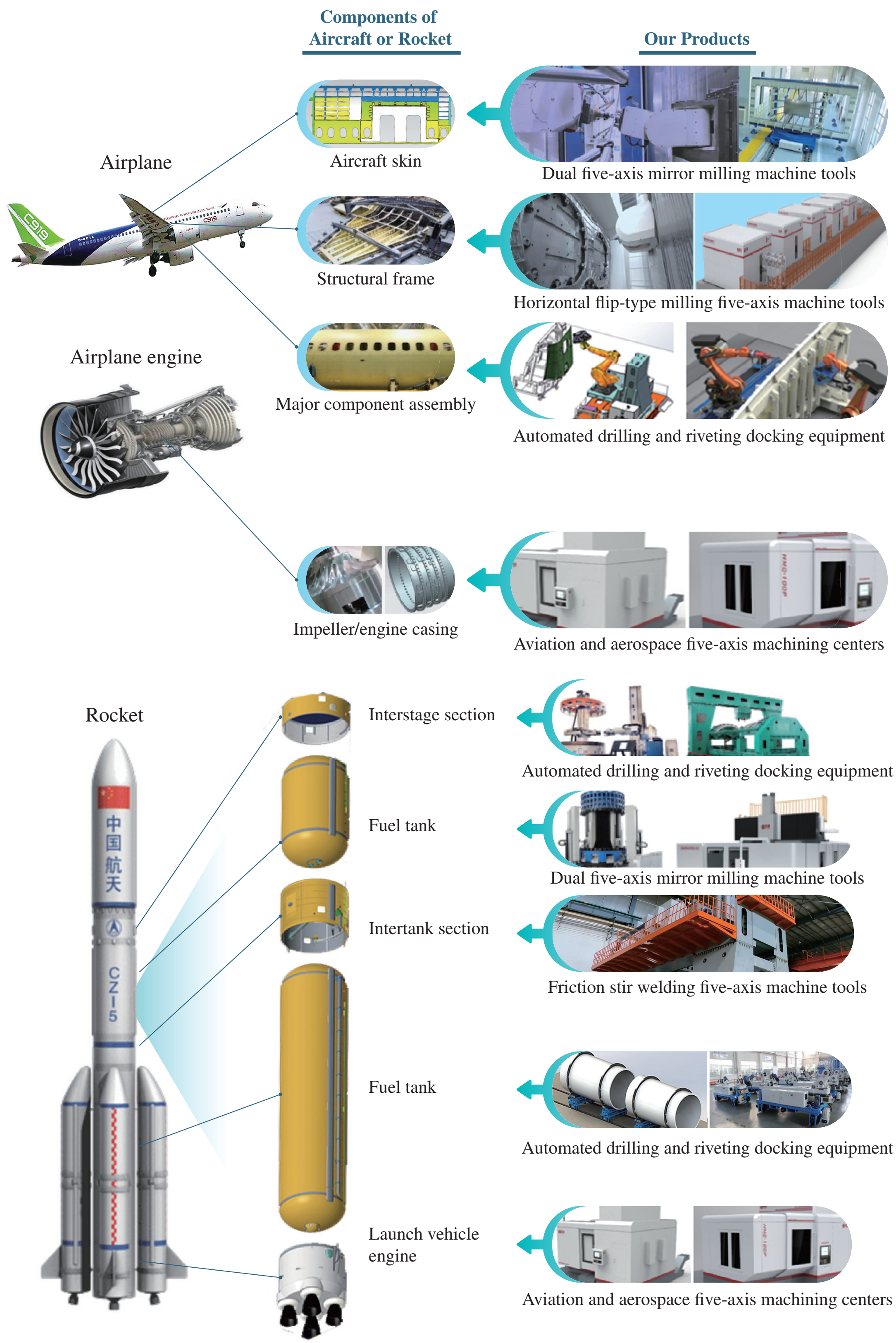
During the Track Record Period, we generated revenue from the sales of aviation and aerospace intelligent manufacturing equipment, and compact general industrial five-axis machine tools as well as provision of repair and maintenance services. Subsequent to the Track Record Period and as of the Latest Practicable Date, we further enhanced our offerings by introducing large-span carbon fiber composite five-axis machine tools to the market. As of the Latest Practicable Date, our product portfolio is as follows:

(i) ***Aviation and aerospace intelligent manufacturing equipment.*** Our aviation and aerospace intelligent manufacturing equipment comprise specialised CNC process equipment and five-axis CNC machine tools specifically engineered for the aviation and aerospace sector. They are particularly suited for manufacturing key aviation and aerospace components, including aircraft skins and structural frames, rocket fuel tanks and riveted cabin sections, and engine components such as turbine discs, casings, combustion chambers and pump vales. Our products deliver machining capabilities including precision milling, friction stir welding, robotic automated drilling and riveting and large-component assembly, which combined the technical advantages of having an extended working range, high spatial positioning accuracy, heavy-load and high-rigidity.

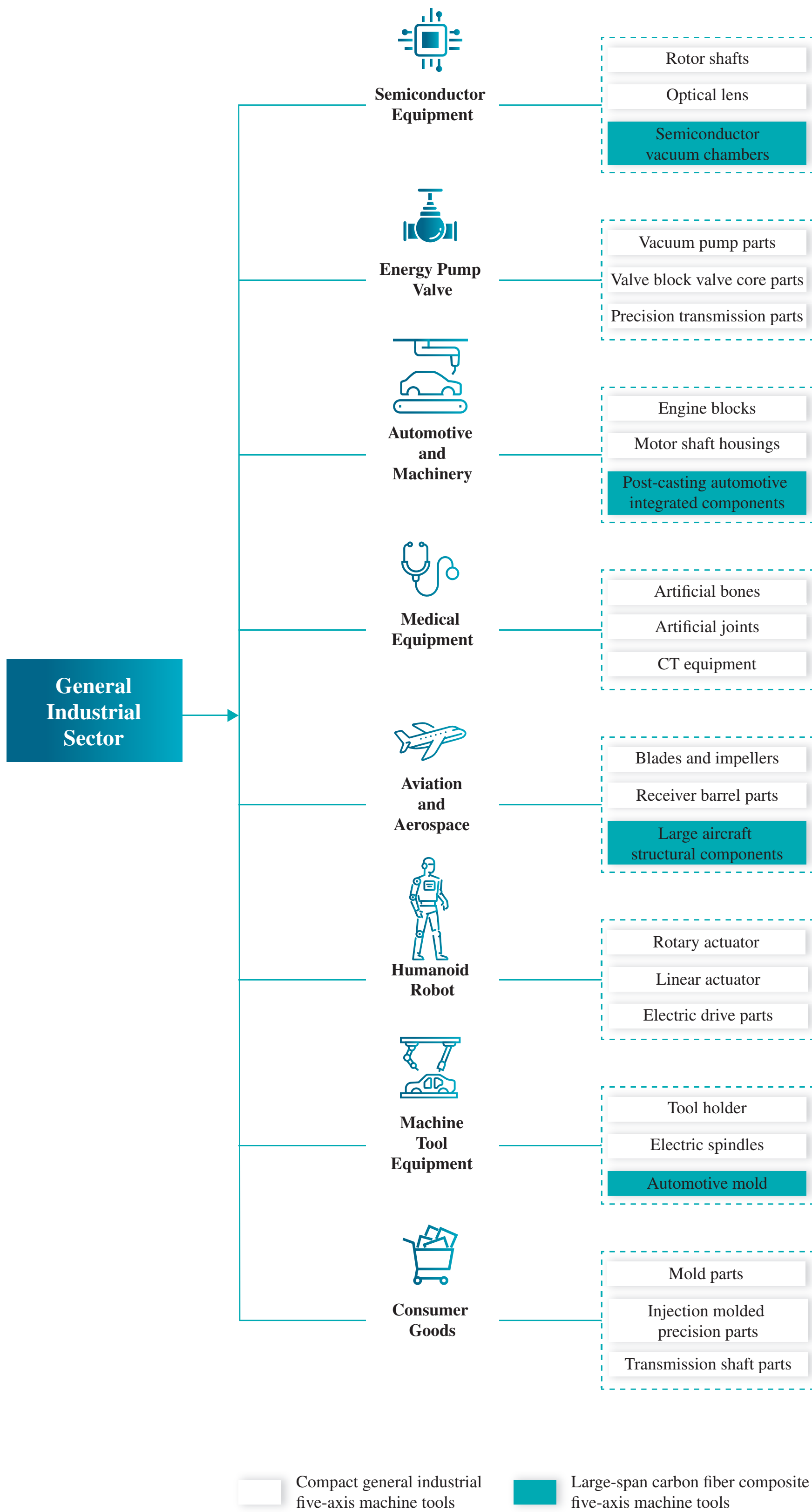
(ii) ***Compact general industrial five-axis machine tools.*** Our compact general industrial five-axis machine tools are versatile five-axis CNC machine tools under three-meter span designed for machining of small-to-medium components in the general industrial sector, which support multiple machining processes including milling, turning, drilling and boring. They are applied across various downstream industries for manufacturing battery housings and motor components for automotives, artificial bones for medical equipment, and propellers for shipbuilding etc. Our compact general industrial five-axis machine tools demonstrate high process adaptability across various materials and geometrics while featuring a user-friendly interface, thereby providing the general industrial sector with accessible channels to industrial-grade precision machining.

(iii) ***Large-span carbon fiber composite five-axis machine tools.*** Our large-span carbon fiber composite five-axis machine tools refer to advanced five-axis CNC machine tools featuring gantry structures with span ranging from three meters to a maximum of 15 meters, designed for machining of massive monolithic components in the general industrial sector. They exhibit the technological advantages of lightweight properties, high-dynamic performance, extended operating range, micron-level accuracy and advanced thermal and vibration control capabilities. They are applied across industries such as automotive, shipbuilding and energy where demands exist for production and processing of massive and high-precision structures. We first sold our large-span carbon fiber composite five-axis machine tool in the first quarter of 2025. According to the CIC Report, we are the world's first and only manufacturer that sold the first machine tool which fully applied carbon fiber composite materials across all moving parts.

The following illustrations demonstrate our products' target applications in the aviation and aerospace sector:



The following diagram illustrates our products' target applications in the general industrial sector:



OUR CORE TECHNOLOGIES

We have built a comprehensive and multi-dimensional R&D platform encompassing five core technological pillars: (i) precision mechanical design and manufacturing process technology, (ii) core component development technology, (iii) CNC system and intelligent measurement and control technology, (iv) process programming software technology and (v) AI-driven manufacturing technology. These five core technological pillars form the foundation of our R&D system which is utilised as building blocks for adaptation and application in our product portfolio. For details, see "Business – Our Products and Services" in this document.

OUR COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success and differentiate us from competitors:

- We are a leading enterprise in China's aviation and aerospace five-axis machine tool market, with growing presence in the general industrial market;
- Our robust product capabilities drive localization of industrial machine tools and reduces import reliance;
- Our robust in-house R&D capabilities and technological innovation drives market leadership and new market expansion;
- We have cross-industry customer recognition through diversified market penetration; and
- Our experienced management and R&D team drive operational and technological excellence

OUR STRATEGIES

To realise our vision of establishing five-axis CNC machine tools as the foundation for next-generation smart manufacturing, we plan to implement the following strategies:

- Technological advancements through R&D;
- Expansion and optimization of production capacity to capture the growing market demand;
- Expansion of sales and marketing network; and
- Strategic acquisitions and investments to enhance core technology and product quality

RESEARCH AND DEVELOPMENT

We maintain a strong commitment to R&D as the foundation of our market competitiveness. Our R&D initiatives are organised into three core streams: (i) core technology research, (ii) modular platform development and (iii) adaptive product engineering.

We have been investing significantly on our research and development efforts. We incurred R&D expenses of RMB108.4 million, RMB89.9 million and RMB85.9 million for FY2022, FY2023 and FY2024, respectively. The decrease in our R&D expenses during the Track Record Period was primarily due to the progression of our R&D projects. For details, see "Financial Information – Key Components of Our Consolidated Statements of Profit or Loss – Research and Development Expenses". During the Track Record Period, all of our R&D expenses were recognised as expenses in the year when such expenses were incurred.

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, our Group had over 80 registered patents and filed over 40 patent applications which were pending approval, covering our core technologies. We believe that our intellectual property rights are critical to our continued success. To safeguard these intellectual property rights, we have implemented comprehensive measures including (i) establishing a set of robust internal policies to ensure effective management of our intellectual properties, (ii) timely registering, filing and applying for ownership of our intellectual properties, (iii) rewarding employees who contribute to the development of our intellectual properties, and (iv) entering into agreements with our employees which state we own all intellectual properties developed (a) during an employees' employment with us, (b) using our resources or proprietary information, (c) as part of their job duties or assigned tasks, or (d) within one year after the termination of their employment, if related to their work for us.

SALES

Over the years, we have established an extensive customer base across China. We primarily sell our products through our dedicated sales team, while complementing this with partnerships with sales representatives as part of our plan to expand our market presence in the general industrial market and introduce our compact general industrial five-axis machine tools to the market. In FY2024, we recorded RMB7.1 million revenue contributed by sales representatives.

During the Track Record Period, we provided products and services to 39, 47 and 38 customers, respectively. Our customers mainly comprise (i) end customers in the aviation and aerospace sector and the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing, and (ii) representatives of end users. To procure customers such as state-owned enterprises, we actively pursue tendering opportunities identified through strategic marketing initiatives including industry exhibitions and government procurement platforms. We also enter into sales contracts through direct negotiations with customers without tendering requirements.

OUR SUPPLIERS

The principal raw materials procured by us are parts and components for our production which mainly comprise control systems, structural components such as machine tool beds and machine tool accessories and mechanical components such as controllers, rotary axes and spindles. We generally purchase our raw materials from local suppliers in the PRC. Our suppliers primarily consist of (i) providers of parts and components and (ii) manufacturing partners who produce parts and components based on our proprietary design. We carefully select our suppliers in order to ensure availability and quality of our raw materials by implementing stringent quality control measures. For details, see "Business – Quality Control – Quality Control in our Operation and Production Processes" in this document.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Our Financial Performance

During the Track Record Period, we experienced strong financial growth, with revenue increasing from RMB135.8 million in FY2022 to RMB334.6 million in FY2023, and further to RMB531.6 million in FY2024, representing a CAGR of 97.9%. We have achieved growth across all our product categories, with a notably strong performance in the sales of our aviation and aerospace intelligent manufacturing equipment, which reflects our success in maintaining leadership in our core aviation and aerospace business, while capitalising on expansion opportunities in other fast-growing general industrial sectors. We recorded a gross loss of RMB24.8 million in FY2022, and a gross profit of RMB115.8 million in FY2023 and RMB199.9 million in FY2024, respectively. Our gross loss margin was 18.3% in FY2022, and our gross profit margin was 34.6% and 37.6% in FY2023 and FY2024, respectively. As a result, we turned our net loss of RMB197.3 million and RMB62.3 million in FY2022 and FY2023, respectively, to a net profit of RMB6.9 million in FY2024.

Summary of Consolidated Statements of Profit or Loss

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years indicated:

	FY2022	**FY2023**	**FY2024**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	135,769	334,630	531,556
Cost of sales	(160,554)	(218,819)	(331,677)
Gross (loss)/profit	(24,785)	115,811	199,879
Other income and gains	30,192	25,106	10,856
Selling and marketing expenses	(11,867)	(26,022)	(28,107)
Administrative expenses	(62,481)	(59,869)	(66,948)
Research and development expenses	(108,388)	(89,917)	(85,880)
Fair value losses on investments measured at fair value through profit or loss	(12,837)	(7,388)	(4,387)
Impairment losses on financial assets, net	(386)	(8,933)	(3,963)
Other expenses	(215)	(4,621)	(1,387)
Finance costs	(6,249)	(5,331)	(7,006)
Share of losses of associates	(289)	(1,105)	(6,171)
(Loss)/Profit before tax	(197,305)	(62,269)	6,886
Income tax expense	(9)	(71)	–
(Loss)/Profit for the year	(197,314)	(62,340)	6,886
Loss attributable to:			
Owners of the parent	(191,572)	(60,523)	8,882
Non-controlling interests	(5,742)	(1,817)	(1,996)
(Loss)/Earning per share attributable to ordinary equity holders of the parent			
Basic and diluted *(RMB)*	(0.57)	(0.18)	0.03

Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with the IFRS Accounting Standards, we also use adjusted net loss/profit (non-IFRS measure) as additional financial measure, which is not required by, or presented in accordance with, the IFRS Accounting Standards. We believe that such non-IFRS measure facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items and provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net loss/profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under the IFRS Accounting Standards.

We define adjusted net loss/profit (non-IFRS measure) as loss/profit for the year adjusted for share-based payments expenses. Share-based payments expenses are non-cash expenses arising from granting restricted share units to the Directors and our employees. The following table sets out a reconciliation from adjusted net loss/profit (non-IFRS measure) to loss/profit for the year which is presented in accordance with the IFRS Accounting Standards.

	FY2022	**FY2023**	**FY2024**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/Profit for the year	(197,314)	(62,340)	6,886
Add:			
Share-based payments expenses	(757)	1,291	6,489
Adjusted net loss/profit (non-IFRS measure)	(198,071)	(61,049)	13,375

Revenue

During the Track Record Period, we primarily generated revenue from (i) the sales of aviation and aerospace intelligent manufacturing equipment, and to a much lesser extent, from (ii) the sales of compact general industrial five-axis machine tools and (iii) provision of repair and maintenance services.

In FY2022, FY2023 and FY2024, our revenue was RMB135.8 million, RMB334.6 million and RMB531.6 million, respectively. The following table sets forth a breakdown of our revenue by product type for the years indicated.

	Year ended 31 December					
	2022		2023		2024	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Aviation and aerospace intelligent manufacturing equipment	132,434	97.5	325,089	97.2	503,434	94.7
Compact general industrial five-axis machine tools	–	–	3,476	1.0	23,839	4.5
Repair and maintenance services	3,335	2.5	6,065	1.8	4,283	0.8
Total	**135,769**	**100.0**	**334,630**	**100.0**	**531,556**	**100.0**

Our revenue increased during the Track Record Period, primarily driven by the increase in revenue from the sales of aviation and aerospace intelligent manufacturing equipment, which accounted for over 90% of our revenue. Since the second half of 2023, we began to record revenue from the sales of compact general industrial five-axis machine tools. The revenue generated from sales of compact general industrial five-axis machine tools increased substantially from FY2023 to FY2024.

Summary of Consolidated Statements of Financial Position

The following table sets forth the breakdown of our current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	201,189	176,439	240,659
Total current assets	978,603	945,444	743,427
Total assets	1,179,792	1,121,883	984,086
Total non-current liabilities	84,006	63,096	84,099
Total current liabilities	964,010	925,267	730,931
Total liabilities	1,048,016	988,363	815,030
Net current assets	14,593	20,177	12,496
Net assets	131,776	133,520	169,056
Non-controlling interests	(2,116)	(3,933)	(5,929)

Our Group's net current assets increased from RMB14.6 million as at 31 December 2022 to RMB20.2 million as at 31 December 2023. The increase was primarily due to (i) increase in inventories of RMB145.1 million which was mainly because of the increase in inventories of raw material and work-in-progress to cope with the increased demand from the customers and (ii) decrease in contract liabilities of RMB71.7 million because of the increased fulfilment of our obligations under sales contracts in FY2023, which was partially offset by the decrease in cash and cash equivalents due to the cash outflow from operating activities.

Our Group's net current assets decreased from RMB20.1 million as at 31 December 2023 to RMB12.5 million as at 31 December 2024. The decrease was primarily due to (i) decrease in cash and cash equivalents of RMB14.8 million due to the acquisition of property, plant and equipment; and (ii) increase in short-term interest-bearing bank and other borrowings of RMB104.2 million which were primarily for financing our working capital and construction of our Jiaxing Production Base in FY2024, which was partially offset by the decrease in trade and bills payables of RMB81.7 million which was mainly due to decrease in trade payables to our raw material suppliers.

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the years indicated:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows used in operating activities	(48,565)	(258,112)	(53,939)
Net cash flows from/(used in) investing activities	86,363	(14,516)	(93,781)
Net cash flows from financing activities	111,081	75,017	132,388
Cash and cash equivalents at beginning of year	198,509	346,823	148,386
Effect of foreign exchange rate changes, net	(565)	(826)	484
Cash and cash equivalents at end of year	**346,823**	**148,386**	**133,538**

Our cash and cash equivalents decreased from RMB346.8 million as of 31 December 2022 to RMB148.4 million as of 31 December 2023, and further to RMB133.5 million as of 31 December 2024 primarily due to (i) the increase in our investment in intangible assets, property, plant and equipment, and land use rights, and (ii) the changes in our cash used in operating activities; while partially offset by (iii) proceeds we received from our equity financing as well as bank borrowings. For details, see "Financial Information – Liquidity and Capital Resources" in this document.

The following table sets forth our key financial ratios as of each of the dates indicated:

	As of or for the year ended 31 December		
	2022	**2023**	**2024**
Net profit/loss margin [1] (%)	(145.3%)	(18.6%)	1.3%
Return on equity [2]	(149.7%)	(46.7%)	4.1%
Return on assets [3]	(16.7%)	(5.6%)	0.7%
Current ratio[4] (times)	1.0	1.0	1.0
Quick ratio[5] (times)	0.6	0.4	0.4
Gearing ratio[6] (%)	91.7%	98.1%	148.9%

Notes:

(1) Net profit/loss margin represents profit/loss for the financial year divided by revenue for the same financial year.

(2) Return on equity represents profit/loss for the financial year divided by total equity as at the end of the financial year.

(3) Return on assets represents profit/loss for the financial year divided by total assets as at the end of the financial year.

(4) Current ratio represents total current assets divided by total current liabilities as at the end of the financial year.

(5) Quick ratio represents total current assets less inventories divided by total current liabilities as at the end of the financial year.

(6) Gearing ratio represents total debt, including interest-bearing bank and other borrowings and lease liabilities, divided by total equity as at the end of the financial year.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Dr. Wang controlled approximately 38.7% of the voting power at the general meetings of our Company, comprising (1) approximately 36.8% beneficially owned by him directly and (2) approximately 1.9% beneficially owned by Tuoxian Technology, an employee share ownership platform which is controlled by Dr. Wang as its general partner. Upon the **[REDACTED]**, Dr. Wang will control approximately **[REDACTED]**% of the voting power at the general meetings of our Company, comprising (i) approximately **[REDACTED]**% beneficially owned by him directly and (ii) approximately **[REDACTED]**% beneficially owned by Tuoxian Technology, assuming the **[REDACTED]** is not exercised. Therefore, Dr. Wang and Tuoxian Technology are a group of our Controlling Shareholders as of the Latest Practicable Date and will be our single largest group of Shareholders upon the **[REDACTED]**. For details, see "Relationship with our Controlling Shareholders" in this document.

PRE-[REDACTED] INVESTMENTS

We have conducted several rounds of Pre-**[REDACTED]** Investments since the establishment of our Company. For details, see "History and Corporate Structure – Pre-**[REDACTED]** Investments" in this document.

RISK FACTORS

There are certain risks relating to our business operations. These can be categorised into (i) risks relating to our industry; (ii) risks relating to our business; (iii) risks relating to International Sanctions; (iv) risks relating to conducting business in the PRC and (v) risks relating to the **[REDACTED]**. We believe the most significant risks we face include but are not limited to the following:

- Demand for our products depends on, among other things, the trends and developments in the downstream industries, such as the aviation and aerospace, automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing sectors, and the condition of the global economy;

- The demand for our products depends on the trend and development of the five-axis CNC machine tools industry in China. There are uncertainties in future market demand and we cannot assure that we will continue to obtain sufficient purchase orders in the future;

- The lengthy process of delivery, installation, inspection and acceptance testing of our products may be longer than the agreed deadline pursuant to the sales contracts with our customers, and any delay thereof may affect our revenue recognition, liquidity and cash flow position, and results of our operation and may cause material fluctuation in our revenue in the future;

- Our products are subject to continuous technological change and evolution. Our R&D efforts may not yield the results as expected to maintain our market share and competitiveness in the five-axis CNC machine tools industry; and

- We relied on a concentration of major customers during the Track Record Period. If we fail to expand our customer base, or if our customers decrease their purchases, our business, results of operations, financial condition and prospects may be materially and adversely affected.

For details, see "Risk Factors" in this document.

USE OF [REDACTED]

We estimate that we will receive net proceeds from the **[REDACTED]**, after deducting the **[REDACTED]** fees and expenses payable by us in the **[REDACTED]**, of approximately HK$**[REDACTED]** million (i.e. approximately RMB**[REDACTED]** million), assuming (i) an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the midpoint of the indicative **[REDACTED]** range, and (ii) no exercise of the **[REDACTED]**. In line with our strategies, we intend to use our net proceeds from the **[REDACTED]** for the purposes set forth below:

- approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the net proceeds, will be allocated for R&D advancement;
- approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the net proceeds, will be allocated for expansion of sales and marketing network;
- approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the net proceeds, will be allocated for possible acquisitions and investments;
- approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the net proceeds, will be allocated for partial repayment of interest-bearing bank borrowings of our Group; and
- approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the net proceeds, will be allocated for working capital and general corporate purposes.

NON-COMPLIANCE MATTERS

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in "Business - Legal and Compliance", there were no material breaches or violations of the laws or regulations applicable to us that would have a material adverse impact on our business, results of operation and financial conditions taken as a whole.

[REDACTED] STATISTICS [1]

	Based on an [REDACTED] of HK$[REDACTED] per Share	**Based on an [REDACTED] of HK$[REDACTED] per Share**
	HK$'million	*HK$'million*
Market capitalization of our Domestic Shares[2]	**[REDACTED]**	**[REDACTED]**
Market capitalization of H Shares converted from Domestic Shares[3]	**[REDACTED]**	**[REDACTED]**
Market capitalization of our H Shares to be **[REDACTED]**[4]	**[REDACTED]**	**[REDACTED]**
Market capitalization of our Shares[5]	**[REDACTED]**	**[REDACTED]**
	HK$	*HK$*
[REDACTED] adjusted consolidated net tangible assets attributable to owners to the Company per Share[6]	**[REDACTED]**	**[REDACTED]**

Notes:

(1) All statistics in this table are on the assumption that the **[REDACTED]** is not exercised.

(2) The calculation of **[REDACTED]** is based on **[REDACTED]** Domestic Shares expected to be in issue immediately upon completion of the **[REDACTED]**.

(3) The calculation of **[REDACTED]** is based on **[REDACTED]** H Shares converted from Domestic Shares expected to be in issue immediately upon completion of the **[REDACTED]**.

(4) The calculation of **[REDACTED]** is based on **[REDACTED]** H Shares expected to be **[REDACTED]** immediately upon completion of the **[REDACTED]**.

(5) The calculation of **[REDACTED]** is based on **[REDACTED]** Shares expected to be in issue immediately upon completion of the **[REDACTED]**.

(6) The **[REDACTED]** adjusted consolidated net tangible assets per share is calculated based on total **[REDACTED]** shares in issue assuming the **[REDACTED]** had been completed on 31 December 2024, representing 343,951,790 shares in issue as at 31 December 2024, adjusted to reflect share split after the Track Record Period, **[REDACTED]** H shares to be issued pursuant to the **[REDACTED]**.

[REDACTED]

The total **[REDACTED]** payable by our Company are estimated to be approximately HK$**[REDACTED]** million, representing **[REDACTED]**% of the total gross **[REDACTED]** from the **[REDACTED]**, based on the assumption that the **[REDACTED]** is HK$**[REDACTED]** per H Share, being the mid-point of the indicative **[REDACTED]** range and that the **[REDACTED]** is not exercised. These **[REDACTED]** mainly comprise legal and other professional fees paid and payable to the professional parties, **[REDACTED]** payable to the **[REDACTED]**, and printing and other expenses for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**. We expect that approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million) of **[REDACTED]** will be charged to our statements of profit or loss and other comprehensive income. We expect that approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million) relating to **[REDACTED]** directly attributable to the issue of shares will be deducted from equity.

The following table sets forth a breakdown of the **[REDACTED]** for he **[REDACTED]** at the **[REDACTED]** of HK$**[REDACTED]** per Share (assuming the **[REDACTED]** is not exercised).

[REDACTED]	**Based on an [REDACTED] of HK$[REDACTED] per Share** *HK$'000*
Non-[REDACTED] related expenses	
Legal and audit expenses	**[REDACTED]**
Other expenses	**[REDACTED]**
[REDACTED] related expenses	**[REDACTED]**
Total	**[REDACTED]**

DIVIDEND POLICY

During the Track Record Period, no dividend has been paid or declared by our Company. In future, declaration and payment of any dividends would require the recommendation of the Board and at their discretion and any dividend will be subject to Shareholder's approval, but no dividend shall be declared in excess of the amount recommended by the Board. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future. As of the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

As advised by our PRC Legal Adviser, (i) when distributing each year's after-tax profits, the Company shall set aside 10% of its after-tax profits for the Company's statutory common reserve (except where such reserve has reached 50% of the Company's registered capital); (ii) if the Company's statutory common reserve is not enough to make up for its accumulated losses for the previous year, the current year's profits shall first be used for making up the accumulated losses before the statutory common reserve is set aside according to the method mentioned hereof; and (iii) after the Company has made an allocation to its statutory common reserve from its after-tax profit, subject to a resolution of the shareholders or the general meeting, the Company may make an allocation to a discretionary common reserve from the after-tax profits.

RECENT DEVELOPMENT

Our Directors confirmed that, up to the date of this document, there had been no material adverse change in the operational performance, financial or trading positions or prospects of our Group since 31 December 2024 (being the date of which our Group's latest audited financial statements were made up as set out in the Accountant's Report in Appendix I) and there had been no event since 31 December 2024 which would materially affect the information shown in "Financial Information" and the Accountant's Report in Appendix I to this document.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the **[REDACTED]** of, and permission to deal in, our H Shares to be issued pursuant to the **[REDACTED]** (including any additional H Shares which may be issued pursuant to the exercise of the **[REDACTED]** and the H Shares to be converted from Domestic Shares), on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue of RMB531.6 million generated in FY2024, and (ii) our expected market capitalization at the time of **[REDACTED]**, which, based on the low end of the **[REDACTED]** range, exceeding HK$4 billion.

In this document, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the **[REDACTED]**, a summary of which is set out in Appendix III to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the Board of Directors of our Company
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Chengdu Chenfei"	Chengdu Chenfei Zhijiang Technology Co., Ltd.* (成都辰飛智匠科技有限公司), a limited liability company established under the laws of the PRC on 18 January 2021, in which the Company holds 14.48% equity interest; and which is accounted for as an associate of the Company
"Chengdu Yongfeng"	Chengdu Yongfeng Technology Co., Ltd. (成都永峰科技有限公司), a limited liability company established under the laws of the PRC on 29 March 2013, in which the Company held 10.8% equity interest before its disposal in December 2024

"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this document only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"CIC"	China Insights Industry Consultancy Limited, an industry expert and Independent Third Party, hired to conduct an analysis of, and to report about China's five-axis CNC machine tool industry
"CIC Report"	an independent report prepared and issued by CIC with respect to this **[REDACTED]**
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company"	Shanghai Top Numerical Control Technology Co., Ltd. (上海拓璞數控科技股份有限公司), a limited liability company established in the PRC on 18 May 2007 and converted into a joint stock company with limited liability on 23 November 2016
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法) as amended, supplemented or otherwise modified from time to time, which was lately amended on 26 October 2018 to take effective on the same date
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Wang and Tuoxian Technology, and Controlling Shareholder shall mean any one of them

"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"CSDC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)" or "our Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary Shares in the share capital of our Company with a nominal value of RMB0.10 each, which are issued to domestic investors and subscribed for and paid up in RMB
"Dr. Wang"	Dr. Wang Yuhan (王宇晗), our co-founder, Controlling Shareholder, the chairman of our Board, executive Director and the general manager of our Company
"EEW"	EEW-PROTEC GmbH, a limited liability company incorporated under the laws of Germany on 19 June 1990 and a direct non-wholly owned subsidiary of our Company
"EIT"	enterprise income tax
"EIT Law"	Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
"ESG"	Environmental, Social and Governance
"Exchange Participant(s)"	a person: (i) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (ii) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	extreme conditions as announced by the government of Hong Kong in the case where a super typhoon or other natural disaster of a substantial scale serious affects the working public's ability to resume work or brings safely concern for a prolonged period

[REDACTED]	**[REDACTED]**
"Full Circulation"	the conversion of **[REDACTED]** Domestic Shares in aggregate held by the Full Circulation Participating Shareholders upon the completion of **[REDACTED]**. Such conversion of Domestic Shares into H Shares has been filed with the CSRC on [●] 2025 and CSRC has issued the filing notice in respect of the **[REDACTED]** dated [●] 2025; and an application for H Shares to be **[REDACTED]** on the Hong Kong Stock Exchange has been made to the **[REDACTED]** Committee
"Full Circulation Participating Shareholder(s)"	a total of **[REDACTED]** Domestic Shares held by 44 existing Shareholders
"FY2022"	the year ended 31 December 2022
"FY2023"	the year ended 31 December 2023
"FY2024"	the year ended 31 December 2024
"General Rules of **[REDACTED]**"	General Rules of **[REDACTED]** published by the Stock Exchange and as amended from time to time
[REDACTED]	**[REDACTED]**
"Group", "our Group", "we" or "us"	our Company and our subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**

[REDACTED]	**[REDACTED]**
"HK$" or "HK dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Exchange of Hong Kong Limited (as amended from time to time)
[REDACTED]	**[REDACTED]**

[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"IFRS"	Accounting Standards, as issued from time to time by the International Accounting Standards Board
"IIT Law"	the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》)
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules

[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the United Nations, the United States government, the European Union and its member states, the United Kingdom government, the government of Australia
"International Sanctions Legal Advisor"	Holman Fenwick Willan LLP, our legal advisors as to International Sanctions laws in connection with the **[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Jiaxing Production Base"	our production base in Jiaxing, Zhejiang Province, the PRC

"Jiaxing Top"	Top CNC Technology (Jiaxing) Co., Ltd. (拓璞數控技術(嘉興)有限公司), a limited liability company established under the laws of the PRC on 9 March 2023 and a direct wholly-owned subsidiary of our Company
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Joint Sponsor(s)"	the joint sponsors as named in the section headed "Directors and Parties Involved in the **[REDACTED]**"
"Latest Practicable Date"	18 May 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
"Minhang Production Base"	our production base in Guanghua Road, Minhang District, Shanghai, the PRC
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)

"Mr. Li YH"	Mr. Li Yuhao (李宇昊), our co-founder and an executive Director
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Overseas Listing Trial Measures"	The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》及五項配套指引) promulgated by the CSRC on 17 February 2023 and became effective on 31 March 2023

"PBOC"	the central bank of the People's Republic of China (中國人民銀行)
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles of the PRC
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Advisor"	Jingtian & Gongcheng, the PRC legal advisor to our Company
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"Pre-**[REDACTED]** Investor(s)"	the pre-**[REDACTED]** investors described in "History and Corporate Structure – Pre-**[REDACTED]** Investment"
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"QIBs"	qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act
"Regulation S"	Regulation S under the U.S. Securities Act

"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	the State Administration of Taxation of the PRC (中國國家稅務總局)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai PSCO"	PSCO (Shanghai) CNC Technology Co., Ltd. (普仕科(上海)數控科技有限公司), a limited liability company established under the laws of the PRC on 6 June 2019 and an indirect non-wholly owned subisidiary of our Company
"Shanghai Qianzhan"	Shanghai Qianzhan Innovation Research Institute Co., Ltd. (上海前瞻創新研究院有限公司), a limited liability company established under the laws of the PRC on 8 January 2019, in which the Company held 10% equity interest and was accounted for as an associate of the Company before its disposal in May 2023
"Shanghai Top"	Shanghai Tuopu CNC Technology Co., Ltd. (上海拓璞數控科技有限公司), a limited liability company established under the laws of the PRC on 18 May 2007 and the predecessor of our Company
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB0.10 each, comprising Domestic Shares and H Shares
"Shareholders(s)"	holder(s) of the Share(s)

"SJTU"	Shanghai Jiao Tong University (上海交通大學)
"sq. m."	square metre(s)
"Stabilizing Manager"	[●]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	supervisor(s) of our Company
"Suzhou Top"	Suzhou Top Technology Co., Ltd. (蘇州拓璞科技有限公司), a limited liability company established under the laws of the PRC on 20 June 2022 and a direct wholly-owned subsidiary of our Company
"Takeovers Code" or "Hong Kong Takeovers Code"	The Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Top Software"	Shanghai Top Software Technology Co., Ltd. (上海拓璞軟體技術有限公司), a limited liability company established under the laws of the PRC on 10 August 2011 and a direct wholly-owned subsidiary of our Company
"Track Record Period"	the three years ended 31 December 2022, 2023 and 2024
"Tuoxian Technology"	Shanghai Tuoxian Technology Partnership (Limited Partnership) (上海拓賢科技合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on 19 December 2018, an employee share ownership platform controlled by Dr. Wang, and is one of our Controlling Shareholders
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Zhongtuo Technology"	Zhongtuo Technology (Jiangsu) Co., Ltd. * (眾拓航空航天科技(江蘇)有限責任公司), a limited liability company established under the laws of the PRC on 31 January 2018, in which the Company holds 18% equity interest
"Zhuanqiao Production Base"	our production base in Zhuanqiao Town, Minhang District, the PRC
"%"	percent

In this document, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "subsidiaries" and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages; in the event of any inconsistency, the Chinese versions shall prevail.

This glossary contains explanations of certain terms used in this document in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"3C electronics"	the abbreviation for "computer, communication and consumer"
"3D-printed cellular"	3D printing of lattice structures
"AI"	the abbreviation for "artificial intelligence"
"arc-second"	a unit of measurement of plane angle, equal to 1/3600 of a degree and 1/1296000 of a full rotation
"boring"	a machining process used to enlarge, finish, or accurately size a pre-existing hole in a workpiece, typically using a single-point cutting tool that rotates and removes material along the inner diameter of the hole, often employed to improve hole precision, straightness, or surface finish
"C909"	Comac 909, originally named ARJ21 (Advanced Regional Jet for 21st Century), a regional jet airliner developed by Commercial Aircraft Corporation of China, Ltd., and was granted the commercial name "C909" in November 2024
"C919"	Comac C919, a narrow-body airliner developed by Commercial Aircraft Corporation of China, Ltd.
"C929"	Comac C929, a wide-body airliner developed by Commercial Aircraft Corporation of China, Ltd.
"computer-aided design (CAD)"	the use of computer software to create, modify, analyze, or optimize technical drawings and designs, enabling precise visualization and documentation of objects or structures in various industries
"computer-aided engineering (CAE)"	the use of computer software to simulate, analyze, and optimize engineering processes and designs, enabling the prediction of product performance, identification of potential issues, and improvement of design efficiency in various industries
"CAGR"	the abbreviation of "compound annual growth rate", which is calculated by dividing the amount at the end of the period by the amount of the beginning of that period, raising the result to an exponent of one divided by the number of years in the period, and subtracting one from the subsequent result

"carbon fiber composite"	a composite in which at least one of the fillers is carbon fibers, either short or continuous, unidirectional or multidirectional, woven or nonwoven
"CMTBA"	the abbreviation for "China Machine Tool & Tool Builders Association"
"CNC"	the abbreviation for "computerized numerical control"
"controller"	a device that uses pre-programmed software or numerical codes to manage and coordinate the movement, speed, and operation of machine tools, ensuring precise and efficient manufacturing processes
"cutting tool"	a specialized instrument installed on the machine tool used in machining processes to remove material from a workpiece to achieve precise shapes, dimensions, and surface finishes, typically made of hard materials
"crossbeam"	a horizontal structural component that spans across the vertical columns or supports of the machine tool, which typically holds or guides moving parts to ensure precise horizontal movement and alignment during machining operations
"column"	a vertical structural pillar that provides rigid support for key components to maintain structural stability and guides vertical during machining processes
"direct numerical control (DNC)"	a manufacturing system where multiple machine tools are controlled directly by a central computer, which sends real-time instructions and coordinates their operations without intermediate data storage on individual machines
"digital twin technology"	a technology that creates a virtual replica of a physical asset, process, or system, using real-time data to simulate its behavior, monitor performance, predict failures, and optimize operations throughout its lifecycle
"drilling"	a machining process using a rotating drill bit to create cylindrical holes in a workpiece by removing material through cutting or abrasion

"dual five-axis mirror milling machine"	a specialized milling machine equipped with two five-axis machining units that operate in a coordinated, mirrored manner to simultaneously machine both sides of a symmetrical workpiece, improving efficiency and precision
"encoder"	a device that converts mechanical motion into electrical signals, providing real-time feedback on position, speed, or direction to a machine tool's control system for precise motion control
"ERP"	enterprise resource planning systems that integrate internal and external management information across an entire organisation, embracing finance and accounting, manufacturing, sales and service and customer relationship management, and automate these activities with an integrated software application
"feed axes"	the linear or rotational axes that control the movement of the workpiece or tool relative to each other, determining the path and speed of material removal during machining
"feed rate"	the relative velocity at which the cutter is advanced along the workpiece
"fixture"	a work-holding device used in manufacturing to securely position and clamp a workpiece during machining, assembly, or inspection, ensuring accuracy and repeatability
"five-axis RTCP accuracy"	refers to the precision of a five-axis CNC machine tool in maintaining the rotation tool center point functionality, which ensures the tool tip remains at a fixed point relative to the workpiece during simultaneous multi-axis movements, compensating for rotational axis errors to maintain machining accuracy
"friction stir welding five-axis machine tool"	a specialized five-axis CNC machine tool designed for friction stir welding, a solid-state welding process that uses a rotating tool to generate heat through friction, plasticizing materials at the joint interface for welding without melting, enabling complex trajectory control for welding curved or three-dimensional components
"FVTPL"	the abbreviation for "fair value through profit and loss"

"GACC"	the abbreviation for "General Administration of Customs China"
"grating ruler"	an optical measuring device consisting of a scale with fine parallel lines and a readhead that detects changes in light interference to provide precise linear position feedback for machine tools
"ISO"	the International Organisation for Standardisation, an independent non-governmental organisation based in Geneva, Switzerland, which develops international standards relating to specifications for products, services and systems to ensure quality, safety and efficiency
"kg"	the abbreviation for "kilogramme(s)"
"linear axis feed rate"	the speed at which a linear axis of a machine tool moves the workpiece or tool along its designated path during machining
"localization rate"	the proportion of market share held by domestic suppliers within the industry
"low-altitude economy"	economic activity in the airspace below 1,000 meters
"manufacturing automation protocol (MAP)"	a standardized communication protocol developed for intelligent manufacturing systems, enabling interoperability and data exchange between different devices to coordinate production processes
"machine tool bed"	the foundational structural component of a machine tool, providing a rigid and stable base for mounting other components and supporting the workpiece during machining to minimize vibration and ensure accuracy
"milling"	a machining process in which a rotating multi-tooth cutter removes material from a workpiece to create flat surfaces, slots, contours, or complex shapes
"MIIT"	the abbreviation for "Ministry of Industry and Information Technology"
"MIR"	the abbreviation for "Marketing Intelligence Resource"

"modulus of elasticity"	a quantity that describes an object's or substance's resistance to being deformed when a stress is applied to it
"Nm"	newton meter, a unit of measurement of torque, equal to the torque resulting from a force of one newton applied perpendicularly to the end of a moment arm that is one meter long
"processing stroke range"	the maximum and minimum travel limits of a machine tool's moving components during machining, defining the spatial scope within which material can be processed
"polyacrylonitrile (PAN)"	a synthetic, semicrystalline organic polymer resin
"Recommend Standard 232 (RS-232)"	a serial communication standard specifying electrical characteristics, voltage levels, and data formats for transmitting data between devices, typically used for short-distance communication in industrial control systems
"Recommend Standard 485 (RS-485)"	a serial communication standard designed for multi-device, long-distance data transmission in balanced mode, supporting higher noise immunity and longer cable lengths than RS-232
"reference error"	the discrepancy between a measured value and a reference value in a machine tool or measurement system, often caused by mechanical wear, thermal expansion, or calibration issues
"riveting"	a mechanical joining process in which a rivet is inserted through holes in multiple workpieces and deformed to clamp the pieces together, creating a permanent joint
"rotary axis"	a rotational motion axis in a machine tool that enables the workpiece or tool to rotate around a linear axis, allowing for multi-axis machining of complex curved surfaces
"rotary axis positioning accuracy"	the degree of precision with which a rotary axis can achieve and maintain a specified rotational position, typically measured as the deviation from the nominal position due to mechanical tolerances or control system errors
"RTCP"	the abbreviation for "rotation tool center point"

"R&D"	the abbreviation for "research and development"
"saddle"	a movable component in machine tools that supports the cross-slide or table and slides along the bed, enabling horizontal movement perpendicular to the main cutting direction
"thermal expansion coefficient"	a coefficient of thermal expansion describes how the size of an object changes with a change in temperature
"turning"	a machining process where a workpiece rotates on a lathe, and a stationary cutting tool removes material to create cylindrical or rotational shapes, typically used for symmetrical parts
"tool spindle"	the rotating component of a machine tool that holds and drives the cutting tool, providing rotational speed and torque for material removal
"tool interference"	a situation where the cutting tool, tool holder, or machine component comes into unintended contact with the workpiece, fixture, or other parts of the machine during machining, potentially causing damage, errors, or safety hazards
"UAV"	the abbreviation for "unmanned vehicle system", an aircraft that operates without a human pilot on board, controlled remotely or autonomously
"μm"	micrometer, a unit of measurement of length, equal to one-millionth of a meter

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this document. Forward-looking statements can be identified by words such as "may", "will", "should", "would", "could", "believe", "expect", "anticipate", "intend", "plan", "continue", "seek", "estimate", or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our business prospects;
- our business strategies and plans to achieve these strategies;
- future developments, trends and conditions in and competitive environment for the industries and markets in which we operate;
- general economic, political and business conditions in locations where we operate;
- our financial condition and performance;
- our capital expenditure plans;
- our dividend policy;
- changes to the regulatory environment, policies, operating conditions of and general outlook in the industries and markets in which we operate;

- our expectations with respect to our ability to acquire and maintain regulatory licences or permits;
- the amount and nature of, and potential for, future development of our business;
- the actions of and developments affecting our competitors;
- the actions of and developments affecting our major customers and suppliers; and
- certain statement in the sections headed "Risk Factors", "Industry Overview", "Regulatory Overview", "Business", "Financial Information", "Relationship with our Controlling Shareholders" and "Future Plans and Use of **[REDACTED]**" with respect to trends in interest rates, foreign exchange rates, prices, volumes, operations, margins, risk management and overall market trends.

Any forward-looking statement made by us in this document speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the trading price of our H Shares could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.

We believe there are certain risks and uncertainties involved in our operations and the industry, some of which are beyond our control. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial conditions and results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISKS RELATING TO OUR INDUSTRY

Demand for our products depends on, among other things, the trends and developments in the downstream industries, such as the aviation and aerospace, automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing sectors, and the condition of the global economy.

We supply our products to downstream customers which are engaged in sectors such as aviation and aerospace, automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing. As such, demand for our products is closely correlated to the market development of these industries, which in turn depends on the respective demand for the products in these industries. Hence, the product lifecycle of the products in these industries will also have a corresponding effect on the demand for our products.

Factors affecting our downstream industries are beyond our control. If any factor occurs in the future which results in material slowdown of any or all of our major downstream industries, or the growth of our downstream industries is not sustained, our business, financial condition, results of operations and prospects may be materially and adversely affected. In particular, during the Track Record Period, we generated most of our revenue from the sales of aviation and aerospace intelligent manufacturing equipment. Therefore, if the aviation and aerospace sector experience any slowdown in the future and that the future demand for our aviation and aerospace intelligent manufacturing equipment decreases for any reason, our business, results of operations and financial condition may be materially and adversely affected.

The demand for our products depends on the trend and development of the five-axis CNC machine tools industry in China. There are uncertainties in future market demand and we cannot assure that we will continue to obtain sufficient purchase orders in the future.

The demand for our products depends on the general market demand for five-axis CNC machine tools in China. The five-axis CNC machine tool market in China is emerging, characterised by changing market demand, evolving technologies, shifting government policies, regulatory changes and intense competition. Development of the five-axis CNC machine tool market depends on several key factors including (i) continuous government support through subsidies and purchase incentives, (ii) receptivity of five-axis machine tools in the general industrial market due to its high technical complexity and (iii) ongoing industrial structure upgrading in China towards high-end manufacturing.

Furthermore, a significant portion of our revenue is generated from the sales of aviation and aerospace intelligent manufacturing equipment, which depends on the rocket launches and commercial spaceflight and civil aviation market in China. Hence, our business is also highly dependent on the favourable government policies and development plans towards this industry.

If there are major changes in the future development trends in the five-axis CNC machine tools industry in China, or our downstream industries such as the aviation and aerospace sector, or the market demand does not grow as we expected, our business, financial condition, results of operations, and prospects will be materially and adversely affected.

Our business depends on the PRC government policies supporting the China's five-axis CNC machine tool industry which the PRC government could change or eliminate.

The China's five-axis CNC machine tool industry is an emerging industry. In recent years, the PRC government has introduced a series of supportive policies which emphasise the intelligent manufacturing and the autonomous development of high-end equipment, and facilitating machine tool renewal and consumption. For example, in March 2024, the SAMR and six other departments jointly released "the Action Plan for Optimising Standards Regulating Equipment Renewals and Trade-ins of Consumer Goods" (《以標準提升牽引設備更新和消費品以舊換新行動方案》), which proposed the development and implementation of standards for large-size, high-precision, and high-complexity CNC machine tools, and promoted equipment upgrades and remanufacturing. Furthermore, in August 2024, the State Council and the National Development and Reform Commission jointly issued "the Guidelines on Regulating Procurement Management of Central Enterprises" (《關於規範中央企業採購管理工作的指導意見》), requiring central enterprises to take the lead in adopting innovative products, especially in key fields such as high-end CNC machine tools, thereby providing strong policy support for the development of five-axis CNC machine tools.

Government policies supporting domestic five-axis CNC machine tools may be subject to restrictions and changes beyond our control and the PRC government may adjust and modify them at any time. Any cancellation or reduction of the favourable government policies such as subsidies and economic incentives due to policy changes, fiscal tightening or otherwise could weaken the competitiveness of China's five-axis CNC machine tools industry, which may have a material and adverse effect on our business, financial condition and results of operations.

We are in an emerging industry where technologies used in five-axis CNC machine tools may not be mature. Any major product defects, malfunctions or negative news concerning the five-axis CNC machine tools industry may damage our reputation and adversely affect our business, financial condition and results of operations.

At present, the five-axis CNC machine tool market in China is emerging, where technologies used in five-axis CNC machine tool including the use of new materials and structural designs may be immature. Although our production workflow integrates regular quality checkpoints and we have rigorous quality assurance process for our finished products, errors, defects, or poor performance can arise due to design flaws, defects in parts and components or manufacturing difficulties, which can affect the quality and performance of our products.

Products which are newly commercialised or latest technologies which are newly developed may contain potential technical errors. Any actual or perceived errors, defects, or poor performance in our products could result in the replacement, repairment or rejection of our products, delivery delays, lost revenue, increases in customer service and support costs and damage to our reputation, all of which could have a material adverse effect on our business. In addition, defects or other problems experienced by other companies in the five-axis CNC machine tools, any negative news or incidents about the five-axis CNC machine tools could lead to unfavourable market reputation for the industry as a whole and may have an adverse effect on the market demands and our ability to attract new customers, thus harming our business growth and financial performance.

We face intense competition in the industry. If we fail to compete successfully, our business and results of operations may be materially and adversely affected.

We are a leading enterprise in China's aviation and aerospace five-axis CNC machine tool market, with expanding presence in the general industrial sector. We currently face, and will continue to face, significant competition from domestic and overseas competitors. According to the CIC Report, foreign competitors from Germany and Japan, with their first-mover advantages and advanced technological capabilities, are dominating the five-axis CNC machine tool market in the PRC. While domestic Chinese enterprises have achieved notable progress in R&D in recent years, they still face challenges in terms of brand recognition, product stability and precision compared to international competitors. In the event that we fail to compete effectively with our major domestic and overseas competitors, our market share and profit margins may decline and our business, results of operations and financial condition may be materially and adversely affected.

Our competitors, including the international market players, may have substantially more financial resources, R&D capabilities, longer operating histories and broader product application. We may be unable to compete successfully against these competitors or new market entrants, which may adversely affect our business and financial performance. Any failure by us to successfully react to changes in alternative technologies and competitive market conditions could materially harm our competitive position and growth prospects.

RISKS RELATING TO OUR BUSINESS

The lengthy process of delivery, installation, inspection and acceptance testing of our products may be longer than the agreed deadline pursuant to the sales contracts with our customers, and any delay thereof may affect our revenue recognition, liquidity and cash flow position, and results of our operation and may cause material fluctuation in our revenue in the future.

During the Track Record Period, we generally recognised revenue when control of goods or services is transferred to the customers, namely upon receipt of our customer's acknowledgement and acceptance of our products after successful completion of the lengthy process of delivery, installation, inspection and acceptance testing of our products. The actual time of delivery, installation, inspection and acceptance testing of our products may be delayed for reasons beyond our control. For example, delays may arise from unforeseen logistical disruptions. Time needed for inspection and acceptance testing may also be longer because our products are custom-made and subject to detailed specification requirements of the customers. There is no assurance that our products can be delivered, installed, inspected, tested and accepted according to the agreed deadline under the sales contract. Any delay in the above process may result in a delay in the timing of revenue recognition of our sales of these products and may adversely affect our operational performance and financial results.

Given the lengthy process from commencement of our production to completion as discussed above, the potential of disagreement on the technical specification, quality of our products and timetable between our customers and our Company would naturally increase as time goes by. During the Track Record Period, we have experienced delay in delivery against the agreed deadline with our customers, leading to an incident of a delayed delivery penalty of RMB8.1 million to Customer E (one of our top five customers in FY2023) in FY2023. For details, please refer to the section headed "Financial Information – Inventories". There is no guarantee that any delay in delivery would not result in our customers enforcing the penalty clause in the future. If any customer attempts to enforce the penalty clause or cancel sales contracts with us, our results of our operation may be adversely affected.

In addition, the above lengthy process of delivery also results in our inventory being kept by us for a long period before our products are transferred to the customers at the time of acceptance. We have recorded a relatively long inventory turnover days of 916 days, 849 days and 583 days for FY2022, FY2023 and FY2024, respectively. Any increase in inventories and inventory turnover days may adversely affect the sufficiency of our working capital. If we cannot manage our inventory level efficiently in the future, our liquidity and cash flow may be adversely affected.

Our products are subject to continuous technological change and evolution. Our R&D efforts may not yield the results as expected to maintain our market share and competitiveness in the five-axis CNC machine tools industry.

R&D and technological innovation is critical to the improvement of our product quality and performance, and we compete on performance parameters such as operational speed, precision and working range. We have been investing heavily on our R&D efforts. In FY2022, FY2023 and FY2024, we incurred R&D expenses of RMB108.4 million, RMB89.9 million and RMB85.9 million, respectively.

With the ongoing industrial structure upgrade in China, we need to continuously invest significant resources in R&D to lead technological advances and remain competitive in the market. Therefore, we expect that our R&D expenses will continue to be significant to execute our strategies. However, R&D activities are inherently uncertain, and we cannot assure that we will continue to achieve technological breakthroughs and successfully commercialise such breakthroughs. Our significant expenditures on R&D may not generate corresponding benefits. If our R&D efforts fail to keep up with the latest technological developments or we fail to meet customer or industry standards in a timely manner or at all after product prototyping and validation, we would suffer from a decline in our competitive position. For instance, we have dedicated significant efforts in the R&D of expanding the product portfolio of our compact general industrial five-axis machine tools and large-span carbon fiber composite five-axis machine tools. Any delay or setbacks in our efforts to commercialise, upgrade and improve our products and their functionality could materially and adversely affect our business, market share, results of operations and product development efforts. Furthermore, we cannot assure you that we will be able to successfully develop our future products with advanced technologies in time or at all. Even if we can keep pace with changes in technologies and develop new products, our prior products could become obsolete more quickly than expected, potentially reducing our return on investment.

We may not be able to obtain or maintain adequate intellectual property rights protection for our products, or the scope of such protection may not be sufficiently broad.

Our success depends in a large part on our ability to protect our core proprietary technologies as well as our products from competition by obtaining, maintaining and enforcing our intellectual property rights. We have been protecting the proprietary technologies that we consider commercially important by, among others, filing patent applications in China and other jurisdictions. As of the Latest Practicable Date, our Group had over 80 registered patents and filed over 40 patent applications which were pending approval. For details, see "Business — Intellectual Property Rights" in this document. The patent application process may be expensive and time-consuming, and we may not be able to file all necessary or desirable patent applications at a reasonable cost or in a timely manner, if at all. In addition, we may fail to identify patentable aspects of our R&D outputs. As a result, we may not be able to prevent competitors from developing and commercialising competitive products in all such fields.

Patents may be invalidated, and patent applications may not be granted for several reasons, including known or unknown prior deficiencies in the patent application or the lack of novelty of the underlying invention or technology. Even if our patent applications are successfully granted, such grant may not be in a form that can provide us with meaningful protection, prevent competitors from competing with us, or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. Therefore, the grant of a patent application is not conclusive as to its inventor, scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in China and/or other jurisdictions.

Further, although various extensions may be available, the life of a patent and the protection it affords are limited. For example, from the date of application, invention patents are valid for 20 years, utility model patents are valid for 10 years, and design patents filed since 1 June 2021 are valid for 15 years. We may face competition for any approved products even if we successfully obtain patent protection once the patent life expires for such products. Any of the foregoing could materially and adversely affect our business, results of operations, financial condition and competitive position.

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful. Our patent rights relating to our products could be found invalid or unenforceable if being challenged in court or before the China National Intellectual Property Administration or similar intellectual property agencies in other jurisdictions.

Competitors may infringe upon our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorised use, litigation may be necessary to enforce or defend our intellectual property rights, protect our trade secrets, or determine the validity and scope of our own intellectual property rights or the proprietary rights of others. This can be expensive and time-consuming. Any claims that we assert against perceived infringers may provoke these parties to assert counterclaims against us alleging that we infringe upon their intellectual property rights. Many of our existing and potential competitors have greater resources to enforce and/or defend their intellectual property rights than we do. We may not be able to prevent third parties from infringing upon or misappropriating our intellectual properties. An adverse result in any litigation proceeding could put our patents, as well as any patents that may be granted in the future from our pending patent applications, at risk of being invalidated, held unenforceable or narrowly interpreted.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigations, some of our confidential information could be compromised by disclosure during litigation. Defendant counterclaims alleging invalidity or unenforceability are commonplace and can be asserted on numerous grounds. Third parties may also raise similar claims before administrative bodies in China or other jurisdictions, even outside the context of litigation. Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our existing and/or future products. The outcome following legal assertions of invalidity and unenforceability is unpredictable. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our existing and/or future products, which could materially and adversely affect our business, results of operations and financial condition.

We relied on a concentration of major customers during the Track Record Period. If we fail to expand our customer base, or if our customers decrease their purchases, our business, results of operations, financial condition and prospects may be materially and adversely affected.

Our success depends on our ability to maintain strong customer relationships. Our ability to maintain strong customer relationships depends on a number of factors, including our ability to offer products which address the machining needs of our customers, effective marketing and sales strategies and high-quality customer support. Any failure to execute these strategies successfully could impede our ability to expand our customer base.

Additionally, revenue contribution from our five largest customers in each year during the Track Record Period accounted for 98.3%, 92.7% and 79.5% of our total revenue in FY2022, FY2023 and FY2024, respectively. Revenue contribution from our largest customer in each year during the Track Record Period accounted for 50.5%, 58.4% and 24.4% of our total revenue in FY2022, FY2023 and FY2024, respectively. For details, see "Business – Our Customers" in this document. Our results of operation and financial condition will continue to depend on (i) our ability to continue to obtain orders from these major customers, (ii) the financial condition and machining needs of these customers, and (iii) factors which affect the development of our various downstream industries particularly the aviation and aerospace sector. Any material delay, cancellation or reduction of sales orders from our major customers could cause our sales volume to decline significantly, and in any such event, our results of operations may be materially and adversely affected. Furthermore, as we generally supply our products to our customers on an order-by-order basis, we cannot assure you that our existing major customers will continue to place orders with us at historical levels, nor can we assurance that we are able to secure comparable levels of business from our other customers to offset any loss of revenue from losing one or more of these major customers.

Our products generally have relatively long designed useful lives which may lead to a relatively long average replacement cycle.

Our products generally have relatively long designed useful lives of seven to ten years. Our products may also be adjusted to manufacture a variety of workpieces depending on the needs and requirements of the customers by replacing or adding certain parts and components. As such, the average replacement cycle for our products is relatively long. Nevertheless, the product lifecycle of our products largely depends on the market demand for certain models of our products and the specific machining needs and requirements of customers engaged in various downstream industries. We cannot assure you that we can obtain new sales orders from our existing customers, or engage new customers or develop new products that fulfil the evolving technical and production requirements of our existing and new customers. In such event, our business, results of operations and financial condition may be materially and adversely affected.

We may be unable to effectively manage the supply and quality of our principal parts and components, and any price fluctuations of the principal parts and components used in our production may increase our production costs, which may materially and adversely affect our profit margin and results of operations.

The principal parts and components we use in our production mainly comprise control systems, structural components such as machine tools beds and machine tool accessories, and mechanical components such as controllers, rotary axes and spindles, which may be subject to price fluctuations or shortages. For FY2022, FY2023 and FY2024, raw materials amount to approximately 81.7%, 90.1% and 87.4% of our total cost of sales, respectively. Any sudden or significant increases in the prices of our principal parts and components for our production may materially and adversely affect our profit margin and results of operations. There is no assurance that the prices of our principal parts and components will remain stable in the future, or that any price increases will not lead to unexpected and potentially significant increases in our production costs. We also cannot assure that we will be able to transfer the increase in production costs to our customers without affecting our sales volume in the future. If we are unable to increase the prices of our products to set-off any increases in our costs of parts and components in a timely manner, our profit margin and results of operations may be materially and adversely affected.

In addition, if any of our suppliers fails to provide the required amount of parts and components meeting our quality standards, we may need to source parts and components from other suppliers, which may result in additional costs and delay in the delivery of our products to our customers and our business, results of operations and financial condition may be materially and adversely affected.

We may be subject to financial and reputational risks due to failure to maintain effective quality control, which may lead to product recalls, product liability claims and order adjustment and may have a material adverse effect on our business, reputation, financial condition and results of operations.

Our products are technically complex and may be subject to failure, accidents or other malfunctions. There is no assurance that we will not be involved in those events in the future. Therefore, our product quality is critical to our success.

The effectiveness of our quality management system depends on a number of factors, including the quality of our product design, the raw materials used, the quality control measures throughout our entire production process, the quality of our staff and related training programmes and our ability to ensure that our employees adhere to our production handbook and quality control policies. We cannot assure you that our quality control system will continue to be effective. For details, see "Business – Quality Control" in this document. Any significant failure in or deterioration of the efficacy of our quality control system could lead to product recalls, product quality claims and order adjustment, which could in turn have a material adverse effect on our business, regulation, financial condition and results of operations.

We may not be able to fully maintain quality control over our products.

The quality of parts and components we procured from our suppliers and manufacturing partners is beyond our control. We cannot assure you that the parts and components we procure from them are safe and free of defects or can meet the relevant quality standards. We depend on the quality control procedures of our suppliers and manufacturing partners. In the event of any quality issues, we could be subject to complaints and product liability claims and we may not be able to seek indemnification from them. If we engage in legal proceedings against our suppliers and manufacturing partners, such proceedings may be time-consuming and costly regardless of the outcomes. Any of the foregoing incidents may materially and adversely affect our business, results of operations and financial condition.

If we fail to effectively manage our inventories or estimate accurately the demand for our products, we may end up with significant excess inventories which may materially and adversely affect our business, results of operations and financial condition.

We typically make our production plans based on our production schedules. In order to ensure the sufficiency of our production capacities and timely delivery of products, we generally stock commonly-used parts and components to facilitate rapid assembly. As at 31 December 2022, 2023 and 2024, our inventories amounted to RMB443.5 million, RMB588.5 million and RMB486.1 million, respectively, representing 45.3%, 62.3% and 65.4% of our total current assets, respectively. As at 31 December 2022, 2023 and 2024, we incurred provision for impairment losses on inventories of RMB107.9 million, RMB74.2 million and RMB48.8 million. For FY2022, FY2023 and FY2024, our inventory turnover days were 916, 849 and 583 days, respectively. For the details of our average inventory turnover days, please see "Financial Information – Description of Selected Items of Consolidated Statements of Financial Position – Inventories" in this document.

We cannot assure you that we will not experience any slow movement of inventories, which may result from our reduced sales of our products or incorrect estimation of the market demand for our products. Considering that we have a relatively significant balance of inventories, if we fail to manage our inventories effectively or are unable to dispose of excess inventories, we may face a heightened risk of inventory obsolescence and/or significant inventory writedowns, which may impose pressure on our operating cash flow, and materially and adversely affect our business, results of operations and financial condition.

If we are unable to attract, retain and motivate key individuals, our business, results of operations and financial condition would be materially and adversely affected.

Attracting and retaining key individuals, such as key management, R&D team members, operational staff and sales representatives, are critical to our business, and in particular, to our R&D endeavours, and the successful commercialization of our products. The competition for highly skilled employees in our industry is increasingly intense. Changes in our management team would also disrupt our business. Our senior management team has significant industry experience, which makes them instrumental to our success. For details, see "Directors and Senior Management" in this document Changes in our management team may occur from time to time, and we cannot predict whether significant resignations will occur or whether we will be able to recruit qualified replacement. In addition, changes in the interpretation and application of employment-related laws to our workforce practices may result in increased operating costs and less flexibility in how we meet our changing workforce needs. For details, see "Regulatory Overview – PRC Laws and Regulations – Laws and Regulations in Relation to Labour Protection, Social Insurance and Housing Provident Funds" in this document. To help attract, retain and motivate key individuals, employee incentives such as share incentive schemes have been, and will continue to be, an important part of our compensation. Our employee recruitment and retention also depend on our ability to build and maintain a diverse and inclusive workplace culture and be viewed as an employer of choice. If our share-based payments or other compensation programmes and/or workplace culture cease to be viewed as competitive, our ability to attract, retain and motivate key individuals would be weakened, which would in turn materially and adversely affect our business, results of operations and financial condition.

Any unanticipated lease terminations, as well as challenges in renewing existing premises at favourable terms, could have a material adverse effect on our business. Non-registration of lease agreements may subject us to fines.

As of the Latest Practicable Date, we maintained seven leased properties in the PRC and one leased property in Germany, mainly used as production base, office, warehouse and staff dormitories. For details, see "Business – Properties – Leased Properties" in this document. Our leases may be terminated unexpectedly due to various reasons, such as the landlord opting to repurpose the property, financial disputes, or breaches of lease terms. Such terminations could force us to find alternative premises quickly, potentially at higher costs or less favourable locations, impacting our operational efficiency and increasing costs. When leases on critical properties come up for renewal, there may be challenges in renegotiating terms that are as favourable as the original lease. Lessors may demand higher rent, more stringent lease conditions, or shorter lease durations. Inflationary pressures or changes in the real estate market could also exacerbate this issue, leading to increased operational costs and potentially limiting our flexibility in business operations. In addition, pursuant to the applicable PRC laws and regulations, both lessors and lessees are required to file the lease agreements with relevant authorities for record and obtain property leasing filing certificates for their leases. As of the Latest Practicable Date, certain of our leases in the PRC had not been filed with the governmental authorities. The failure to file and obtain property leasing filing certificates for such three leases, as required under PRC laws, may subject us to a fine ranging from RMB1,000 to RMB10,000 for each lease agreement not registered and filed.

We currently carry out our production operations at our two production bases, namely Minhang Production Base and Jiaxing Production Base, and any material disruptions of our operation of our production base may materially and adversely affect our business, results of operations and financial condition.

Our operations are subject to uncertainties and contingencies beyond our control that may result in material disruptions in our operations and adversely affect our business. These include industrial accidents, fires, floods, droughts, storms, earthquakes, natural disasters and other catastrophes, equipment failures or other operational problems, strikes or other labour difficulties. We currently produce our products at our Minhang Production Base and Jiaxing Production Base. If there is any damage to our existing production base due to the above incidents, we may not be able to remedy such situations in a timely and proper manner, and our production may be materially and adversely affected. Any breakdowns in or malfunction of any of our production machinery and equipment may also cause a material disruption to our operations. Any such disruption to our operations may cause us to reduce or halt our production, prevent us from meeting orders from our customers, adversely affect our business reputation, increase our cost of sales or require us to make unplanned capital expenditures, any one of which may materially and adversely affect our business, results of operations and financial condition.

We cannot guarantee that our growth strategies will be successfully implemented or bring about outcomes as we expected.

We continue to execute a number of strategies to expand our business. For details, see "Business – Our Strategies" and "Future Plans and Use of **[REDACTED]**" in this document. However, expanding our business involves risks and challenges. These business initiatives are new and evolving, some of which may prove unsuccessful. It may also take a longer time than expected for us to develop the technologies and build market acceptance of our products, and we may not have sufficient experience in executing these new business initiatives effectively. We cannot assure you that any of these new business initiatives will achieve our expected market acceptance and generate desired outcome. If our efforts fail to enhance our monetization abilities, we may not be able to maintain or increase our revenues or recover any associated costs, and our business, results of operations and financial condition may be materially and adversely affected.

Our business and prospects depend on our ability to build our brand and reputation, which could be harmed by negative publicity regarding our brand, Directors, employees, or products, whether warranted or not.

We believe that maintaining and enhancing our brand is of significant importance to the success of our business. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position. The successful promotion of our brand will depend on the effectiveness of our sales and marketing efforts. We may incur extra expenses in promoting our brand. However, we cannot assure you that these activities are and will be successful or that we can achieve the brand promotion effect we expect. In addition, negative publicity about our brand, Directors, employees, or products, whether warranted or not, may adversely affect our brand, reputation and business. Certain of such negative publicity may come from malicious harassment or unfair competition acts by third parties, which are beyond our control.

There is uncertainty as to the tender success rate of our Group in the future.

Due to our industry nature, part of our revenue is derived from contracts awarded through tendering and such contracts are not recurring in nature. During the Track Record Period, our tender success rates were approximately 33.3%, 22.7% and 20.0%, respectively. We cannot guarantee that we will be invited to participate in the tender process and even if we are invited, our tender success rate is influenced by the following factors which may be out of our control, including (i) our production capacity; (ii) the number of tenders submitted by our Group and (iii) the pricing and other terms and conditions offered by our competitors. Therefore, we cannot assure you that we will succeed in the tender process and we may not be able to maintain or increase our tender success rate.

We recorded a net loss in FY2022 and FY2023 and a net profit in FY2024. We may not be able to maintain our net profit position in the future, which may affect our business sustainability.

We recorded net loss of RMB197.3 million and RMB62.3 million for FY2022 and FY2023. Although we have recorded net profit of RMB6.9 million in FY2024, we cannot assure that we will continue to be profitable in the future. Our ability to become profitable in the future will not only depend on our efforts to sell our products but also to control our costs. If we are unable to adequately expand our sales while controlling the costs associated with our operations, we may experience losses in the future. Our ability to achieve profitability depends in part on our ability to manage our future development effectively, such as our ability to successfully expand our business, expand our manufacturing capacities, manage growing scales of operations, form economies of scale, and improve production efficiency. Our ability to achieve profitability is also affected by external factors such as the fluctuation in prices of key raw materials, changes in market size and demand for our products, increasingly intense market competition, as well as other risks discussed herein. We intend to continue to invest substantially in the foreseeable future in enhancing our R&D capabilities and expand our sales and marketing network. For details, see "Future Plans and Use of **[REDACTED]**" in this document. We are continually executing a number of growth initiatives, strategies and operating plans designed to enhance our business. However, such plans may not materialise or develop as timely and to the extend as expected, in which case we may not achieve profitability as planned or at all. In addition, if we fail to expand our business scale through our efforts or fail to adopt adequate cost control, our plans to achieve profitability may be adversely affected. These plans may be more costly than we expect, which may result in significantly increased expenses and failure to achieve our intended profitability. If we are unable to effectively avoid or mitigate these risks, our ability to expand our business and achieve profitability will be affected, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We recorded net cash used in operating activities for FY2022, FY2023 and FY2024.

We recorded net cash used in operating activities of approximately RMB48.6 million, RMB258.1 million and RMB53.9 million in FY2022, FY2023 and FY2024, respectively. For details, please see "Financial Information – Liquidity and Capital Resources – Cash Flows" in this document. We cannot guarantee that we will be able to generate positive cash flows from operating activities in the future. In particular, we cannot predict the amount and timing of billing to or receipts from our customers, primarily due to uncertainties such as the delivery schedule of raw materials and changes in customer requirements. Net cash used in operating activities may materially and adversely affect our liquidity and financial conditions, and hence may require us to obtain sufficient external financing to meet our financial needs and obligations. If we rely on external financing to generate additional cash, we will incur financing costs and we cannot assure you that we will be able to obtain external financing on terms acceptable to us, or at all.

Any failure to offer high-quality repair and maintenance services for our customers may harm our relationships with them and, consequently, our business.

As we continue to grow our operations and support our customer base, we need to be able to continue to provide efficient customer support that meets our customers' needs at scale. We may not be able to recruit or retain sufficient qualified support personnel with experiences in supporting customers of our products. As a result, we may be unable to respond quickly enough to accommodate spikes in customer demand for technical support or repair and maintenance services. If we are unable to provide efficient customer maintenance and support, our business may be harmed. Our ability to attract new customers is highly dependent on our business reputation. Any failure to maintain high-quality repair and maintenance services, or a market perception that we do not maintain high-quality repair and maintenance services for our customers, would harm our business.

Our warranty provisions may not be sufficient to fully cover future warranty claims, which could materially and adversely affect our business, prospects, financial condition, results of operations, and cash flows.

We offer a warranty of one to two years for products with defects, or products which do not satisfy product specification, or fall short of quality standards agreed with our customers to be repaired for free. Our warranty provisions were RMB9.7 million, RMB10.0 million, RMB17.4 million as at 31 December 2022, 2023 and 2024, respectively. If our warranty provisions are inadequate to cover future warranty claims on our products, our financial condition, results of operations, and cash flows could be materially and adversely affected. We expect to record and adjust warranty provisions based on changes in estimated costs and actual warranty costs. However, since the five-axis CNC machine tools industry in China is emerging, and there is a general lack of historical data and experience for the return rate of the defective components, we have limited data for estimating warranty provisions. In the future, we may be subject to significant and unexpected warranty expenses. We cannot assure you that the then-existing warranty provisions will be sufficient to cover all claims.

We cannot assure you that we will continue to receive preferential tax treatment by the PRC government in the future.

Operating in the high-technology industry, we enjoy certain preferential tax treatment under relevant PRC preferential tax laws and policies. During the Track Record Period, we were granted with the qualification of High and New Technology Enterprise and have enjoyed a preferential enterprise income tax rate of 15%. In addition, according to the relevant PRC laws and regulations, enterprises engaging in R&D activities are entitled to super deductible allowance for qualified R&D costs. In FY2022, we are entitled to claim 200% of our R&D costs. In FY2023 and FY2024, we are entitled to claim 220% of our research and development costs. We recorded income tax expenses of RMB9 thousand, RMB71 thousand and nil in FY2022, FY2023 and FY2024, respectively. For details, see Note 10 to the Accountants' Report set forth in Appendix I to this document.

If we fail to maintain our qualifications under the relevant PRC laws and regulations, our applicable enterprise income tax rates may increase to up to 25% or it may not be able to claim tax deductible expense, any of which could cause our income tax expenses to increase and have a material adverse effect on our results of operations. To the extent that there are any changes in, or withdrawals of, any preferential tax treatment applicable to us, or increases in the tax rate, our tax liability would increase correspondingly. In addition, the PRC government from time to time adjusts or changes its policies on value-added tax, business tax and other taxes. Such adjustments or changes, could have an adverse effect on our results of operations.

The unavailability of government grants and subsidies may affect our business, results of operations and financial condition.

For FY2022, FY2023 and FY2024, we recognised government grants and subsidies of RMB19.3 million, RMB22.3 million and RMB9.3 million, respectively. For more details in relation to the government grants and subsidies we received, please see "Financial Information – Key Components of our Consolidated Income Statements – Other Income and Gains" in this document. Not all of the government grants and subsidies are recurring in nature. Government grants and subsidies we received are uncertain and are subject to certain criteria and procedures stipulated by the local government.

It is in the sole discretion of the PRC government to decide when, under what conditions or whether the government grants and subsidies should be granted to us at all. We cannot assure that we will continue to receive government grants and subsidies or the PRC government will not impose new conditions for receiving the government grants and subsidies in the future. Furthermore, such government grants and subsidies may be discretionary and are subject to certain selection criteria and procedures stipulated by the local governments, which we may not be qualified for in the future. Local governments may switch the focus of their support of research and development activities and fixed assets investments to other industries over time. These factors, such as government's focus on industries and criteria for government grants and subsidies, are beyond our control. We can neither assure you that any changes would be favourable to our business, nor that we will be able to receive any such government grants and subsidies in the future. If we do not receive government grants and subsidies in subsequent periods after the Track Record Period or if the amount of government grants and subsidies we are entitled to decrease, our financial condition for such periods may be adversely affected.

We are subject to credit risk in relation to the collectability of our contract assets and trade receivables.

Our sales contracts typically provide for payment of our products by several instalments, including (i) upfront payment upon execution of contract, (ii) second payment upon pre-acceptance testing approval, (iii) third payment upon final acceptance approval and (iv) final payment upon fulfilment of warranty service. Our contract assets are initially recognised for revenue from the sale of products related to the receipt of the consideration, which is conditional on fulfilment of the warranty service for sales of products. Upon the end of the warranty period, the amounts recognised as contract assets are reclassified to trade receivables. Our Group recorded contract assets of RMB7.4 million, RMB17.5 million and RMB37.3 million as at 31 December 2022, 2023 and 2024, respectively. For details, see "Financial Information – Description of Selected Items of the Consolidated Statements of Financial Position – Contract assets" in this document. There is no assurance that we will be able to bill all or any part of contract assets for our sales of products completed according to the fulfilment of the warranty service for such sales of products.

Further, there can be no assurance that our customers will settle our invoices on time and in full. As at 31 December 2022, 2023 and 2024, our trade receivables (net of impairment loss) was RMB68.4 million, RMB86.5 million and RMB43.9 million. In the event that we are unable to collect a substantial portion of our trade and bills receivables within the payment terms or at all, our cash flows and financial positions will be adversely affected.

Impairment losses of prepayments, other receivables and other assets would adversely affect our business, financial performance and results of operations.

Our prepayments, other receivables and other assets primarily include deposit, prepayments to suppliers and other tax recoverable. However, there is no guarantee that the suppliers and service providers will perform their obligations in a timely manner and we are subject to credit risk in relation to prepayments, other receivables and other assets. The assessment of impairment losses involves a significant degree of management judgments as well as estimates in determining the key assumptions, and unpredictable adverse changes in the future may also result in decreases in the value of our prepayments, other receivables and other assets. Therefore, we cannot assure you that these assumptions and estimates would not result in outcomes that require a material adjustment to the carrying amounts of our prepayments, other receivables and other assets in the future, which may in turn result in impairment losses. Any significant impairment losses of prepayments and other receivables in the future could have an adverse effect on our business, financial condition and results of operations.

We are exposed to fair value changes on investments at FVTPL and valuation uncertainty due to the use of unobservable inputs that require judgment and assumptions which are inherently uncertain.

During the Track Record Period, we recorded fair value losses on investments measured at fair value through profit or loss ("**FVTPL**") of RMB12.8 million, RMB7.4 million and RMB4.4 million in FY2022, FY2023 and FY2024, respectively, which related to our investments in Chengdu Yongfeng and Zhongtuo Technology.

The net changes in the fair value of such investments are recorded as our operating income or loss, and therefore directly affect our results of operations. The fair value of our unlisted equity investment has been arrived at on the basis of a valuation carried out by an independent qualified professional valuer, using market approach, which requires judgment and assumptions and involves the use of unobservable input, such as the price-to-earnings ratio and discount for lack of marketability. Changes in the basis and assumptions used in the estimation could materially affect the fair value of our investments. Factors beyond our control can significantly influence and cause adverse changes to the estimates and thereby affect the fair value. The valuation may involve a significant degree of judgment and assumptions which are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations.

We may be subject to liability in connection with industrial accidents at our production bases.

Our production involves the operation of heavy production machinery and equipment that could result in industrial accidents which may cause injuries or deaths. As far as our Directors are aware after making all reasonable enquiries, there was no material legal claim made against us arising from any industrial accidents during the Track Record Period and up to the Latest Practicable Date. We cannot assure you that industrial accidents, whether due to malfunction of machinery or any other reasons, will not occur in the future at our production facilities. If such incident happens, we may be liable for loss of life, medical expenses and medical leave payment. In addition, we may experience interruptions in our operations and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures as a result of such industrial accidents. Any of the foregoing may materially and adversely affect our business, results of operations and financial condition.

Our insurance coverage may not cover all losses which could have a material and adverse effect on our business, financial conditions and results of operations.

There can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations may be materially and adversely affected. There can also be no assurance that we will be able to renew our existing insurance levels of coverage on commercially acceptable terms, or at all.

We may encounter unexpected difficulties on expanding our business in the future.

We plan to continue to expand our business to maintain and strengthen our market position in the five-axis CNC machine tools industry in the PRC. In doing so, we plan to continue to enhance our R&D capabilities to improve and develop new technologies and enhance our product portfolio to increase our revenue and gross margin. However, any business expansion will require additional managerial, technical, financial, production, operational and other resources, systematic internal control systems and the employment of additional skilled staff. There is no assurance that we will be able to implement our business expansion plans successfully and manage our business operations effectively in the future and failure to do so will materially and adversely affect our business, results of operation and financial condition.

Our business and future strategy are capital intensive and require substantial investments in, among other things, R&D, expansion of production capacity and products promotion and marketing. As we increase our production capacity and operations, we may also require significant capital to maintain our property, production machinery and equipment and such costs may be greater than anticipated. We expect that our level of capital expenditures will be significantly affected by user demand for our products. Our future capital requirements may be uncertain and actual capital requirements may be different from those we currently anticipate. We may seek equity or debt financing to finance a portion of our capital expenditures. If we fail to obtain sufficient capital in a timely manner or on acceptable terms, or at all, we may be required to significantly reduce our spending, delay or cancel our planned activities, or substantially change our corporate strategy, which may materially and adversely affect our business, financial condition, and prospects.

In addition, our future capital needs and other business reasons could require us to issue additional equity or debt securities or obtain a credit facility. The issuance of additional equity or equity-linked securities could dilute our shareholders and decrease the dividend per share. The incurrence of indebtedness would result in an increase in debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders.

The termination of any R&D collaborations with our partners may adversely affect our operations, revenue and profitability.

We collaborate with established research and tertiary institution and our customer to enhance our R&D capabilities. For details, see "Business – Research and Development – R&D Collaborations" in this document. We expect to continue our R&D collaborations with our partners in various aspects. There can be no assurance that our partners will not discontinue their collaborations with us or collaborate with any of our competitors. In the event that such collaborations suspend, expire or are terminated by our partners, we cannot assure you that we will be able to establish new partner relationships or extend existing collaborations with our partners. If we are unable to maintain our relationships with our partners, or any of our collaborations with our partners is terminated, or we are unable to establish substitute partner relationships, we will need to improve the R&D capabilities solely on our own and our business prospects may be materially and adversely affected.

There is no assurance that we will always be able to successfully enforce the non-competition and non-solicitation undertakings contained in the employment contracts of our R&D team members.

Despite the non-competition and non-solicitation undertakings contained in the employment contracts of our R&D team members, there is no assurance that they will be enforceable and our R&D team members will not, during the term of their employment and upon termination of employment with us, engage in any competitive behaviour, or directly or indirectly, solicit or attempt to solicit any of our employees to leave their employment with our Company. In circumstances where our former or existing R&D team members engage in any competitive behaviour or solicit any of our employees to leave their employment with our Company, and if we are unable to enforce the relevant non-competition or non-solicitation undertakings, our business, results of operations and financial conditions may be adversely affected.

Our investments or acquisitions may have a material adverse effect on our business, reputation, financial condition and results of operations.

We have made investments in recent years including in Chengdu Chenfei and Zhongtuo Technology. We expect to continue to evaluate and consider a wide array of investments and acquisitions that we believe can extend and solidify our established position as part of our overall business strategy. We may be engaged in discussions or negotiations with respect to one or more of these types of transactions. These transactions may involve significant challenges and risks, including:

- difficulties integrating into our operations the personnel, operations, products and services;

- robustness of technology, internal controls and financial reporting of companies we acquire;

- disrupting our ongoing business, distracting our management and employees and increasing our expenses;

- for investments over which we do not obtain management and operational control, we may lack influence over the controlling partner or shareholder, which may prevent us from achieving our strategic goals in such investment;

- new regulatory requirements and compliance risks that we become subject to as a result of acquisitions in new industries or otherwise;

- actual or alleged misconduct or non-compliance by any company we acquire or invest in (or by its affiliates) that occurred prior to our acquisition or investment, which may lead to negative publicity, government inquiry or investigations against such company or against us;

- unforeseen or hidden liabilities or costs that may adversely affect us following our acquisition of such targets;
- the risk that any of our pending or other future proposed acquisitions does not close;
- the costs of identifying and consummating investments and acquisitions;
- the use of substantial amounts of cash and potentially dilutive issuances of equity securities;
- significant reduction of the value of our investments at FVTPL; and
- challenges in achieving the expected benefits of synergies and growth opportunities in connection with these acquisitions and investments.

Any such developments described above could disrupt our existing business and have a material adverse effect on our business, reputation, financial condition and results of operations.

We rely on information systems in managing our operations and any system failures or deficiencies of our information systems may have an adverse effect on our business, financial conditions and result of operations.

We depend on the capabilities of our information systems to process and store our business and operate data on a timely and accurate basis. The proper functioning of our financial control, credit analysis and reporting, accounting and other information systems are critical for us to conduct our business in an orderly manner and to increase our competitiveness. Our business activities could be materially disrupted if there is a partial failure or complete breakdown of any of our information systems. Such failure can be caused by a variety of reasons, including natural disasters, extended power outages, accidental power failures, breakdown of key hardware and systems, software malfunction and computer viruses. The proper functioning of our information systems also depends on accurate and reliable data input and installation of ancillary systems, which are subject to error.

Our competitiveness will to some extent depend on our ability to upgrade and optimise our information systems on a timely and cost-effective basis. In addition, the information available to and received by us through our existing information systems may not be timely or sufficient for us to manage risks and prepare for, and respond to, market changes and other developments in our current operating environment. Any failure to improve or upgrade our information systems effectively or on a timely basis could materially and adversely affect our competitiveness, results of operations and financial condition.

Our risk management and internal control systems may not be adequate or effective.

We seek to improve and update our risk management and internal control systems on a regular basis. For details, see "Business – Internal Control and Risk Management" in this document. However, there is no assurance that they will be effective in safeguarding our risk management and internal control functions and fulfilling their purposes by ensuring, among other things, accurate reporting of our financial results and the prevention of fraud. Since our risk management and internal control systems depend on effective implementation by our employees, and even though we provide relevant internal trainings in this regard, we cannot assure you that our employees are sufficiently or fully trained to implement these systems, or that their implementation will be free from error or mistakes. If we fail to timely update, implement, and modify, or fail to deploy sufficient human resources to maintain our risk management policies and internal control procedures, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Further, there can be no assurance that our employees will not engage in misconducts or omissions that could materially and adversely affect our business, financial condition and results of operations. In addition, although we maintain strict standards in choosing our business partners, there is no assurance that our business partners will not engage in misconducts or omissions. Any misconduct by our business partners may affect our operations and reputation, which may in turn affect our business, results of operations and financial condition.

RISKS RELATING TO INTERNATIONAL SANCTIONS

We could be adversely affected by any trade sanction or restriction that may be imposed on our business partners.

The United States and other jurisdictions or organisations, including the European Union, the United Kingdom, the United Nations and Australia, have, through executive order, legislations or other government means, implemented measures that impose economic sanctions against certain countries, regions or targeted industry sectors, group of companies or persons, and/or organisations within such countries.

During the Track Record Period, we sold products to certain customers (the "**Relevant Customers**") and purchased/acquired supplies/products from certain supplier (the "**Relevant Suppliers**") (Relevant Customers and Relevant Suppliers together as the "**Relevant Parties**") which are either (i) placed on the list of Specially Designated Nationals and Blocked Person (the "**SDN List**") maintained by the Office of Foreign Assets Control (the "**OFAC**") or subject to asset freeze under The Russia (Sanctions)(EU Exit) Regulations 2019 (the "**UK Regulation**") subsequent to our sales or procurement; or (ii) subject to export control under the Export Administration Regulations (the "**EAR**") which the Group did not exceed the relevant *de minimis* level of U.S.-origin product. During the Track Record Period, our Group did not conduct (i) any sales or procurement with any entities placed on the SDN list and subject to the UK Regulation at the relevant time; or (ii) any sales which exceed the relevant *de minimis* level of U.S.-origin product under the relevant EAR; and our International Sanctions Legal Advisor did not consider that our Group's businesses with the Relevant Suppliers and the Relevant Customers during the Track Record Period would have implicated any material sanction risks. For illustration purposes, in relation to FY2022, FY2023 and FY2024, (i) our procurement from the Relevant Suppliers amounted to RMB2.95 million, RMB0.07 million and RMB0.65 million, representing approximately 1.84%, 0.03% and 0.20% of our total cost of sales, respectively; and (ii) our total revenue derived from the Relevant Customers was nil, RMB19.89 million and RMB104.40 million, respectively, representing approximately nil, 5.94% and 19.64% of our total revenue, respectively.

However, sanction orders, laws and regulations are constantly evolving, and new targeted groups of companies, persons or organisations are regularly added to the list of sanctioned targets administered by the Relevant Sanctions Authorities. New orders, laws or restrictions could increase the obstacles for us to conduct our business internationally, and some or all of our products may be deemed subject to stricter sanctions, trade or export control restrictions in the future, including the possibility of the lowering of any relevant *de minimis* level of U.S.-origin product. Further, the Relevant Sanctions Authorities at any time could introduce new executive orders, laws or regulations along with its relevant business transaction winding down date and upcoming sanctions, trade or export control effective date. We have been advised by the International Sanctions Legal Advisor that it is uncommon for new executive orders or regulations to be introduced without a relevant business transaction winding down date or an upcoming effective date.

In the event that the Relevant Parties or any of our other business partners is or in the future become subject to other or additional economic sanction, prohibition, trade restrictions or export control measures by the U.S. and other relevant jurisdictions in the future, we may have to discontinue our business with such business partners due to laws and regulations, and our financial results may be materially and adversely affected. Further, in general, the economic sanction and similar or more expansive restrictions, controls or sanctions in the U.S. and other relevant jurisdictions that may be imposed on our customers, suppliers or business partners, or geo-political trade tensions, may restrict our ability to cooperate or otherwise do business with our business partners, and may also materially and adversely affect our ability to acquire or use technologies, systems, devices or components that may be critical to our products and business operations. As a result, our business, financial condition and results of operations may be materially and adversely affected. Generally, the development of the intelligent manufacturing equipment industry depends on, to a large extent, the general economic, political and social conditions. The international trade tensions and political tensions may have a negative impact on such general, economic, political and social conditions in the world, and accordingly the development of the intelligent manufacturing equipment industry, which may materially and adversely impact our business, financial conditions, results of operations and prospects.

For details, please see "Business – Legal and Compliance – Business activities with the certain supplier and customers subject to International Sanctions Laws".

RISKS RELATING TO DOING BUSINESS IN THE PRC

In the event of a global economic slowdown which includes the PRC, the demand for our products and services may be reduced and this may have a material adverse effect on our business, financial condition, results of operations and prospects.

We conduct our business and generate substantially all of our revenue in the PRC. As a result, economic developments in the PRC have a significant effect on our business, financial condition and results of operations, as well as our prospects. The global economy may continue to deteriorate in the future and continue to have an adverse impact on the PRC's economy. Any significant slowdown in the PRC's economy could have a material adverse effect on our business and operations. In particular:

- during a period of economic slowdown, there is a greater likelihood that more of our customers or contractual parties could become delinquent in respect of their obligations to us;

- we may not be able to raise additional capital on favourable terms, or at all; or

- trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in economies and materially and adversely affect our business and prospects.

In addition, factors such as corporate and government spending, business investment, volatility of the capital markets and inflation affect the business and economic environment, the growth of the PRC's intelligent manufacturing equipment industry and ultimately, the profitability of our business.

We may be subject to filing procedure and other requirements of the CSRC or other PRC governmental authorities in connection with this [REDACTED], future capital raising activities and future major events.

On 17 February 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and five supporting guidelines, which came into effect on 31 March 2023. The Trial Measures comprehensively improved and reformed the prior regulatory regime for overseas listing of securities of PRC domestic companies, and had regulated both direct and indirect overseas listing of PRC domestic companies' securities by adopting a filing based regulatory regime. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfil the filing procedure and report relevant information to the CSRC, and in the event of subsequent offering and occurrence of certain major events, domestic companies shall also fulfil relevant filing procedures and report information to the CSRC. If a domestic company fails to complete the filing procedure, omits any material fact, falsifies any content or contains any misleading statement in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. For details, see "Regulatory Overview – PRC Laws and Regulations – Laws and Regulations in Relation to Overseas Listing" in this document. Since the Trial Measures was newly promulgated, the interpretation, application and enforcement of Trial Measures are subject to changes.

If it is determined that we are subject to any filing or other authorization or requirements of the CSRC or other PRC governmental authorities for future fund-raising activities or other major events, and we fail to complete such filing or meet such requirements in a timely manner or at all, we could be subject to sanctions by the CSRC or other PRC regulators authorities. If we are determined not in compliance with the requirements under the Trial Measures, and thus are unable to complete the filing with the CSRC, we may need to postpone or terminate our future fund-raising activities if any. Any possible change or negative publicity regarding such filing or other requirements stated above could materially and adversely affect our business, prospects, financial condition, reputation, and offering and listing of the Shares.

Fluctuations in the value of Renminbi and other currencies may have a material adverse impact on your investment.

During the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, while the **[REDACTED]** from the **[REDACTED]** will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi terms of the **[REDACTED]** from the **[REDACTED]**. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by us.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. With the development of the foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC government may in the future announce further changes to the exchange rate system. We cannot assure that the Renminbi will not appreciate or depreciate significantly in value against other currencies in the future. It is difficult to predict how market forces or relevant government policies may impact the exchange rate between the Renminbi and other currencies in the future.

To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

Our foreign exchange transactions, such as dividend payment to holders of our H shares are subject to foreign currency conversion policies.

Currently, the conversion and remittance of foreign currencies from RMB are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the **[REDACTED]**, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, the foreign exchange policies regarding payment of dividends in foreign currencies may change from time to time in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

Policies on foreign investment in the PRC may adversely affect our business and results of operation.

The investment activities of foreign investors in the PRC are subject to certain regulations regarding the industry participated and imposed to additional verification procedures by certain authorities. The Special Management Measures (Negative List) for the Access of Foreign Investment (2024) (《外商投資准入特別管理措施(負面清單) (2024年版)》, the "**Negative List**") issued by the NDRC and MOFCOM, which set out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are prohibited for foreign investment. The Negative List covers 11 industries, and any field not covered by the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. As of the Latest Practicable Date, our main business in China does not fall within the Negative List. However, certain industries are specifically prohibited for foreign investment, which may restrict us from entering into these industries afterwards.

As the Negative List could be updated in the future, there can be no assurance that the PRC government will not change its policies in a manner that would render part of our business in China falling within the Negative List. If we cannot obtain approval from relevant approval authorities to engage in a business in China which becomes prohibited or restricted for foreign investors, we may be forced to sell or restructure our business which has become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business line as a result of changes in government policy on foreign investment, our business, financial condition and results of operations may be adversely affected.

Holders of our H Shares may be subject to PRC income tax obligations.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realised upon the sale or other disposition of H Shares. Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》, the "**IIT Law**") and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 020) issued by the MOF and SAT on 13 May 1994, the income gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempted from individual income tax for the time being. In addition, under the IIT Law and its implementation regulations, non-PRC resident individual holders of H shares are subject to individual income tax at a rate of 20% on gains realised upon the sale or other disposition of H shares. However, pursuant to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on 30 March 1998, from 1 January 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax.

As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H shares.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those have establishments or premises in China but whose income is not related to such establishments or premises, under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, the "**EIT Law**") and its implementation regulations, dividends paid by us and gains realised by such foreign enterprises upon the sale or other disposition of H Shares are typically subject to PRC enterprise income tax at a 20% rate. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) issued by SAT on 6 November 2008, the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares has been reduced to 10% and we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including **[REDACTED]**). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region (the "**HKSAR**") for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on 21 August 2006, the Chinese government may impose tax on dividends paid by a Chinese company to a resident of the HKSAR (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable by the Chinese company. If an HKSAR resident directly holds 25% or more of the equity interest in a Chinese company, such tax will not exceed 5%of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the HKSAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排第五議定書》) issued by the SAT effective on 6 December 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions.

Despite the arrangements mentioned above, the PRC tax laws and regulations as well as the interpretation and application of such laws and regulations may change from time to time in the future which may adversely affect the value of your investment in our H Shares.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.

All of our executive Directors and executive officers reside within China, and substantially all of our assets are located within China. Similar to the difficulties faced by most of the countries around the world on effecting service of process and enforcing judgment obtained from foreign countries, it may be difficult for investors to effect service of process upon us or our executive Directors and executive officers inside China or to enforce against us or them in China any judgments obtained from non-PRC courts.

China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned which came into effect on 1 August 2008 and was abolished on 29 January 2024, pursuant to which a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court. China and Hong Kong have concluded the Arrangement on Mutual Recognition and Enforcement of Civil and Commercial Judgments between the Mainland and the Hong Kong Special Administrative Region, which took effect on 29 January 2024. Accordingly, the scope of applicable cases for judicial assistance can be expanded. In principle, judgments made after 29 January 2024 are subject to the provisions of the new "Arrangement". However, for cases where the "written jurisdiction agreement" referred to in the old "Arrangement" was signed before 29 January 2024, the old "Arrangement" still applies regardless of when the judgment is made. Moreover, China has not entered into similar reciprocal treaties for the enforcement of court judgments with countries such as the United States, the United Kingdom, Japan, or many other nations. Furthermore, Hong Kong lacks an arrangement with the United States for the reciprocal enforcement of court judgments. According to PRC Civil Procedure Law and other relevant regulations, a court judgment from the United States or other jurisdictions may only be recognised and enforced in China or Hong Kong if there is a relevant treaty or agreement between China and the country where the judgment was issued.

We are subject to environmental protection, fire safety and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities.

Our business operations are subject to laws and regulations relating to environmental protection, fire safety, occupational health and safety. Since the requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may be unable to comply with, or to accurately predict the potentially substantial cost of complying with, these laws and regulations. If more stringent regulatory requirements are implemented, we may have to incur significant expenses and divert substantial management time and resources to address such deficiencies, and we may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our business operations and financial performance.

In addition, we cannot fully eliminate the risk of accidental personal injury at our production facilities during our production processes. In the event of any accident, we could be held liable for damages that, to the extent not covered by existing insurance or indemnification, could be burdensome to our business. Other adverse effects could result from such liability, including reputational damage resulting in the loss of business from customers. We may also be forced to suspend operations at certain of our affected production facilities temporarily for investigation and inspection purposes. As a result, any accidental personal injury could have a material and adverse impact on our business, financial conditions and results of operations.

If we fail to comply with anti-bribery or anti-money laundering laws, our reputation may be harmed, and we could be subject to significant penalties and expenses that could have a material adverse effect on our business, financial conditions and results of operations.

We are subject to the laws governing anti-bribery and anti-money laundering in the PRC. In the PRC, the Anti-Unfair Competition Law and provisions of the Criminal Code, prohibit giving and receiving money or property to obtain an undue benefit. Furthermore, in the PRC, Anti-Money Laundering Law of the People's Republic of the PRC (《中華人民共和國反洗錢法》), promulgated by the Standing Committee of the National People's Congress on 31 October 2006 and effective on 1 January 2007, prohibits money laundering. Our procedures and controls to monitor anti-bribery and anti-money laundering compliance may fail to protect us from reckless or criminal acts committed by our employees. If we fail to comply with applicable anti-bribery laws and anti-money laundering laws, we may be subject to criminal and civil penalties and sanctions or incur significant expenses, and our reputation could be harmed, all of which could have a material adverse effect on our business, financial conditions and results of operations.

RISKS RELATING TO THE [REDACTED]

Any possible conversion of our Domestic Shares into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

Subject to the approval of the CSRC, all of our Domestic Shares may be converted into H Shares in the future, and such converted Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares any requisite internal approval by our Shareholders and approval from relevant PRC regulatory authorities shall have been obtained. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of the listing. Therefore, upon obtaining the requisite approval, our Domestic Shares may be traded, after the conversion, in the form of H Shares on the Stock Exchange after one year of the **[REDACTED]**, which could further increase the supply of our H Shares in the market and may negatively impact the market price of our H Shares.

There has been no prior public market for our H Shares and the liquidity and market price of our H Shares may be volatile.

Prior to the completion of the **[REDACTED]**, there has been no public market for our H Shares. There can be no guarantee that an active trading market for our H Shares will develop or be sustained after the completion of the **[REDACTED]**. The **[REDACTED]** is the result of negotiations between our Company, the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), which may not be indicative of the price at which our H Shares will be traded following completion of the **[REDACTED]**. The market price of our H Shares may drop below the **[REDACTED]** at any time after completion of the **[REDACTED]**.

The trading price of our H Shares may be volatile, which could result in substantial losses to you.

The trading price of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in mainland China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our H Shares. A number of mainland China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards mainland China-based companies listed in Hong Kong and consequently may impact the trading performance of our H Shares. Pursuant to the applicable PRC law, within the 12 months following the **[REDACTED]**, all existing Shareholders could not dispose of any of the Shares held by them. Due to such lock-up requirement, the liquidity and trading volume of the H Shares in the short term following the **[REDACTED]** may be significantly affected. These factors may significantly affect the market price and volatility of our H Shares, regardless of our actual operating performance.

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the price of our H Shares and our ability to raise additional capital in the future.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favourable to us. In addition, our shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

You will incur immediate and substantial dilution if the [REDACTED] of our H Shares is higher than the net tangible asset value per H Share and may experience further dilution if we issue additional Shares in the future.

The **[REDACTED]** of the **[REDACTED]** is higher than the net tangible asset value per H Share immediately prior to the **[REDACTED]**. Therefore, purchasers of the **[REDACTED]** in the **[REDACTED]** will experience an immediate dilution in pro forma consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the **[REDACTED]**, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider **[REDACTED]** additional Shares in the future. Purchasers of the **[REDACTED]** may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

The market price of our H Shares when trading commences could be lower than the [REDACTED] as a result of, among other things, adverse market conditions or other adverse developments that could occur between the [REDACTED] and the [REDACTED].

The **[REDACTED]** of our H Shares is expected to be determined by 12:00 p.m. on the **[REDACTED]**. However, our H Shares will not commence trading on the **[REDACTED]** until they are delivered on the **[REDACTED]**, which is expected to be several business days after the **[REDACTED]**. As a result, investors may not be able to sell or otherwise deal in the **[REDACTED]** during that period before they commence trading on the Stock Exchange. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares when trading begins could be lower than the **[REDACTED]** as a result of adverse market conditions or other adverse developments that may occur between the **[REDACTED]** and the **[REDACTED]**.

Payment of dividends is subject to restrictions under the PRC law and we cannot assure you whether and when we will pay dividends.

Under PRC law and regulations, we may only pay dividends out of distributable profits, which are our after-tax profits less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. Therefore, we may not have sufficient or any distributable profit to enable us to make dividend distribution to our Shareholders, including in period for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

The interests of our Controlling Shareholders may conflict with the best interests of its other Shareholders.

Immediately upon the completion of the **[REDACTED]**, without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]**, our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "aim", "anticipate", "believe", "continue", "could", "expect", "estimate", "intend", "may", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning future operations, liquidity and capital resources. Investors of our H Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. For details, see "Forward-Looking Statements" in this document.

Certain facts, forecasts and other statistics may not be accurate, reliable, complete or up to date.

Certain facts, forecasts, indicators and other statistics contained in this document relating to the PRC and other countries and regions and the intelligent manufacturing equipment industry have been derived from various sources and publicly available data, including government and official resources. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified by us, the Joint Sponsors, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** or any of the **[REDACTED]** or any of our respective directors, affiliates or advisors or any other parties involved in the **[REDACTED]** and, therefore, none of them make any representation as to the accuracy, completeness, quality or reliability of such facts, forecasts, indicators and other statistics, which may not be consistent with other information compiled within or outside of the PRC.

[REDACTED] should read the entire document carefully before making an investment decision concerning our H Shares and should not rely on information from other sources, such as press articles, media or research coverage without carefully considering the risks and the other information in this document.

There may be, subsequent to the date of this document but prior to the completion of the **[REDACTED]**, press, media or research analyst coverage regarding us, our business, our industry and the **[REDACTED]**.

You should rely solely upon the information contained in this document in making your investment decisions regarding the Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media or research analyst regarding the Shares, the **[REDACTED]**, our business, our industry or us.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this document, we disclaim them. Accordingly, prospective **[REDACTED]** are cautioned to make their investment decisions on the basis of information contained in this document only and should not rely on any other information.

In preparation for the **[REDACTED]**, we have applied to the Stock Exchange for the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Stock Exchange. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 and Rule 19A.15 of the Listing Rules.

Our Group's management headquarter, senior management, business operation and assets are primarily based outside Hong Kong, in mainland China. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole.

Accordingly, we have applied for, [and the Stock Exchange has granted], a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange in accordance with paragraph 10 of Chapter 3.10 of the Guide for New Listing Applicants issued by the Stock Exchange by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, our Company has appointed and will continue to maintain two authorised representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange. At present, our two authorised representatives are Dr. Wang, the chairman of our Board, an executive Director and the general manager of our Company, and Mr. Yau Tsz Lun (游子麟), one of our joint company secretaries;

(b) pursuant to Rule 3.20 of the Listing Rules, each Director will provide his/her contact information (including their mobile phone numbers, office phone numbers and e-mail addresses (if available)) to the Stock Exchange and to the authorised representatives. This will ensure that the Stock Exchange and the authorised representatives should have means for contacting all Directors promptly at all times as and when required;

(c) we will endeavour to ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

(d) pursuant to Rule 3A.19 of the Listing Rules, our Company has retained the services of Guotai Junan Capital Limited as compliance adviser (the "**Compliance Adviser**"), who will act as an additional channel of communication with the Stock Exchange. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our Company's authorised representatives and Directors. In turn, they will provide the Compliance Adviser with such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties. The Compliance Adviser will also provide advice to our Company when consulted by our Company in compliance with Rule 3A.23 of the Listing Rules; and

(e) meetings between the Stock Exchange and the Directors can be arranged through the authorised representatives or the Compliance Adviser, or directly with the Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in the authorised representatives, the Directors and/or the Compliance Adviser in accordance with the Listing Rules.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company appointed Mr. Wang Jinsen (王勁森) ("**Mr. Wang**"), the board secretary of our Company, and Mr. Yau Tsz Lun (游子麟) ("**Mr. Yau**"), a Manager of Company Secretarial Services of Tricor Services Limited, as joint company secretaries of our Company. For details, see "Directors and Senior Management – Joint Company Secretaries" for their biographies.

Mr. Yau is a member of The Hong Kong Chartered Governance Institute, and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

The Company's principal business activities are outside Hong Kong. We believe that it would be in the best interests of our Company and the corporate governance of our Group to have as its joint company secretary a person such as Mr. Wang, who has been an employee of our Company and who has day-to-day knowledge of our Company's affairs. Mr. Wang has the necessary nexus to the Board and close working relationship with management of our Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner. Accordingly, while Mr. Wang does not possess the academic or professional qualifications required of a company secretary under Rules 3.28 and 8.17 of the Listing Rules, we have applied to the Stock Exchange for, and [the Stock Exchange has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Wang may be appointed as a joint company secretary of our Company.

Our Company has applied for, and [the Stock Exchange has granted, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules for a three-year period from the **[REDACTED]** on the conditions that]: (i) Mr. Yau is appointed as a joint company secretary to assist Mr. Wang in discharging his functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; the waiver will be revoked immediately if Mr. Yau, during the three-year period, ceases to provide assistance to Mr. Wang as a joint company secretary; and (ii) the waiver will be revoked if there are material breaches of the Listing Rules by our Company. In addition, Mr. Wang will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the **[REDACTED]**. Our Company will further ensure that Mr. Wang has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Before the end of the three-year period, the qualifications and experience of Mr. Wang and the need for on-going assistance of Mr. Yau will be further evaluated by our Company. We will liaise with the Stock Exchange before the end of the three year period to enable it to assess whether Mr. Wang, having benefited from the assistance of Mr. Yau for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Wang Yuhan (王宇晗)	Room 502, No. 16, Lane 377, Gumei Road, Minhang District, Shanghai, the PRC	Chinese
Mr. Li Yuhao (李宇昊)	Room 201, No. 10, Lane 19, Binnan Road, Xuhui District, Shanghai, the PRC	Chinese
Mr. Yao Bin (姚彬)	Room 201, No. 47, Lane 501, Denghui Road, Minhang District, Shanghai, the PRC	Chinese
Non-Executive Directors		
Mr. Li Qingfeng (李慶豐)	Room 502, No. 141, Lane 631, Gumei West Road, Shanghai, the PRC	Chinese
Mr. Li Yonghao (李永昊)	Room 301, No. 22, Lane 300, Jinxiu Road, Shanghai, the PRC	Chinese
Independent non-executive Directors		
Dr. Yang Jianguo (楊建國)	Room 101, No. 6, Lane 461, Wuyi Road, Changning District, Shanghai, the PRC	Chinese
Dr. Feng Hutian (馮虎田)	Room 601, Building 167, Huagong East Village, Xuanwu District, Nanjing, the PRC	Chinese
Ms. Liu Yueheng (劉玥衡)	Flat B8, 2/F, 1 Wetland Park Road, Wetland Seasons Bay, Tin Shui Wai, New Territories, Hong Kong	Hong Kong Chinese

For the biographies and other relevant information of the Directors and senior management, see "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**Guotai Junan Capital Limited** 26th–28th Floor, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
	CCB International Capital Limited 12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
Legal Advisors to the Company	*as to Hong Kong laws:* **Jingtian & Gongcheng LLP** Suites 3203–3207, 32/F., Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong

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Shanghai,
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as to German laws:
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as to PRC laws:
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The PRC

Auditors and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place, 979 King's Road Quarry Bay, Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10F, Block B, Jing'an International Center, 88 Puji Road, Jing'an District, Shanghai, The PRC
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[REDACTED]	**[REDACTED]**

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Principal Place of Business in Hong Kong	Room 1917, 19/F, Lee Garden One, 33 Hysan Road, Causeway Bay, Hong Kong
Company Website	https://www.topnc.com.cn *(Information contained on this website does not form part of this document)*
Joint Company Secretaries	**Mr. Wang Jinsen (王勁森)** No. 888, Guanghua Road, Minhang District, Shanghai, The PRC **Mr. Yau Tsz Lun (游子麟)** *(Chartered secretary,* *chartered governance* *professional and associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute)* Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Authorised Representatives	**Dr. Wang Yuhan (王宇晗)** No. 888, Guanghua Road, Minhang District, Shanghai, The PRC **Mr. Yau Tsz Lun (游子麟)** Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong

Audit Committee	Ms. Liu Yueheng (劉玥衡) *(chairperson)* Mr. Li Qingfeng (李慶豐) Dr. Yang Jianguo (楊建國)
Nomination Committee	Dr. Wang Yuhan (王宇晗) *(chairperson)* Dr. Feng Hutian (馮虎田) Ms. Liu Yueheng (劉玥衡)
Remuneration and Appraisal Committee	Dr. Feng Hutian (馮虎田) *(chairperson)* Mr. Li Yuhao (李宇昊) Dr. Yang Jianguo (楊建國)
[REDACTED]	**[REDACTED]**
Principal Bankers	**China Construction Bank Co., Ltd.** **Shanghai Zizhu Branch** 201B, Building D, No. 555 Dongchuan Road, Minhang District, Shanghai, The PRC **Bank of China Co., Ltd.** **Shanghai Minhang Development Zone Branch** No. 106 Wenjing Road, Minhang District, Shanghai The PRC

The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the CIC Report. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the **[REDACTED]**. *Information and statistics from official government sources have not been independently verified by us, the Joint Sponsors, the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *and the* **[REDACTED]**, *any of the* **[REDACTED]**, *any of our or their respective directors, officers or representatives or any other person involved in the* **[REDACTED]** *and no representation is given as to their correctness or accuracy.*

OVERVIEW OF GLOBAL AND CHINA'S INTELLIGENT MANUFACTURING EQUIPMENT INDUSTRY

Intelligent manufacturing equipment refers to advanced manufacturing equipment with sensing, analyzing, reasoning, decision-making, and execution capabilities, which are capable of replacing a part of manual operations. As the global manufacturing industry increasingly calls for transformation, intelligent manufacturing equipment has become a pivotal force in propelling industrial systems towards greater intelligence and precision. By deeply integrating cutting-edge cross-disciplinary technologies, such as advanced equipment manufacturing and AI technologies, intelligent manufacturing equipment is reshaping traditional production processes. It enables intelligent sensing, intelligent decision-making, and precise execution throughout the production process, substantially boosting productivity and product quality. Currently, intelligent manufacturing equipment plays a vital role in manufacturing sectors including aviation and aerospace, automotive, medical devices, new energy photovoltaics, shipbuilding, and rail transportation, providing robust support for the high-quality development of these industries. The following table sets forth an overview of the definition and classification of intelligent manufacturing equipment.

Definition and Classification of Intelligent Manufacturing Equipment

Classification	Definition
CNC machine tool	• A CNC machine tool is a machine tool equipped with a CNC system. It can perform various processes such as cutting, milling, boring, grinding, drilling, and shearing on complex-shaped metal parts and other materials. • High-end CNC machine tools feature five simultaneous axes, and have intelligent, composite processing and high-performance network communication functions, enabling high-speed and high-precision processing of components.
Special-purpose CNC equipment	• Special-purpose CNC equipment refers to advanced manufacturing equipment that integrates specialized manufacturing processes with intelligent control systems. It can process complex components using techniques such as welding, riveting, hydraulic extrusion, and cutting and shaping. • High-end special-purpose CNC equipment, which uses high-efficiency, high-precision, and environmentally friendly techniques, includes equipment such as high-energy-beam welding equipment, automated riveting equipment, precision hydraulic forming equipment, and laser cutting equipment.
Industrial robots	• An industrial robot is a multi-joint robotic arm or multi-degree-of-freedom device equipped with autonomous power and control capabilities. It can replace manual labor in tasks such as drilling, welding, riveting, assembly, painting, and cutting. • High-end industrial robots specifically refer to those with six or seven axes, offering higher degrees of freedom and flexibility to meet the requirements of complex tasks.
Major packaged equipment	• Major packaged equipment refers to systems integrating multiple intelligent manufacturing equipment, control systems, and industrial software to enable automation of production processes across sectors such as mining, oil drilling, construction, metallurgy, chemicals, printing, and textiles. • High-end major packaged equipment, characterized by high technological barriers, is critical to national economic security. Examples include large-scale mining and metallurgical machinery, large-scale petrochemical processing plants, and deep-sea oil drilling systems.
Intelligent logistics equipment	• Intelligent logistics equipment integrates sensing, digitalization, and AI to enable automated and intelligent functions like handling, conveying, palletizing, and sorting. • High-end intelligent logistics equipment refers to fully automated systems requiring no manual intervention. Examples include automated guided vehicles, logistics drones, automatic palletizers, and automatic sorters.
Intelligent inspection equipment	• Intelligent inspection equipment autonomously collect, process, and analyze data, perform feature extraction and recognition, and enable performance testing and fault diagnosis of systems or products. • High-end intelligent inspection equipment includes those used in cutting-edge fields such as quantum information, virtual inspection, brain science, and aerospace, along with general-purpose ones for high-end needs such as chemical analysis and geometric measurement.
Others	• Includes additive manufacturing systems, intelligent sensors and other manufacturing equipment.

Source: National Bureau of Statistics, CIC

At present, the development of intelligent manufacturing equipment has become the focus in the global technological competition. In 2024, the market size of global intelligent manufacturing equipment industry reached RMB7,553.9 billion in terms of revenue, and it is projected to reach RMB11,305.7 billion in 2029, with a CAGR of 8.4% from 2024 to 2029. As a significant segment of the global market, China's intelligent manufacturing equipment market has demonstrated robust growth and significant potential. In terms of revenue, the market size of China's intelligent manufacturing equipment industry reached RMB2,458.7 billion in 2024, accounting for approximately 32.5% of the global market, and is projected to reach RMB4,068.1 billion in 2029, with a CAGR of 10.6% from 2024 to 2029.

ANALYSIS OF CHINA'S CNC MACHINE TOOL INDUSTRY

Definition and Classification of CNC Machine Tools

As one of the key representatives of intelligent manufacturing equipment, CNC machine tools stand out for their technological complexity and market significance. CNC machine tools are machines tools equipped with CNC systems capable of logically running processing programs defined by specific codes and encoded instructions. Under program control, CNC machine tools can automatically process parts, thereby enhancing both precision and efficiency. Based on technological levels, CNC machine tools can be classified into high-end, mid-end, and low-end categories. The following table sets forth an overview of the classification of CNC machine tools.

Classification of CNC Machine Tools

Item	High-end CNC machine tools	Mid-end CNC machine tools	Low-end CNC machine tools
Multi-axis simultaneous control	• Five-axis simultaneous control	• Three-axis simultaneous control or four-axis simultaneous control	• Two-axis simultaneous control or three-axis simultaneous control
Feed rate (m/min)	• 24.0–100.0	• 15.0–24.0	• 8.0–15.0
Intelligent functions	• Equipped with intelligent functions such as smart sensing, adaptive control, precision self-calibration, and real-time measurement optimization during processing	• Equipped with machine probes and tool setters for on-machine measurement	• No intelligent functions
Multi-processing functions	• Integration of two or more complex processing functions, such as turning and milling	• Integration of two or more complex processing functions, such as turning and milling	• No multi-processing functions
Communication and networking functions	• Equipped with high-performance communication interfaces such as recommend standard 232 (RS-232), recommend standard 485 (RS-485), direct numerical control (DNC), and manufacturing automation protocol (MAP), and has networking capabilities	• No communication functions	• No communication functions
Typical parts suitable for processing	• Suitable for processing high-precision, complex-shaped parts, such as aerospace engine blades and marine propellers	• Suitable for processing parts with rotational features, such as crankshafts, frames, disc-shaped parts	• Suitable for processing simple flat parts with regular shapes, such as flanges and box bottoms

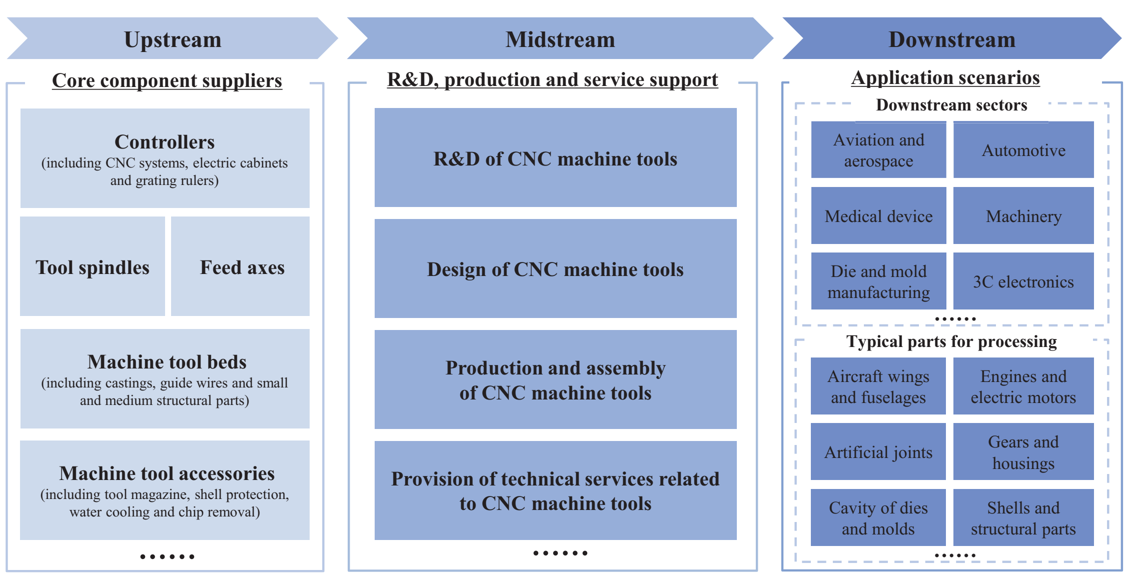
Source: CIC

Value Chain of CNC Machine Tool Industry

The upstream of the CNC machine tool industry comprises various core component suppliers, mainly including controllers, tool spindles, feed axes, machine tool beds, and machine tool accessories. The midstream comprises CNC machine tool suppliers that primarily engage in R&D, design, production and assembly of CNC machine tools, while providing entire machine tools and supporting technical services to downstream clients. The downstream includes manufacturers across a wide range of industries, such as automotive, aviation and aerospace, medical devices, machinery, die and mold manufacturing, and 3C electronics.

As foundational industrial manufacturing equipment, CNC machine tools play a vital role across numerous application scenarios, with different sectors requiring specific types. In die and mold manufacturing, machinery, and 3C electronics, non-five-axis CNC machine tools are predominantly used to meet processing needs for relatively regular shapes like housings, shafts, gears, and planes. In these areas, particularly within the 3C electronics sector, the five-axis CNC machine tools employed are generally smaller in size and lower in price, serving as supplements to non-five-axis CNC machine tools for the precision processing of a limited number of complex components. In contrast, in manufacturing sectors such as aviation and aerospace, automotive, and medical devices, most critical components feature complex characteristics or irregular curved surfaces and require extremely high precision. As a result, larger, more technically advanced, and higher-value five-axis CNC machine tools are the primary types in demand. Non-five-axis CNC machine tools in these sectors are mainly used to assist five-axis CNC machine tools in rough processing of a limited number of small parts. The following chart sets forth the value chain of CNC machine tool industry.

Value Chain of the CNC Machine Tool Industry



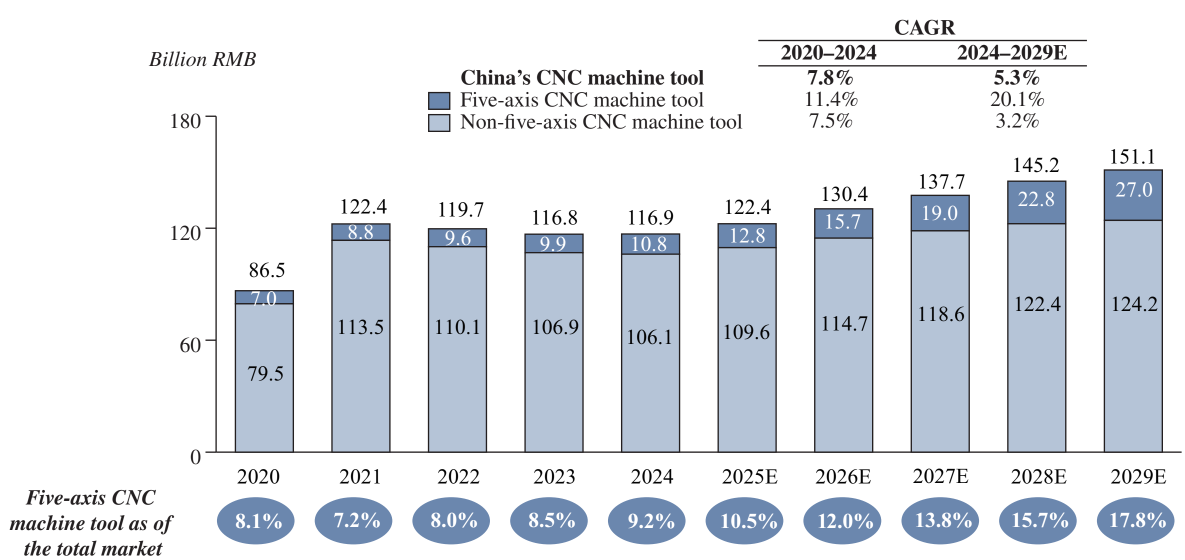
Source: CIC

Market Size of China's CNC Machine Tool Industry

Market size of China's CNC machine tool industry by number of simultaneous axes

As a global manufacturing powerhouse, China's extensive manufacturing needs have created significant market opportunities for CNC machine tools. In terms of revenue, the market size of China's CNC machine tool industry grew from RMB86.5 billion in 2020 to RMB116.9 billion in 2024 and is projected to increase steadily to RMB151.1 billion by 2029, with a CAGR of 5.3%. Five-axis CNC machine tools, featuring five simultaneous axes, enable high-speed and high-precision processing of parts with complex features or surface through the coordinated action of three linear axes and two rotary axes. They also offer intelligent, composite processing, and high-performance network communication capabilities, positioning them as high-end equipment in CNC machine tool classification. With the ongoing industrial structure upgrading in China, five-axis CNC machine tools are gaining rapid market penetration as core equipment in manufacturing sectors, due to their advantages in precision, efficiency, and flexibility. The market size of China's five-axis CNC machine tool market increased from RMB7.0 billion in 2020 to RMB10.8 billion in 2024, accounting for approximately 9.2% of the overall market in 2024. Looking ahead, the continuous advancement of related technologies is expected to drive a steady decrease in the cost of five-axis CNC machine tools and significantly enhance their usability and operational convenience, leading downstream manufacturing sectors' increased preference of choosing five-axis CNC machine tools as processing equipment. Therefore, five-axis CNC machine tools are expected to further capture the market share of non-five-axis CNC machine tools, driving the market size to RMB27.0 billion by 2029, with a CAGR of 20.1%, accounting for 17.8% of the overall market in 2029. The following chart sets forth the market size of China's CNC machine tool industry divided by the number of machine tool simultaneous axes.

Market Size of China's CNC Machine Tool Industry, in terms of Revenue, by Number of Simultaneous Axes, 2020–2029E



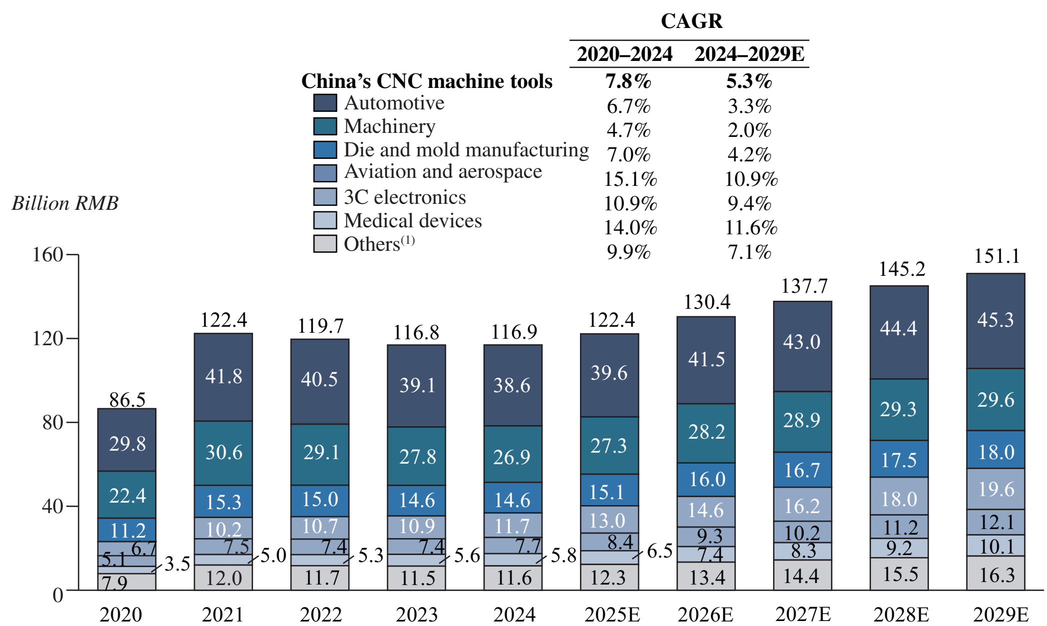
Source: CMTBA, GACC, MIR, CIC

China's CNC machine tool industry exhibits a clearly stratified pattern in the localization process. Non-five-axis CNC machine tools have relatively low technical barriers, and in 2024, the localization rate surpassed 75.0%, indicating a mature domestic supply system. In contrast, the R&D and manufacturing of five-axis CNC machine tools depend on various core hardware and software technologies. Due to technological barriers of five-axis CNC machine tools, the localization rate of which was only 55.0% in 2024, remaining in a critical stage of domestic substitution. In this context, leading domestic suppliers are accelerating breakthroughs through independent R&D, bringing key performance indicators such as processing precision and operational stability up to international standards. This progress is gradually dismantling overseas dominance and promoting substitution. With ongoing technological validation and growing market confidence, the localization rate of five-axis CNC machine tools in China is projected to exceed 75.0% by 2029.

Market size of China's CNC machine tool industry by downstream application scenarios

Currently, major downstream application scenarios for CNC machine tools include automotive, machinery, and die and mold manufacturing. In terms of revenue, in 2024, the market sizes of CNC machine tools in these sectors reached RMB38.6 billion, RMB26.9 billion, and RMB14.6 billion, respectively, accounting for 33.0%, 23.0%, and 12.5% of the total market in China, respectively. In addition, the demand for high-end manufacturing in aviation and aerospace, 3C electronics, and medical devices sectors is expected to further grow. The market sizes for these sectors are projected to grow from RMB11.7 billion, RMB7.7 billion and RMB5.8 billion in 2024 to RMB19.6 billion, RMB12.1 billion and RMB10.1 billion in 2029, with CAGRs of 10.9%, 9.4% and 11.6%, respectively. The following chart sets forth the market size of China's CNC machine tool industry divided by downstream application scenarios.

Market Size of China's CNC Machine Tool Industry, by Downstream Application Scenarios, in terms of Revenue, 2020–2029E



Note:

(1) The market size of China's CNC machine tools in other sectors include the market sizes of CNC machine tools in sectors such as railway transportations, shipbuilding, new energy photovoltaics, low-altitude economy and robotics.

Source: CMTBA, GACC, MIR, CIC

ANALYSIS OF CHINA'S FIVE-AXIS CNC MACHINE TOOL INDUSTRY

Definition and Core Advantages of Five-axis CNC Machine Tools

Five-axis CNC machine tools refer to CNC machine tools with five-axis simultaneous functionality and are currently the most advanced category of CNC machine tools in the industry. Five-axis CNC machine tools feature high-speed, precision, intelligent, and multi-processing functions along with network communication functions, enabling high-precision and high-efficiency processing of complex-shaped components. As the demand for processing complex precision parts continues to grow due to the ongoing upscale of downstream manufacturing sectors, coupled with technology advancements and cost reduction that have increased its affordability, five-axis CNC machine tools are expected to be widely used in aviation and aerospace, automotive, die and mold manufacturing, shipbuilding, new energy photovoltaics, integrated circuit equipment, as well as emerging fields such as low-altitude economy (primarily unmanned aerial vehicles, UAVs) and robotics.

Five-axis CNC machine tools additionally incorporate rotary axes (typically two) based on non-five-axis CNC machine tools (e.g., three-axis CNC machine tools), enabling the cutting tool or workpiece to tilt at any angle. Compared with non-five-axis CNC machine tools, five-axis CNC machine tools allow tools to move relative to the workpiece along linear feed axes and enable tools to approach the workpiece at more flexible angles, offering significant advantages in processing capability, quality, and efficiency. Therefore, five-axis CNC machine tools are the preferred solution for achieving efficient, and precise processing of complex spatial surfaces.

- ***Expanded application scope.*** Five-axis CNC machine tools offer flexible tool and workpiece positioning and diverse processing paths. Tools can approach the workpiece from any direction and cut at the optimal angle, enabling high-precision processing of complex-shaped components and satisfying the diverse needs across various manufacturing sectors.

- ***Enhanced processing quality.*** Five-axis CNC machine tools can complete multi-surface processing in a single setup, with adjustable position and orientation of the tool or workpiece. This effectively prevents tool interference, undercutting, overcutting, as well as reference errors caused by multiple fixturing, significantly improving processing quality and precision.

- ***Increased processing efficiency.*** Five-axis CNC machine tools achieve high-precision, high-efficiency, and compound machining by consolidating multiple processes, reducing both the floor space required for equipment and the transfer time of workpieces between different processing units. This substantially boosts processing efficiency and brings greater economic benefits to manufacturing.

Core Technologies of Five-axis CNC Machine Tools

The core technologies of five-axis CNC machine tools encompass the design and manufacturing processes of the machine tool's main structure, the core algorithms and measurement-control technologies of CNC systems, the design and manufacturing technologies of core components, multi-axis simultaneous processing and programming software. The breakthroughs in these core technologies not only require the accumulation of knowledge across multiple disciplines such as machinery, control, and software engineering, but also rely on the deep integration and collaborative innovation of these fields. The complex technological framework established high entry barriers for the five-axis CNC machine tool industry. The following table sets forth the core technologies of five-axis CNC machine tools.

Core Technologies of Five-axis CNC Machine Tools

Category	Core technology	Analysis
Design and manufacturing process of the machine tool's main structure	High-performance materials technology	• Utilizes high-strength alloy steel, composite materials, and other advanced materials to enhance the overall rigidity and stability of the machine tool, reducing deformation and vibration during machining while improving workpiece accuracy and surface quality.
	Structural rigidity optimization technology	• Optimizes the machine tool's structural design through frame-type structures or reinforcing ribs to enhance stability during complex part machining and minimize errors caused by structural deformation.
	Digital design technology for the machine tool's main structure	• Employs computer-aided design (CAD) and computer-aided engineering (CAE) tools to optimize the design efficiency and quality of the machine tool's main structure, shorten R&D cycles, and reduces R&D costs.
	Complex precision components and entire machine manufacturing technology	• Ensures precision in component machining and machine tool assembly through high-precision manufacturing processes, enhancing overall machine performance for stable and efficient processing of complex parts.
Core algorithms and measurement-control technologies of CNC systems	Multi-axis simultaneous control algorithms	• Develops advanced control algorithms, such as micro-segment control and predictive control algorithms, to improve machining accuracy and efficiency, enabling high-precision processing of complex surfaces.
	On-machine measurement and compensation technology	• Integrates in-built measuring devices, such as touch probes, tool setters, scanning systems, to measure workpiece machining accuracy, tool dimensions, and other parameters in real time, ensuring processing precision.
	Closed-loop feedback technology	• Monitors real-time position, velocity, and other data of machine tool components via sensors, feeding this information back to the control system to enhance dynamic performance and ensure stability throughout the machining process.
	Precision calibration technology	• Calibrates the machine tool's geometric and kinematic accuracy using high-precision measurement equipment, such as laser trackers and ballbar testers, to maintain long-term high-precision processing capabilities and extend service life.
Design and manufacturing technologies of core components	High-speed and high-precision rotary axes	• Implements precision bearings and advanced drive technologies, such as torque motor drives, to achieve extremely high rotational speeds and precision, enhancing machining efficiency and surface quality for complex surfaces and high-precision parts.
	High-torque heavy -duty rotary axes	• Features large-diameter bearings and high-strength transmission components designed to withstand heavy loads and torques, meeting the machining demands of large parts and high-strength materials while ensuring stable, precise performance.
	High-speed electric spindles	• Integrates the motor and spindle into a single unit, offering high rotary speeds, precision, and a compact structure to support high-speed cutting and precision machining.
	High-torque electric spindles	• Optimizes motor and transmission systems to deliver substantial torque at low speeds, ensuring stable performance under heavy cutting loads and improving efficiency and quality for high-strength material and large-part machining.
	Multi-functional composite processing spindles	• Integrates multiple machining functions including milling, drilling, welding and riveting through advanced design, enabling flexible switching between processes on a single spindle to enhance machining versatility and efficiency.
Multi-axis simultaneous processing and programming software	Intelligent processing path planning	• Uses optimization algorithms and AI to automatically generate optimal tool paths based on workpiece geometry, material properties, and processing requirements, minimizing tool collisions and unnecessary movements while improving efficiency and surface quality.
	Matching of cutting parameters	• Selects appropriate cutting parameters including speed, feed rate based on workpiece material, tool type, and processing requirements to optimize machining efficiency and reduce tool wear.
	Software development for programming	• Develops specialized CAM software for five-axis CNC machine tools to convert design models into executable CNC programs, enhancing programming efficiency, reducing human error, and shortening machining cycles.

Source: CIC

Market Size of China's Five-axis CNC Machine Tool Industry

Market size of China's five-axis CNC machine tool industry by structures.

According to different structural features, five-axis CNC machine tools can be divided into five-axis horizontal CNC machine tools, five-axis turning-milling CNC machine tools, five-axis vertical CNC machine tools and five-axis gantry CNC machine tools. The following table sets forth the classification of five-axis CNC machine tools by structures.

Classification of Five-axis CNC Machine Tools by Structures

Category	Structural features	Types of parts suitable for processing	Size	Technical complexity for manufacturing
Five-axis horizontal CNC machine tools	• The spindle is placed horizontally	• Suitable for processing box parts	◑	◕
Five-axis turning-milling CNC machine tools	• Equipped with both the milling spindle and turning spindle, and can complete multiple processes at one time	• Suitable for processing parts with multiple machining requirements, such as turning, milling and drilling	◔	●
Five-axis vertical CNC machine tools	• The spindle is placed vertically	• Suitable for processing small and medium-sized structural parts	◔	◔
Five-axis gantry CNC machine tools	• Possess a portal frame structure with the spindle arranged vertically or horizontally, and the worktable is usually large in size	• Suitable for processing large structural parts	●	◑

● High ◔ Low

Source: CIC

Five-axis vertical and gantry CNC machine tools are highly versatile. Moreover, with less complexed structural configuration and transmission system, they are lower in the technical complexity for manufacturing. Therefore, they have good market promotion advantages and are currently the mainstream models of five-axis CNC machine tools in the market. In addition, domestic suppliers have mastered core technologies and mature processes, and have gradually achieved a high localization rate through economies of scale. In contrast, five-axis horizontal and turning-milling CNC machine tools have high technical complexity and development costs, and are mainly used in more advanced and sophisticated scenarios. At the same time, such products from domestic suppliers still lag behind overseas suppliers in terms of reliability and brand influence, leading to a lower rate of localization. With the growing demand for high-end manufacturing in downstream sectors and the continuous improvement of suppliers' technological maturity, the market size and localization rate of China's five-axis horizontal CNC machine tools and turning-milling CNC machine tools are expected to continue to grow. In terms of revenue, the market size of China's five-axis horizontal CNC machine tools and five-axis turning-milling CNC machine tools increased from RMB1,016.9 million in 2020 to RMB1,362.4 million in 2024, with a CAGR of 7.6%, and is expected to grow to RMB2,508.2 million in 2029, with a CAGR of 13.0%. The localization rate of China's five-axis horizontal CNC machine tools and five-axis turning-milling CNC machine tools is expected to increase from 38.0% in 2024 to 51.5% in 2029.

Market size of China's five-axis CNC machine tool industry by downstream application scenarios.

The growing demand for high-end manufacturing is driving the increased adoption of five-axis CNC machine tools across various application scenarios in China, leading to significant market expansion. The aviation and aerospace sector currently represent the most significant application scenario, accounting for 35.6% of the overall five-axis CNC machine tool market size in China in 2024, respectively. Moreover, the vigorous development of general sectors, such as the automotive, die and mold manufacturing and emerging sectors represented by low-altitude economy and robotics, is expected to drive the continuous growth in the demand for five-axis CNC machine tools. The following chart sets forth the typical parts processed by five-axis CNC machine tools in major application scenarios.

Typical Parts Processed by Five-axis CNC Machine Tools in Major Application Scenarios

Application scenarios	Typical parts processed by five-axis CNC machine tools
Aviation and aerospace	• In order to meet the performance requirements of long-lifespan and lightweight structure, the new generation of aircraft and spacecraft adopts a large number of new technologies, new structures and new materials, and its parts gradually show the characteristics of thin-walled integral frame structure. Five-axis CNC machine tools can meet the high-precision processing of such complex parts, and are mainly used for **the processing of aircraft wings, fuselages, tail and other structural parts, as well as key parts such as housings and blades in aircraft engines**.
Automotive	• As the automotive industry transforms towards electrification and intelligence, high-precision, high-efficiency parts processing and integrated die-casting have become a trend. Five-axis CNC machine tools can meet the above needs and are mainly used for precision processing of complex parts such as **engines, electric motors, electric motor transmission housings, cylinder heads, and battery housings for new energy vehicles**.
Die and mold manufacturing	• With the acceleration of product updates in the die and mold manufacturing field, processing equipment with dispersed processes will be replaced by flexible and automated equipment with centralized processes. Five-axis CNC machine tools can reduce the number of clamping operations and achieve high-quality processing of complex-shaped molds. They are mainly used for **die and mold processing with complex curved surfaces and deep cavity structures**.
Emerging sectors (including robotics and low-altitude economy)	• As emerging technology fields, low-altitude economy and robotics have extremely high requirements for processing accuracy and surface quality for some complex parts. Five-axis CNC machine tools can meet the stringent processing requirements of these parts with their many performance advantages. In the low-altitude economy sector, five-axis CNC machine tools are mainly used for processing **fuselage structural parts such as wings and fuselage frames, as well as key parts such as blades and turbine rotors in UAV engines**; In the robotics sector, five-axis CNC machine tools are mainly used for processing **parts with complex spatial structures such as arm supports, thigh supports, and hip joints**.

Source: CIC

- ***Aviation and aerospace sector.*** Characterized by its high technological intensity and product value, the aviation and aerospace sector is considered as the high-end manufacturing sector. Currently in this sector, commonly used five-axis CNC machine tools include five-axis vertical, horizontal, and gantry CNC machine tools, which can cover full-size machining scenarios ranging from small or medium-sized complex parts to super-large structural components. Meanwhile, multiple types of more advanced and high-performance five-axis CNC machine tools have emerged in the market, designed for special processes and complex parts, such as the dual five-axis mirror milling machine tool that solves the machining challenges of large thin-walled components like aircraft fuselage skins and rocket tank bottoms, the horizontal flip-type milling five-axis machine tool that enables machining of large structural parts such as aircraft fuselages and rocket bodies, and the friction stir welding five-axis machine tool that achieves highly reliable welding of rocket tanks. The increased frequency of rocket launches in China and the expected robust growth of the commercial spaceflight market are further propelling the expansion of China's five-axis CNC machine tool market. At the same time, the mass production of domestic large aircraft such as the C919 is boosting the production capacity of five-axis CNC machine tools for aircraft components. In terms of revenue, the market size of China's five-axis CNC machine tools in the aviation and aerospace sector grew from RMB2,798.1 million in 2020 to RMB3,836.7 million in 2024 with a CAGR of 8.2%, and is projected to reach RMB9,273.3 million by 2029, representing a CAGR of 19.3%. The localization rate of China's five-axis CNC machine tools in the aviation and aerospace sector is also expected to increase from 50.6% in 2024 to 70.0% in 2029.

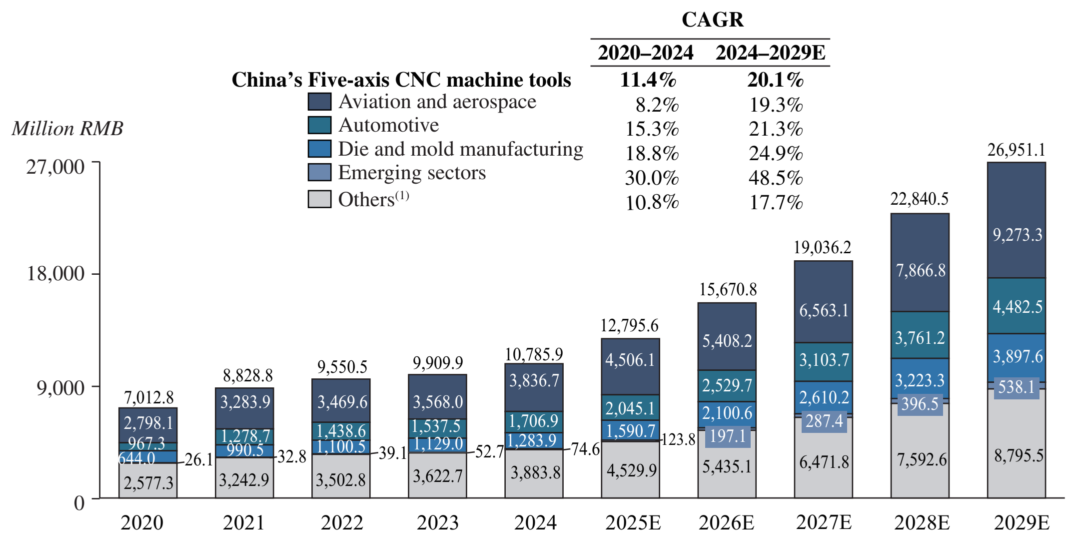
- ***General industrial sector.***

    - **Automotive sector.** In the automotive sector, the transition towards electrification and intelligence is placing higher demands on the precision and efficiency of component processing, driving the increased application of five-axis CNC machine tools in the automotive sector. In terms of revenue, the market size of China's five-axis CNC machine tools in the automotive sector grew from RMB967.3 million in 2020 to RMB1,706.9 million in 2024, representing a CAGR of 15.3%, and is projected to reach RMB4,482.5 million by 2029 with a CAGR of 21.3%. The localization rate of China's five-axis CNC machine tools in the automotive sector is also expected to increase from 56.4% in 2024 to 80.0% in 2029.

    - **Die and mould manufacturing sector.** With the increasing demand across various industries for complex-shaped dies and moulds, and the transformation towards automated and intelligent processing in die and mould manufacturing, the market size in terms of revenue of China's five-axis CNC machine tools in the die and mould manufacturing sector has increased from RMB644.0 million in 2020 to RMB1,283.9 million in 2024 with a CAGR of 18.8%, and is expected to reach RMB3,897.6 million in 2029 with a CAGR of 24.9%.

- **Emerging sectors.** The vigorous development of emerging sectors represented by low-altitude economy and robotics is expected to drive the continuous growth in the demand for five-axis CNC machine tools. In terms of revenue, the market size of five-axis CNC machine tools in emerging sectors (including robotics and low-altitude economy) has increased from RMB26.1 million in 2020 to RMB74.6 million in 2024 with a CAGR of 30.0%, and is expected to reach RMB538.1 million in 2029 with a CAGR of 48.5%. The following chart set forth the market size of China's five axis machine tool industry by downstream application scenarios in terms of revenue.

Market Size of China's Five-axis CNC Machine Tool Industry, by Downstream Application Scenarios, in terms of Revenue, 2020–2029E



Note:

(1) The market size of China's five-axis CNC machine tools in other sectors include the market sizes of five-axis CNC machine tools in sectors such as medical devices, 3C electronics, machinery, shipbuilding, new energy photovoltaics and integrated circuit equipment.

Source: CMTBA, GACC, MIR, CIC

Growth Drivers of China's Five-axis CNC Machine Tool Industry

- ***The machine tool industry has reached the bottom of its cycle and is approaching a peak period of equipment replacement.*** China's machine tool industry follows a typical technological iteration cycle of approximately ten years. The last production peak occurred around 2011 to 2014. Currently, the industry is at the intersection of a downturn adjustment phase and a new wave of demand release. In addition, with the replacement cycle (typically eight to ten years) of traditional machine tools approaching and environmental standards becoming more stringent, downstream companies are accelerating the replacement of outdated models. This has created a rigid demand foundation for the penetration of five-axis CNC machine tools.

- ***Overseas technology blockades drive the surge in the demand for domestic substitution.*** Developed countries have long regarded five-axis CNC machine tools as strategic equipment, imposing technical blockades and export restrictions. As a result, downstream companies face considerable challenges in accessing relevant products, negatively affecting the supply chain stability. To mitigate supply chain risks and ensure the autonomous, secure, and controllable development of high-end manufacturing equipment, accelerating the localization of five-axis CNC machine tools has become a national strategy and an industry-wide consensus. Consequently, domestic downstream companies are increasingly favouring products from domestic suppliers.

- ***Technological breakthroughs support cost reduction and application expansion.*** Systematic breakthroughs of suppliers in core technologies of five-axis CNC machine tool suppliers have significantly reduced their dependence on the imported technology systems of five-axis CNC machine tools. Meanwhile, their ability of independent R&D and large-scale production of precision functional components have further driven down the manufacturing costs. Furthermore, the adoption of intelligent technologies such as AI and digital tools enable the adaptive processing and predictive maintenance of the five-axis CNC machine tool, thus reducing its total production and usage costs. The advancements and increasing maturity of these technologies are further lowering machine costs and complexity, accelerating their penetration across various application scenarios.

- ***Favourable policies and regulations are driving the industry forward.*** The PRC government introduced a series of supportive policies emphasizing the intelligent manufacturing and the autonomous development of high-end equipment, creating a favourable environment for the development of China's five-axis CNC machine tool industry.

  - ***Promoting localization of core components.*** In September 2023, the MIIT and six other departments jointly issued "the Work Plan for Steady Growth of the Machinery Industry" (《機械行業穩增長工作方案》). The plan calls for building high-level platforms for demand-supply matching, and supports industry associations in organizing exhibitions and forums in fields such as machine tools to promote technical exchanges, international cooperation, and upstream-downstream integration across the industrial chain. In December 2023, the National Development and Reform Commission released "the Guiding Catalogue for Industry Restructuring" (《產業結構調整指導目錄》), explicitly classifying items such as "CNC systems and industrial software for high-end CNC machine tools" and "critical components, accessories, and tools for high-end CNC machine tools" as encouraged industries. These policies have created a positive market environment for the localization of five-axis CNC machine tool components.

- ***Facilitating machine tool renewal and consumption.*** In March 2024, the State Administration for Market Regulation and six other departments jointly released "the Action Plan for Optimizing Standards Regulating Equipment Renewals and Trade-ins of Consumer Goods" (《以標準提升牽引設備更新和消費品以舊換新行動方案》), which proposed the development and implementation of standards for large-size, high-precision, and high-complexity CNC machine tools, and promoted equipment upgrades and remanufacturing. In August 2024, the State Council and the National Development and Reform Commission jointly issued "the Guidelines on Regulating Procurement Management of Central Enterprises" (《關於規範中央企業採購管理工作的指導意見》), requiring central enterprises to take the lead in adopting innovative products, especially in key fields such as high-end CNC machine tools, thereby providing strong policy support for the development of five-axis CNC machine tools.

Future Trends of China's Five-axis CNC Machine Tool Industry

- ***New materials and new structural technologies promote breakthroughs in the performance of five-axis CNC machine tools.*** As downstream application scenarios increasingly demand high-end processing, such as the processing of complex curved surfaces, the performance of five-axis CNC machine tools continues to evolve toward higher speed, greater precision, and larger working span. Among these innovations, the application of new materials centered on carbon fiber composites has become key to overcoming traditional technical bottlenecks. With high specific stiffness, low density, and near-zero thermal expansion, carbon fiber composites can be applied to machine bed components such as the saddle, crossbeam, column, and spindle box of machine tools with span over three meters to significantly reduce overall machine weight and energy consumption, while enhancing structural rigidity, vibration resistance, and thermal stability. This provides a disruptive solution that enables five-axis CNC machine tools to maintain both precision and stability at high speeds, unlocking strong application potential and broad market prospects across multiple scenarios, especially in the high-precision processing of large components in the fields of automotive, semiconductor equipment, die and mold manufacturing, aviation and aerospace, shipbuilding, and energy.

- ***AI technologies are transforming application models of five-axis CNC machine tools.*** Existing CNC systems and programming software involve complicated steps and depend heavily on manual input in manufacturing process decisions, resulting in low efficiency. In the future, CNC systems empowered by AI technologies can bring revolutionary improvements to programming and process decision-making. For example, generating processing instructions directly from 3D model reduces programming complexity and processing cycle, and integrating multi-modal large models to possess multi-dimensional cognitive capabilities thereby achieving intelligent decision-making in processing. In addition, AI technologies, when combined with digital twin technology, enable virtual debugging and energy optimization, allowing the machine to predict potential faults, automatically adapt to environmental parameters, and perform real-time precision calibration.

- ***Five-axis CNC machine tools are expected to gradually replace non-five-axis machine tools.*** Five-axis CNC machine tools have clear advantages in processing accuracy and efficiency. With the transformation and upgrading of downstream manufacturing sectors, five-axis CNC machine tools are well-positioned to handle a wide range of complex processing tasks, expanding their presence across various application scenarios, and better adapt to the trend of high-end manufacturing. Moreover, continuous technological progress is further improving their cost-effectiveness. In contrast, non-five-axis CNC machine tools show obvious limitations in processing complex parts and are unable to meet the demands of modern manufacturing for high-efficiency and high-precision processing. With superior capabilities and economic benefits, five-axis CNC machine tools are expected to replace traditional two-axis, three-axis, and four-axis models and become the mainstream processing equipment in the industry.

- ***Domestic suppliers of entire machines and core components are rapidly emerging.*** Domestic suppliers of five-axis CNC machine tools and core components are rapidly emerging. Through technological breakthroughs, service upgrades, and collaboration among industry, academia, and research institutions, they are propelling the development of the industry. In the midstream of value chain, domestic suppliers are achieving technological advances through independent R&D, and their product performance is becoming increasingly comparable to international standards. With competitive pricing and localized services, domestic suppliers are accelerating the replacement of imported equipment. Meanwhile, the industry is shifting from single-machine sales to full-process integrated solutions that combine process optimization, intelligent programming, and operational support, greatly increasing customer value. Furthermore, with strong policy support, the localization of core components has made great progress. Leading suppliers are increasing investment in R&D and gradually overcoming technical barriers in key components, enhancing the autonomy and security of the supply chain. Last but not least, domestic suppliers are integrating resources through industry-academia-research collaborations to promote technological iteration and align with market demands, laying a foundation for the sustainable development of the industry.

- ***Expansion of five-axis CNC machine tools from industrial to consumer applications.*** Driven fundamentally by technological innovations, the application scenarios of five-axis CNC machine tools are extending from industrial to consumer markets. Through miniaturized equipment design, optimization of production costs, and machine learning-based automatic toolpath generation, the financial and technical barriers to equipment acquisition and operation are significantly reduced. These technological innovations have enabled five-axis CNC machine tools to extend beyond traditional industrial manufacturing into consumer-oriented scenarios such as creative design, educational practice, and personalized production. Such extensions meet the demand for high-precision and customized manufacturing in scenarios including precision model manufacturing and custom jewellery processing, thereby providing consumers with accessible channels to industrial-grade precision machining.

Challenges of China's Five-axis CNC Machine Tool Industry

- ***Intense market competition.*** China's five-axis CNC machine tool market is highly competitive, with overseas suppliers from Germany and Japan holding important positions due to their early entry and advanced technological capabilities. Although domestic suppliers have made notable progress in technology research and development in recent years, they still face significant challenges in brand recognition, product stability, and processing precision compared with these overseas competitors.

- ***Insufficient independent supply of core components.*** Five-axis CNC machine tools place high demands on the quality and reliability of key parts. In areas such as CNC systems, encoders, grating rulers, spindles, and rotary axes, domestic products still lag behind overseas counterparts in terms of precision and reliability. Most of these components are still imported, which not only increases production costs but also exposes suppliers to potential risks from overseas technology blockades and market restrictions, affecting the long-term sustainability of their business.

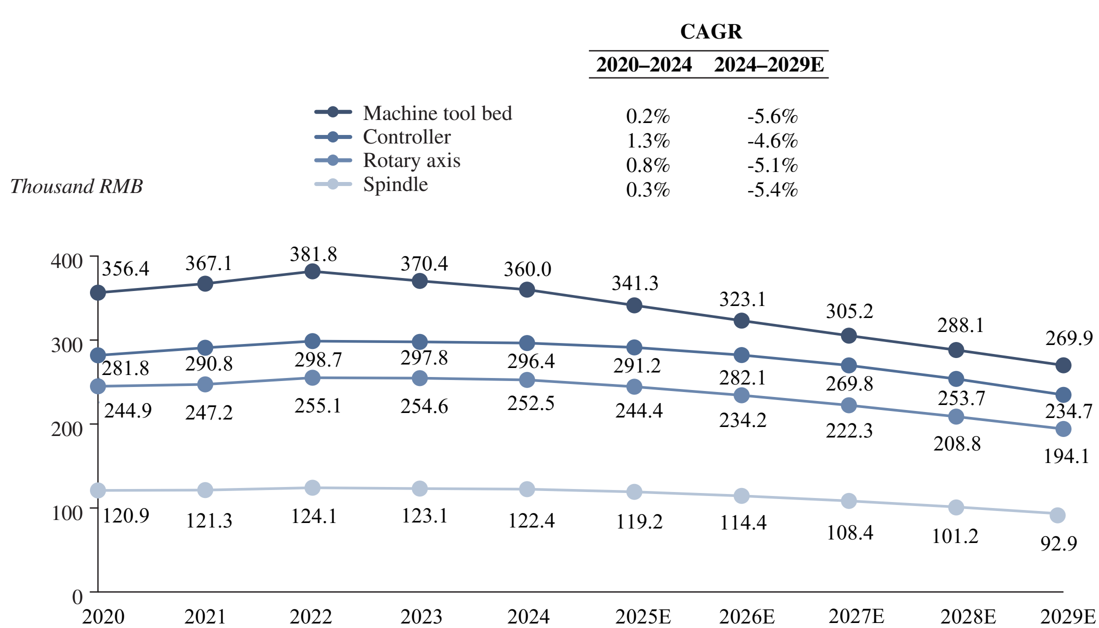
- ***Shortage of talent and rising labour cost.*** The five-axis CNC machine tool industry requires a large number of highly skilled professionals with interdisciplinary expertise in both technology development and machine operation. However, due to the relatively late start of the industry in China, there is a lack of experienced talent, and the talent cultivation system remains underdeveloped. To attract and retain qualified personnel, suppliers are required to offer higher salaries and better benefits, which increases their operating costs.

- ***Limited receptivity of five-axis CNC machine tools in the general industrial market due to high complexity.*** Many downstream traditional manufacturing companies have insufficient understanding of five-axis CNC machine tools. Although they may be aware of the tools' high-precision and high-efficiency processing strengths, they continue to rely on low- to mid-end equipment due to the lack of necessary technical personnel and use experience of five-axis CNC machine tools, making it difficult for them to fully utilize the machines' performance. As a result, promoting five-axis CNC machine tools in the general industrial market remains challenging and has become a constraint on the industry's further development.

Historical Price Changes of Raw Materials in China's Five-axis CNC Machine Tool Industry

Machine tool beds, controllers, rotary axes, spindles, and machine tool accessories are the core components of five-axis CNC machine tools, typically accounting for approximately 30.0%, 28.0%, 20.0%, 10.0%, and 10.0% of the total raw material cost, respectively. Among all, the machine bed serves as the foundational structure that supports and bears all components of the machine tool, ensuring the reliability and durability during high-speed and high-precision processing. As the size of the five-axis CNC machine tool increases, the demand for machine tool bed materials will increase, leading to a further rise in related costs. The controller is the most important part of the five-axis CNC machine tools and is responsible for precisely controlling the motion of the tool and the workpiece. As performance requirements such as processing precision continue to rise, the share of the controller in total cost is expected to further increase. The spindle and rotary axis provide cutting power and execute processing operations, making them essential to completing high-quality processing tasks. The prices of the above core components are affected by the material shortage caused by COVID-19 in the past few years, leading to an increase from 2020 to 2022. In the future, as the supply-demand dynamics gradually stabilize, and the localization rate increase, the corresponding price are expected to decline. The following chart sets forth the historical and forecast price changes of the core components for a vertical five-axis CNC machine tool with a maximum machining stroke of 300mm, which is now the mainstream five-axis CNC machine tool model in the market. In high-end manufacturing sectors such as the aviation and aerospace, the commonly used model are usually larger in size and more complex in structure, resulting in significantly higher costs for their core components compared to mainstream models.

Historical and Forecasted Price Changes of Core Components for Five-axis CNC Machine Tools, 2020–2029E



Source: GACC, Annual Reports, CIC

Competitive Landscape of China's Five-axis CNC Machine Tool Industry

Ranking of five-axis CNC machine tool suppliers by revenue from five-axis CNC machine tools in China

China's five-axis CNC machine tool industry comprises both overseas and domestic suppliers. Historically, overseas suppliers have held a dominant position in the industry due to their early entry and established expertise. However, with the rapid development of China's five-axis CNC machine tool industry, domestic suppliers are emerging, demonstrating a clear trend of domestic substitution. Domestic suppliers are progressively expanding their market share by leveraging their continuously improving technical capabilities, competitive product offerings, and efficient and reliable service responsiveness. In terms of revenue from five-axis CNC machine tools, the market share of domestic suppliers increased from 18.0% in 2020 to 55.0% in 2024 and is projected to exceed 75.0% by 2029. This demonstrates a positive growth momentum, signifying the significant trend towards domestic substitution.

China's five-axis CNC machine tool industry is characterized by a large number of suppliers and intense market competition, and the competitive landscape is relatively concentrated. In 2024, in terms of revenue from five-axis CNC machine tools, the total market share of the top five five-axis CNC machine tool suppliers reached 44.8%. In particular, we ranked fifth among all suppliers and third among domestic suppliers in China's five-axis CNC machine tool industry, with a market share of 4.3%. The following table sets forth the rankings of top five five-axis CNC machine tool suppliers by revenue from five-axis CNC machine tools in China.

Ranking of China's Five-axis CNC Machine Tool Suppliers, in terms of Revenue from Five-axis CNC Machine Tools, 2024

Ranking	Supplier	Location of corporate headquarters	Revenue	Market share[1]
			(RMB million)	
1	Company A[2]	China	~1,550.0	14.4%
2	Company B[3]	Japan	~1,200.0	11.1%
3	Company C[4]	Germany	~1,100.0	10.2%
4	Company D[5]	China	514.1	4.8%
5	**The Group**	**China**	**469.2**	**4.3%**
	Sub-Total		**~4,833.3**	**44.8%**

Notes:

(1) The market share is obtained by dividing the supplier's revenue from five-axis CNC machine tools by the market size of China's five-axis CNC machine tool industry.

(2) Company A is a non-listed company founded in 1994 and headquartered in Beijing, China. It is mainly engaged in the R&D, production and sales of precision CNC machine tools.

(3) Company B is a company listed on the Tokyo Stock Exchange founded in 1948 and headquartered in Tokyo, Japan. It is mainly engaged in the R&D, production and sales of CNC turning centers, milling machines, and additive manufacturing systems.

(4) Company C is a non-listed company founded in 1926 and headquartered in Mindelheim, Germany. It is mainly engaged in the R&D, production and sales of universal machining centers and automated manufacturing systems.

(5) Company D is a company listed on the Shanghai Stock Exchange founded in 2008 and headquartered in Dalian, China. It is mainly engaged in the R&D, production and sales of five-axis CNC machine tools, high-end CNC systems, key functional components and flexible automated production lines.

Source: Annual Reports, CIC

Ranking of five-axis CNC machine tool suppliers by revenue from five-axis CNC machine tools in the aviation and aerospace sector in China

The aviation and aerospace sector is a significant application scenario for five-axis CNC machine tools and currently represents the largest share as of the total market size of China's five-axis CNC machine industry. In 2024, the market size of China's five-axis CNC machine tools in the aviation and aerospace sector reached RMB3.8 billion, accounting for 35.6% of the China's five-axis CNC machine tool market. In terms of revenue from five-axis CNC machine tools in the aviation and aerospace sector in 2024, the Group ranked first among all suppliers in China's five-axis CNC machine tool industry, with a market share of 11.6%. The following table sets forth the rankings of five-axis CNC machine tool suppliers by revenue from five-axis CNC machine tools in the aviation and aerospace sector in China.

Ranking of China's Five-axis CNC Machine Tool Suppliers, in terms of Revenue from Five-axis CNC Machine Tools in the Aviation and Aerospace Sector, 2024

Ranking	Supplier	Location of corporate headquarters	Revenue	Market share(1)
			(RMB million)	
1	**The Group**	**China**	**445.3**	**11.6%**
2	Company B	Japan	~380.0	9.9%
3	Company C	Germany	~330.0	8.6%
4	Company E(2)	China	~270.0	7.0%
5	Company A	China	~250.0	6.5%
	Sub-Total		**~1,675.3**	**43.6%**

Note:

(1) The market share is obtained by dividing the supplier's revenue from five-axis CNC machine tools in the aviation and aerospace sector by the market size of China's five-axis CNC machine tool in the aviation and aerospace sector.

(2) Company E is a non-listed company founded in 2015 and headquartered in Shanghai, China. It is mainly engaged in the R&D, production and sales of high-end CNC machine tools.

Source: Annual Reports, CIC

Comparison of top five suppliers in China's five-axis CNC machine tool industry

In terms of application scenario and product portfolio, the Group mainly focuses on providing five-axis CNC machine tools in the aviation and aerospace sector. Particularly, it has achieved breakthroughs on commercializing high-barrier products such as dual five-axis mirror milling machines and large-span carbon fiber composite five-axis machine tools. This has made the Group one of the most diversified and competitive suppliers in terms of product offerings. In contrast, other leading suppliers primarily cater to a more dispersed range of downstream sectors, offering product portfolios limited to commonly used five-axis CNC machine tools, with less emphasis on researching and developing new products using innovative materials and structural technologies.

In terms of processing portfolio, compared with other major domestic and overseas suppliers in China's five-axis CNC machine tool industry, the Group provides one of the most comprehensive ranges. It supports not only conventional milling, turning, boring-milling, and drilling, but also advanced processes such as friction stir welding and riveting. This diverse portfolio enables the Group to address a broader spectrum of complex and high-end application scenarios. With respect to product performance indicators that reflect processing efficiency, precision, and applicability, such as the maximum linear axis feed rate, rotary axis positioning accuracy, five-axis RTCP accuracy, and processing stroke range, the Group's products demonstrate strong overall performance, outperforming domestic peers across multiple dimensions and are comparable to those of leading overseas suppliers operating in China. The following table sets forth a competitive analysis of the products offered by the top five suppliers in China's five-axis CNC machine tool industry.

Competitive Analysis of Top Five Five-axis CNC Machine Tool Suppliers in China, 2024

Company	Product portfolio	Processing portfolio	Maximum linear axis feed rate	Maximum rotary axis positioning accuracy	Five-axis RTCP accuracy	Maximum processing stroke range
The Group	●	◕	●	●	●	●
Company A	◑	◑	◔	◑	◕	◔
Company B	◔	●	◑	◑	◕	◕
Company C	◕	◔	◕	◑	◑	◔
Company D	◕	◑	◑	◑	◕	◑

● High ◔ Low

Source: CIC

Entry Barriers for China's Five-axis CNC Machine Tool Industry

- ***Technical and process barrier.*** The research, development, and manufacturing of five-axis CNC machine tools involve the integrated application of a wide range of advanced technologies. These include high-rigidity mechanical structure and material design, high-precision CNC system control for multi-axis simultaneous motion, and computer programming technologies suitable for complex surfaces and tool paths. Furthermore, five-axis CNC machine tools are applied across a broad range of application scenarios, and different industries have varying requirements for product forms and manufacturing processes. To ensure adaptability, suppliers must be proficient in diverse manufacturing processes. Consequently, the complexity of related technologies and processes requires strong research capabilities and long-term technical accumulation, which are difficult for new entrants to achieve in a short period.

- ***Manufacturing barrier.*** Five-axis CNC machine tools are complex large-scale intelligent manufacturing equipment composed of numerous parts and components. To ensure high processing accuracy and reliability, suppliers must exercise strict control over the production environment and every stage of the manufacturing process. This requires deep expertise in combining materials, components, and techniques, as well as strong production capabilities to ensure product quality. For new entrants, establishing a complete set of major packaged equipment manufacturing capabilities in a short time presents a major challenge.

- ***Financial barrier.*** The development cycle of five-axis CNC machine tools is long, requiring substantial capital investment in equipment acquisition, process development, and R&D. Only suppliers with sufficient financial resources can continuously invest in innovation to maintain competitiveness and support sustainable development. As a result, the industry sets a high bar for capital strength, forming a clear financial barrier for new participants.

- ***Talent barrier.*** The five-axis CNC machine tool industry is highly technology-intensive and requires the integration of complex, interdisciplinary knowledge across machinery, automation, and software development. As a result, high requirements are placed on the technical competence and experience of R&D and engineering personnel. Suppliers must make significant investments in talent development. In 2024, the average proportion of China's five-axis CNC machine tool suppliers' R&D investment as of their revenue reached approximately 30.0%. New entrants often lack the ability to allocate such resources and to cultivate talent with the necessary cross-disciplinary expertise in the short term.

- ***Brand barrier.*** In the five-axis CNC machine tool industry, the performance, reliability, and stability of the equipment are directly tied to the quality of part processing. Therefore, the brand influence, product service quality, and market reputation of suppliers have become critical factors for customer decisions. The overall brand strength built by suppliers over time is a key for order acquisition and serves as a significant barrier to entry for new market participants.

SOURCE OF INFORMATION

In connection with the **[REDACTED]**, we engaged CIC, an independent market research consultant, to conduct an analysis of, and to prepare a report about China's five-axis CNC machine tool industry. The CIC Report has been prepared by CIC independent of the influence of our Group and other interested parties. We have agreed to pay CIC a total fee of RMB450,000 for the preparation and use of the CIC Report, and we believe that such fees are consistent with the market rate. CIC is a consulting firm founded in Hong Kong and provides professional industry consulting services across multiple industries. CIC's services include industry consultancy services, commercial due diligence and strategic consulting.

CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources. The market projections in the commissioned report are based on the following key assumptions: (i) given China's enduringly stable political system, effective social governance and robust economic foundation, it is anticipated that the overall social, economic and political environments in China will remain stable during the forecast period; (ii) according to the National Bureau of Statistics of China, key economic indicators such as Gross Domestic Product ("**GDP**"), industrial added value, and urbanization rate have shown an upward trend in China over the past decade. Therefore, we believe that the economic and industry development in China is likely to maintain a steady growth trajectory during the forecast period, accompanied by continuing urbanization; (iii) related key industry drivers such as the machine tool industry has reached the bottom of its cycle and is approaching a peak period of equipment replacement, overseas technology blockades drive surging domestic substitution demand, technological breakthroughs support cost reduction and application expansion, and favorable policies and regulations are driving the industry forward are likely to propel continued growth in China's five-axis CNC machine tool industry throughout the forecast period; and (iv) there will be no extreme force majeure event or unforeseen industry regulation that may significantly or fundamentally affect the relevant market and industry.

Unless otherwise specified, all data and forecasts contained in this section are derived from the consultancy report of CIC. Our Directors have confirmed that there has been no adverse change in the market information since the date of publication of the CIC Report, which may qualify, contradict or impact the information in this Industry Overview section. Each of our Directors and the Joint Sponsors has exercised reasonable care in selecting and identifying the named information sources, compiling, extracting and reproducing the information, and ensuring that there has been no material omission of the information in this Industry Overview section.

PRC LAWS AND REGULATIONS

This section sets out a summary of certain aspects of laws and regulations of the PRC, which are relevant to the business and operations of our Group.

Laws and Regulations in Relation to Product Quality

The Product Quality Law of the People's Republic of China (中華人民共和國產品質量法) (the "**Product Quality Law**") promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on 22 February 1993, which was last amended and became effective on 29 December 2018, is the principal governing law related to the supervision and administration of product quality. According to the Product Quality Law, manufacturers shall be liable for the quality of products they produce, and sellers shall take measures to ensure the quality of the products they sell. A manufacturer shall be liable to compensate for any physical injuries or damage to property other than the defective product itself resulting from the defects in the product unless the manufacturer can prove that: (1) the product has not been put into circulation; (2) the defects causing injuries or damage did not exist at the time when the product was put into circulation; or (3) the science and technology at the time when the product was put into circulation were at a level incapable of detecting the existence of the defect. A seller shall be liable to compensate for any physical injuries or damage to the property of others caused by the defects in the product. Where a product is defective due to a mistake made by the seller and such defect causes physical injury or damage to the property of others, the seller shall bear liability for compensation. Where a seller cannot specify the producer of a defective product nor the supplier of such defective product, the seller shall be liable for compensation. Where a defect in a product causes physical injuries to others or damages to the property of others, the victim may claim compensation from the producer of the product or the seller of the product.

Pursuant to the Civil Code of the People's Republic of China (中華人民共和國民法典) promulgated by the National People's Congress (the "**NPC**") on 28 May 2020 and effective on 1 January 2021, in the event of damages caused to other parties due to the defects in a product, the infringed party may seek compensation from the manufacturer or the seller of such product and shall have the right to request the manufacturer and the seller to bear tortious liabilities, such as cessation of infringement, removal of obstruction, elimination of danger, etc.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法), which was promulgated by the SCNPC on 31 October 1993, last amended on 25 October 2013 and became effective on 15 March 2014, was aimed at protecting consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods or provide services to customers. Under the amendments made on 25 October 2013, all business operators must pay high attention to protecting customers' privacy and must strictly keep confidential any personal information of consumers obtained during their business operations

The Regulations on the Implementation of the Law on the Protection of Consumer Rights and Interests of the People's Republic of China (中華人民共和國消費者權益保護法實施條例) was promulgated by the State Council of the People's Republic of China (the "**State Council**") on 15 March 2024 and implemented on 1 July 2024 (the "**Regulations on the Implementation of the Law on the Protection of Consumer Rights and Interests**"). The Regulations on the Implementation of the Law on the Protection of Consumer Rights and Interests mainly refine and supplement the obligations of operators and improve the relevant provisions on online consumption, strengthen the obligations of prepaid consumer operators, regulate the behavior of consumer claims and clarify the responsibilities of the government for the protection of consumer rights and interests.

Laws and Regulations in Relation to the Industry

According to the Law of the PRC on Government Procurement (中華人民共和國政府採購法) (the "**Procurement Law**") promulgated by the SCNPC on 29 June 2002 and last amended and implemented on 31 August 2014, the government procurement methods include public tender invitation, bidding invitation, competitive negotiation, single-source procurement, inquiry about quotations and other methods confirmed by the department for supervision over government procurement under the State Council. Public tender invitation is the principal method of government procurement, and the term "government procurement" means the use of fiscal funds by all levels of state authorities, institutions and social organizations to procure goods, projects and services that fall within the catalog for centralized procurement formulated in accordance with the law or that are above the procurement limits. Pursuant to Article 73 of the Procurement Law, if any unlawful act made pursuant to Article 71 and Article 72 where the bid winning or transaction result has been or may be affected, the following measures shall be taken respectively: (1) If the winning bidder or successful supplier has not yet been determined, the procurement activity shall be terminated. (2) If the winning bidder or successful supplier has been determined but the procurement contract has not been performed, the contract shall be canceled, and another winning bidder or successful supplier shall be determined from the qualified candidates. (3) If the procurement contract has been performed and losses have been caused to the procuring entity or supplier, the responsible party shall bear the liability for compensation.

Laws and Regulations in Relation to Intellectual Property

Trademarks

The Trademark Law of the People's Republic of China (中華人民共和國商標法) (the "**Trademark Law**") was promulgated by the SCNPC on 23 August 1982 and became effective on 1 March 1983, and was last amended on 23 April 2019 and came into effect from 1 November 2019. The Implementation Rules of the Trademark Law of the People's Republic of China (中華人民共和國商標法實施條例) was promulgated by the State Council on 3 August 2002 and came into effect on 15 September 2002, and was last amended on 29 April 2014 and became effective from 1 May 2014. The Trademark Law and its implementation rules provide the basic legal framework for regulating trademarks in the PRC. According to relevant laws and regulations, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. Registered trademarks are protected under the Trademark Law and related rules and regulations. If a trademark applied for registration does not comply with relevant regulations or is identical or similar to the trademark already registered or preliminarily approved by others on the same or similar goods, the Trademark Office shall reject the application. The validity period of a registered trademark is 10 years, calculated from the date of approval for registration approval.

Patents

Pursuant to the Patent Law of the People's Republic of China (中華人民共和國專利法) promulgated by the SCNPC on 12 March 1984, last amended on 17 October 2020, and effective from 1 June 2021, and the Implementation Rules of the Patent Law of the People's Republic of China (中華人民共和國專利法實施細則) promulgated by the State Council on 15 June 2001, last amended on 11 December 2023 and effective from 20 January 2024, there are three types of patents, namely, invention,utility model and design. Invention patents are valid for 20 years, design patents are valid for 15 years and utility model patents are valid for 10 years from the date of application. The PRC patent system adopts a "first come, first file" principle, which means that where more than two persons file a patent application for the same invention, a patent will be granted to the person who applies first. Inventions and utility model patents must meet three criteria: novelty, inventiveness and practicability. Unless otherwise stipulated by relevant laws and regulations, a third party must obtain consent or a proper license from the owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

Copyright and software copyright

Pursuant to the Copyright Law of the People's Republic of China (中華人民共和國著作權法) promulgated by the SCNPC on 7 September 1990, last amended on 11 November 2020 and effective from 1 June 2021, and the Implementing Rules of the Copyright Law of the People's Republic of China (中華人民共和國著作權法實施條例) promulgated by the State Council on 2 August 2002, last amended on 30 January 2013 and effective from 1 March 2013, Chinese citizens, legal persons or other organizations enjoy copyright protection over their works, whether published or not, in the domain of literature, art and science.

In addition, internet activities, products disseminated over the internet, and software products also enjoy copyright. Pursuant to the Regulation on Protection of Computer Software (計算機軟件保護條例) promulgated by the State Council on 4 June 1991, effective on 1 November 1991, last amended on 30 January 2013 and implemented on 1 March 2013, the software registration authority shall grant certificates of registration to computer software copyright applicants in compliance with the Regulation on Protection of Computer Software.

Domain names

Pursuant to the Administrative Measures on Internet Domain Names (互聯網域名管理辦法) promulgated by the Ministry of Industry and Information Technology of the PRC (the "**MIIT**") on 24 August 2017 and effective from 1 November 2017, and the Implementation Rules for the Registration of National Top-level Domain Names (國家頂級網域名註冊實施細則) promulgated by China Internet Network Information Center and effective on 18 June 2019, the MIIT is in charge of the administration of PRC internet domain names. Domain owners need to register their domain names. The domain name services follow a "first come, first file" principle. The applicants will become the holders of such domain names upon the completion of the registration procedure.

Laws and Regulations in Relation to Labor Protection, Social Insurance and Housing Provident Funds

Labor security

Under the Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法) (the "**Labor Contract Law**") promulgated on 29 June 2007, effective on 1 January 2008, and last amended on 28 December 2012 and effective on 1 July 2013, labor contracts must be concluded in writing if labor relationships are to be or have been established between enterprises, individual economic organizations, private non-enterprise entities, etc. and the employees. Employers are forbidden to force employees to work overtime or to do so in a disguised manner and employers must pay employees overtime wages in accordance with the regulations of the state. In addition, wages may not be lower than local standards on minimum wages and must be paid to the employees timely. According to the Labor Law of the People's Republic of China (中華人民共和國勞動法) promulgated by SCNPC on 5 July 1994, effective on 1 January 1995 and last amended and implemented on 29 December 2018, employers shall establish and improve a system of labor safety and sanitation and shall strictly abide by national rules and standards on labor safety and sanitation as well as educate employees on labor safety and sanitation so as to prevent accidents during work and reduce occupational hazards. Labor safety and sanitation facilities shall comply with national standards. The employers must also provide employees with labor safety and sanitation conditions that are in compliance with national standards and necessary articles for labor protection.

Social insurance and housing provident fund

According to the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法) passed by the SCNPC on 28 October 2010, effective on 1 July 2011 and amended and implemented on 29 December 2018, each employer and individual in the PRC shall make social insurance fund, including basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance and maternity insurance. An employer who fails to make adequate contributions to social insurance fund shall be ordered to pay or supplement within a stipulated period, and shall be subject to a late fee computed from the date of default at the rate of 0.05% per day. Where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times of the overdue amount.

According to the Administrative Regulations on the Housing Provident Fund (住房公積金管理條例) passed by the State Council on 3 April 1999, last amended and implemented on 24 March 2019, each employer and individual in the PRC shall make housing provident fund. Where, in violation of the provisions of the regulations, an employer is overdue in the contribution of, or underpays, the housing provident fund, the competent PRC government authority shall order it to make the housing provident fund within a stipulated period. If the payment is not made within such stipulated period, an application may be made to the People's Court for compulsory enforcement.

Laws and Regulations in Relation to Foreign Exchange

According to the Regulations of the People's Republic of China on Foreign Exchange Administration (中華人民共和國外匯管理條例) (the "**Foreign Exchange Regulations**") promulgated by the State Council on 29 January 1996, effective on 1 April 1996, and last amended and effective on 5 August 2008, international payments in foreign currencies and transfers of foreign currencies under current account in PRC shall not be subject to any restriction. Foreign currency transactions under the capital account, such as direct investment and capital contribution, are still restricted and require approvals from, or registration with, the foreign exchange administrative authorities.

According to the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) announced by SAFE on 1 February 2005, effective on 1 March 2005 and amended and implemented on 26 December 2014, SAFE and its branch offices and administrative offices shall oversee, regulate and inspect domestic companies regarding their business registration, opening and use of accounts, trans-border payments and receipts, exchange of funds and other conduct involved in overseas listing. The domestic company shall, within 15 working days upon the end of its overseas public offering, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the required materials.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies for the Administration over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) announced by SAFE and effective on 9 June 2016, and the Notice of the State Administration of Foreign Exchange on Further Deepening Reform to Promote Cross-border Trade and Investment Facilitation (國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知) announced and effective on 4 December 2023, the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary settlement policies. The foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary settlement as expressly prescribed in the relevant policies may be settled with banks according to the actual need of the domestic institutions for business operation. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. SAFE may adjust the above proportion in due time according to the balance of payments. While eligible for the discretionary settlement of foreign exchange receipts under capital accounts, domestic institutions may also opt to use their foreign exchange receipts according to the payment-based settlement system. A bank shall, in handling each transaction of foreign exchange settlement for a domestic institution according to the principle of payment-based settlement, review the authenticity and compliance of the use of the funds settled in the previous foreign exchange settlement (including discretionary settlement and payment-based settlement) of such domestic institution. Domestic institutions' foreign exchange receipts under the capital account and the Renminbi funds obtained from the settlement thereof shall not, directly or indirectly, be used for expenditure beyond the enterprise's business scope or expenditure prohibited by laws and regulations of the state. Unless otherwise specified, the funds shall not, directly or indirectly, be used for investments in securities or other investments or wealth management other than banks' principal-secured products. The funds shall not be used for the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope. The funds shall not be used for the construction or purchase of real estate for purposes other than self-use (except for real estate enterprises).

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business by the State Administration of Foreign Exchange (國家外匯管理局關於優化外匯管理支持涉外業務發展的通知) issued by SAFE on 10 April 2020, eligible enterprises are allowed to make domestic payments by using receipts under capital accounts, such as their capital funds, foreign credits and the income from overseas listing, with no need to provide the evidentiary materials concerning authenticity on a transaction-by-transaction basis to banks in advance, provided that their capital use shall be authentic and inline with provisions, and conform to the prevailing administrative regulations on the use of receipts under capital accounts. Local foreign exchange authorities shall strengthen monitoring analysis and interim and post regulation.

Laws and Regulations in Relation to Taxation

PRC Enterprise Income Tax Law

According to the EIT Law promulgated on 16 March 2007, effective on 1 January 2008 and last amended and implemented on 29 December 2018, and the Implementing Rules of the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法實施條例) (the "**Implementing Rules of the Enterprise Income Tax Law**") promulgated on 6 December 2007, effective on 1 January 2008 and last amended and implemented on 23 April 2019, enterprise income taxpayers shall include resident and non-resident enterprises. Resident enterprise refers to an enterprise established within China or is established under the law of a foreign country (region) but whose actual institution of management is within China. Non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not within China but has offices or establishments within China, or which does not have any offices or establishments within China but has incomes sourced from China. The rate of enterprise income tax shall be 25%. Qualified small low-profit enterprises are given the reduced enterprise income tax rate of 20%.

According to the Administrative Measures for Accreditation of High-tech Enterprises (高新技術企 業認定管理辦法) jointly promulgated by Ministry of Science and Technology, Ministry of Finance and the SAT on 14 April 2008, amended on 29 January 2016 and effective on 1 January 2016, enterprises which recognized as high-tech enterprises are entitled to enjoy the preferential enterprise income tax rate of 15%. The validity period of the high-tech enterprise qualification shall be three years from the date of issuance of the certificate of high-tech enterprise. After the certificate expires, the enterprise can re-apply for such recognition as a high-tech enterprise.

Value-added tax

According to the Interim Value-Added Tax Regulations of the People's Republic of China (中華人民共和國增值稅暫行條例), as announced by the State Council on 13 December 1993 and last amended and effective on 19 November 2017, entities and individuals selling goods, providing labor services of processing, repairing or maintenance, selling services, intangible assets and real property in China, and importing goods to China, shall be identified as taxpayers of value-added tax. Unless otherwise provided bylaws, the value-added tax rate is 17% for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods; 11% for taxpayers selling transportation, postal, basic telecommunication, construction, immovable property or immovable property leasing services, transferring the land use rights, or selling or importing specific goods; 6% for taxpayers selling services or intangible assets; 0% for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders; and 0% for exported goods, except as otherwise specified by the State Council.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) promulgated by the Ministry of Finance and the SAT on 23 March 2016, the pilot program of replacing business tax with value-added tax nationwide should be comprehensively promoted. All taxpayers of business tax engaged in the construction industry, real estate industry, financial industry and life service industry should be included in the pilot scope with regard to payment of value-added tax instead of business tax.

According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (財政部、國家稅務總局關於簡併增值稅稅率有關政策的通知) announced by the Ministry of Finance and the SAT on 28 April 2017, the structure of value-added tax rates will be simplified and consolidated from 1 July 2017, and the 13% value-added tax rate shall be canceled. The scope of goods with 11% value-added tax rate and the provisions for deducting input tax are specified.

According to the Circular on Adjusting Value-added Tax Rates (財政部、國家稅務總局關於調整增值稅稅率的通知) announced by the Ministry of Finance and the SAT on 4 April 2018, from 1 May 2018, where a taxpayer engages in a value-added tax taxable sales activity or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the SAT and the General Administration of Customs on Relevant Policies for Deepening Value-Added Tax Reform (關於深化增值稅改革有關政策的公告) promulgated on 20 March 2019, with respect to value-added tax taxable sales or imported goods of a value-added tax general taxpayer, the originally applicable value-added tax rate of 16% shall be adjusted to 13%, and the originally applicable value-added tax rate of 10% shall be adjusted to 9%.

According to the Announcement on Further Enhancing the Implementation of the End-of-Period Value-Added Tax Refund Policy (關於進一步加大增值稅期末留抵退稅政策實施力度的公告) issued by the Ministry of Finance and the SAT on 21 March 2022, eligible enterprises in manufacturing and other industries may apply to the competent tax authorities for the refund of the remaining recoverable value-added tax from the tax declaration period in April 2022. Taxpayers who have benefited from the value-added tax refund policy of "immediate refund upon collection" (即徵即退) and "levy and refund later" (先徵後返(退)) since April 2019 may apply for end-of-period value-added tax refund, provided that, taxpayers shall apply after returning all the value-added tax refunds enjoyed since April 2019 to relevant tax authorities before 31 October 2022 in one go.

Transfer pricing

Pursuant to the EIT Law, the business transactions between enterprises and their affiliates that reduce the taxable income or income of such enterprises and their affiliates are not in compliance with the arm's length principle, the taxation authority has the right to make an adjustment with reasonable methods. Where enterprises submit to the tax authority the annual enterprise income tax return, they shall enclose a statement of the annual business transactions in respect of the business transactions of the enterprises and their affiliates. If an enterprise fails to provide the information of business transactions with their affiliates, or provides false or incomplete information, which cannot faithfully reflect their affiliated business transactions. The tax authority has the right to verify its taxable income legally, if it is necessary to pay additional taxes, the additional taxes and interest in accordance with the regulations of the State Council should be collected. In addition, in accordance with the Implementing Rules of the Enterprise Income Tax Law, the business transactions between the enterprise and its affiliates do not conform to the principle of independent transactions, or the enterprise arrangements that do not have reasonable commercial purposes, the taxation authorities shall have the right to make the aforesaid tax adjustment within 10 years as from the tax year when such transactions are happened.

According to the Administrative Measures for Special Tax Audits and Adjustments and the Mutual Agreement Procedure (特別納稅調查調整及相互協商程式管理辦法) promulgated by the SAT on 17 March 2017 and effective on 1 May 2017, tax authorities shall carry out special tax adjustments-focused monitoring and administration of enterprises, and may issue a notice of tax matters to enterprises found with any special tax adjustment risks to prompt their existing tax risks. Enterprises can also make a self-adjustment and pay the underpaid tax, and the tax authorities can still perform special tax audits and adjustments thereafter. Tax authorities shall initiate the special tax audit procedure upon request by an enterprise for confirmation of its tax position on special tax adjustment items, such as the pricing principle or method adopted for related-party transactions.

Pursuant to the Administration of Tax Collection Law of the PRC (中華人民共和國稅收徵收管理法) promulgated by the SCNPC on 4 September 1992 and last amended and implemented on 24 April 2015, if a taxpayer fails to pay taxes or a withholding agent fails to remit taxes within the time limit in accordance with the provisions, in addition to ordering the payment within a time limit, the relevant tax authorities may impose a fine on a daily basis at the rate of 0.05% of the amount of tax in arrears. For taxpayers who evade taxes, the tax authorities may impose a fine not less than 50% of and not more than five times the amount of taxes unpaid or underpaid. Criminal liability may be incurred in serious cases.

Taxation on dividends

According to the Individual Income Tax Law promulgated on 10 September 1980, last amended on 31 August 2018 and effective on 1 January 2019, and the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法實施條例) (the "**Implementing Rules of the Individual Income Tax Law**") last amended on 18 December 2018 and effective on 1 January 2019, income from interest, dividends, bonuses, property leasing, property transfer and incidental income shall be subject to a proportional tax rate of 20%. In addition, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies (關於上市公司股息紅利差別化個人所得稅政策有關問題的通知) issued on 7 September 2015 by the Ministry of Finance, the SAT and the CSRC, where an individual acquires stocks of a listed company from public offering of the company or from the stock transfer market and holds the stocks for more than one year, the income from dividends is exempted from individual income tax. If the individual holds the stocks for one month or less, the income from dividends is fully taxable. If the individual holds the stocks for one month to one year (one year inclusive), 50% of the income from dividends is taxable. The aforesaid income is subject to an individual income tax at a flat rate of 20%.

In accordance with the EIT Law and the Implementation Rules for the Enterprise Income Tax Law, the rate of enterprise income tax shall be 25%. A non-resident enterprise income tax should be levied at a reduced rate of 10% on income originating from within China if such non-resident enterprise does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but the PRC-sourced income is not connected to such establishment or premise in the PRC. Such withholding tax for non-resident enterprises are deducted at source and the payer shall be the withholding agent. The tax shall be withheld by the withholding agent from the amount paid or due for each payment.

The Circular of the State Administration of Taxation on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Share Shareholders of Overseas Non-Resident Enterprise (國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知), which was issued by the SAT on 6 November 2008, further clarified that a PRC-resident enterprise unified withhold enterprise income tax at a rate of 10% on dividends paid to H Share shareholders of overseas non-resident enterprise for 2008 and subsequent years. After receiving dividends, the shareholder of a non-resident enterprise may apply to the competent tax authority for the treatment under the tax treaty (arrangement), and after the examination and verification by the competent tax authority, shall refund the balance between the tax paid and the tax payable calculated according to the tax rate stipulated in the tax treaty (arrangement). In addition, the Response to Issues on Levying Enterprise Income Tax on Dividends Received by Non-resident Enterprise from Holding Stock such as B-shares (國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆), which was issued by the SAT on 24 July 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006, the PRC government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書) effective on 6 December 2019 states that such provisions shall not apply to those arrangements or transactions, of which the main purpose includes gaining such tax benefit. The application of the dividend clause of tax agreements must comply with the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) and other Chinese tax laws and regulations.

Pursuant to Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (關於國稅發[1993] 045號文件廢止後有關個人所得稅征管問題的通知) issued by the SAT on 28 June 2011, for domestic non-foreign-invested enterprises issuing shares in Hong Kong, its overseas individual shareholders may enjoy relevant preferential tax treatment in accordance with the tax treaties between the PRC and its country of residence, and the tax treaties between the PRC and Hong Kong (or Macao). Domestic non-foreign-invested enterprises that issue shares in Hong Kong generally are subject to withhold personal income tax at 10% of dividends and profits without application. If the individual receiving dividends is a resident of an treaties country with a tax rate of less than 10%, the withholding agent shall apply on their behalf for the relevant preferential treatment in accordance with the provisions and upon approval by the competent tax authority, over-withheld taxes will be refunded. If the individual is a resident of an treaties country with a tax rate higher than 10% but lower than 20%, the withholding agent shall withhold personal income tax at the treaties effective rate when paying dividends and bonuses, and no application is required in such cases. If the individual receiving dividends is a resident of a country without a tax treaties with the PRC or other circumstances exist, the withholding agent shall withhold personal income tax at the rate of 20% when paying dividends.

Tax treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Income tax

According to the Individual Income Tax Law and its Implementing Rules of the Individual Income Tax Law, gains realized on the sale of equity interests in the PRC-resident enterprises are subject to the individual income tax at a rate of 20%. Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (財政部及國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued on 30 March 1998, as of 1 January 1997, income of individuals from the transfer of shares of listed enterprises shall continue to be exempted from individual income tax. On 31 December 2009, the Ministry of Finance, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知), which states that individuals' income from transferring at Shanghai Stock Exchange or Shenzhen Stock Exchange (the "**SZSE**") the shares of a listed company acquired from the public offerings of the company or from the transfer market shall continuously be exempted from the individual income tax, except for the relevant shares which are subject to sales restriction as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知) jointly issued by the three aforementioned authorities on 10 November 2010.

Stamp duty

Pursuant to the Stamp Tax Law of the People's Republic of China (中華人民共和國印花稅法) effective as of 1 July 2022, PRC stamp duty only applies on specific proof executed or received within the PRC and with legally binding force in the PRC, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H shares by non-PRC investors outside of the PRC.

Laws and Regulations in Relation to Environmental Protection and Fire

Environment protection

The Environmental Protection Law of the PRC (中華人民共和國環境保護法), which was promulgated by the SCNPC on 26 December 1989, effective on the same day and last amended on 24 April 2014 and effective on 1 January 2015, outlines the authorities and duties of environmental protection regulatory agencies. The Ministry of Environmental Protection under the State Council is authorized to issue national standards for environmental quality and discharge of pollutants, and to exercise unified supervision and administration over environmental protection scheme of the PRC. Meanwhile, local environment protection authorities may formulate local standards for discharge of pollutants which are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

Environmental impact appraisal

According to the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), which was promulgated by the State Council on 29 November 1998, last amended on 16 July 2017 and became effective on 1 October 2017, depending on the impact of the construction project on the environment, a construction employer shall submit an environmental impact report or an environmental impact statement, or file a registration form. As to a construction project, for which an environmental impact report or the environmental impact statement is required, the construction employer shall,before the commencement of construction, submit the environmental impact report or the environmental impact statement to the relevant authority at the environmental protection administrative department for approval. If the environmental impact assessment documents of the construction project have not been examined or approved upon examination by the approval authority in accordance with the law, the construction employer shall not commence the construction.

According to the Environmental Impact Appraisal Law of PRC (中華人民共和國環境影響評價法), which was promulgated by the SCNPC on 28 October 2002 and last amended and implemented on 29 December 2018, for any construction projects that have an impact on the environment, the construction employer is required to prepare an environmental impact report or an environmental impact statement, or file a registration form depending on the seriousness of effect that may be exerted on the environment.

Pollutant discharge

Pursuant to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (排污許可管理辦法(試行)) promulgated on 10 January 2018 and partially revised on 22 August 2019 by the original environmental protection department, now known as the Ministry of Ecology and Environment (the "**MEE**"), and the Administrative Measures for Pollutant Discharge Licensing (排污許可管理辦法), which was promulgated on 1 April 2024 and scheduled to be implemented on 1 July 2024, enterprises, public institutions and other producers and operators under the administration of discharge permits (referred to as "**discharge units**") shall apply for and obtain a pollutant discharge license and discharge pollutants in accordance with the provisions of the discharge permit. Any enterprise that fails to obtain a pollutant discharge license as required shall not discharge pollutants.

According to the Catalog of Classified Administration of Pollutant Discharge License for Stationary Pollution Sources (2019 Version) (固定污染源排汙許可分類管理名錄(2019年版)) issued by the MEE on 20 December 2019, key management, simplified management and registration management of pollutant discharge permits are implemented according to factors including the amount of pollutants generated, the amount of pollutants discharged, the degree of impact on the environment, etc., and only pollutant discharge entities that implement registration management do not need to apply for a pollutant discharge permit.

According to the Regulation on Pollutant Discharge Permit Administration (排污許可管理條例) issued by the State Council on 24 January 2021 and effective on 1 March 2021, the administration on pollutant discharge units are divided into key management and simplified management pursuant to the amount of pollutants generated, the amount of pollutants discharged and the degree of impact on the environment. The review, decision and information disclosure of pollutant discharge licenses shall be handled through the management information platform of the national pollutant discharge license. The pollutant discharge license is valid for five years and the discharging units should apply for renewal 60 days to the approval authority before the expiry of the pollutant discharge license if they need to discharge pollutants on a continuous basis.

Acceptance inspection on environmental protection facilities

According to the Administration Rules on Environmental Protection of Construction (建設項目環境保護管理條例), upon completion of construction for which an environment impact report or environment impact statement is formulated, the constructor shall conduct acceptance inspection of the environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council and formulate the acceptance inspection report. The constructor needs to disclose to the public the acceptance inspection report pursuant to the law, except for circumstances where there is a need to keep confidentiality pursuant to the provisions of the state. Where the environmental protection facilities have not undergone acceptance inspection or failed on acceptance inspection, the construction project shall not be put into production or use.

Fire prevention design and acceptance

The Fire Prevention Law of the PRC (中華人民共和國消防法) (the "**Fire Prevention Law**") was issued by the SCNPC on 29 April 1998, became effective on 1 September 1998 and was last amended and implemented on 29 April 2021. According to the Fire Prevention Law, for special construction projects stipulated by the housing and urban-rural development authority of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those stipulated as special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs. According to Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (建設工程消防設計審查驗收管理暫行規定) issued by the Ministry of Housing and Urban-Rural Development of the PRC on 1 April 2020, last amended on 21 August 2023 and effective on 30 October 2023, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system would be applied.

Laws and Regulations Relating to Data, Network and Information Security

According to the Cybersecurity Law of the People's Republic of China (中華人民共和國網絡安全法) (the "**Cybersecurity Law**") promulgated by the SCNPC on November 7, 2016 and effective on June 1, 2017, network operators must abide by applicable laws and administrative regulations and fulfill their cybersecurity protection obligations when conducting business and service activities. To build or operate a network or provide services through a network, technical and other necessary measures shall be taken in accordance with the provisions of laws and administrative regulations and the mandatory requirements of national standards to ensure the security and stable operation of the network, effectively respond to network security incidents, prevent illegal and criminal activities on the network and maintain the integrity, confidentiality and availability of network data.

The Data Security Law of the People's Republic of China (中華人民共和國數據安全法) (the "**Data Security Law**") was promulgated by the SCNPC on June 10, 2021 and took effect on September 1, 2021. The Data Security Law provides for measures to support the promotion of data security and development, establishes and improves the national data security management system and clarifies the responsibilities of organizations and individuals with regard to data security. The Data Security Law introduces a classification and classification protection system for data based on the importance of data in economic and social development, as well as the degree of harm to national security, public interests or the legitimate rights and interests of individuals and organizations once it is tampered with, destroyed, leaked or illegally obtained or illegally used.

The Cyber Administration of China (the "**CAC**") and several other regulatory authorities in China jointly issued the Cybersecurity Review Measures (網絡安全審查辦法) on December 28, 2021, which came into effect on February 15, 2022. Where critical information infrastructure operators purchase network products and services, and network platform operators carry out data processing activities that affect or may affect national security, network security reviews shall be conducted in accordance with the Cybersecurity Review Measures.

The Personal Information Protection Law of the People's Republic of China (中華人民共和國個人信息保護法) (the "**Personal Information Protection Law**") was promulgated by the SCNPC on August 20, 2021 and took effect on November 1, 2021. The Personal Information Protection Law stipulates the scope of personal information and the methods of processing personal information, establishes rules on personal information processing and rules on cross-border provision of personal information and clarifies the rights of individuals in personal information processing activities and the obligations of personal information processors.

According to the Regulations on the Administration of Network Data Security promulgated by the State Council on September 24, 2024 and came into effect on January 1, 2025, network data processors carrying out network data processing activities that affect or may affect national security shall conduct national security reviews in accordance with relevant state regulations. According to the Measures for Data Exit Security Assessment (數據出境安全評估辦法) promulgated by the CAC on July 7, 2022 and effective on September 1, 2022 (the "**Security Assessment Measures**"), if the data processor provides data overseas, under any of the following circumstances, it shall report the data exit security assessment to the national network information Department through the local provincial network information department: (1) the data processor provides important data outside China; (2) critical information infrastructure operators and data processors processing the personal information of more than one million people provide personal information abroad; (3) since January 1 of the previous year, data processors who have provided personal information of 100,000 people or sensitive personal information of 10,000 people abroad have provided personal information abroad; and (4) other situations required to declare data exit security assessment as stipulated by the national network information department.

Regulations on Work Safety

According to the Work Safety Law of the People's Republic of China (中華人民共和國安全生產法) promulgated by the SCNPC on 29 June 2002, revised on 10 June 2021 and effective on 1 September 2021, production and business operation entities must formulate safety production objectives and measures, improve the working environment and conditions of workers in a planned and step-by-step manner, establish a safety production guarantee system and implement a safety production post responsibility system. In addition, production and business operation entities must arrange safety production training and provide employees with personal protective equipment that meets national or industry standards. In addition, the production and business operation entities shall report the major hazard sources and related safety measures and emergency measures to the emergency management department and other relevant departments for the record, and formulate a safety risk rating control system and take corresponding control measures.

Laws and Regulations in Relation to Exportation of Goods

According to the Regulations of the PRC on the Administration of Import and Export of Goods (中華人民共和國貨物進出口管理條例) promulgated by the State Council on 10 December 2001, which came into effect on 1 January 2002 and was last amended on 10 March 2024 and effective on 1 May 2024, the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) promulgated by the SCNPC on 12 May 1994 which came into effect on 1 July 1994 and last amended on 30 December 2022, the Customs Law of the PRC (中華人民共和國海關法) promulgated by the SCNPC on 22 January 1987, which came into effect on 1 July 1987 and last amended on 29 April 2021, the Measures for Record Filing and Registration by Foreign Trade Dealer (對外貿易經營者備案登記辦法) promulgated by the Ministry of Commerce of China ("**MOFCOM**") on 25 June 2004, which came into effect on 1 July 2004 and was last amended on 10 May 2021 and the Administrative Provisions of the Customs of the People's Republic of China on Record-filing of Customs Declaration Entities (中華人民共和國海關報關單位備案管理規定) promulgated by the General Administration of Customs of the PRC on 19 November 2021, which came into effect on 1 January 2022, foreign trade business operators engaging in the import or export of goods or technology must go through the record filing and registration formalities with MOFCOM or the agency entrusted by MOFCOM. Unless otherwise provided, the declaration of import or export goods and the payment of duties may be made by the consignees or consignors themselves, or by entrusted customs brokers. Customs declaration entities refer to consignees or consignors of imported or exported goods or customs brokers that have filed for record with Customs. Customs declaration entities may conduct customs declaration business within the customs territory of the PRC.

In accordance with the Law of the People's Republic of China on Import and Export Commodity Inspection (中華人民共和國進出口商品檢驗法) promulgated by the SCNPC on 21 February 1989, implemented on 1 August 1989 and last amended on 29 April 2021, and the Implementation Regulations of the Import and Export Commodity Inspection Law of the People's Republic of China (中華人民共和國進出口商品檢驗法實施條例) promulgated by the State Council on 31 August 2005 and implemented on 1 December 2005, after the latest revision on 29 March 2022, the General Administration of Customs is in charge of the inspection of import and export commodities nationwide. Exit and entry inspection and quarantine authorities shall inspect the import and export commodities listed in the catalogue and other import and export commodities that are subject to inspection by exit and entry inspection and quarantine authorities as stipulated bylaws and administrative regulations. The entry-exit inspection and quarantine authorities shall conduct random inspection and inspection of import and export commodities other than those mentioned above in accordance with the provisions of the state. Imported commodities subject to inspection shall not be sold or used without inspection. Export commodities subject to inspection shall not be allowed to be exported if they have not been inspected or fail to pass the inspection.

Laws and Regulations in Relation to Foreign Investment

The Company Law of the People's Republic of China (中華人民共和國公司法) (the "**Company Law**") was promulgated by the SCNPC on 29 December 1993. It was last revised on 29 December 2023 and became effective on 1 July 2024. According to the Company Law, companies are generally divided into two categories, namely limited liability companies and joint stock limited companies. The Company Law shall also apply to joint stock limited companies with foreign investment.

The Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法) (the "**Foreign Investment Law**") was promulgated by the NPC on 15 March 2019 and became effective on 1 January 2020. The Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures, the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises and the Law of the People's Republic of China on Sino-Foreign Contractual Joint Ventures were abolished at the same time. Since then, the Foreign Investment Law has become the basic law regulating foreign-invested enterprises wholly or partially invested by foreign investors. The organization form, institutional framework and standard of conduct for foreign-invested enterprises shall be subject to the provisions of the Company Law and other laws. China implements the management system of pre-entry national treatment and the negative list for foreign investment, and abolished the original approval and filing administration system for the establishment and change of foreign-invested enterprises. Pre-entry national treatment refers to the treatment accorded to foreign investors and their investments at the stage of investment entry, which is no less favorable than the treatment accorded to domestic investors and their investments.

The Negative List refers to a special administrative measure for the entry of foreign investment in specific sectors as imposed by the PRC. The PRC accords national treatment to foreign investment outside of the Negative List. The current negative list is the Special Management Measures for the Access of Foreign Investment (2024 Revision) (外商投資准入特別管理措施(負面清單)(2024年版)) (the "**Negative List**") issued by the National Development and Reform Commission of China (the "**NDRC**") and MOFCOM on 6 September 2024, effective on 1 November 2024, which lists the special management measures for foreign investment access for industries regulated by the Negative List, such as equity requirements and senior management requirements. In the current implementation of the Negative List, the Company's industry, industrial robot manufacturing, is not explicitly listed as a negative regulatory object.

While strengthening investment promotion and protection, the Foreign Investment Law further regulates foreign investment management and proposes the establishment of a foreign investment information reporting system that replaces the original foreign investment enterprise approval and filing system of MOFCOM. The foreign investment information reporting is subject to the Foreign Investment Information Reporting Method (外商投資資訊報告辦法) jointly developed by MOFCOM and the SAMR, which came into effect on 1 January 2020. According to the Foreign Investment Information Reporting Method, foreign investors who directly or indirectly carry out investment activities in China shall submit investment information to the competent commercial department through the enterprise registration system and the National Enterprise Credit Information Publicity System. The reporting methods include initial reports, change reports, cancellation reports, and annual reports.

Laws and Regulations in Relation to Overseas Listing

On 17 February 2023, the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") together with five supporting guidelines (together with the Overseas Listing Trial Measures, collectively referred to as the "**Overseas Listing Regulations**").

According to the Overseas Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, shall file with the CSRC and submit relevant information within three business days after submitting the application documents for issuance and listing overseas.

The Overseas Listing Regulations provides that an overseas listing or offering is explicitly prohibited, if any of the following applies: (1) such securities offering or listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (2) the proposed securities offering or listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (3) the domestic company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (4) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (5) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

In addition, Chinese domestic enterprises seeking overseas listing shall strictly abide by the laws, administrative regulations and relevant provisions of the Chinese government on foreign investment, state-owned assets, industry supervision, overseas investment, etc., and shall not disturb the domestic market order, nor harm the national interests, public interests or the legitimate rights and interests of domestic investors.

The Overseas Listing Regulations also specify corresponding legal responsibilities, if a domestic enterprise violates its relevant provisions, the domestic enterprise may be ordered to correct, warned, fined, and other penalties, its controlling shareholders, actual controllers, directly responsible executives, and other directly responsible personnel may also be warned, fined, and other penalties.

On February 24, 2023, the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) was promulgated, or the Provision on Confidentiality, which became effective on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses documents and materials involving state secrets and working secrets of state organs, or Relevant Documents and Materials, to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses Relevant Documents and Materials through its overseas listing subjects, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall complete the corresponding procedures pursuant to the relevant provisions of the State. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and out-of-country transfers shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

Laws and Regulations in Relation to the H Share "Full Circulation"

The Company shall comply with regulations on the H share "full circulation" to converse its domestic shares into H shares and circulate on the Stock Exchange. Pursuant to the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (H股公司境內未上市股份申請「全流通」業務指引) (the "**Full Circulation Guidelines**") promulgated and implemented by the CSRC on 14 November 2019, and last revised and effective on 10 August 2023, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China.

According to the Full Circulation Guidelines, "Full Circulation" represents the shareholders of domestic unlisted shares of domestic companies (including the unlisted domestic shares held by domestic shareholders before overseas listing, the unlisted domestic shares issued in the territory after overseas listing and the unlisted shares held by foreign shareholders) are listed and circulated on the Stock Exchange. The shareholders of domestic unlisted shares shall authorize the domestic company to file the "Full Circulation" application with the CSRC by filing materials on key compliance issues, including whether the "Full Circulation" has fulfilled adequate internal decision-making procedures, necessary internal approvals and authorizations, and whether the "Full circulation" involves approval or filing procedures set out in the laws, regulations and policies for state-owned asset administration, industry supervision and foreign investment, and if so, whether such approval or filing procedures have been performed.

According to the Measures for Implementation of H-share "Full Circulation" Business (H股「全流通」業務實施細則) (the "**Measures for Implementation**"), promulgated by the China Securities Depository and Clearing Corporation Limited (the "**CSDC**") and the SZSE on 31 December 2019, the businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of participants, services of nominal holders, etc. in relation to the H-share "full circulation business," are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited (the "**CSDC (Hong Kong)**"), and the SZSE. In order to fully promote the reform of H-shares "Full Circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, CSDC (Hong Kong) promulgated the Circular on Issuing the amendment and publication of the "Guidelines for the Full Circulation" of H-Shares of China Securities Depository and Clearing (Hong Kong) Company Limited on 20 September 2024, effective on 23 September 2024, which specifies the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc.

According to the Notes on the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (關於〈境內企業境外發行證券和上市管理試行辦法〉的說明), the new regulations aims to strengthening institutional inclusiveness and deepening opening-up, and lays out "full circulation" arrangements. For the overseas offering and listing by a domestic company, holders of its domestically-based domestic unlisted shares are allowed after filing to convert the shares into overseas listed shares to be circulated on overseas trading venues.

INTERNATIONAL SANCTIONS LAWS AND REGULATIONS

Set out below is a summary of the sanctions regimes imposed by the U.N., the U.S., the E.U., the U.K. and Australia. This summary has not and is not intended to set out all relevant laws and regulations relating to the sanctions regimes of the U.N., the U.S., the E.U., the U.K. and Australia in their entirety.

U.N. Sanctions Regimes

The United Nations Security Council (the "**UNSC**") can take action to maintain or restore international peace and security under chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of any armed force.

The UNSC sanctions may take a number of different forms, in pursuit of a variety of different goals. The measures have ranged from comprehensive economic and trade sanctions to targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful settlement of conflicts, counter-terrorism, protect human rights, promote non-proliferation and deter non-constitutional changes. There are a number of ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are 10 monitoring groups, teams and panels that support the work of the sanctions committees. U.N. sanctions are imposed by the UNSC, usually acting under chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the U.N. and override other obligations of U.N. member states, but are not enforceable against private parties, and, therefore, U.N. member states are required to implement the relevant U.N. sanctions. Each U.N. member states shall determine how the sanctions imposed by the UNSC are implemented and enforced against private parties under its own domestic laws.

U.S. Sanctions Regimes

Economic sanction

The United States Department of Treasury's Office of Foreign Assets Control ("**OFAC**") is the primary agency responsible for administering U.S. sanctions programmes against countries, entities and individuals targeted by the U.S. "Primary" U.S. sanctions apply to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and "secondary" U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity's domestic and foreign branches (sanctions against for example Iran, Venezuela and Russia also apply to U.S. companies' foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. nationals or permanent resident aliens ("green card" holders), regardless of their location in the world; individuals physically present in the U.S.; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or the parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" (or freeze) any assets or property interests owned, controlled or held for the benefit of a country, entity, or individual subject to comprehensive sanctions when such assets or property interests are in the U.S. or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset or property interest, no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts or agreements), except pursuant to a license or an authorization from OFAC.

OFAC prohibits virtually all business dealings with persons and entities identified in the Specially Designated Nationals And Blocked Persons List (the "**SDN List**") maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealings with U.S. persons. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the U.S.

Export control regulations

The Export Administration Regulations (the "**EAR**"), administered by the U.S. Department of Commerce, Bureau of Industry and Security ("**BIS**"), govern the export and re-export of items "subject to the EAR."

Currently, "items subject to the EAR" generally include all U.S.-origin commodities, software and technology. In limited circumstances, services are also covered. More specifically, items "subject to the EAR" include (1) all items in the U.S. (except publicly available technology and software); (2) all U.S.-origin items located outside the U.S.; (3) certain foreign-made items that include more than de minimis amounts of controlled U.S. content; and (4) foreign-made national security items that are the direct product of U.S.-origin national security technology or software.

BIS through the EAR maintains, amongst others, a list of names of certain foreign persons, including businesses, research institutions, government and private organizations, individuals and other types of legal persons, including military end users (the "**Entity List**"). The Entity List initially arose as a list setting forth foreign persons known to be involved in proliferation activities and the development of weapons of mass destruction or missiles. Since its initial publication, grounds for inclusion on the Entity List have expanded to activities sanctioned by the U.S. State Department and activities contrary to U.S. national security or other foreign policy interests. Any transaction undertaken or effected of an item subject to the EAR to an entity on the Entity List requires a license. This restriction also includes engaging in transactions where the seller knows or has reason to know that the products to be transferred (or re-transferred or re-exported) are destined for a prohibited end-use.

Further, BIS has a license review policy establishing a presumption that any license application for a transfer, export or re-export to an entity on the Entity List be denied, as such, the BIS will only approve a license in exceptional circumstances where it can be established that the granting of the license will not harm or impair U.S. national security.

Pursuant to the EAR, an item may be exempted from being subject to the EAR if it fulfils certain criteria, such as where it is a foreign made item, which contains not more than 25% U.S. origin content by value (the "**De Minimis Rule**"). Such 25% U.S. origin content by value generally refers to foreign made products which (1) incorporate U.S. origin parts or components into the finished product and those parts or components would themselves require a specific license if they were exported separately and (2) the fair market value of those parts or components as a percentage of the total value of the finished product exceeds 25%. In order for an entity to avail itself under the De Minimis Rule, pursuant to part 734.4(d)(3) and Supplement No. 2 to part 734 of the EAR, it must file a one-time report in respect of each product to enable the U.S. Government to evaluate whether U.S. content calculations were performed correctly. The report must contain a description of the scope and nature of the foreign technology, a description of its fair market value, along with the rationale and basis for the valuation. Where the BIS has not contacted the entity within 30 days after the filing of the report, the entity is entitled to rely upon the calculations unless and until BIS contacts them otherwise.

CMIC Sanctions

Executive Order 14024 ("**E.O. 14024**"), titled Blocking Property with respect to Specified Harmful Foreign Activities of the Government of the Russian Federation, was an executive order signed by the United States President Joe Biden on 15 April 2021. According to the E.O. 14024, persons and entities can be designated as SDNs for having engaged in the following activities:

(i) operate or have operated in the technology sector, the defense and related materiel sector, the quantum computing sector (pursuant to Determination effective 15 September 2022), the accounting, trust and corporate formation services, and management consulting sectors (pursuant to Determination effective 8 May 2022), the aerospace, electronics, and marine sectors (pursuant to Determination effective 31 March 2022), or the financial services sector (pursuant to Determination effective 22 February 2022) of the Russian Federation economy;

(ii) have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of the specified activities (such as malicious cyber-enabled activities), or any person whose property and interests in property are blocked under EO 14024.

Several Directives have been issued under EO 14024 to set out the following:

(i) Directive 1A: Prohibitions Related to Certain Sovereign Debt of the Russian Federation;

(ii) Directive 2: Prohibitions Related to Correspondent or Payable-Through Accounts and Processing of Transactions Involving Certain Foreign Financial Institutions;

(iii) Directive 3: Prohibitions Related to New Debt and Equity of Certain Russia-related Entities; and

(iv) Directive 4: Prohibitions Related to Transactions Involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, and the Ministry of Finance of the Russian Federation.

E.U. Sanctions Regimes

The E.U. implements all sanctions adopted by the UNSC and strengthens U.N. sanctions through additional measures and/or sanctions on its own initiative. The E.U. does not generally ban dealing with a counterparty in or with a jurisdiction targeted by sanctions measures, provided that the counterparty is not a person or an entity listed on OFAC's SDN List or other restricted parties lists maintained by the U.N., U.S., E.U., U.K. or Australia or not engaged in prohibited activities, such as, directly or indirectly, exporting, selling, transferring or making certain controlled or restricted products available to, or for use in a jurisdiction subject to sanctions measures.

All E.U. sanctions apply: (1) within the E.U. (including its airspace); (2) on board any aircraft or vessel under the jurisdiction of any E.U. Member State; (3) to any E.U. nationals, regardless of their residency or location; (4) to any legal person, entity or body incorporated or constituted under the laws of any E.U. Member State; and (5) to any legal person, entity or body in respect of any business done in the E.U. E.U. sanctions are directly applicable in any E.U. Member State without national legislation. However, penalties for breaches of E.U. sanctions depend on national legislation in each E.U. Member State.

U.K. and U.K. overseas territories

While the U.K. is no longer an E.U. Member State, E.U. legislation as applied to the U.K. prior to December 31, 2020 has been retained as laws of the U.K. in a form of domestic legislation known as "retained E.U. legislation." The U.K. applies its autonomous sanctions regime to: (1) its territory and territory waters; (2) all U.K. nationals regardless of their location; (3) all individuals and legal entities within the U.K.'s territory or undertake activities within the same; and (4) all U.K. legal entities established under U.K. law including their non-U.K. branches (but excluding separately incorporated non-U.K. subsidiaries), regardless of the location of their activities.

The Office of Financial Sanctions Implementation maintains two lists of persons subject to financial sanctions and imposes financial penalties on a breaching party. The "consolidated list" includes all designated persons subject to E.U. financial sanctions (including U.N. sanctions implemented through E.U. regulations) and U.K. financial sanctions. A separate list includes entities subject to certain capital market restrictions.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services.

OVERVIEW

Our history can be traced back to May 2007, where our predecessor company, Shanghai Top, was established in Shanghai by our founders, Dr. Wang, Mr. Li YH and two other shareholders, on 18 May 2007, as a limited liability company under the PRC Company Law. Dr. Wang is the chairman of our Board, an executive Director and the general manager of our Company. Mr. Li YH is an executive Director of our Company.

Through over 18 years of development, we have developed ourselves as a leading enterprise specialising in the R&D, design, production and sales of high-end intelligent manufacturing equipment, comprising primarily five-axis CNC machine tools, in China.

After several rounds of shareholding changes as detailed below, our predecessor company, Shanghai Top, was converted into a joint stock limited company under the laws of the PRC on 23 November 2016, and thereby became our Company.

To fund our strategic growth and broaden our shareholder base, we have conducted several rounds of Pre-**[REDACTED]** Investments since the establishment of our Company. For details of the Pre-**[REDACTED]** Investments, see "– Pre-**[REDACTED]** Investments" in this section.

As of the Latest Practicable Date, Dr. Wang controlled approximately 38.7% of the voting power at the general meetings of our Company, comprising (1) approximately 36.8% beneficially owned by him directly and (2) approximately 1.9% beneficially owned by Tuoxian Technology, which is controlled by Dr. Wang as its general partner. Upon the **[REDACTED]**, Dr. Wang will control approximately **[REDACTED]**% of the voting power at the general meetings of our Company, comprising (i) approximately **[REDACTED]**% beneficially owned by him directly and (ii) approximately **[REDACTED]**% beneficially owned by Tuoxian Technology, assuming the **[REDACTED]** is not exercised. Therefore, Dr. Wang and Tuoxian Technology are a group of our Controlling Shareholders as of the Latest Practicable Date and will be our single largest group of Shareholders upon the **[REDACTED]**. For details, see "Relationship with Our Controlling Shareholders" in this document.

BUSINESS MILESTONES

The following is a summary of our key business development milestones since the commencement of our business:

Year	Event
2007	– Shanghai Top, the predecessor of our Company, was established in May 2007.
2010	– We contracted to sell China's first friction stir welding five-axis machine tool for rocket tanks machining.

Year		Event
2011	–	We were awarded the Bronze Medal at the 13th China International Industry Fair (第十三屆中國國際工業博覽會).
2012	–	We contracted to sell China's first automated drilling and riveting equipment.
2015	–	We received the First Prize of the Shanghai Science and Technology Award (上海市科學技術獎) from Shanghai Municipal People's Government.
	–	We received the First Prize of the National Defence Science and Technology Progress Award (國防科學技術進步獎) from the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部).
2016	–	We contracted to sell China's first vertical dual five-axis mirror milling machine tool for machining of launch tank vehicle domes, and became the third company globally to incorporate mirror milling technology.
	–	We received the Second Prize of the National Science and Technology Progress Award (國防科學技術進步獎) from the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部).
2017	–	We contracted to sell China's first horizontal dual five-axis mirror milling machine tools for machining of aircraft skin.
	–	We were awarded the Innovation Gold Award at the 19th China International Industry Fair (第19屆中國國際工業博覽會).
2018	–	We contracted to sell China's first digital docking equipment which were used in the production of C909 (formerly known as ARJ21).
2019	–	We contracted to sell China's first horizontal flip-type milling five-axis machine tools for machining of aircraft structural components.
2020	–	We were the world's first and only manufacturer that sold the first machine tool which fully applied carbon fiber composite materials across all moving parts.

Year	Event
2023	– We were awarded the Shanghai Special Prize for Technology Innovation (上海市科技發明獎特等獎) from Shanghai Municipal People's Government.
	– We received the Second Prize of Science and Technology Award (科學技術獎二等獎) from Aviation Industry Corporation of China, Ltd..
	– We contracted to sell our first compact general industrial five-axis machine tools, expanding our market presence in the general industrial market.
2025	– We first sold our large-span carbon fiber composite high-speed five-axis machine tool in the first quarter of 2025.

CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES

(1) Establishment of Shanghai Top and early development

Shanghai Top was established in the PRC as a limited liability company on 18 May 2007. The initial registered capital of Shanghai Top was RMB2,000,000 and was owned as to 65% by Dr. Wang, 15% by Mr. Li YH, 15% by Mr. Feng Jingchun (馮景春) ("**Mr. Feng**") and 5% by Mr. Zheng Junqing (鄭俊慶) ("**Mr. Zheng**").

In August 2009, Mr. Feng transferred 3% of equity interest in Shanghai Top to Dr. Wang, and 12% of the equity interest in Shanghai Top to Mr. Zhu Rongsheng (朱榮生) ("**Mr. Zhu**") and Mr. Zheng transferred his entire 5% equity interest in Shanghai Top to Mr. Li YH. Subsequent to the transfers, both Mr. Feng and Mr. Zheng ceased to be shareholders of Shanghai Top.

In November 2010, Mr. Jiang Jinzhang (姜進章) ("**Mr. Jiang**") and Mr. Ma Qun (馬群) ("**Mr. Ma**"), our early Pre-**[REDACTED]** Investors, had become shareholders of Shanghai Top through subscription of new registered capital of Shanghai Top in the total amount of RMB247,500, at the consideration of RMB180,000 and RMB67,500, respectively ("**Early Investment**"). Our then existing shareholders had also subscribed for new registered capital in the amount of RMB2,500. Immediately following the completion of the aforesaid subscription, the registered capital of Shanghai Top was increased to RMB2,250,000.

(2) Early Capital Increases and equity transfers

In May 2011, Shanghai Yiding Investment Management Centre (Limited Partnership) (上海誼鼎投資管理中心(有限合夥)) ("**Shanghai Yiding Investment LP**") subscribed for new registered capital of Shanghai Top in the amount of RMB397,059, at the consideration of RMB15,000,000 ("**2011 Capital Increase**"). Subsequent to the aforesaid subscription, the registered capital of Shanghai Top was increased to RMB2,647,059.

In June 2011, each of the shareholders of Shanghai Top of the time being have further subscribed for new registered capital through transferring capital reserve to into the registered capital of Shanghai Top. Immediately following the completion of the aforesaid subscription, the registered capital of Shanghai Top was increased to RMB17,250,000.

In May 2012, Mr. Zhu transferred his entire equity interest to each of the then shareholders of our Company at the total consideration of RMB2 million. After which, Mr. Zhu ceased to be a shareholder of our Company.

In December 2013, Mr. Liu Gang (劉鋼) ("**Mr. Liu**"), the former general manager and former director of Shanghai Top and our Company, and Dr. Bi Qingzhen (畢慶貞) ("**Dr. Bi**"), our former executive Director, respectively entered into equity transfer agreements with the then existing shareholders of our Company, pursuant to which Mr. Liu and Dr. Bi acquired a total equity interest in the registered capital of RMB517,500 and RMB517,500 respectively, at the consideration of approximately RMB0.66 million and RMB0.66 million, respectively.

In November 2015, Shenzhen Hehui Wealth Investment Enterprise (Limited Partnership) (深圳市和輝財富投資企業(有限合夥)) ("**Shenzhen Hehui Investment LP**") subscribed for new registered capital of Shanghai Top of RMB715,556, at the consideration of RMB28,000,000 ("**2015 Capital Increase**"). As a result, the registered capital of Shanghai Top was increased to RMB17,965,556.

In February 2016, Shenzhen Zhongyi Hehui Equity Investment Enterprise (Limited Partnership)(深圳市中藝和輝股權投資企業(有限合夥)) ("**Shenzhen Zhongyi Investment LP**") subscribed for new registered capital of our Company of RMB463,925, at the consideration of RMB20,000,000 ("**2016 Capital Increase**"). As a result, the registered capital of our Company was increased to RMB18,429,481.

For details on the background of Shanghai Yiding Investment LP, Shenzhen Hehui Investment LP and Shenzhen Zhongyi Investment LP, being our early Pre-**[REDACTED]** Investors, please see "– Pre-**[REDACTED]** Investments" in this section.

(3) Conversion into a Joint Stock Company

On 26 October 2016, the then shareholders of Shanghai Top, being our promoters, had resolved to convert Shanghai Top from a limited liability company into our Company, a joint stock company with limited liability. Upon completion of such conversion on 23 November 2016, the registered capital of our Company was RMB18,600,000 divided into 18,600,000 Shares with a nominal value of RMB1.00 each, which were subscribed by all the then shareholders in proportion to their respective equity interest in our Company before the conversion.

Immediately following the completion of the conversion, the shareholding structure of our Company was as follows:

Shareholders	**Registered capital held** *(RMB'000)*	**Percentage of shareholding** *(approximate)*
Dr. Wang	9,372.782	50.4%
Mr. Li YH	2,603.089	14.0%
Mr. Jiang	1,169.921	6.3%
Mr. Ma	438.718	2.4%
Shanghai Yiding Investment LP	2,780.514	15.0%
Mr. Liu	522.288	2.8%
Dr. Bi	522.288	2.8%
Shenzhen Hehui Investment LP	722.182	3.9%
Shenzhen Zhongyi Investment LP	468.218	2.5%
Total	**18,600**	**100%**

(4) Capital Increase in October and December 2018 and issuance of Shares to Tuoxian Technology

In October 2018, our Company had resolved to issue new registered capital in the amount of RMB420,000 to Tuoxian Technology at the consideration of RMB4,452,000, subsequent to which the registered capital of our Company had increased from RMB18,600,000 to RMB19,020,000. Tuoxian Technology is our employee share ownership platform established in recognition of the contributions of our employees and to incentivise them to further promote our development. For details of the employee share ownership platform, see "Employee Share Ownership Platform" in this section.

In December 2018, our Company had further resolved to increase the registered capital of our Company through conversion from capital reserve from RMB19,020,000 to RMB30,000,000.

(5) Share Transfers in January 2019 ("2019 Share Transfers")

In January 2019, Zhuhai Jiufeite Changsheng Equity Investment Fund Partnership (Limited Partnership) (珠海玖菲特長晟股權投資基金合夥企業(有限合夥))("**Zhuhai Jiufeite Changsheng Investment LP**") and Ms. Yang Lixuan (楊麗璇) ("**Ms. Yang LX**") respectively entered into a share transfer agreement with Dr. Wang, pursuant to which Zhuhai Jiufeite Changsheng Investment LP and Ms. Yang LX acquired from Dr. Wang 700,000 and 300,000 Shares respectively, at the consideration of RMB25.2 million and RMB10.8 million, respectively.

In January 2019, Zhuhai Jiufeite Jiufu Equity Investment Fund Partnership (Limited Partnership) (珠海玖菲特玖富股權投資基金合夥企業(有限合夥)) ("**Zhuhai Jiufeite Jiufu Investment LP**") entered into a share transfer agreement with Mr. Li YH, pursuant to which Zhuhai Jiufeite Jiufu Investment LP acquired from Mr. Li YH 500,000 Shares at the consideration of RMB18 million.

For further details on the background of such investors, see "– Pre-**[REDACTED]** Investments" in this section.

The shareholding interest of the aforesaid parties immediately after the completion of the share transfers are as follows:

Shareholders	**Number of shares held**	**Percentage of shareholding** *(approximate)*
Dr. Wang	13,783,568	46.0%
Mr. Li YH	3,605,819	12.0%
Zhuhai Jiufeite Changsheng Investment LP	700,000	2.3%
Zhuhai Jiufeite Jiufu Investment LP	500,000	1.7%
Ms. Yang LX	300,000	1%

(6) Capital Increase in December 2019 ("2019 Capital Increase")

In December 2019, our Company had issued new registered capital in the total amount of RMB590,000, to Hanzhong Zhonghe Advanced Manufacturing Industry Development Fund Partnership (Limited Partnership), (漢中眾合先進製造產業發展基金合夥企業(有限合夥)) ("**Hanzhong Zhonghe LP"**), Ms. Gong Wen (龔雯) ("**Ms. Gong**") and Shanghai Xixiao Technology Partnership (Limited Partnership) (上海璽霄科技合夥企業(有限合夥)) ("**Shanghai Xixiao LP**") for a total consideration of RMB28.32 million as follows:

Shareholders	Number of Shares subscribed for	Consideration for subscription *(RMB'000)*	Percentage of shareholding *(approximate)*
Hanzhong Zhonghe LP	210,000	10,080	0.7%
Ms. Gong	70,000	3,360	0.2%
Shanghai Xixiao LP	310,000	14,880	1.0%

For further details on the background of such investor, see "– Pre-**[REDACTED]** Investments" in this section.

As a result, the registered capital of our Company was increased to RMB30,590,000.

(7) Capital Increase in August 2021 ("2021 Capital Increase")

In August 2021, our Company had issued new registered capital in the total amount of RMB2,676,625, to Jiaxing CDH Geying Equity Investment Cooperation Enterprise (Limited Partnership (嘉興鼎暉戈迎股權投資合夥企業(有限合夥)) ("**Jiaxing CDH Investment LP**"), Changzhou Yongyuan Venture Capital Investment Partnership (Limited Partnership) (常州永元創業投資合夥企業(有限合夥)) ("**Changzhou Yongyuan Investment LP**"), Jiaxing Yongzhong Equity Investment Partnership (Limited Partnership) (嘉興永忠股權投資合夥企業(有限合夥)) ("**Jiaxing Yongzhong Investment LP**"), Yiwu Dongshun Real Estate Limited Company (義烏市東順置業有限公司) ("**Yiwu Dongshun Real Estate**"), Guangzhou Huangpu Digital Economy Industry Investment Fund Partnership (Limited Partnership) (廣州黃埔數字經濟產業投資基金合夥企業(有限合夥)) ("**Guangzhou Huangpu Investment LP**"), Shanghai Linsong Industrial

Internet Venture Capital Fund Partnership (Limited Partnership) (上海臨松工業互聯網創業投資基金合夥企業(有限合夥)) ("**Shanghai Linsong LP**") and Shanghai Songfanhui Enterprise Management Center (Limited Partnership) (上海松藩匯企業管理中心(有限合夥)) ("**Shanghai Songfanhui LP**"), for a total consideration of RMB350 million, as follows:

Shareholders	**Number of Shares subscribed for**	**Consideration for subscription** *(RMB'000)*	**Percentage of shareholding** *(approximate)*
Jiaxing CDH Investment LP	1,911,875	250,000	5.8%
Changzhou Yongyuan Investment LP	229,425	30,000	0.7%
Jiaxing Yongzhong Investment LP	76,475	10,000	0.2%
Yiwu Dongshun Real Estate	76,475	10,000	0.2%
Guangzhou Huangpu Investment LP	152,950	20,000	0.5%
Shanghai Linsong LP	224,837	29,400	0.7%
Shanghai Songfanhui LP	4,588	600	0.01%

For further details on the background of such investors, see "– Pre-**[REDACTED]** Investments" in this section.

As a result, the registered capital of our Company was increased to RMB33,266,625.

(8) Share Transfers from August 2021 to October 2021 ("2021 Share Transfers")

In August 2021, the following persons or entities have become shareholders of our Company by entering into share transfer agreements with the existing shareholders of our Company at the time being: (1) Changzhou Xiangnong Industrial Investment Partnership (Limited Partnership) (常州祥穠實業投資合夥企業(有限合夥)) ("**Changzhou Xiangnong Investment LP**") entered into share transfer agreements with Mr. Jiang and Mr. Liu respectively, pursuant to which Changzhou Xiangnong Investment LP acquired 220,384 Shares at a total consideration of approximately RMB28.7 million; (2) Gongqingcheng Xinzhou Venture Capital Partnership (Limited Partnership) (共青城芯軸創業投資合夥企業(有限合夥)) ("**GQC Xinzhou VC LP**") entered into share transfer agreements with Shanghai Yiding Investment LP and Hanzhong Zhonghe LP, respectively, pursuant to which GQC Xinzhou VC LP acquired a total number of 470,000 Shares at a total consideration of approximately RMB58.1 million; (3) Ms. Chen Juzhuang (陳菊莊) ("**Ms. Chen**") entered into a share transfer agreement with Dr. Bi to acquire 205,000 Shares at the consideration of RMB26.65 million; (4) Jiaxing Tengyin Equity Investment Partnership (Limited Partnership) (嘉興騰寅股權投資合夥企業(有限合夥)) ("**Jiaxing Tengyin Investment LP**") entered into a share transfer agreement with Mr. Liu to acquire 76,923 Shares at the consideration of RMB10 million; and (5) Ms. Yang Jinglan (楊京蘭) ("**Ms. Yang JL**") entered into a share transfer agreement with Mr. Jiang to acquire 76,923 Shares at the consideration of RMB10 million.

In August and September 2021, Mr. Xu Jie (徐傑) ("**Mr. Xu**") entered into share transfer agreements with Mr. Jiang and Mr. Li YH respectively, pursuant to which Mr. Xu acquired a total number of 269,230 Shares at a total consideration of RMB35 million.

In September 2021, Mr. Pan Jiaquan (潘家全) ("**Mr. Pan**"), Shanghai Furen Investment Group Co Ltd (上海福人投資集團有限公司) ("**Shanghai Furen**") and Hainan Yujun Equity Investment Partnership (Limited Partnership) (海南與君股權投資合夥企業(有限合夥))(which was then known as Ningbo Yujun Equity Investment Partnership (Limited Partnership) (寧波與君股權投資合夥企業(有限合夥)) ("**Hainan Yujun Investment LP**") have respectively entered into share transfer agreements with Mr. Li YH, pursuant to which Mr. Pan, Shanghai Furen and Hainan Yujun Investment LP acquired 44,615, 76,923 and 200,000 Shares respectively, at the consideration of RMB5.8 million, RMB10 million and RMB26 million, respectively.

In October 2021, Gongqingcheng Yuantuo Enterprise Investment Partnership (Limited Partnership) (共青城源拓企業投資合夥企業(有限合夥)) ("**GQC Yuantuo Investment LP**" entered into a share transfer agreement with Shanghai Yiding Investment LP to acquire 638,000 Shares at the consideration of approximately RMB83.3 million.

For further details on the background of such investors, see "– Pre-**[REDACTED]** Investments" in this section.

The shareholding interest of the aforesaid parties immediately after the completion of the share transfers are as follows:

Shareholders	**Number of Shares held**	**Percentage of shareholding** *(approximate)*
Mr. Li YH	3,245,820	9.8%
Mr. Jiang	1,445,302	4.3%
Shanghai Yiding Investment LP	3,387,669	10.2%
Mr. Liu	618,798	1.9%
Dr. Bi	618,798	1.9%
Hanzhong Zhonghe LP	100,000	0.3%
Ms. Yang JL	76,923	0.2%
Changzhou Xiangnong Investment LP	220,384	0.7%
Mr. Xu	269,230	0.8%
Ms. Chen	205,000	0.6%
Jiaxing Tengyin Investment LP	76,923	0.2%
Shanghai Furen	76,923	0.2%
GQC Xinzhou VC LP	470,000	1.4%
Mr. Pan	44,615	0.1%
Hainan Yujun Investment LP	200,000	0.6%
GQC Yuantuo Investment LP	638,000	1.9%

(9) Capital Increase in June 2022 ("2022 Capital Increase")

In June 2022, our Company had issued new registered capital in the total amount of RMB746,667 to Zhuhai Junlian Tuopu Venture Capital Enterprise (Limited Partnership) (珠海君聯拓璞創業投資企業(有限合夥)) ("**Zhuhai Junlian VC LP**"), Zhuhai Jiufit Jiufu No.5 Equity Investment Fund Partnership (Limited Partnership) (珠海玖菲特玖富五號股權投資基金合夥企業(有限合夥)) ("**Zhuhai Jiufeite Jiufu No. 5 Investment LP**"), Yangzhou Xinyuan Equity Investment Partnership (Limited Partnership) (揚州鑫元股權投資合夥企業(有限合夥)) ("**Yangzhou Xinyuan Investment LP**") and Pingtan Boda Hongye Equity Investment Partnership (Limited Partnership) (平潭博大鴻業股權投資合夥企業(有限合夥)) ("**Pingtan Boda Investment LP**"), for a total consideration of RMB123.2 million.

Shareholders	Number of Shares subscribed for	Consideration for subscription *(RMB'000)*	Percentage of shareholding *(approximate)*
Zhuhai Junlian VC LP	242,425	40,000	0.7%
Zhuhai Jiufeite Jiufu No. 5 Investment LP	231,515	38,200	0.7%
Yangzhou Xinyuan Investment LP	121,212	20,000	0.4%
Pingtan Boda Investment LP	151,515	25,000	0.5%

For further details on the background of such investors, see "– Pre-**[REDACTED]** Investments" in this section.

As a result, the registered capital of our Company was increased to RMB34,013,292.

(10) Share Transfers from December 2022 to October 2023

In December 2022, Foshan Zhaofeng Bona Equity Investment Center (Limited Partnership) (佛山市兆豐博納股權投資中心(有限合夥)) ("**Foshan ZFBN Investment LP**"), Foshan Zhaofeng Tiancheng Equity Investment Center (Limited Partnership) (佛山市兆豐天成股權投資中心(有限合夥)) ("**Foshan ZFTC VC LP**") and Zhuhai Ruixin Zhaofeng Equity Investment Fund (Limited Partnership) (珠海市瑞信兆豐股權投資基金(有限合夥)) (now known as Zhuhai Ruixin Zhaofeng Venture Capital Center (Limited Partnership) (珠海市瑞信兆豐創業投資中心(有限合夥))) ("**Zhuhai Ruixin Investment LP**") has respectively entered into a share transfer agreement with Dr. Wang, pursuant to which Foshan ZFBN Investment LP, Foshan ZFTC VC LP and Zhuhai Ruixin Investment LP has respectively acquired 68,000, 74,800 and 68,000 Shares, at a consideration of approximately RMB10 million, RMB11 million and RMB10 million, respectively.

In January 2023, Zhuhai Qingke Chenxi No. 1 Private Equity Investment Fund Partnership (Limited Partnership) (珠海青稞晨曦壹號私募股權投資基金合夥企業(有限合夥)) ("**Zhuhai QKCX Investment LP**") has entered into a share transfer agreement with Shanghai Yiding Investment LP, pursuant to which Zhuhai QKCX Investment LP has acquired from Shanghai Yiding Investment LP 68,027 Shares at a consideration of RMB10 million.

In February 2023, Jiaxing Nanhu Keying Equity Investment Partnership (Limited Partnership) (嘉興南湖科盈股權投資合夥企業(有限合夥)) ("**Jiaxing Nanhu Keying Investment LP**") has entered into a share transfer agreement with Dr. Wang, pursuant to which Jiaxing Nanhu Keying Investment LP has acquired 909,091 Shares, at a consideration of RMB150 million.

In March 2023, Qingdao South China Dingye Yingwan Investment Partnership (Limited Partnership) (青島華南鼎業盈灣投資合夥企業(有限合夥)) ("**Qingdao South China Dingye Investment LP**") has entered into a share transfer agreement with Shanghai Yiding Investment LP, pursuant to which Qingdao South China Dingye Investment LP has acquired 95,918 Shares at a consideration of RMB14.1 million.

In July 2023, Huzhou Muzhizun Management Consulting Partnership (Limited Partnership) (湖州沐之尊管理諮詢合夥企業(有限合夥)) (now known as Rizhao Muzhizun Management Consulting Partnership (Limited Partnership) (日照沐之尊管理諮詢合夥企業(有限合夥)) ("**Rizhao Muzhizun LP**") has entered into a share transfer agreement with Mr. Liu, pursuant to which Rizhao Muzhizun LP has acquired 170,077 Shares at a consideration of RMB23 million.

In September 2023, Jiaxing Hongyang Huafu Jingqi Equity Investment Partnership (Limited Partnership) (嘉興泓陽華馥景祺股權投資合夥企業(有限合夥)) ("**Jiaxing Hongyang Investment LP**") has entered into a share transfer agreement with Mr. Liu, pursuant to which Jiaxing Hongyang Investment LP has acquired 215,984 Shares at a consideration of approximately RMB31.8 million.

In September 2023, Qingdao Zhongjunqunxin Venture Capital Fund Partnership (Limited Partnership) (青島中駿群新創業投資基金合夥企業(有限合夥)) ("**Qingdao ZJQX VC LP**") has entered into a share transfer agreement with each of Ms. Chen, Shanghai Furen, Mr. Xu and Ms. Yang JL respectively, pursuant to which Qingdao ZJQX VC LP has acquired 239,575 Shares at a total consideration of approximately RMB38.0 million. Subsequent to the transfer, Shanghai Furen and Ms. Yang JL have ceased to be our shareholder.

In October 2023, Tianjin Haisheng Fuyuan Investment Management Partnership (Limited Partnership) (天津海盛富遠投資管理合夥企業(有限合夥)) ("**Tianjin Haisheng Investment LP**") has entered into a share transfer agreement with Shanghai Yiding Investment LP, pursuant to which Tianjin Haisheng Investment LP has acquired 47,241 Shares at a consideration of RMB7.5 million.

For further details on the background of such investors, see "– Pre-**[REDACTED]** Investments" in this section.

The shareholding interest of the aforesaid parties immediately after the completion of the share transfers are as follows:

Shareholders	**Number of Shares held**	**Percentage of shareholding** *(approximate)*
Dr. Wang	12,663,677	37.2%
Shanghai Yiding Investment LP	3,176,483	9.3%
Mr. Liu	232,748	0.7%
Mr. Xu	218,451	0.6%
Ms. Chen	170,050	0.5%
Zhuhai Ruixin Investment LP	68,000	0.2%
Foshan ZFBN Investment LP	68,000	0.2%
Foshan ZFTC VC LP	74,800	0.2%
Zhuhai QKCX Investment LP	68,027	0.2%
Jiaxing Nanhu Keying Investment LP	909,091	2.7%
Qingdao South China Dingye Investment LP	95,918	0.3%
Rizhao Muzhizun LP	170,066	0.5%
Jiaxing Hongyang Investment LP	215,984	0.6%
Qingdao ZJQX VC LP	239,575	0.7%
Tianjin Haisheng Investment LP	47,241	0.1%

(11) Capital Increase in December 2023 ("2023 Capital Increase") and share transfers in December 2023

In December 2023, our Company has issued new registered capital in the total amount of RMB381,887 to China Post Life Insurance Co., Ltd. (中郵人壽保險股份有限公司) ("**China Post Life Insurance**"), Beijing Yuanjing Investment Fund Center (Limited Partnership) (北京遠京投資基金中心(有限合夥)) ("**Beijing Yuanjing Investment LP**") and Beijing JGC Chuanghui Equity Investment Center (Limited Partnership) (北京京國創創輝股權投資中心(有限合夥)) ("**Beijing Jingguo Investment LP**"), for a total consideration of RMB65.12 million.

Shareholders	**Number of Shares subscribed for**	**Consideration for subscription** *(RMB'000)*	**Percentage of shareholding** *(approximate)*
China Post Life Insurance	205,253	35,000	0.6%
Beijing Yuanjing Investment LP	175,931	30,000	0.5%
Beijing Jingguo Investment LP	703	120	0.002%

In December 2023, China Post Life Insurance had also entered into a share transfer agreement with Shanghai Yiding Investment LP, pursuant to which China Post Life Insurance has further acquired 429,940 Shares at a consideration of RMB65 million.

In December 2023, Jiaxing Zhiyou Venture Capital Partnership (Limited Partnership) (嘉興祉猷創業投資合夥企業(有限合夥)) ("**Jiaxing Zhiyou VC LP**") has entered into share transfer agreements with Mr. Xu and Guangzhou Huangpu Investment LP, respectively, pursuant to which Jiaxing Zhiyou VC LP has acquired 71,675 Shares at a total consideration of approximately RMB11 million.

In December 2023, Xuchang Digital Economy Equity Investment Fund Partnership (Limited Partnership) (許昌數字經濟股權投資基金合夥企業(有限合夥)) ("**Xuchang Digital Economy Investment LP**") has respectively entered into share transfer agreements with Changzhou Yongyuan Investment LP and Jiaxing Yongzhong Investment LP, pursuant to which Xuchang Digital Economy Investment LP has acquired a total number of 130,318 Shares at a total consideration of approximately RMB20 million. Subsequent to the transfers, Jiaxing Yongzhong Investment LP has ceased to be our shareholder.

The shareholding interest of the aforesaid parties immediately after the completion of the share transfers are as follows:

Shareholders	**Number of Shares held**	**Percentage of shareholding** *(approximate)*
Shanghai Yiding Investment LP	2,746,543	8.0%
Changzhou Yongyuan Investment LP	175,582	0.5%
Guangzhou Huangpu Investment LP	117,054	0.3%
Mr. Xu	182,672	0.5%

For further details on the background of such investors, see "– Pre-**[REDACTED]** Investments" in this section.

As a result, the registered capital of our Company was increased to RMB34,395,179.

(12) Subsequent Share transfers and Share split

In May 2024, Ms. Chen has entered into a share transfer agreement with Mr. Pan, pursuant to which Mr. Pan has further acquired 170,050 Shares at a consideration of approximately RMB23.1 million. Subsequent to the transfer, Ms. Chen has ceased to be our shareholder.

In August 2024, Rizhao Muzhizun LP transferred its entire shareholding interest of 170,066 Shares to Rizhao Muzhizhi Management Consulting Partnership (Limited Partnership) (日照市沐之智股權投資基金中心(有限合夥)) ("**Rizhao Muzhizhi Investment LP**") at nil consideration. The transfer was made at nil consideration further to the deregistration of the then Rizhao Muzhizun LP, the general and limited partners of which had resolved to transfer its entire shareholding interest in our Company to Rizhao Muzhizhi Investment LP. Subsequent to the transfer, Rizhao Muzhizun LP has ceased to be our Shareholder.

In April 2025, Jiangsu Jianyin Investment Co., Ltd. (江蘇建銀投資有限公司) ("**Jiangsu Jianyin**") and Tianjin Winfund Specialised No. 3 Venture Capital Partnership (Limited Partnership)(天津元藩專精叁號創業投資合夥企業(有限合夥))("**Tianjin Winfund LP**") has respectively entered into share transfer agreements with Mr. Liu, pursuant to which Jiangsu Jianyin has acquired 160,001 Shares from Mr. Liu at a total consideration of approximately RMB20.9 million, and Tianjin Winfund LP has acquired 72,747 Shares from Mr. Liu at a consideration of approximately RMB9.5 million. Subsequent to the transfers, Mr. Liu has ceased to be our shareholder. For further details on the background Jiangsu Jianyin and Tianjin Winfund LP, see "– Pre-**[REDACTED]** Investments" in this section.

On 15 May 2025, our general shareholders' meeting passed resolutions approving, among others, the Share split, pursuant to which each of our Share with par value of RMB1.00 was split into ten Shares with par value of RMB0.10 each. Upon completion of the Share split on 15 May 2025, the registered capital of our Company, which was RMB34,395,179, was divided into 343,951,790 Shares with par value of RMB0.10 per Share, and were subscribed by all our then Shareholders in proportion to their respective shareholding interests in our Company.

Immediately following the completion of the Share transfers and Share split, and up to the Latest Practicable Date, the shareholding structure of our Company was as follows:

Shareholders	**Number of Shares held**	**Percentage of shareholding** *(approximate)*
Dr. Wang	126,636,770	36.8%
Mr. Li YH	32,458,200	9.4%
Mr. Jiang	14,453,020	4.2%
Mr. Ma	6,919,840	2.0%
Shanghai Yiding Investment LP	27,465,430	8.0%
Dr. Bi	6,187,980	1.8%
Shenzhen Hehui Investment LP	11,390,880	3.3%
Shenzhen Zhongyi Investment LP	7,385,140	2.2%
Tuoxian Technology	6,624,610	1.9%
Zhuhai Jiufeite Changsheng Investment LP	7,000,000	2.0%
Zhuhai Jiufeite Jiufu Investment LP	5,000,000	1.5%
Ms. Yang LX	3,000,000	0.9%
Shanghai Xixiao LP	3,100,000	0.9%
Hanzhong Zhonghe LP	1,000,000	0.3%
Ms. Gong	700,000	0.2%
Jiaxing CDH Investment LP	19,118,750	5.6%
Changzhou Yongyuan Investment LP	1,755,820	0.5%
Yiwu Dongshun Real Estate	764,750	0.2%
Guangzhou Huangpu Investment LP	1,170,540	0.3%
Shanghai Linsong LP	2,248,370	0.6%
Shanghai Songfanhui LP	45,880	0.01%
Changzhou Xiangnong Investment LP	2,203,840	0.6%
Mr. Xu	1,826,720	0.5%
Jiaxing Tengyin Investment LP	769,230	0.2%
GQC Xinzhou VC LP	4,700,000	1.4%
Mr. Pan	2,146,650	0.6%
Hainan Yujun Investment LP	2,000,000	0.6%
GQC Yuantuo Investment LP	6,380,000	1.9%
Zhuhai Junlian VC LP	2,424,250	0.7%
Zhuhai Jiufeite Jiufu No. 5 Investment LP	2,315,150	0.7%
Yangzhou Xinyuan Investment LP	1,212,120	0.4%
Pingtan Boda Investment LP	1,515,150	0.4%
Zhuhai Ruixin Investment LP	680,000	0.2%
Foshan ZFBN Investment LP	680,000	0.2%
Foshan ZFTC VC LP	748,000	0.2%
Zhuhai QKCX Investment LP	680,270	0.2%
Jiaxing Nanhu Keying Investment LP	9,090,910	2.6%
Qingdao South China Dingye Investment LP	959,180	0.3%

Shareholders	Number of Shares held	Percentage of shareholding *(approximate)*
Rizhao Muzhizhi Investment LP	1,700,660	0.5%
Jiaxing Hongyang Investment LP	2,159,840	0.6%
Qingdao ZJQX VC LP	2,395,750	0.7%
Tianjin Haisheng Investment LP	472,410	0.1%
China Post Life Insurance	6,351,930	1.9%
Beijing Yuanjing Investment LP	1,759,310	0.5%
Beijing Jingguo Investment LP	7,030	0.002%
Jiaxing Zhiyou VC LP	716,750	0.2%
Xuchang Digital Economy Investment LP	1,303,180	0.4%
Jiangsu Jianyin	1,600,010	0.5%
Tianjin Winfund LP	727,470	0.21%
Total	**343,951,790**	**100%**

OUR PRINCIPAL SUBSIDIARY

The following table sets forth certain information of our principal subsidiary as of the Latest Practicable Date.

No.	Company	Principal business activities	Shareholding controlled by our Company	Date and jurisdiction of establishment/ incorporation
1.	Jiaxing Top	Sales and manufacturing of CNC machine tools	100%	9 March 2023, PRC

ACQUISITION, MERGER AND DISPOSAL

During the Track Record Period and up to the Latest Practicable Date, save for the disposals as detailed below, we did not conduct any other material acquisitions, mergers or disposals:

Disposal of equity interest in Shanghai Qianzhan

In March 2023, our Company had entered into an equity transfer agreement with, among others, Shanghai Guosheng Group Investment Co., Ltd. (上海國盛集團投資有限公司) ("**Shanghai Guosheng**") in respect of transfer of 10% equity interest in Shanghai Qianzhan, pursuant to which the entire 10% equity interest of Shanghai Qianzhan owned by our Company has been transferred to Shanghai Guosheng at the consideration of RMB5,335,000 ("**Shanghai Qianzhan Disposal**"). Particulars of the Shanghai Qianzhan Disposal are as follows:

Parties	:	1. Our Company (as the transferor) 2. Shanghai Guosheng (as the transferee), an Independent Third Party 3. Various independent third parties (as either transferor or transferee to the transaction)
Principal business of Shanghai Qianzhan	:	Technology development and technical consulting in the fields of computer technology, communication technology, new materials, new energy, and artificial intelligence.
Amount of consideration	:	RMB5,335,000
Basis of consideration	:	With reference to the net asset value of Shanghai Qianzhan as of 30 June 2022, being approximately RMB53.4 million.
Settlement date	:	8 May 2023
Reasons for disposal and impact of the transaction on our Company	:	The controlling shareholder of Shanghai Qianzhan intends to consolidate the control of Shanghai Qianzhan and thus approached the Company to dispose of its equity interests. The Directors are of the view that the then valuation of Shanghai Qianzhan presents an opportunity to realise our passive investment from the disposal and allocate the proceeds for developing principal business of our Group
Relationship between Shanghai Guosheng and our Company	:	To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, Shanghai Guosheng and its ultimate beneficial owners are third parties independent of our Company.

Immediately after completion of Shanghai Qianzhan Disposal, our Company ceased to hold any equity interest in Shanghai Qianzhan.

Disposal of equity interest in Chengdu Yongfeng

In November 2024, our Company had entered into an equity transfer agreement with, among others, Sichuan Dingfeng Aerospace Technology Co., Ltd. (四川鼎峰空天科技有限公司) ("**Sichuan Dingfeng**") in respect of transfer of approximately 10.80% equity interest in Chengdu Yongfeng, pursuant to which the entire equity interest Chengdu Yongfeng owned by our Company has been transferred to Sichuan Dingfeng at the consideration of RMB7,599,058 ("**Chengdu Yongfeng Disposal**", together with Shanghai Qianzhan Disposal, the "**Relevant Disposals**"). Particulars of the Chengdu Yongfeng Disposal are as follows:

Parties	:	1. Our Company (as the transferor) 2. Sichuan Dingfeng (as the transferee), an Independent Third Party 3. Mr. Liu 4. Chengdu Yongfeng
Principal business of Chengdu Yongfeng	:	Research, production and sales of spacecraft, civil aviation components and aerospace-related systems and provision of metal cutting services
Amount of consideration	:	RMB7,599,058
Basis of consideration	:	With reference to the investment cost incurred by our Company for its shareholding, and the investment return calculated based on the amount of investment funds remitted, at an annualised investment return rate of 8%, from the date of remittance up to 31 October 2024
Settlement date	:	17 December 2024
Reasons for disposal and impact of the transaction on our Company	:	The Directors are of the view that the then valuation of Chengdu Yongfeng presents an opportunity to realise the Company's passive investment from the disposal and to allocate the proceeds for developing principal business of our Group
Relationship between Sichuan Dingfeng and our Company	:	Sichuan Dingfeng is a limited liability company established under the laws of the PRC. Mr. Liu, the former shareholder of our Company, and the former general manager and former director of Shanghai Top, is interested in the equity interest of Sichuan Dingfeng as to approximately 42.4%.

Immediately after completion of Chengdu Yongfeng Disposal, our Company ceased to hold any equity interest in Chengdu Yongfeng.

PRC Legal Advisor's Confirmation

As advised by our PRC Legal Advisor, the equity or share transfers and increases in the registered capital in respect of Shanghai Top and our Company, and the Relevant Disposals, as described above have been completed and settled, and all regulatory approvals, registrations or filings have been granted in accordance with PRC laws and regulations.

PRE-[REDACTED] INVESTMENTS

Principal Terms of the Pre-[REDACTED] Investments

The table below summarises the principal terms of the Pre-**[REDACTED]** Investments through contribution to new registered capital or subscription of new Shares issued by our Company:

Round of Financing	Amount of registered capital subscribed for	Consideration for subscription	Post-money valuation *(Note 2)*	Date of agreement	Date of payment in full	Consideration Cost per Share	Discount to the [REDACTED]
	(RMB)	*(RMB)* *(Note 1)*				*(RMB)* *(approximation)* *(Note 3)*	*(approximation)* *(Note 4)*
Early Investment	247,500	247,500	Not Applicable *(Note 5)*	29 September 2010	13 October 2010	0.1 *(Note 5, 6)*	**[REDACTED]**
2011 Capital Increase	397,059	15 million	RMB100 million	13 April 2011	10 May 2011	3.8 *(Note 6)*	**[REDACTED]**
2015 Capital Increase	715,556	28 million	RMB703 million *(Note 7)*	5 October 2015	14 October 2015	3.9 *(Note 6)*	**[REDACTED]**
2016 Capital Increase	463,925	20 million	RMB794.5 million	28 December 2015	22 February 2016	4.3 *(Note 6)*	**[REDACTED]**
2019 Capital Increase	590,000	28.32 million	RMB1.5 billion *(Note 8)*	22 December 2019	26 December 2019	4.8	**[REDACTED]**
2021 Capital Increase	2,676,625	350 million	RMB4.4 billion *(Note 9)*	22 July 2021	31 August 2021	13.1	**[REDACTED]**
2022 Capital Increase	746,667	123.2 million	RMB5.6 billion *(Note 10)*	4 May 2022	4 July 2022	16.5	**[REDACTED]**
2023 Capital Increase	381,887	65.12 million	RMB5.9 billion	7 December 2023	22 December 2023	17.1	**[REDACTED]**

Notes:

1. The consideration for the various Pre-**[REDACTED]** Investments by way of capital increases was determined based on arm's length negotiations between our Company and the Pre-**[REDACTED]** Investors after taking into consideration various factors including but not limited to, the timing of the investments, the market value, and the prospects of our business.

2. The post-money valuation is calculated by dividing the total consideration of equity or Share subscriptions under the relevant round of the Pre-**[REDACTED]** Investment by the percentage of the new subscribed equity or shareholding interest in the total registered capital of our Company at the relevant time.

3. Calculated based on the amount of consideration paid divided by the number of Shares as adjusted after joint stock reform carried out in November 2016, and assuming the Share split in May 2025 has taken place and completed.

4. The discount to the **[REDACTED]** is calculated based on the assumption that the **[REDACTED]** is HK$**[REDACTED]** per H Share, being the mid-point of the indicative **[REDACTED]** range of HK$**[REDACTED]** to HK$**[REDACTED]** per H Share, and that the **[REDACTED]** is not exercised.

5. The Company was in its early stage of development, with its net asset value equivalent to its paid-in capital and the Company had a relatively low net profit level. Accordingly, the registered capital of our Company was subscribed at the registered capital value.

6. The cost per Share presented in the table has been adjusted to take into account the enlarged registered capital of our Company as a result of the joint stock reform carried out in November 2016, and assuming the Share split in May 2025 has taken place and completed and assuming the Share split in May 2025 has taken place and completed. The amount is arrived at by dividing the total consideration by the total number of Shares to be converted from the registered capital held by the respective investors as a result of the joint stock reform and their respective subscriptions or purchases.

7. The increase in post-money valuation primarily reflected the market's positive outlook on the Company's future prospects during the intervening period.

8. The post-money valuation increased during the intervening period between 2016 Capital Increase and 2019 Capital Increase as we contracted to sell our first horizontal flip-type milling five-axis machine tools for machining of aircraft structural components.

9. The post-money valuation increased during the intervening period between 2019 Capital Increase and 2021 Capital Increase mainly due to positive sentiment of the PRC capital market in 2021, and our Company being the world's first and only manufacturer that sold the first machine tool which fully applied carbon fiber composite materials across all moving parts in 2020.

10. The post-money valuation increased during the intervening period between 2021 Capital Increase and 2022 Capital Increase as the Company entered into contracts with key customers during the period from the end of 2021 to the first half of 2022.

The table below summarises the principal terms of the Pre-**[REDACTED]** Investments through acquisition of existing shares of our Company:

Name of Pre-[REDACTED] Investor	Number of Shares acquired	Amount of consideration involved *(RMB)* *(approximation)* *(Note 1)*	Date of agreement	Date of payment in full	Consideration Cost per Share *(RMB* *(approximation)* *(Note 2)*	Discount to the [REDACTED] *(approximation)* *(Note 3)*
Zhuhai Jiufeite Changsheng Investment LP	700,000	25.2 million	23 January 2019	28 January 2019	3.6	**[REDACTED]**
Ms. Yang LX	300,000	10.8 million	23 February 20129	28 February 2019	3.6	**[REDACTED]**
Zhuhai Jiufeite Jiufu Investment LP	500,000	18 million	23 January 2019	28 January 2019	3.6	**[REDACTED]**
Changzhou Xiangnong Investment LP	220,384	28.7 million	15 August 2021	20 August 2021, 30 August 2021 *(Note 4)*	13	**[REDACTED]**
GQC Xinzhou VC LP	470,000	58.1 million *(Note 5)*	25 August 2021	13 September 2021	12.4	**[REDACTED]**
GQC Yuantuo Investment LP	638,000	83.3 million	18 October 2021	5 November 2021	13.1	**[REDACTED]**
Jiaxing Tengyin Investment LP	76,923	10 million	16 August 2021	20 August 2021	13	**[REDACTED]**
Mr. Xu	230,769	30 million	23 August 2021	26 August 2021	13	**[REDACTED]**
	38,461	5 million	6 September 2021	9 September 2021		
Mr. Pan	44,615	5.8 million	6 September 2021	8 September 2021	13	**[REDACTED]**
	170,050	2.3 million	22 May 2024	31 May 2024	13.6	**[REDACTED]**
Hainan Yujun Investment LP	200,000	26 million	1 September 2021	15 September 2021	13	**[REDACTED]**
Foshan ZFBN Investment LP	68,000	10 million	15 December 2022	6 January 2023	14.7	**[REDACTED]**
Foshan ZFTC VC LP	74,800	11 million	15 December 2022	6 January 2023	14.7	**[REDACTED]**
Zhuhai Ruixin Investment LP	68,000	10 million	15 December 2022	6 January 2023	14.7	**[REDACTED]**
Zhuhai QKCX Investment LP	68,027	10 million	31 January 2023	7 February 2023	14.7	**[REDACTED]**
Jiaxing Nanhu Keying Investment LP	909,091	150 million	25 February 2023	16 March 2023	16.5	**[REDACTED]**
Qingdao South China Dingye Investment LP	95,918	14.1 million	7 March 2023	17 March 2023	14.7	**[REDACTED]**
Jiaxing Hongyang Investment LP	215,984	31.8 million	23 September 2023	13 November 2023	14.7	**[REDACTED]**

Name of Pre-[REDACTED] Investor	Number of Shares acquired	Amount of consideration involved *(RMB)* *(approximation)* *(Note 1)*	Date of agreement	Date of payment in full	Consideration Cost per Share *(RMB* *(approximation)* *(Note 2)*	Discount to the [REDACTED] *(approximation)* *(Note 3)*
Qingdao ZJQX VC LP	239,575	38.0 million *(Note 6)*	19 September 2023	22 September 2023	15.9	**[REDACTED]**
Tianjin Haisheng Investment LP	47,241	7.5 million	25 October 2023	30 October 2023	15.9	**[REDACTED]**
China Post Life Insurance *(Note 7)*	429,940	65 million	13 December 2023	15 December 2023	15.1	**[REDACTED]**
Jiaxing Zhiyou VC LP	71,675	11 million	29 December 2023	9 January 2024	15.3	**[REDACTED]**
Xuchang Digital Economy Investment LP	130,318	20 million	29 December 2023	9 January 2024	15.3	**[REDACTED]**
Rizhao Muzhizhi Investment LP *(Note 8)*	170,066	Nil *(Note 8)*	30 August 2024	Not applicable *(Note 8)*	Not applicable *(Note 8)*	**[REDACTED]**
Jiangsu Jianyin	160,001	20.9 million	2 April 2025	23 May 2025	13.1	**[REDACTED]**
Tianjin Winfund LP	72,747	9.5 million	2 April 2025	2 April 2025	13.1	**[REDACTED]**

Notes:

1. The consideration for the various Pre-**[REDACTED]** Investments by way of acquisition of existing shares was determined based on arm’s length negotiations between the respective sellers and the Pre-**[REDACTED]** Investors after taking into consideration various factors including but not limited to, the timing of the investments, the market value, and the prospects of our business.

2. Calculated based on the amount of consideration paid divided by the number of Shares as adjusted after joint stock reform carried out in November 2016, and assuming the Share split in May 2025 has taken place and completed.

3. The discount to the **[REDACTED]** is calculated based on the assumption that the **[REDACTED]** is HK$**[REDACTED]** per H Share, being the mid-point of the indicative **[REDACTED]** range of HK$**[REDACTED]** to HK$**[REDACTED]** per H Share, and that the **[REDACTED]** is not exercised.

4. Share transfer agreements were entered into between Changzhou Xiangnong Investment LP and each of Mr. Jiang and Mr. Liu, the settlement date of which took place on 20 August 2021 and 30 August 2021, respectively.

5. Share transfer agreements were entered into between GQC Xinzhou VC LP and each of Hanzhong Zhonghe LP and Shanghai Yiding Investment LP, respectively, for the consideration of RMB13,585,000 and RMB44,460,000, respectively.

6. Pursuant to the Share transfer agreement entered into between Qingdao ZJQX VC LP and each of Ms. Chen, Shanghai Furen, Mr. Xu and Ms. Yang JL, Qingdao ZJQX VC LP has acquired from the aforesaid parties equity interest in the registered capital of our Company in the total amount of RMB239,575 at a consideration of approximately RMB5.5 million, RMB12.2 million, RMB8.1 million and RMB12.2 million, respectively.

7. China Life Insurance had also subscribed for new registered capital of our Company in the total amount of RMB205,253, for a consideration of RMB35 million by participating in 2023 Capital Increase.

8. Rizhao Muzhizun LP has been liquidated. According to the resolution of the partners before the liquidation of Rizhao Muzhizun LP, the shareholding interests held as to our Company had be distributed to Rizhao Muzhizhi Investment LP at nil consideration.

Use of Proceeds from the Pre-[REDACTED] Investments

The proceeds received by us from the Pre-**[REDACTED]** Investments which involved subscriptions of increased registered capital of our Company amounted to approximately RMB630.3 million. As of the Latest Practicable Date, the net proceeds from the Pre-**[REDACTED]** Investments had been fully utilised. The proceeds from the Pre-**[REDACTED]** Investments have been utilised for our general operation and working capital purpose.

Strategic Benefits from Pre-[REDACTED] Investments

At the time of the Pre-**[REDACTED]** Investments, our Directors were of the view that our Group could benefit from the additional funds provided by the Pre-**[REDACTED]** Investors' investments in our Group, insights for industry, advice on business expansion and strategic direction, upstream and downstream resources that the Pre-**[REDACTED]** Investors bring to our Company, and the knowledge, production capacity and experience of the Pre-**[REDACTED]** Investors. Their investments also demonstrated their confidence in our Group's operations and served as an endorsement of our Group's performance, strengths and prospects.

Special Rights of the Pre-[REDACTED] Investors

Pursuant to the existing shareholders' agreement and capital increase agreements, the Pre-**[REDACTED]** Investors had been granted certain special rights, including, among others, right of first refusal and co-sale, anti-dilution rights, drag-along rights and information rights. All special rights (including the divestment rights) granted to the Pre-**[REDACTED]** Investors have been terminated before the first submission of our Company's **[REDACTED]** application with the Stock Exchange.

Lock-up Period

Pursuant to the applicable PRC law, all current Shareholders (including the Pre-**[REDACTED]** Investors) are subject to the relevant PRC statutory transfer restriction for a period of one year from the **[REDACTED]**.

JOINT SPONSORS' CONFIRMATION

On the basis that (i) the respective consideration for the Pre-**[REDACTED]** Investments has been settled no less than 120 clear days before the **[REDACTED]**, and (ii) special rights granted to the Pre-**[REDACTED]** Investors as disclosed in "Special Rights of the Pre-**[REDACTED]** Investors" above have been terminated, the Joint Sponsors confirm that the Pre-**[REDACTED]** Investments are in compliance with the Chapter 4.2 of the Guide for New Listing Applicants.

Information regarding Our Pre-[REDACTED] Investors

Set out below is a description of each of our Pre-**[REDACTED]** Investors, which primarily consist of private equity funds and strategic investment corporations. To the best of our Company's knowledge, save as otherwise disclosed in this subsection, all the Pre-**[REDACTED]** Investors are Independent Third Parties.

Shanghai Yiding Investment LP

Shanghai Yiding Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in equity investment and asset management in the PRC. Its general and executive managing partner is Guo Hui (郭輝), holding 1% interest therein. Shanghai Yiding Investment LP has two limited partners, namely Shanghai Yirun Investment Management Center (Limited Partnership) (上海伊潤投資管理中心(有限合夥)) ("**Shanghai Yirun**") and Mr. Li Qingfeng (李慶豐), our non-executive Director, holding 92% and 7% interest therein, respectively. Shanghai Yirun is a limited liability partnership established under the laws of the PRC and is principally engaged in equity investment. Its general and executive managing partner is Wang Yu (王禹), who holds 1% interest therein. Shanghai Yirun has seven limited partners, with Nie Xinyong (聶新勇) holding approximately 65.9% interest and each of the remaining limited partners holds less than 30% of the interest therein. To the best knowledge, information and belief of our Directors, save as otherwise disclosed above, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Shanghai Yiding Investment LP held approximately 7.99% of the total issued share capital of our Company.

Jiaxing CDH Investment LP

Jiaxing CDH Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in equity investment. Its general and executive managing partner is Shanghai CDH Fushun Investment Partnership (Limited Partnership) (上海鼎暉孚舜投資合夥企業(有限合夥)) ("**Shanghai CDH LP**"), holding 0.40% interest therein. Shanghai CDH LP is a limited liability partnership established under the laws of the PRC and is principally engaged in venture capital and equity investment. Its general and executive managing partner is Jiaxing CDH Baifu Enterprise Management Co., Ltd. (嘉興鼎暉百孚企業管理有限公司), a limited liability company established under the laws of the PRC with the equity interest of being owned 20% each by Li Dan (李丹), Zhao Huaiying (趙懷英), Tan Zihua (譚子華), Fang Xiuli (方秀麗) and Gao Minghai (高明海). Jiaxing CDH Investment LP has seven limited partners, with Ningbo CDH Investment Partnership (Limited Partnership) (寧波鼎暉柃餉股權投資合夥企業(有限合夥)) ("**Ningbo CDH LP**") holding approximately 63.4% interest therein and each of the remaining limited partners holds less than 30% of the interest therein. Ningbo CDH LP is also a limited liability partnership established under the laws of the PRC and is principally engaged in equity investment. Its general and executive managing partner is Shanghai CDH LP, and it has 43 limited partners, none of which controls more than 30% of the partnership interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Jiaxing CDH Investment LP held approximately 5.56% of the total issued share capital of our Company.

Hehui Investors (being Shenzhen Hehui Investment LP and Shenzhen Zhongyi Investment LP)

Shenzhen Hehui Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in investment management, investment advisory and asset management in the PRC. Its general and executive managing partner is Shenzhen Hehui Xinda Investment Co., Ltd. (深圳市和輝信達投資有限公司) ("**Shenzhen Hehui Xinda**"), holding approximately 2.1% interest therein. Shenzhen Hehui Xinda is a limited liability company established under the laws of the PRC and is principally engaged in enterprise investment advisory. The equity interest of Shenzhen Hehui Xinda is owned and controlled as to approximately 57.7% by Luo Peng (羅鵬) and the remaining equity interests are owned by four other shareholders, each of which holds few than 30% equity interests. Shenzhen Hehui Investment LP has 11 limited partners, with GQC Excellence Huamao Investment Partnership (Limited Partnership) (共青城卓越華茂投資合夥企業(有限合夥)) ("**GQC Excellence**"), holding approximately 35.7% interest therein and each of the remaining limited partners holds less than 30% of the interest therein. GQC Excellence is also a limited liability partnership established under the laws of the PRC and is principally engaged in self-funded equity investment. The general and executive managing partner is Luo Qingyi (羅清怡), who is also interested as to 80% of the partnership interest in GQC Excellence. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

Shenzhen Zhongyi Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in equity investment, enterprise investment advisory and enterprise management consulting in the PRC. Its general and executive managing partner is Shenzhen Hehui Xinda, holding 43.8% interest therein. Its limited partners include GQC Excellence, holding 31.3% interest therein, and Lai Shengtong (賴聲通), holding 25% interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Shenzhen Hehui Investment LP and Shenzhen Zhongyi Investment LP held approximately 3.3% and 2.2% of the total issued share capital of our Company, respectively, and the Hehui Investors in aggregate held approximately 5.5% of the total issued share capital of our Company.

Jiufeite Investors (being Zhuhai Jiufeite Changsheng Investment LP, Zhuhai Jiufeite Jiufu Investment LP and Zhuhai Jiufeite Jiufu No. 5 Investment LP)

Zhuhai Jiufeite Changsheng Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in private equity investment and asset management in the PRC. Its general and executive managing partner is Shenzhen Jiufeite Private Equity Investment Management Co., Ltd. (深圳市玖菲特私募股權投資管理有限公司) ("**Shenzhen Jiufeite PE**"), holding 0.7% interest therein. Shenzhen Jiufeite PE is a limited liability company established under the laws of the PRC, the equity interest of which is owned and controlled as to 90% by Lin Hengcong (林恒聰). Zhuhai Jiufeite Changsheng Investment LP has seven limited partners, none of which controls more than 30% of the partnership interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

Zhuhai Jiufeite Jiufu Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in private equity investment and asset management in the PRC. Its general and executive managing partner is Shenzhen Jiufeite PE, holding 2% interest therein. Zhuhai Jiufeite Jiufu Investment LP has seven limited partners, none of which controls more than 30% of the partnership interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

Zhuhai Jiufeite Jiufu No. 5 Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in private equity investment and asset management in the PRC. Its general and executive managing partner is Shenzhen Jiufeite PE, holding approximately 5.0% interest therein. Zhuhai Jiufeite Jiufu Investment LP has ten limited partners, none of which controls more than 30% of the partnership interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Zhuhai Jiufeite Changsheng Investment LP, Zhuhai Jiufeite Jiufu Investment LP and Zhuhai Jiufeite Jiufu No. 5 Investment LP held approximately 2.0%, 1.5% and 0.7% of the total issued share capital of our Company, respectively, and the Jiufeite Investors in aggregate held approximately 4.2% of the total issued share capital of our Company.

Jiaxing Nanhu Keying Investment LP

Jiaxing Nanhu Keying Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in equity investment in the PRC. Its general and executive managing partner is Jiaxing Nanhu Equity Investment Fund Co., Ltd. (嘉興市南湖股權投資基金有限公司) ("**Jiaxing Nanhu Investment Company**"), holding approximately 0.2% interest therein. Jiaxing Nanhu Investment Company is a limited liability company established under the laws of the PRC and is principally engaged in entrustment of financial institutions and is a wholly-owned subsidiary of Jiaxing Nanhu Financial Service Co., Ltd. (嘉興市南湖金融服務有限公司) ("**Jiaxing Nanhu Financial**"), which was owned as to approximately 62.2% equity interest by Chiyue Investment Limited (池月投資有限公司) ("**Chiyue Investment**"). Chiyue Investment is owned as to approximately 26.3% equity interest by Ningbo Fotile Kitchenware Co., Ltd. (寧波方太廚具有限公司) ("**Ningbo Fotile**") and 11 other equity interest holders, all of which held less than 30% of the equity interest in the said company. Ningbo Fotile was owned as to 80.8% equity interest by Ningbo Feixiang Group Co., Ltd. (寧波飛翔集團有限公司) ("**Ningbo Feixiang**"), which in turn is owned as to approximately 79.6% by Mao Zhongqun (茅忠群). Jiaxing Nanhu Keying Investment LP has two limited partners, namely Zhejiang Yanan Equity Investment Co., Ltd. (浙江埕南股權投資有限公司) ("**Zhejiang Yanan Company**") and Jiaxing Science and Technology City High-tech Industry Investment Co., Ltd. (嘉興科技城高新技術產業投資有限公司) ("**Jiaxing ST Company**"). Zhejiang Yanan Company and Jiaxing ST Company are both ultimately controlled by Jiaxing Municipal People's Government State-owned Assets Supervision and Administration Commission (嘉興市人民政府國有資產監督管理委員會). To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Jiaxing Nanhu Keying Investment LP held approximately 2.6% of the total issued share capital of our Company.

China Post Life Insurance

China Post Life Insurance is a state-owned national life insurance company owned by China Post Group Co., Ltd. (中國郵政集團有限公司) ("**China Post Group**"), AIA Company Limited (友邦保險有限公司) ("**AIA Company**"), a wholly-owned subsidiary of AIA Group Limited (1299.HK), Beijing China Post Asset Management Co., Ltd. (北京中郵資產管理有限公司), China Philatelic Co., Ltd. (中國集郵有限公司) and Postal Science Research and Planning Institute Co., Ltd. (郵政科學研究規劃院有限公司), as to approximately 38.2%, 25.0%, 15.0%, 12.2% and 9.6%, respectively. China Post Group is a state-owned enterprise controlled by the State Council of the PRC (中國國務院). To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, China Post Life Insurance held approximately 1.9% of the total issued share capital of our Company.

GQC Yuantuo Investment LP

GQC Yuantuo Investment LP is a limited liability partnership established under the laws of the PRC. Its general and executive managing partner is Ningbo Yushan Investment Management Co., Ltd. (寧波宇杉投資管理有限公司) ("**Ningbo Yushan**"), holding approximately 0.001% interest therein. Ningbo Yushan is a limited liability company established under the laws of the PRC, and is principally engaged in asset management and venture capital investment. Its equity interest is owned as to 57.6% by Jiang Hangtian (蔣航天). GQC Yuantuo Investment LP has 17 limited partners, none of the limited partners holds less than 30% of the interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, GQC Yuantuo Investment LP held approximately 1.9% of the total issued share capital of our Company.

Changzhou Yongyuan Investment LP, Changzhou Xiangnong Investment LP and Guangzhou Huangpu Investment LP

Changzhou Yongyuan Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in private equity investment and asset management in the PRC. Its general and executive managing partner is Mild Capital Investment Management (Limited Partnership) (上海湧平私募基金管理合夥企業(有限合夥)) ("**Mild Capital LP**"), holding 3.4% interest therein. Mild Capital LP is also a limited liability partnership established under the laws of the PRC and is principally engaged in equity investment. Its general and executive managing partner is Shanghai Hengjiu Financial Consulting Partnership (Limited Partnership) (上海衡玖財務諮詢合夥企業(有限合夥)) ("**Shanghai Hengjiu LP**"), and is holding 60% partnership interest therein. Mild Capital LP has one limited partner, namely Wang Yongping (王勇萍), holding 40% partnership interest therein. Shanghai Hengjiu LP is another limited liability partnership established under the laws of the PRC and is principally engaged in technology development and advisory. Its general and executive managing partner is Zhou Bin (周彬), controlling 50.5% interest therein, and its limited partner is Wang Yufeng (王旭峰), holding approximately 49.5% interest therein. Changzhou Yongyuan Investment LP has 35 limited partners, none of which controls more than 30% of the partnership interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

Changzhou Xiangnong Investment LP is a limited liability partnership established under the laws of the PRC. Its general and executive managing partner is Han Mingxiang (韓明祥), holding 50% interest therein. Changzhou Xiangnong Investment LP has one limited partner, namely Xu Taofen (徐桃芬) holding the remaining 50% partnership interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

Guangzhou Huangpu Investment LP is a limited liability partnership established under the laws of the PRC. Its general and executive managing partner is Mild Capital LP, holding approxiamtely 0.03% interest therein. Guangzhou Huangpu Investment LP has six limited partners, with Changzhou Yongyuan Investment LP and Changzhou Xiangnong Investment LP holding approximately 41.7% and 6.7% partnership interest therein. Huangpu Investment Holdings (Guangzhou) Co., Ltd. (黃埔投資控股(廣州)有限公司) ("**Huangpu Investment Company**") holds approximately 33.3% partnership interest, and each of the remaining limited partners holds less than 30% of the interest therein. Huangpu Investment Company is a limited liability company established under the laws of the PRC and is ultimately controlled by Guangzhou Development Zone Management Committee of the Huangpu District People's Government of Guangzhou (廣州市黃埔區人民政府廣州開發區管委會). To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Changzhou Yongyuan Investment LP, Changzhou Xiangnong Investment LP and Guangzhou Huangpu Investment LP held approximately 0.5%, 0.6% and 0.3% of the total issued share capital of our Company.

GQC Xinzhou VC LP

GQC Xinzhou VC LP is a limited liability partnership established under the laws of the PRC. Its general and executive managing partner is Longxin (Shenzhen) Private Equity Venture Capital Fund Management Co., Ltd. (龍芯(深圳)私募創業投資基金管理有限公司) ("**Longxin PE**"), holding approximately 0.02% interest therein. Longxin PE is a limited liability company established under the laws of the PRC and is principally engaged in private equity investment, the equity interest of which is controlled as to 69.7% by Gongqingcheng Yuanli Zexin Investment Partnership (Limited Partnership) (共青城源利澤信投資合夥企業(有限合夥)), another limited liability partnership, the general and executive managing partner of which is Wang Jin (王進), holding 99% partnership interest therein. GQC Xinzhou VC LP has four limited partners, with GQC Longxin Huineng Venture Capital Partnership (Limited Partnership) (共青城龍芯匯能創業投資合夥企業(有限合夥)) ("**GQC Longxin LP**") holding approximately 79.2% interest therein and each of the remaining limited partners holds less than 30% of the interest therein. GQC Longxin LP is a limited liability partnership established under the laws of the PRC, with Longxin PE being its general and executive managing partner, holding approximately 0.01% partnership interest therein. The remaining partnership interest is held by one limited partner, namely Bosera Capital Management Co., Ltd. (博時資本管理有限公司), which is ultimately controlled by China Merchants Securities Limited (招商證券股份有限公司) (6099.HK). To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, GQC Xinzhou VC LP held approximately 1.4% of the total issued share capital of our Company.

Shanghai Xixiao LP

Shanghai Xixiao LP is a limited liability partnership established under the laws of the PRC and is principally engaged in the provision of computer and information technology consultation services. Its general and executive managing partner is Shen Jie (沈傑), holding approximately 14.9% interest therein. Shanghai Xixiao LP has four limited partners, with Shanghai Jiexun Investment Management Co., Ltd.(上海傑詢投資管理有限公司) ("**Shanghai Jiexun Investment Company**") holding approximately 37.8% interest therein and each of the remaining limited partners holds less than 30% of the interest therein. Shanghai Jiexun Investment Company is controlled by Shen Jie (沈傑). To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Shanghai Xixiao LP held approximately 0.9% of the total issued share capital of our Company.

Hainan Saier Investors (namely Jiaxing Zhiyou VC LP and Xuchang Digital Economy Investment LP)

Jiaxing Zhiyou VC LP is a limited liability partnership established under the laws of the PRC and is principally engaged in private equity investment in the PRC. Its general and executive managing partner is Hainan Saier Private Equity Fund Management Co., Ltd. (海南賽爾私募基金管理有限公司) ("**Hainan Saier PE**"), holding 0.03% interest therein. Hainan Saier PE is a limited liability company established under the laws of the PRC and principally engaged in private equity and asset management, the equity interest of which is ultimately controlled by Chen Jian (陳建). Jiaxing Zhiyou VC LP has ten limited partners, with Chen Jian (陳建) holding approximately 40% interest therein and each of the remaining limited partners holds less than 30% of the interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

Xuchang Digital Economy Investment LP is a limited liability partnership established under the laws of the PRC. Its general and executive managing partner is Hainan Saier PE, holding 1% interest therein. Xuchang Digital Economy Investment LP has five limited partners, with Henan Innovation Investment Group Co., Ltd.(河南創新投資集團有限公司) ("**Henan Innovation**") and Xuchang Xincai Construction Co., Ltd. (許昌市新財建設有限公司) ("**Xuchang Xincai**") holding 30% and 30% interest respectively, and each of the remaining limited partners holds less than 30% of the interest therein. Henan Innovation is a limited liability company established under the laws of the PRC and is principally engaged in venture capital investment and corporate advisory, the equity interest of which is ultimately controlled by Henan Provincial Finance Department (河南省財政廳). Xuchang Xincai is a limited liability company established under the laws of the PRC and is principally engaged in infrastructure and investment management, the equity interest of which is ultimately controlled by Xuchang Municipal Finance Bureau (許昌市財政局). To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Jiaxi Zhiyou VC LP and Xuchang Digital Economy Investment LP held approximately 0.2%, and 0.4% of the total issued share capital of our Company, respectively.

Hanzhong Zhonghe LP

Hanzhong Zhonghe LP is a limited liability partnership established under the laws of the PRC and is principally engaged in equity investment, asset management and investment advisory. Its general and executive managing partner is Hanzhong Zhonghe Venture Capital Investment Management Limited Company (漢中眾合創業投資管理有限公司) ("**Hanzhong VC Investment Company**"), holding 4% interest therein. Hanzhong VC Investment Company is ultimately controlled by Nie Xinyong (聶新勇), who is also a limited partner of Shanghai Yirun (i.e. a limited partner of Shanghai Yiding Investment LP). Hanzhong Zhonghe LP has two limited partners, with Hanzhong Investment Fund Management Co., Ltd. (漢中投資基金管理有限公司) ("**Hanzhong Investment Fund Company**") holding 80% interest therein. Hanzhong Investment Fund Company is a limited liability company established under the laws of the PRC and is principally engaged in asset management and equity capital investment, the equity interest of which is ultimately controlled by Hanzhong Municipal Bureau of Industry and Information Technology (漢中市工業和信息化局). To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Hanzhong Zhonghe LP held approximately 0.3% of the total issued share capital of our Company.

Zhuhai Junlian VC LP

Zhuhai Junlian VC LP is a limited liability partnership established under the laws of the PRC and principally engaged in private equity investment and asset management. Its general and executive managing partner is Beijing Legend Tongdao Private Equity Fund Management Partnership (Limited Partnership) (北京君聯同道私募基金管理合夥企業(有限合夥)), whose general partner is Shenzhen Junlian Qisheng Management Consulting Co., Ltd. (深圳君聯祺盛管理諮詢有限公司), which is a wholly-owned subsidiary of Legend Capital Management Co., Ltd. (君聯資本管理股份有限公司) ("**Legend Capital Management**"). Zhuhai Junlian VC LP has one limited partner, namely Xi'an Junlian Haiying Equity Investment Partnership (Limited Partnership) (西安君聯海盈股權投資合夥企業(有限合夥)) ("**Xi'An Junlian Investment LP**"), holding 98.1% partnership interest therein. Xi'An Junlian Investment LP is a limited liability partnership established under the laws of the PRC and principally engaged in equity investment, the general and executive managing partner of which is Legend Capital Management. Legend Capital Management, a limited liability company established under the laws of the PRC which engages in investment management and advisory. Legend Capital Management was held as to 80% by Beijing Juncheng Hezhong Investment Management Partnership (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) and 20% by Legend Holdings Corporation (聯想控股股份有限公司) (3396.HK). The general and executive managing partner of Beijing Juncheng Hezhong Investment Management Partnership (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) is Beijing Junqi Jiarui Enterprise Management Co., Ltd. (北京君祺嘉睿企業

管理有限公司) ("**Beijing Junqi Management**"), which is held as to 40% by Chen Hao (陳浩), an Independent Third Party, with the remaining 60% held by three individuals who are Independent Third Parties, each holding less than 30% equity interest. Beijing Juncheng Hezhong Investment Management Partnership (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) was held as to approximately 58.1% and 41.9% by Tianjin Huizhi No. 1 Enterprise Management Consultancy Partnership (Limited Partnership) (天津匯智壹號企業管理諮詢合夥企業(有限合夥)) and Tianjin Junlian Jieyou Enterprise Management Consultancy Partnership (Limited Partnership) (天津君聯傑佑企業管理諮詢合夥企業(有限合夥)) as limited partners, respectively. Tianjin Huizhi No. 1 Enterprise Management Consultancy Partnership (Limited Partnership) (天津匯智壹號企業管理諮詢合夥企業(有限合夥)) is managed by Beijing Junqi Management as its executive managing partner and was held as to approximately 34.7% by Zhu Linan (朱立南) as the largest limited partner, with the other limited partners each holding less than 30% partnership interest. Tianjin Junlian Jieyou Enterprise Management Consultancy Partnership (Limited Partnership) (天津君聯傑佑企業管理諮詢合夥企業(有限合夥)) is managed by Beijing Junqi Management as its executive managing partner and has 18 individual limited partners, none of whom held 30% or more partnership interest)

As of the Latest Practicable Date, Zhuhai Junlian VC LP held approximately 0.7% of the total issued share capital of our Company.

Qingdao ZJQX VC LP

Qingdao ZJQX VC LP is a limited liability partnership established under the laws of the PRC and is principally engaged in private equity investment and asset management. Its general and executive managing partner is Zhongjun Tianbao Capital Management (Beijing) Co., Ltd. (中駿天寶資本管理(北京)有限公司) ("**Zhongjun Tianbao**"), holding 0.02% interest therein. Zhongjun Tianbao is a limited liability company established under the laws of the PRC which principally engages in investment management and advisory, the equity interest of which is ultimately controlled by Ba Zhen (巴震). Qingdao ZJQX VC LP has ten limited partners, none of which holds more than 30% of the interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Qingdao ZJQX VC LP held approximately 0.7% of the total issued share capital of our Company.

Shanghai Linsong LP

Shanghai Linsong LP is a limited liability partnership established under the laws of the PRC and is principally engaged in venture capital investment, management and advisory. Its general and executive managing partner is Shanghai Lingang Songjiang Venture Capital Management Co., Ltd. (上海臨港松江創業投資管理有限公司) ("**Shanghai Lingang Management Company**"), holding 2.5% interest therein. Shanghai Lingang Management Company is a limited liability company established under the laws of PRC and is owned as to 60% by Shanghai Winfund Investment Co., Ltd. (上海元藩投資有限公司) ("**Shanghai Winfund**") and 40% by Shanghai Lingang Songjiang Science and Technology City Investment Development Co., Ltd. (上海臨港松江科技城投資發展有限公司) ("**Shanghai S&T Investment**"). Shanghai Winfund is ultimately controlled by Gao Hongbing (高紅兵), also being the ultimate controller for Tianjin Winfund LP, our Pre-**[REDACTED]** Investor. Shanghai S&T Investment is ultimately controlled by Shanghai Lingang Holdings Co., Ltd. (上海臨港控股股份有限公司) (600848.SH; 900928.SH). To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Shanghai Linsong LP held approximately 0.7% of the total issued share capital of our Company.

Jiaxing Hongyang Investment LP

Jiaxing Hongyang Investment LP is a limited partnership established under the laws of the PRC and is principally engaged in equity and venture capital investment. Its general and executive managing partner is Hainan Jingcheng Private Equity Fund Management Co., Ltd. (海南京成私募基金管理有限公司) ("**Hainan Jingcheng PE**"), holding approximately 2.9% interest therein. Hainan Jingcheng PE is a limited liability company established under the laws of the PRC and principally engages in private equity investment, the equity interest of which is owned as to 66.7% by Yang Guocheng (楊國成). Jiaxing Hongyan Investment LP has ten limited partners, none of hold more than 30% partnership interest. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Jiaxing Hongyang Investment LP held approximately 0.6% of the total issued share capital of our Company.

Hainan Yujun Investment LP

Hainan Yujun Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in enterprise management and financial consulting. Its general partner and executive managing partner is Lou Yufeng (婁與峰), holding 6% interest therein. Hainan Yujun Investment LP has one limited partner, namely Li Xiaoyan (李小妍). To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Hainan Yujun Investment LP held approximately 0.6% of the total issued share capital of our Company.

Guangdong Ruixin Investors (being Foshan ZFBN Investment LP, Foshan ZFTC VC LP and Zhuhai Ruixin Investment LP)

Foshan ZFBN Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in private equity investment, management and advisory. Its general and executive managing partner is Guangdong Ruixin Investment Co., Ltd. (廣東瑞信投資有限公司) ("**Guangdong Ruixin**"), holding approximately 0.9% interest therein. Guangdong Ruixin is a limited liability company established under the laws of the PRC and is principally engaged in equity and venture capital investment. The equity interest of which is owned and controlled as to approximately 49.6% by Wen Zhicheng (溫志成), and approximately 3.9% by Chen Shujian (陳樹堅) and the remaining by five other individual shareholders. Foshan ZFBN Investment LP has six limited partners, with Chen Shujian (陳樹堅) holding approximately 40.9% interest therein and each of the remaining limited partners holds less than 30% of the interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

Foshan ZFTC VC LP is a limited liability partnership established under the laws of the PRC and is principally engaged in equity and venture capital investment. Its general and executive managing partner is Guangdong Ruixin, holding approximately 2.5% interest therein. Foshan ZFTC VC LP has three limited partners, with Wang Jiawu (汪加武) and Zhuhai Zhaofeng Hengxin Equity Investment Center (Limited Partnership) (珠海市兆豐恒鑫股權投資中心(有限合夥)) ("**Zhuhai Zhaofeng Investment LP**") holding approximately 41.7% and 30.7% of the interest therein, respectively. Zhuhai Zhaofeng Investment LP is a limited liability partnership established under the laws of the PRC, its general and executive managing partner is Guangdong Ruixin, holding approximately 0.2% interest therein. Zhuhai Zhaofeng Investment LP has four limited partners, with Xu Yaoling (許耀玲) holding approximately 48.9% partnership interest therein, and each of the remaining limited partners holds less than 30% of the interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

Zhuhai Ruixin Investment LP is a limited liability partnership established under the laws of the PRC. Its general and executive managing partner is Guangdong Ruixin, holding approximately 3.2% interest therein. Zhuhai Ruixin Investment LP has three limited partners, namely Chen Shujian (陳樹堅), Mai Wenying (麥文英) and Miao Xiaoming (繆曉明), each holding 32.3% interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Foshan ZFBN Investment LP, Foshan ZFTC VC LP and Zhuhai Ruixin Investment LP held approximately 0.2%, 0.2% and 0.2% of the total issued share capital of our Company, and the Guangdong Ruixin Investors in aggregate held approximately 0.6% of the total issued share capital of our Company.

Beijing Yuanjing Investment LP and Beijing Jingguo Investment LP

Beijing Yuanjing Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in venture capital investment and management. Its general and executive managing partner is Beijing Rongyi Investment Management Co., Ltd. (北京融溢投資管理有限公司) ("**Beijing Rongyi**"), holding 1% interest therein. Beijing Rongyi is a limited liability company established under the laws of the PRC and is principally engaged in investment and asset management. The equity interest of Beijing Rongyi is ultimately controlled by Beijing State-owned Assets Supervision and Administration Commission (北京市人民政府國有資產監督管理委員會). Beijing Yuanjing Investment LP has five limited partners, with Beijing Innovation Industry Investment Co., Ltd. (北京創新產業投資有限公司) ("**Beijing Innovation**") and New Quality Productivity Promotion Center of the Ministry of Science and Technology (科學技術部新質生產力促進中心) holding 40% and 30% partnership interest respectively, and each of the remaining limited partners holds less than 30% of the interest therein. Beijing Innovation is owned as to 40% by Beijing State-owned Capital Operation Management Co., Ltd. (北京國有資本運營管理有限公司) and the remaining equity interest is owned by five other shareholders, each holding less than 30% equity interest therein. Beijing State-owned Capital Operation Management Co., Ltd. (北京國有資本運營管理有限公司) is an entity controlled by Beijing State-owned Assets Supervision and Administration Commission (北京市人民政府國有資產監督管理委員會). To the best knowledge, information and belief of our Directors, each of the aforesaid entities is an Independent Third Party.

Beijing Jingguo Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in venture capital investment and management. Its general and executive managing partner is He Jingwei (何京偉), the chairperson of Beijing Innovation, holding approximately 33.3% interest therein. Beijing Jingguo Investment LP has six limited partners, with Fu Xingran (付星然) being a limited partner holding approximately 33.3% partnership interest, and each of the remaining limited partners holds less than 30% of the interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Beijing Yuanjing Investment LP and Beijing Jingguo Investment LP held approximately 0.5% and 0.002% of the total issued share capital of our Company.

Rizhao Muzhizhi Investment LP

Rizhao Muzhizhi Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in private equity and venture capital investment. Its general and executive managing partner is Shuimu Chunjin Capital Management Co., Ltd. (水木春錦資本管理有限公司) ("**Shuimu Chunjin**"), holding approximately 7.5% interest there, Shuimu Chunjin a limited liability company established under the laws of the PRC which is principally engaged in asset management and investment advisory, and is ultimately controlled by Liu Yanhua (劉豔華). Rizhao Muzhizhi Investment LP has 21 limited partners, none of which holds more than 30% of the interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Rizhao Muzhizhi Investment LP held approximately 0.5% of the total issued share capital of our Company.

Jiangsu Jianyin

Jiangsu Jianyin is a limited liability company established under the laws of the PRC and is principally engaged in investment management and advisory. The equity interest of Jiangsu Jianyin is owned and controlled as to 80% by Hu Yimin (胡益民) and 20% by an individual. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Jiangsu Jianyin held approximately 0.5% of the total issued share capital of our Company.

Pingtan Boda Investment LP

Pingtan Boda Investment LP is a limited liability partnership established under the laws of the PRC and principally engaged in self-funded equity investment. Its general and executive managing partner is Shanghai Dongchao Investment Management Co., Ltd. (上海動潮投資管理有限公司) ("**Shanghai Dongchao**"), holding approximately 3.8% interest therein. Shanghai Dongchao is a limited liability company established under the laws of the PRC and is principally engaged in investment and asset management, the equity interest of which is owned and controlled as to 40%, 30% and 30% by Yin Yougui (尹有貴), Ge Jun (葛軍) and Ma Jie (馬潔). Pingtan Boda Investment LP has 11 limited partners, each of the limited partners holds less than 30% of the interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Pingtan Boda Investment LP held approximately 0.4% of the total issued share capital of our Company.

Yangzhou Xinyuan Investment LP

Yangzhou Xinyuan Investment LP is a limited liability partnership established under the laws of the PRC and principally engaged in private equity investment and asset management. Its general and executive managing partner is Shanghai Fengcang Equity Investment Fund Management Co., Ltd. (上海豐倉股權投資基金管理有限公司) ("**Shanghai Fengcang Investment Company**"), holding approximately 3.0% interest therein. Shanghai Fengcang Investment Company is owned as to 51% by Shanghai Dianji Enterprise Management Co., Ltd. (上海點際企業管理有限公司) ("**Shanghai Dianji**") and as to 30.5% by Aston (Shanghai) Consulting Management Center (Limited Partnership) (雅斯頓(上海)諮詢管理中心(有限合夥)) ("**Aston Management LP**"). Shanghai Dianji Enterprise Management Co., Ltd. (上海點際企業管理有限公司). The equity interest of Shanghai Dianji is owned as to 75% by Liu Xin (劉欣). The general and executive managing partner of Aston Management LP is Kang Lu (亢璐), holding approximately 1.3% interest therein. Aston Management LP has three limited partners, with Wei Fancheng (魏凡成) holding approximately 55.7% interest therein and the remaining limited partners holding less than 30% interest therein. Yangzhou Xinyuan Investment LP has eight limited partners, with Guangzhou Yuekai Intelligent Industry Equity Investment Partnership (Limited Partnership) (廣州粵凱智動產業股權投資合夥企業(有限合夥)) ("**Guangzhou Yuekai LP**") holding approximately 49.8% interest therein and each of the remaining limited partners holds less than 30% of the interest therein. Guangzhou Yuekai LP is also a limited liability partnership established under the laws of the PRC and principally engaged in equity investment. The general and executive managing partner of Guangzhou Yuekai LP is Yuekai Capital Investment Co., Ltd. (粵開資本投資有限公司), a limited liability company which is ultimately controlled by Yuekai Securities Co.,Ltd. (粵開證券股份有限公司) (830899.NEEQ). Guangzhou Yuekai LP has one limited partner, namely Guangzhou Kaide Investment Holdings Co., Ltd. (廣州凱得投資控股有限公司), which is ultimately controlled by Guangzhou Economic and Technological Development Zone Management Committee (廣州經濟技術開發區管理委員會). To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Yangzhou Xinyuan Investment LP held approximately 0.4% of the total issued share capital of our Company.

Qingdao South China Dingye Investment LP

Qingdao South China Dingye Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in equity investment. Its general and executive managing partner is Beijing South China Dingye Investment Management Co., Ltd. (北京華南鼎業投資管理有限公司) ("**Beijing South China Dingye**"), holding approximately 0.07% interest therein. Beijing South China Dingye is a limited liability company established under the laws of the PRC and is principally engaged in investment management. It is ultimately controlled by Li Li (李黎). Qingdao South China Dingye Investment LP has seven limited partners, with Shi Jinling (石晉玲) holding approximately 33.1% of the interest therein and each of the remaining limited partners holding less than 30% of the interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Qingdao South China Dingye Investment LP held approximately 0.3% of the total issued share capital of our Company.

Jiaxing Tengyin Investment LP

Jiaxing Tengyin Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in equity investment and advisory. Its general and executive managing partner is Shanghai Tengwu Equity Investment Fund Management Co., Ltd. (上海騰午股權投資基金管理有限公司) ("**Shanghai Tengwu Investment Company**"), holding approximately 0.01% interest therein. Shanghai Tengwu Investment Company is a limited liability company established under the laws of the PRC and is principally engaged in equity investment and asset management, which is controlled by Zhang Chengyong (張承勇). Jiaxing Tengyin Investment LP has seven limited partners, with Chen Xiaoxuan (陳小旋) holding approximately 56.2% interest therein and each of the remaining limited partners holding less than 30% of the interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Jiaxing Tengyin Investment LP held approximately 0.2% of the total issued share capital of our Company.

Yiwu Dongshun Real Estate

Yiwu Dongshun Real Estate is a limited liability company established under the laws of the PRC and principally engaged in real estate and industrial investment. The equity interest of Yiwu Dongshun Real Estate is entirely owned by Shanghai Dawning Enterprise (Group) Co., Ltd. (上海東銀企業(集團)有限公司), which is ultimately controlled by Luo Cuihua (駱翠華). To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Yiwu Dongshun Real Estate held approximately 0.2% of the total issued share capital of our Company.

Tianjin Winfund LP

Tianjin Winfund LP is a limited liability partnership established under the laws of the PRC and is principally engaged in private equity and venture capital investments. The general and executive managing partner of Tianjin Winfund LP is Shanghai Winfund, holding 50% of the partnership interest therein. Tianjin Winfund LP has seven limited partners, none of which holds more than 30% of the interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Tianjin Winfund LP held approximately 0.2% of the total issued share capital of our Company.

Zhuhai QKCX Investment LP

Zhuhai QKCX Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in private equity investment and asset management. Its general and executive managing partner is Shenzhen Qingke Private Equity Investment Fund Management Co., Ltd. (深圳青稞私募股權投資基金管理有限公司) ("**Shenzhen Qingke PE**"), holding approximately 0.49% interest therein. Shenzhen Qingke PE is a limited liability company established under the laws of the PRC and is principally engaged in private equity investment. It is ultimately controlled by Xie Jijun (謝繼軍). Zhuhai QKCX Investment LP has 18 limited partners, none of which holds more than 30% of the interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Zhuhai QKCX Investment LP held approximately 0.2% of the total issued share capital of our Company.

Tianjin Haisheng Investment LP

Tianjin Haisheng Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in private equity investment and asset management. Its general and executive managing partner is Haisheng Hongyuan (Beijing) Investment Management Co., Ltd. (海盛弘源(北京)投資管理有限公司) ("**Haisheng Hongyuan Company**"), holding approximately 8.3% interest therein. Haisheng Hongyuan Company is a limited liability company established under the laws of the PRC and principally engages in investment management, the equity interest of which are owned as to 55% by Wei Huanyi (衛寰藝). Tianjin Haisheng Investment LP has three limited partners, with Li Dafa (李大發) holding 75% of the partnership interest. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Tianjin Haisheng Investment LP held approximately 0.14% of the total issued share capital of our Company.

Shanghai Songfanhui LP

Shanghai Songfanhui LP is a limited liability partnership established under the laws of the PRC and is principally engaged in enterprise management consulting. Its general and executive managing partner is Jiang Yong (江詠), holding 37.5% interest therein. Shanghai Songfanhui LP has six limited partners, with Du Yumei (杜玉梅) holding 30% partnership interest, and each of the remaining limited partners holds less than 30% of the interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

As of the Latest Practicable Date, Shanghai Songfanhui LP held approximately 0.01% of the total issued share capital of our Company.

Individual Pre-[REDACTED] Investors

Mr. Jiang, Mr. Ma, Ms. Yang LX, Ms. Gong, Mr. Xu and Mr. Pan are individual private investors who from time to time participate in various investment opportunities in different target companies encompassing various business sectors. All of our individual Pre-**[REDACTED]** Investors are Independent Third Parties. As of the Latest Practicable Date, each of Mr. Jiang, Mr. Ma, Ms. Yang LX, Ms. Gong, Mr. Xu and Mr. Pan held approximately 4.2%, 2.0%, 0.9%, 0.2%, 0.5% and 0.6% of the total issued share capital of our Company.

EMPLOYEE SHARE OWNERSHIP PLATFORM

In recognition of the contributions of our employees and to incentivise our employees to further promote our development, Tuoxian Technology was established as our employee share ownership platform in December 2018, through which we have entered into employee share incentive agreements ("**Share Incentive Agreement(s)**") with employees of our Group to award the partnership interest in Tuoxian Technology. The employee shareholding ownership platform is not subject to the provisions of Chapter 17 of the Listing Rules.

Dr. Wang has been the general partner of Tuoxian Technology since the establishment of Tuoxian Technology. Our certain employees were granted awards pursuant to the terms of the respective Share Incentive Agreement(s) and have been registered as the limited partners of Tuoxian Technology upon grants or exercise of their awards.

All management and voting powers of Tuoxian Technology are exercised by the sole general partner, Dr. Wang, according to the partnership agreement, whereas the relevant employees as the limited partners of Tuoxian Technology are entitled to the economic interest.

As of the Latest Practicable Date, Tuoxian Technology held approximately 1.9% of our Shares, and its partnership structure is as follows:

Name	Position	Capacity of partnership interest in Tuoxian Technology	Approximate percentage of partnership interest (%)
Dr. Wang	Chairman of our Board, executive Director and general manager	General partner	13.7%
Mr. Yao Bin (姚彬)	Executive Director and co-technical director	Limited partner	7.8%
Dr. Zhong Lei (鐘磊)	Co-technical director	Limited partner	3.6%
Mr. Lei Feiling (雷飛淩)	Deputy general manager	Limited partner	1.9%
Mr. Wang Jinsen (王勁森)	Joint company secretary	Limited partner	2.3%
Mr. Zhang Muqing (張木清)	Chief financial officer	Limited partner	1.9%
38 other persons	Employees of our Group	Limited partner	68.9%

LISTING ATTEMPT

We submitted an application for listing on the Shanghai Stock Exchange STAR Market in June 2019 and June 2020, and made tutoring filing with the CSRC in February 2019, December 2019, January 2023 and January 2024 ("**Previous A-Share Listing Application**"), which were subsequently withdrawn or terminated. Considering a listing on the Stock Exchange would (a) provide our Company with an international platform to promote our market awareness worldwide, (b) gain access to international capital and optimise our capital structure, and (c) further raise our market profile and help us to attract international talents, we ceased our A share listing application based on our latest corporate development strategies.

Our Directors are not aware of any matters or findings from the Previous A-Share Listing Application or the aforementioned tutoring filing/tutoring progress reports which have been brought to their attention and would have a material adverse implication on the **[REDACTED]**, or any matters that might materially and adversely affect our Company's suitability for the **[REDACTED]**. Our Directors further confirm that there is no other matter in relation to the Previous A-Share Listing Application or the aforementioned tutoring filing/tutoring progress reports that needs to be brought to the attention of the Stock Exchange or potential investors.

CAPITALISATION

Our Company has applied for H-share Full Circulation to convert certain of the Domestic Shares into H Shares as per the instructions of the relevant Shareholders. The conversion of Domestic Shares into H Shares will involve an aggregate of **[REDACTED]** Domestic Shares held by 44 existing Shareholders, representing approximately **[REDACTED]**% of total issued Share capital of our Company upon completion of the conversion of Domestic Shares into H Shares and the **[REDACTED]** (assuming no exercise of the **[REDACTED]**). Save as disclosed in this document and to the best knowledge of our Directors, we are not aware of the intention of any other existing Shareholders to convert their Domestic Shares. For details, see "Share Capital" in this document.

PUBLIC FLOAT

Immediately upon completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), our Company will have **[REDACTED]** Domestic Shares and **[REDACTED]** H Shares, among which: (i) the **[REDACTED]** Domestic Shares (representing approximately **[REDACTED]**% of our total issued Shares upon **[REDACTED]**) will not be considered as part of the public float; and (ii) among the **[REDACTED]** H Shares,

(a) **[REDACTED]** H Shares to be converted from Domestic Shares pursuant to the Full Circulation application of our Company and listed on the Stock Exchange (representing approximately **[REDACTED]**% of our total issued Shares upon **[REDACTED]** assuming that the **[REDACTED]** is not exercised) will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the **[REDACTED]**, as such Shares are being held by Dr. Wang, Mr. Li YH and Tuoxian Technology, which are core connected persons of our Company;

(b) **[REDACTED]** H Shares to be converted from Domestic Shares pursuant to the Full Circulation application of our Company and listed on the Stock Exchange (representing approximately **[REDACTED]**% of our total issued Shares upon **[REDACTED]** assuming that the **[REDACTED]** is not exercised), will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the **[REDACTED]**, as these Shares are not held by persons who are core connected persons of our Company upon **[REDACTED]** nor are they accustomed to take instructions from our Company's core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by our Company's core connected persons; and

(c) **[REDACTED]** H Shares to be issued under the **[REDACTED]** (representing approximately 10% of our total issued Shares upon **[REDACTED]**) will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the **[REDACTED]**, assuming that (i) the **[REDACTED]** is not exercised and (ii) none of the following persons will take part in the **[REDACTED]** our Company's core connected persons, any persons who are accustomed to take instructions from our Company's core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares, and any person whose acquisition of Shares were financed directly or indirectly by our Company's core connected persons.

Details of the Conversion of Domestic Shares into H Shares are set out below:

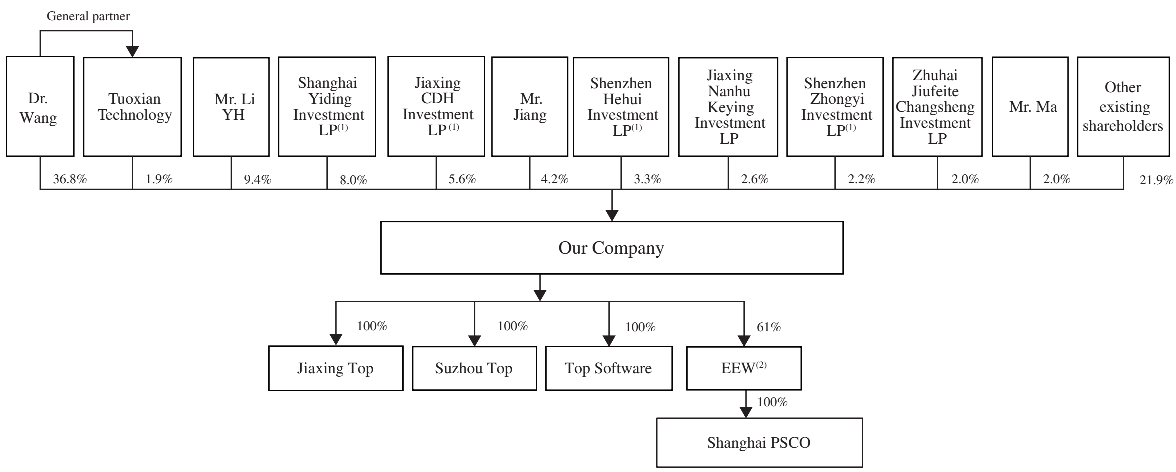
		Number of Shares upon [REDACTED] (assuming that the Full Circulation application of our Company is completed)	
Shareholders	**Number of Domestic Shares as of the date of this document**	**Domestic Shares**	**H Shares converted from Domestic Shares**
Dr. Wang	126,636,770	**[REDACTED]**	**[REDACTED]**
Mr. Li YH	32,458,200	**[REDACTED]**	**[REDACTED]**
Mr. Jiang	14,453,020	**[REDACTED]**	**[REDACTED]**
Mr. Ma	6,919,840	**[REDACTED]**	**[REDACTED]**
Shanghai Yiding Investment LP	27,465,430	**[REDACTED]**	**[REDACTED]**
Dr. Bi	6,187,980	**[REDACTED]**	**[REDACTED]**
Shenzhen Hehui Investment LP	11,390,880	**[REDACTED]**	**[REDACTED]**
Shenzhen Zhongyi Investment LP	7,385,140	**[REDACTED]**	**[REDACTED]**
Tuoxian Technology	6,624,610	**[REDACTED]**	**[REDACTED]**
Zhuhai Jiufeite Changsheng Investment LP	7,000,000	**[REDACTED]**	**[REDACTED]**
Zhuhai Jiufeite Jiufu Investment LP	5,000,000	**[REDACTED]**	**[REDACTED]**
Ms. Yang LX	3,000,000	**[REDACTED]**	**[REDACTED]**
Shanghai Xixiao LP	3,100,000	**[REDACTED]**	**[REDACTED]**
Hanzhong Zhonghe LP	1,000,000	**[REDACTED]**	**[REDACTED]**
Ms. Gong	700,000	**[REDACTED]**	**[REDACTED]**
Jiaxing CDH Investment LP	19,118,750	**[REDACTED]**	**[REDACTED]**
Changzhou Yongyuan Investment LP	1,755,820	**[REDACTED]**	**[REDACTED]**
Yiwu Dongshun Real Estate	764,750	**[REDACTED]**	**[REDACTED]**
Guangzhou Huangpu Investment LP	1,170,540	**[REDACTED]**	**[REDACTED]**
Shanghai Linsong LP	2,248,370	**[REDACTED]**	**[REDACTED]**
Shanghai Songfanhui LP	45,880	**[REDACTED]**	**[REDACTED]**

Shareholders	Number of Domestic Shares as of the date of this document	Number of Shares upon [REDACTED] (assuming that the Full Circulation application of our Company is completed)	
		Domestic Shares	**H Shares converted from Domestic Shares**
Changzhou Xiangnong Investment LP	2,203,840	**[REDACTED]**	**[REDACTED]**
Mr. Xu	1,826,720	**[REDACTED]**	**[REDACTED]**
Jiaxing Tengyin Investment LP	769,230	**[REDACTED]**	**[REDACTED]**
GQC Xinzhou VC LP	4,700,000	**[REDACTED]**	**[REDACTED]**
Mr. Pan	2,146,650	**[REDACTED]**	**[REDACTED]**
Hainan Yujun Investment LP	2,000,000	**[REDACTED]**	**[REDACTED]**
GQC Yuantuo Investment LP	6,380,000	**[REDACTED]**	**[REDACTED]**
Zhuhai Junlian VC LP	2,424,250	**[REDACTED]**	**[REDACTED]**
Zhuhai Jiufeite Jiufu No. 5 Investment LP	2,315,150	**[REDACTED]**	**[REDACTED]**
Yangzhou Xinyuan Investment LP	1,212,120	**[REDACTED]**	**[REDACTED]**
Pingtan Boda Investment LP	1,515,150	**[REDACTED]**	**[REDACTED]**
Zhuhai Ruixin Investment LP	680,000	**[REDACTED]**	**[REDACTED]**
Foshan ZFBN Investment LP	680,000	**[REDACTED]**	**[REDACTED]**
Foshan ZFTC VC LP	748,000	**[REDACTED]**	**[REDACTED]**
Zhuhai QKCX Investment LP	680,270	**[REDACTED]**	**[REDACTED]**
Jiaxing Nanhu Keying Investment LP	9,090,910	**[REDACTED]**	**[REDACTED]**
Qingdao South China Dingye Investment LP	959,180	**[REDACTED]**	**[REDACTED]**
Rizhao Muzhizhi Investment LP	1,700,660	**[REDACTED]**	**[REDACTED]**
Jiaxing Hongyang Investment LP	2,159,840	**[REDACTED]**	**[REDACTED]**
Qingdao ZJQX VC LP	2,395,750	**[REDACTED]**	**[REDACTED]**
Tianjin Haisheng Investment LP	472,410	**[REDACTED]**	**[REDACTED]**
China Post Life Insurance	6,351,930	**[REDACTED]**	**[REDACTED]**
Beijing Yuanjing Investment LP	1,759,310	**[REDACTED]**	**[REDACTED]**
Beijing Jingguo Investment LP	7,030	**[REDACTED]**	**[REDACTED]**
Jiaxing Zhiyou VC LP	716,750	**[REDACTED]**	**[REDACTED]**
Xuchang Digital Economy Investment LP	1,303,180	**[REDACTED]**	**[REDACTED]**
Jiangsu Jianyin	1,600,010	**[REDACTED]**	**[REDACTED]**
Tianjin Winfund LP	727,470	**[REDACTED]**	**[REDACTED]**

In light of the above, the public float of our Company will be approximately **[REDACTED]**% upon **[REDACTED]** assuming that (i) the **[REDACTED]** is not exercised and (ii) none of the following persons will take part in the **[REDACTED]**: our Company's core connected persons, any persons who are accustomed to take instructions from our Company's core connected persons in relation to their acquisition, disposal, voting or other disposition of their shares, and any person whose acquisition of Shares were financed directly or indirectly by our Company's core connected persons.

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE COMPLETION OF THE [REDACTED]

The following chart sets forth our Group's simplified shareholding and corporate structure immediately prior to the completion of the **[REDACTED]**:



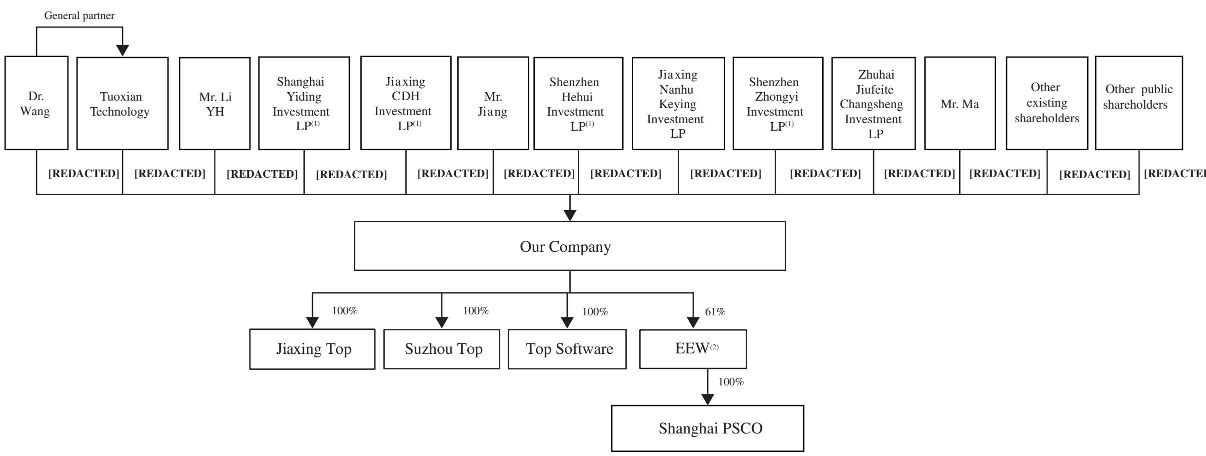
Notes:

(1) For details of beneficial ownership, please see "Substantial Shareholders" in this document.

(2) As of the Latest Practicable Date, the shareholding interest of EEW is owned as to 61% by our Company, 34% by Mr. Joachim Ernst Knapp, and 5% by Gain Science Technology Ltd. (金聖源科技有限公司), which is ultimately controlled by Mr. Zou Chaosheng (鄒朝聖). Save for their respective shareholding in EEW, each of Mr. Joanchim Ernst Knapp, Gain Science Technology Ltd. and Mr. Zou Chaosheng is an Independent Third Party.

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE [REDACTED]

The following chart sets forth our Group's simplified shareholding and corporate structure immediately after the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised):



For notes (1) and (2), see "Shareholding and corporate structure immediately prior to the completion of the **[REDACTED]**" in this document.

OVERVIEW

Who We Are

We are a leading enterprise specialising in the R&D, design, production and sales of high-end intelligent manufacturing equipment, comprising primarily five-axis CNC machine tools, in China. We focus on developing five-axis CNC machine tools to address the demand for advanced manufacturing in China's aviation and aerospace sector. According to the CIC Report, in 2024, we ranked first in China's aviation and aerospace five-axis CNC machine tool market with a market share of 11.6%, fifth among all suppliers and third among domestic suppliers in China's five-axis CNC machine tool market, with a market share of 4.3%. According to the same source, five-axis CNC machine tools represent a foundational industrial manufacturing equipment, with growing adoption across industries due to their superior precision, efficiency and intelligent machining capabilities. The market size of five-axis CNC machine tools is expected to increase from RMB10.8 billion in 2024 to RMB27.0 billion in 2029, with a CAGR of 20.1%. During the Track Record Period, we had successfully expanded our market presence into the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing.

Our Products Portfolio and Applications

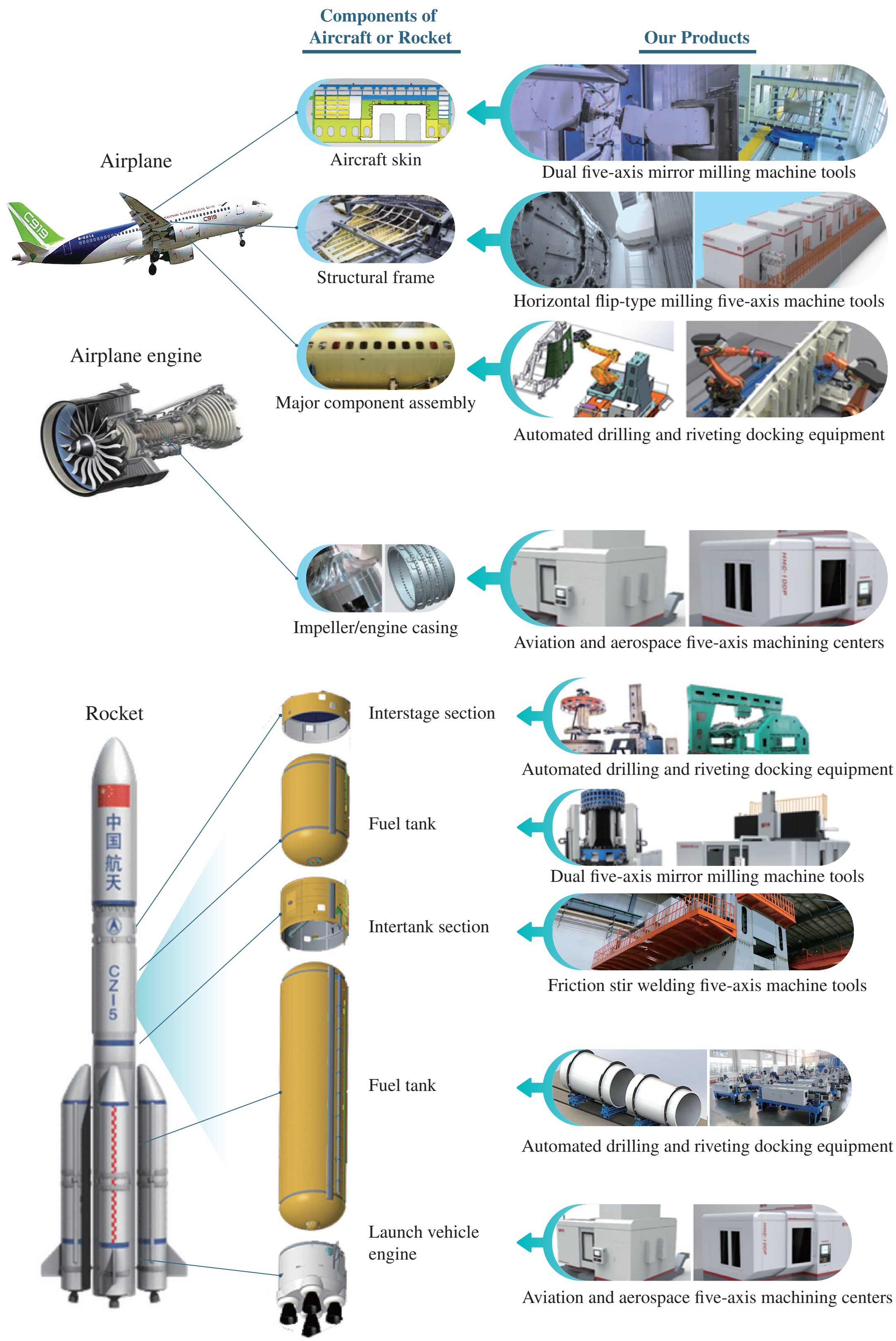
During the Track Record Period, we generated revenue from the sales of aviation and aerospace intelligent manufacturing equipment, and compact general industrial five-axis machine tools. Subsequent to the Track Record Period and as of the Latest Practicable Date, we further enhanced our offerings by introducing large-span carbon fiber composite five-axis machine tools to the market. As of the Latest Practicable Date, our product portfolio is as follows:

(i) ***Aviation and aerospace intelligent manufacturing equipment.*** Our aviation and aerospace intelligent manufacturing equipment comprise specialised CNC process equipment and five-axis CNC machine tools specifically engineered for the aviation and aerospace sector. They are particularly suited for manufacturing key aviation and aerospace components, including aircraft skins and structural frames, rocket fuel tanks and riveted cabin sections, and engine components such as turbine discs, casings, combustion chambers and pump vales. Our products deliver machining capabilities including precision milling, friction stir welding, robotic automated drilling and riveting and large-component assembly, which combined the technical advantages of having an extended working range, high spatial positioning accuracy, heavy-load and high-rigidity.

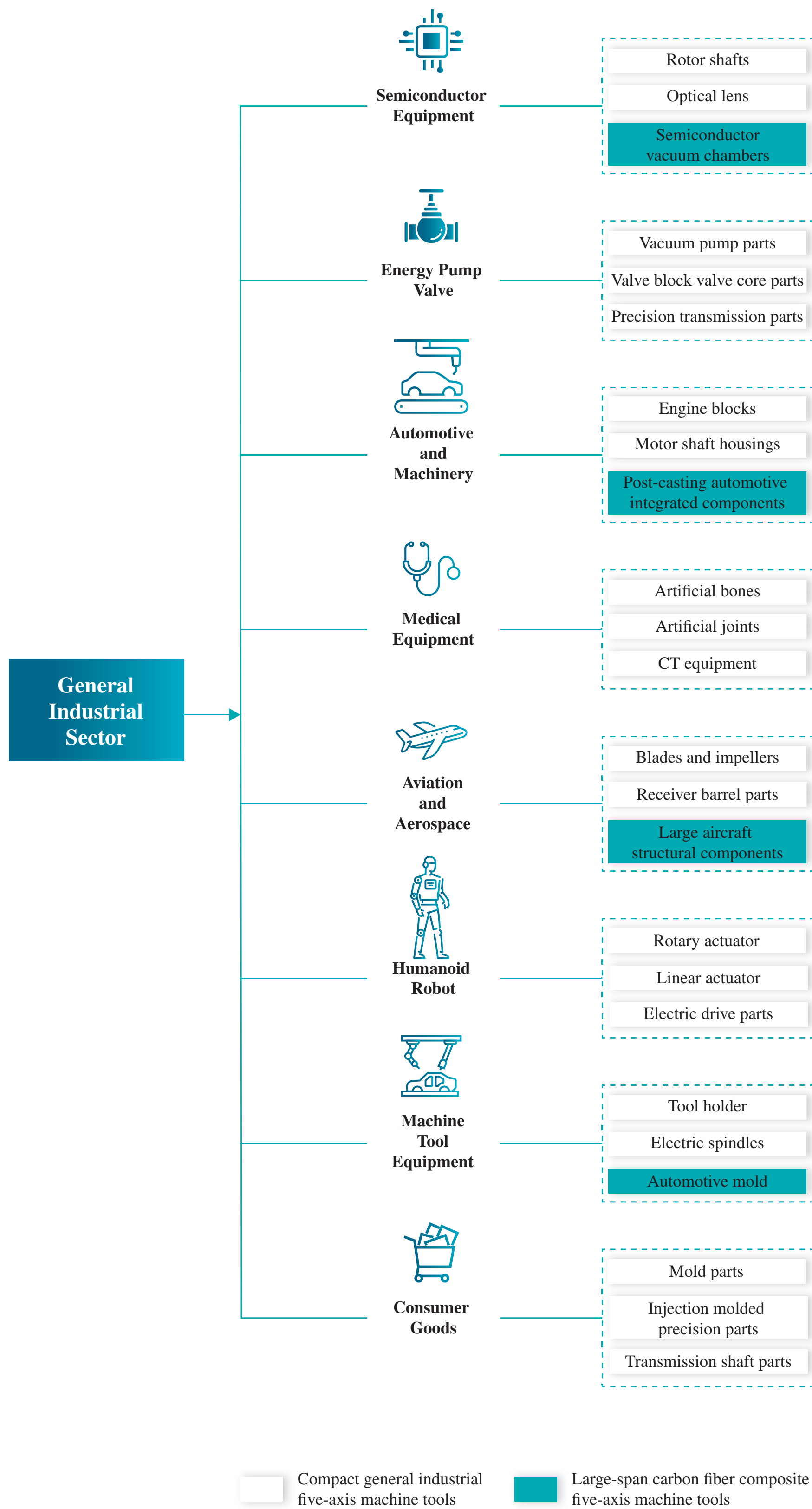
(ii) ***Compact general industrial five-axis machine tools.*** Our compact general industrial five-axis machine tools are versatile five-axis CNC machine tools under three-meter span designed for machining of small-to-medium components in the general industrial sector, which support multiple machining processes including milling, turning, drilling and boring. They are applied across various downstream industries for manufacturing battery housings and motor components for automotives, artificial bones for medical equipment, and propellers for shipbuilding etc. Our compact general industrial five-axis machine tools demonstrate high process adaptability across various materials and geometrics while featuring a user-friendly interface, thereby providing the general industrial sector with accessible channels to industrial-grade precision machining.

(iii) ***Large-span carbon fiber composite five-axis machine tools.*** Our large-span carbon fiber composite five-axis machine tools refer to advanced five-axis CNC machine tools featuring gantry structures with span ranging from three meters to a maximum of 15 meters, designed for machining of massive monolithic components in the general industrial sector. They exhibit the technological advantages of lightweight properties, high-dynamic performance, extended operating range, micron-level accuracy and advanced thermal and vibration control capabilities. They are applied across industries such as automotive, shipbuilding and energy where demands exist for production and processing of massive and high-precision structures. We first sold our large-span carbon fiber composite five-axis machine tool in the first quarter of 2025. According to the CIC Report, we are the world's first and only manufacturer that sold the first machine tool which fully applied carbon fiber composite materials across all moving parts.

The following illustrations demonstrate our products' target applications in the aviation and aerospace sector:



The following diagram illustrates our products' target applications in the general industrial sector:



Our Proprietary Technologies and Innovation Drivers

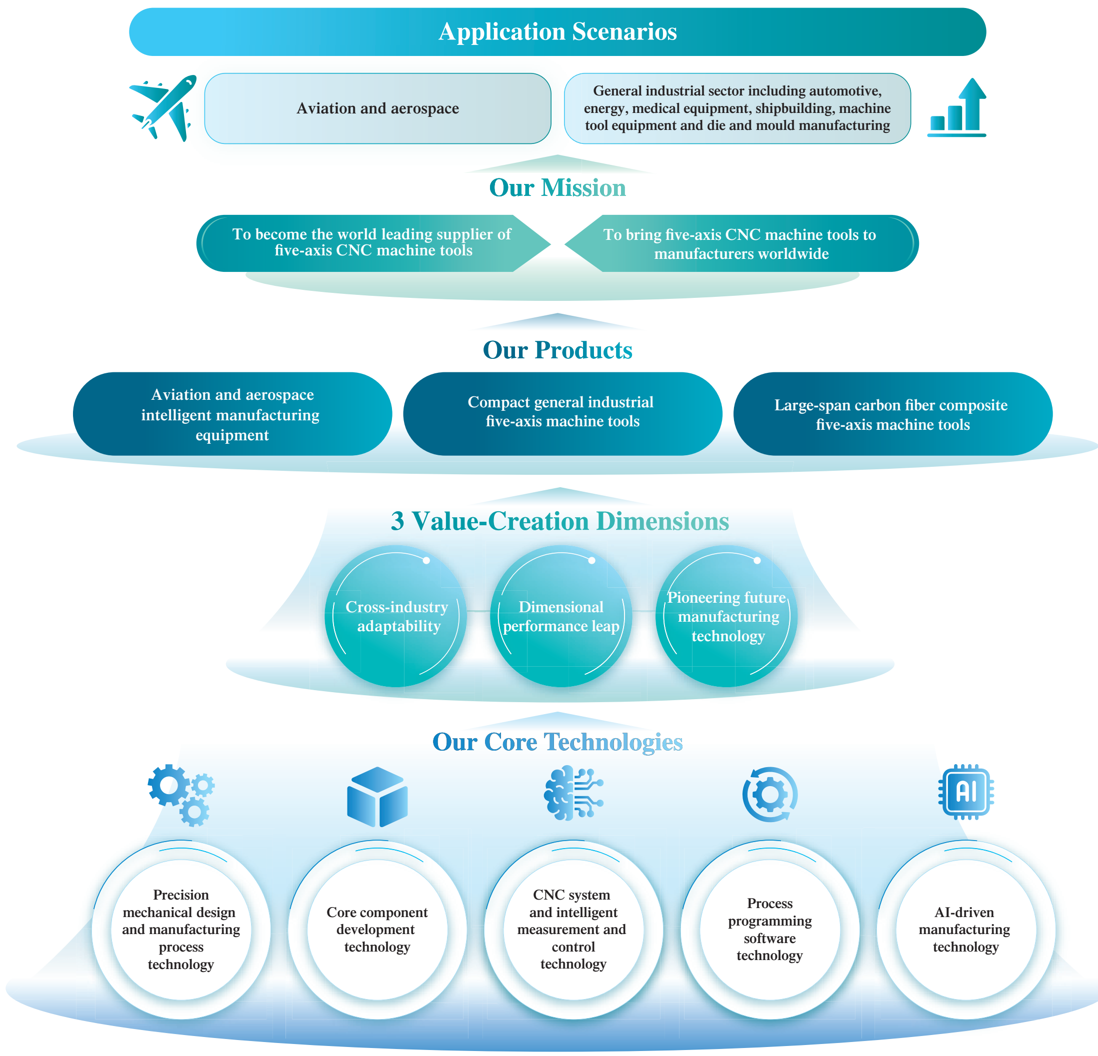
We have built a multi-dimensional R&D platform encompassing five core technological pillars: (i) precision mechanical design and manufacturing process technology, (ii) core component development technology, (iii) CNC system and intelligent measurement and control technology, (iv) process programming software technology and (v) AI-driven manufacturing technology. This R&D platform drives our innovation across three strategic value-creation dimensions:

(i) ***Cross-industry adaptability***. Our advanced core technologies, originally developed to meet the stringent requirements of aviation and aerospace manufacturing, exhibit versatility which enables deployment across the general industrial sector. This cross-sector applicability is enabled by our engineering foundations, CNC system and reconfigurable modules, which migrate high-precision manufacturing capabilities across various industries.

(ii) ***Dimensional performance leap***. We achieve dimensional performance leap through our proprietary development of mission-critical components including rotary axes, electric spindles and CNC systems. By replacing high-cost imported components with our in-house designed components, we establish greater control over system integration and performance optimization. This vertical integration strategy has raised our technological advantages while substantially reducing production costs, enabling our five-axis machine tools to consistently outperform the widely applied conventional three-axis and four-axis alternatives in operational speed, machining precision and working range.

(iii) ***Pioneering future manufacturing technology***. We maintain a pipeline of advanced technology development yielding breakthroughs in our hardware such as the application of carbon fiber composites and new structural technologies, and continuous development in our software including AI-powered CNC systems. These advancements enable machining with high precision, high speed and large working range, positioning us at the forefront of future intelligent manufacturing innovation.

As at 31 December 2024, our dedicated R&D team comprised 155 employees, representing over 35.5% of our total workforce with around 29.7% holding postgraduate degrees or higher. This multidisciplinary team integrates cross-industry expertise including mechanical systems, control theory, materials engineering, electrical engineering, mechanical and aerospace engineering, digitalization, and software engineering, forming the foundation of our sustained innovation capability.



Our Customer Base

Since our establishment, we have earned recognition from multiple leading manufacturers and their supply chain partners, with our products applied across industrial chains for manufacturing of commercial aircraft, aerospace engine and space launch vehicles etc. We have established business relationships spanning over a decade with leading aviation and aerospace groups, which created opportunities for us to further expand our collaboration network with other subsidiaries and affiliates within the same group.

In recent years, our strategic diversification into the general industrial sector, including automotive, energy, medical equipment, shipbuilding and die and mould manufacturing, has driven significant growth in our customer base. According to the CIC Report, the market size of China's five-axis CNC machine tools in the general industrial sector was RMB6,949.2 million in 2024, and is projected to reach RMB17,677.8 million in 2029. This significant market potential, combined with our technological advantages, positions us for continued customer base expansion along with the ongoing industrial structure upgrading in China.

Our Financial Performance

During the Track Record Period, we experienced strong financial growth, with revenue increasing from RMB135.8 million in FY2022 to RMB334.6 million in FY2023, and further to RMB531.6 million in FY2024, representing a CAGR of 97.6%. We have achieved growth across all our product categories, with a notably strong performance in the sales of our aviation and aerospace intelligent manufacturing equipment, which reflects our success in maintaining leadership in our core aviation and aerospace business, while capitalising on expansion opportunities in the general industrial sector. We recorded a gross loss of RMB24.8 million in FY2022, and a gross profit of RMB115.8 million in FY2023 and RMB199.9 million in FY2024, respectively. Our gross loss margin was 18.3% in FY2022, and our gross profit margin was 34.6% and 37.6% in FY2023 and FY2024, respectively. As a result, we turned our net loss of RMB197.3 million and RMB62.3 million in FY2022 and FY2023, respectively, to a net profit of RMB6.9 million in FY2024.

OUR COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success and differentiate us from our competitors.

We are a leading enterprise in China's aviation and aerospace five-axis machine tool market, with growing presence in the general industrial market

We are the top-ranked provider in China's aviation and aerospace five-axis CNC machine tool market, with a market share of 11.6% by sales revenue in 2024 according to the CIC Report. Our proprietary technologies originally developed for high-precision aviation and aerospace applications have been successfully adapted for the general industrial sector, including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing.

Notably, our products serve industrial chains across multiple strategic sectors in China, including:

- ***Commercial aircraft.*** We supply our products to major aircraft manufacturers and their supply chain partners for aircraft skin milling and structural component production, which support China's flagship commercial aircraft programme such as the C909 and C919 programmes.

- ***Aerospace engine***. Our products are used in the production of engine casings, combustion chambers and turbine components for leading propulsion system manufacturers.

- ***Space launch vehicle***. We supply to both state-owned and private commercial rocket manufacturers for fuel tank and cylindrical section production in advancing China's aerospace capabilities.

- ***Low-altitude economy***. Our products are used by leading drone manufacturers and advanced propulsion component manufacturers which drives innovation in emerging technologies.

- ***Other industrial manufacturing***. Our products are adopted by listed automotive suppliers, major state-owned shipbuilders producing marine propulsion systems and domestic semiconductor equipment manufacturers.

Our product capabilities have been recognised by numerous prestigious awards from national and municipal institutions. We were awarded the second prize of National Science and Technology Progress Award (國家科學技術進步獎二等獎) by the State Council of China in both 2016 and 2018, and the Innovation Gold Award of the China International Industrial Expo (中國國際工業博覽會創新金獎) by the China International Industrial Expo Committee in 2017. Most recently, we received the Shanghai Special Prize for Technology Invention (上海市技術發明獎特等獎) in 2023, and the National Little Giant Enterprise (國家專精特新小巨人企業) honor in 2024 by the Ministry of Industry and Information Technology. These distinguished accolades underscore our position at the forefront of China's five-axis CNC machine tool market.

Our robust product capabilities drive localization of industrial machine tools and reduce import reliance

According to the CIC Report, China's CNC machine tool market has demonstrated robust growth in recent years, with its market size expanding from RMB86.5 billion in 2020 to RMB116.9 billion in 2024, and is projected to reach RMB151.1 billion by 2029. While the localization rate of China's five-axis CNC machine tools stood at 55.0% in 2024, ongoing technological advancements by domestic manufacturers in the market are expected to drive the localization rate to exceed 75.0% by 2029. This localization trend has been strongly supported by national initiatives such as "the Guidelines on Regulating Procurement Management of Central Enterprises" (《關於規範中央企業採購管理工作的指導意見》), "the Guiding Catalogue for Industry Restructuring" (產業結構調整指導目錄) and "the Action Plan for Optimising Standards Regulating Equipment Renewals and Trade-ins of Consumer Goods" (以標準提升牽引設備更新和消費品以舊換新行動方案), which fostered a favourable environment for domestic suppliers of five-axis CNC machine tools through research subsidies, tax incentives and procurement support.

Through product innovations, we have established ourselves as a pivotal force in replacing imported equipment across China's high-end manufacturing sectors. According to the CIC Report, for aviation and aerospace intelligent manufacturing equipment, we developed the world's first five-meter vertical dual five-axis mirror milling machine tool. It has achieved an approximate 7kg weight reduction per rocket fuel tank while doubling payload capacity. According to the same source, we also pioneered China's first horizontal dual five-axis mirror milling machine tool for aircraft skin machining. This innovation has enabled the transition from traditional chemical milling to environmentally-friendly and high precision mechanical milling, which has been adopted for machining of C919 aircraft skin. According to the CIC Report, our friction stir welding five-axis machine tool is also China's first machine tool for rocket tanks machining. Such landmark product has made us a domestic supplier of machine tools for manufacturing critical components of multiple series of launch vehicles. We also pioneered the application of carbon fiber composites in developing the world's first high-precision five-axis gantry machine which uses such materials in the moving components of machine tools.

Our products which have incorporated our continuous technological breakthroughs were adopted in landmark national projects including multiple series of launch vehicles, C919 and C909 programmes. These achievements not only demonstrate our technical prowess, but also make substantive contributions in reshaping China's manufacturing landscape, positioning us as one of the key drivers of localization of industrial machine tools.

Our robust in-house R&D capabilities and technological innovation drives market leadership and new market expansion

Since our inception, we have established technological innovation as the cornerstone of our growth strategy. We have developed a multi-dimensional R&D platform which spans five core technological pillars: (i) precision mechanical design and manufacturing process technology, (ii) core component development technology, (iii) CNC system and intelligent measurement and control technology, (iv) process programming software technology and (v) AI-driven manufacturing technology. Our technological journey has followed a deliberate progression, beginning with multi-disciplinary integration combining mechanical, electrical and software engineering. Then we advanced to specialised aviation and aerospace five-axis milling technology by 2017, which enables complex curved-surface machining for aircraft components; and achieving breakthroughs in proprietary core component development by 2022, which includes in-house design of rotary axes and spindles replacing imported alternatives. In our most recent phase of innovation, we have focused on pioneering applications of carbon fiber composites and AI-powered CNC system, positioning us at the forefront of intelligent machine tools solutions. This structured technological evolution has not only solidified our market position but continues to propel our expansion into new industrial sectors.

Our innovation strategy, powered by this multi-dimensional R&D system, delivers competitive advantage through three distinct value-creation dimensions that reinforce our market leadership while enabling new market penetration:

Cross-industry adaptability

Our aviation and aerospace-grade core technologies demonstrate adaptability across general industrial sectors, which is enabled by our engineering foundations, CNC system and reconfigurable modules. As advised by CIC, in terms of ***precision***, our precision mechanical design and manufacturing process technology delivers positioning accuracy surpassing conventional industrial machine tools, with rotary axis components achieving exceptional positioning accuracy of up to three arc-seconds. In terms of ***speed***, our innovative structural design and use of composite materials in our moving parts reduce moving mass by over 50% compared to traditional machine tool structures, and enable industry-leading linear axis speed of 120 m/min. In addition, our ***intelligent manufacturing capabilities*** incorporate real-time monitoring and adaptive compensation technologies which ensure consistency in high-precision machining. These technological advantages, combined with our modular and reconfigurable architectures has given us a competitive edge in the general industrial sectors that significantly exceed conventional manufacturing parameters.

Dimensional leap in performance

We achieve performance advantages through proprietary development of critical components such as rotary axes, electric spindles, and CNC systems. By internalising these core components which are typically sourced from external suppliers, we gain control over performance optimization which creates technological barriers while substantially reducing production costs. For example, for our five-axis turning-milling machining centers, while using third-party CNC systems and electric spindles would account for around 50% of total bill of materials (BOM) cost, BOM cost in relation to such components can be reduced to around 30% with the adoption of our self-developed components. Moreover, our in-house CNC systems incorporate user-friendly software features tailored to general market needs, which aims to lower the technical adoption barriers for five-axis CNC machine tools.

Pioneering future manufacturing technology

Our ongoing R&D investments in applying carbon fiber composites in our machine tools are shaping new industry trends. As advised by CIC, the integration of lightweight carbon fiber composites enhances dynamic performance, enabling machine tool components to move three times faster than traditional steel alternatives while reducing their weight by 50% to 70%. With high specific stiffness, low density and near-zero thermal expansion, carbon fiber composite materials when applied to machine tool components such as saddle, crossbeam, column and spindle box, can significantly reduce overall machine weight and energy consumption, while enhancing structural rigidity, vibration resistance and thermal stability. Currently target to be deployed in semiconductor equipment manufacturing and large-scale integrated die-casting for new energy vehicles, our ongoing R&D shall continue to extend carbon fiber composites applications to additional product categories, demonstrating the versatility and scalability of our technological advancements in meeting diverse industrial requirements while maintaining uncompromised performance standards.

During the Track Record Period, we have also established long-term collaborative partnerships with leading academic institution SJTU and industry leader Customer I. Through joint R&D initiatives, we accelerate technology commercialization while gaining access to cutting-edge research and valuable industry insights. This robust industry-academia-research ecosystem significantly enhances our innovation pipeline and technological advancement, keeping us at the forefront of intelligent manufacturing equipment.

We have cross-industry customer recognition through diversified market penetration

Since our establishment as a specialist provider of five-axis CNC machine tools for China's aviation and aerospace sector, we have strategically expanded into the general industrial sector by leveraging our proprietary technologies. Our five core technological pillars have enabled us to develop compact general industrial five-axis machine tools which outperform traditional two-axis and three-axis alternatives across all key performance metrics, particularly in machining complex geometries while maintaining user-friendly operation. Our technological edge positions us to progressively transform China's traditional machine tool market as the industry shifts towards advanced manufacturing solutions.

In the aviation and aerospace sector, our products' excellence and technological capabilities have earned recognition from leading manufacturers of aircrafts and space launch vehicles. We also established long-term business relationships with leading aviation and aerospace groups, which allow us to further expand business relationships within their ecosystems, including subsidiaries, joint ventures and supply chain partners. For instance, during the Track Record Period, we served multiple subsidiaries within Customer A, a central state-owned enterprise primarily engaged in aircraft manufacturing, being one of our top five customers throughout the Track Record Period which accounted for approximately 28.8%, 16.3% and 12.9% of our total revenue during the respective years.

Simultaneously, we continue to grow our customer base in the other fast-growing downstream industries such as automotive, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing. Since the introduction of our compact general industrial five-axis machine tools, we have expanded its customer base to 16 within 20 months, which we believe is a trend accelerated by growing demand for domestic alternatives amid global trade tensions. This expanding and diversifying client portfolio not only reinforces our position as one of the leaders in China's five-axis CNC machine tool market but also provides a stable revenue foundation for sustainable growth.

Through continuous expansion into new applications and customer base, we have successfully executed our strategic transformation from single-sector specialisation to diversified market penetration. This evolution enhances both our industry influence and competitive positioning, as we apply aerospace-grade precision to revolutionise conventional manufacturing across multiple industries, while capitalising on China's strategic push for technological self-sufficiency and import substitution in critical manufacturing sectors.

Our experienced management and R&D team drive operational and technological excellence

We are led by a visionary management team which combines deep academic expertise with extensive practical experience in the high-end intelligent manufacturing equipment industry. At the core of our leadership is Dr. Wang, one of our founders, chairman of the Board, executive Director and general manager of our Company, who brings both scholarly excellence and industry vision to our strategic direction. Receiving a doctorate in mechanical and electronic engineering from SJTU in 2005 and having over 26 years of specialised experience, Dr. Wang has been instrumental in developing several breakthrough technologies for China's aviation and aerospace manufacturing capabilities in our Company.

Complementing Dr. Wang's leadership is Mr. Li YH, one of our founders and executive Director, who brings 26 years of mechanical engineering expertise to overseeing our R&D operations. His leadership has been instrumental in developing our core technologies and maintaining our innovation pipeline. The management team is further strengthened by Mr. Yao Bin, our executive Director and co-technical director, who is responsible for providing technical advice and supervising the implementation of core engineering projects of our Group; and Mr. Lei, our deputy general manager, who is responsible for overseeing the business operation of the Group.

Supporting this visionary leadership is our R&D team led by five core members, which except for Dr. Wang and Mr. Yao Bin, includes Dr. Zhong Lei, Dr. Chen Hao and Mr. Hu Yehui. Dr. Zhong Lei, our co-technical director, has over 13 years of industry experience and has led the Company in the R&D of horizontal flip-type milling five-axis machine tools. Dr. Chen Hao, our another co-technical director, focuses his PhD-level expertise on developing turning-milling compound machine tools and our proprietary CNC systems, with particular specialisation in five/six-axis motion control algorithms for aviation and aerospace applications. The team is further strengthened by Mr. Hu Yehui's leadership in stir welding machine tools and machine tools with composite material structures, creating a comprehensive skillset which covers all critical aspects of advanced CNC machine tool development.

Under this leadership structure, our management team provides strategic vision and commercialization acumen, while our specialised R&D leaders transform these visions into industry-first technologies. This dual competency has resulted in numerous technological developments that address both immediate market needs and long-term technological trends, giving us a sustainable competitive advantage in advanced manufacturing.

OUR STRATEGIES

To realise our vision of establishing five-axis CNC machine tools as the foundation for next-generation smart manufacturing, we are committed to pursue the following goals:

1. ***Becoming the global leader in aviation and aerospace sector.*** Through elevating our core technologies by developing new materials, incorporating innovative structures and integrating advanced process technologies, we are committed to developing advanced manufacturing solutions capable of meeting the aviation and aerospace industry's escalating demands for large-scale, high-precision and high-speed machining.

2. ***Deepening our market penetration in the general industrial market.*** Building on our multi-dimensional R&D platform, we aim to deliver manufacturing solutions with our proprietary CNC system which lower the technical barriers for broad industrial adoption while enhancing customer value, ultimately replacing conventional two-axis and three-axis machine tools across broad industrial applications.

3. ***Pioneering a new paradigm of "Intelligent Manufacturing for All" (智造萬物).*** We are dedicated to develop a breakthrough system in automating the complete manufacturing workflow, from initial design to final production, which aims to make precision machining more accessible through innovative solutions.

In our pursuit of the above goals, we plan to implement the following strategies to foster the development of our Group.

Technological advancements through R&D

To maintain and extend our competitiveness, we are committed to ongoing investments in the R&D of the following key areas:

Development of new materials and structural designs

We plan to enhance our product capabilities by furthering our R&D efforts in developing (i) lightweight carbon fiber composites and (ii) 3D-printed cellular structures for moving components of our products. According to the CIC Report, the industry is progressing in offering faster, lighter and more precise manufacturing solutions. As the world's first and only manufacturer that sold the first machine tool which fully applied carbon fiber composite materials across all moving parts, we aim to enhance this proprietary technology to achieve greater stiffness-to-weight ratios while further reducing mass and thermal expansion. Simultaneously, we plan to advance our efforts in developing 3D-printed cellular structures to optimise stress distribution in moving components of our products. These innovations will enable our products to achieve faster acceleration and deceleration, pushing the boundaries of high-speed machining capabilities. They will be applied across our (1) aviation and aerospace intelligent manufacturing equipment and (2) large-span carbon fiber composite five-axis machine tools to optimise their performance in terms of precision and speed.

Development of AI-powered CNC system

We aim to further invest in AI-powered CNC system to simplify the complex, multi-stage five-axis machining operations. Traditional five-axis machining workflow includes process planning, CAM programming, post-processing, speed optimization and motion control, which requires specialised expertise and creates significant adoption barriers. To transform this paradigm, we plan to develop an intelligent control system which automates the complete manufacturing workflow from part design to production. Building on our proprietary CNC system architecture, deep technical expertise across the machining workflow, and established research in deep reinforcement learning, our solution will integrate specialised manufacturing knowledge databases, advanced AI-driven optimization algorithms, and digital twin simulation environments to streamline operations. As we continue to refine and validate the technology through B2B (business-to-business) applications, we plan to simultaneously extend the technology to the B2C (business-to-consumers) market through our compact general industrial five-axis machine tools, thereby providing customers with accessible channels to industrial-grade precision machining.

Development of Forward Design Simulation Platform Technology for Five-Axis Machine Tools

Traditional machine tool development often requires iterative cycles of product prototyping and testing. To shorten our R&D cycle to better capture the ever-changing market demand, we are committed in developing a forward design simulation platform technology – a development methodology which digitally predicts and optimises machine performance before production begins. Unlike conventional reactive design where problems are fixed after physical testing, our simulation platform aims to proactively evaluate critical performance factors, including precision, dynamic stability and thermal stability under real-world operating conditions. By virtually testing and refining designs upfront, it is expected that the forward design simulation platform technology will help identify potential weaknesses, optimise performance and reduce the need for costly physical iterations.

Development of Intelligent Sensing and Measurement System

We are committed to enhance the intelligent sensing and measurement system in terms of precision, efficiency and intelligence level of our measurement instruments and methodologies. During prolonged operation, machine tools are susceptible to accuracy degradation due to environmental variations and component wear, which compromise stable production of high-value workpiece in precision manufacturing sectors. To enhance long-term accuracy stability and machining quality consistency in our products, we aim to develop an intelligent sensing and measurement system featuring: (i) automatic calibration technology that performs regular measurement and compensation of dynamic accuracy, spatial precision and thermal stability; and (ii) on-machine workpiece measurement technology that evalutes critical parameters including contour dimensions, thickness and surface quality, followed by compensatory machining when required. We believe these R&D efforts will ensure reliability and consistency in workpiece quality throughout our product lifecycle, hence creating value for our customers.

We intend to utilise an aggregate of RMB**[REDACTED]** million on research and development, of which RMB**[REDACTED]** million will be paid by the net proceeds from the **[REDACTED]**, representing **[REDACTED]**% of such net proceeds, and the remaining sum of RMB**[REDACTED]** million will be financed by our internal resources and/or bank loans.

Expansion and optimization of production capacity to capture the growing market demand

We plan to utilise an aggregate of approximately RMB150.0 million to establish the Zhuanqiao Production Base which will be financed by our internal resources and/or bank loans. As at the Latest Practicable Date, we had acquired a parcel of land in Zhuanqiao, Minhang District, Shanghai, the PRC with a site area of 26,806.71 sq.m. for the establishment of our Zhuanqiao Production Base. As at the Latest Practicable Date, we had paid the land price of RMB46.2 million and the construction fee of RMB1.4 million. The construction of the Zhuanqiao Production Base is expected to complete in the first half of 2027 and it is expected to commences operation in the second half of 2027.

The expected construction area of the Zhuanqiao Production Base is approximately 24,000 sq.m., representing a substantial 75% expansion of production base compared to the existing Minhang Production Base. The Zhuanqiao Production Base will specifically accommodate to the specialised manufacturing equipment of the large-scale aviation and aerospace intelligent manufacturing equipment and the advanced large-span carbon fiber composite five-axis machine tools.

As part of our production optimization strategy, we plan to carry out production of aviation and aerospace intelligent manufacturing equipment which are of larger scale and large-span carbon fiber composite five-axis machine tools at the new Zhuanqiao Production Base, while maintaining high-volume production of the compact general industrial five-axis machine tools at our Jiaxing Production Base. This dual approach will ensure each production base can implement manufacturing processes precisely tailored to the respective product characteristics and quality requirements.

The production expansion and optimization serve three key strategic purposes by (i) resolving our current production capacity constraints while establishing a scalable platform for our future growth; (ii) enhancing our production capabilities through creating dedicated production environments optimised for each product category's specific need; and (iii) positioning us to capitalise on China's advanced manufacturing priorities with facilities designed with inherent flexibility to accommodate future advanced technologies as market opportunities develop.

Expansion of sales and marketing network

To strengthen our market position and enhance brand recognition across China and globally, we aim to implement a multi-faceted sales and marketing expansion strategy. Our approach focuses on growing our customer base and establishing a global presence, to effectively reach potential customers while maintaining strong relationship with existing customers.

In the PRC market, in addition to maintaining and strengthening relationship with our existing customers in aviation and aerospace sector, we will actively seek to identify new customers particularly customers in the general industrial sector to market our compact general industrial five-axis machine tools. Our marketing strategy will include active participation in major industry exhibitions and trade shows, complemented by hosting product launch events to showcase our technological innovations. We plan to establish demonstration centers where potential clients can experience the capabilities of our products through live machining demonstrations and technical consultations. These immersive experiences will help customers better understand the operational advantages and productivity gains offered by our products, which we believe will drive purchasing decisions.

Building on our strong domestic foundation, we believe it is vital for us to enter key international markets in Europe and North America. Our global expansion strategy includes establishing regional sales offices in strategic locations. To ensure comprehensive customer support, we are developing a hybrid service network that combines our in-house technical expertise with qualified local partners. This approach will allow us to provide responsive after-sales service while maintaining our standards of technical support. We will complement these efforts with marketing campaigns tailored to regional market characteristics and customer preferences.

We intend to utilise an aggregate of RMB**[REDACTED]** million on the expansion of sales and marketing network, of which RMB**[REDACTED]** million will be paid by the net proceeds from the **[REDACTED]**, representing **[REDACTED]**% of such net proceeds, and the remaining sum of RMB**[REDACTED]** million will be financed by our internal resources and/or bank loans.

Strategic acquisitions and investments to enhance core technology and product quality

To strengthen our technological capabilities and ensure product quality, we plan to pursue strategic investments in and acquisitions of manufacturers of key components, such as servo drives, direct-drive torque motors. These components form the technological backbone of our precision machining capabilities and future product development. Our acquisition strategy targets established suppliers with annual revenues within the range of RMB10.0 million to RMB100.0 million. As advised by CIC, there are not fewer than 50 companies in the PRC operating at this scale which could potentially enhance our technology portfolio. Through these strategic investments and acquisitions, we aim to secure reliable access to premium motion control components while vertically integrating critical software capabilities.

We intend to utilise an aggregate of RMB**[REDACTED]** million for the potential acquisitions and investments, of which RMB**[REDACTED]** million will be paid by the net proceeds from the **[REDACTED]**, representing **[REDACTED]**% of such net proceeds, and the remaining sum of RMB**[REDACTED]** million will be financed by our internal resources and/or bank loans. As of the Latest Practicable Date, we had not identified any acquisition and merger targets.

OUR BUSINESS MODEL

We are a leading enterprise specialising in the R&D, design, production and sales of high-end intelligent manufacturing equipment, comprising primarily five-axis CNC machine tools, to the aviation and aerospace sector and the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing. Our product portfolio comprises (i) aviation and aerospace intelligent manufacturing equipment, (ii) compact general industrial five-axis machine tools and (iii) large-span carbon fiber composite five-axis machine tools.

The operational flow of our major business is as follow:

(i) ***R&D and technology incubation.*** We initiate the development of our products and technologies by conducting comprehensive market research and technical analysis. We identify industry trends, customer requirements, and product enhancement opportunities through market studies and feedback from existing customers to initiate R&D projects. Promising R&D projects undergo conceptualization, prototyping and validation to create optimised design for commercialization. Products and technologies which are successfully validated are then integrated to our portfolio.

(ii) ***Commercialization and marketing.*** We employ targeted marketing strategies including participation in industry exhibitions and technical seminars, executing targeted marketing campaigns and organising customer site visits for product promotion. Our sales team works closely with our customers to match product specifications with application requirements.

(iii) ***Procurement and Production.*** With confirmed production plans, we implement a structured procurement and production process. This involves sourcing standard parts and components and engaging subcontractors in relation to manufacturing services to produce parts and components based on technical drawings and manufacturing process provided by us. For orders with customised requirements, we adapt our production parameters to meet customer specifications while maintaining core production protocols. Our production workflow integrates regular quality checkpoints to ensure the quality of our products.

(iv) ***Quality assurance and repair and maintenance services.*** We implement rigorous quality assurance process for our finished products, consisting of pre-acceptance phase and final acceptance phase in collaboration with our customers prior to product delivery. Post-delivery, we provide repair and maintenance services in meeting different operational requirements of our customers.

RESEARCH AND DEVELOPMENT

We maintain a strong commitment to R&D as the foundation of our market competitiveness. Our R&D initiatives are organised into three core streams: (i) core technology research, (ii) modular platform development and (iii) adaptive product engineering.

(i) ***Core technology research.*** This stream focuses on developing core technologies which serve as the technical foundation for our products, enabling the integration and application of key advancement across multiple product categories.

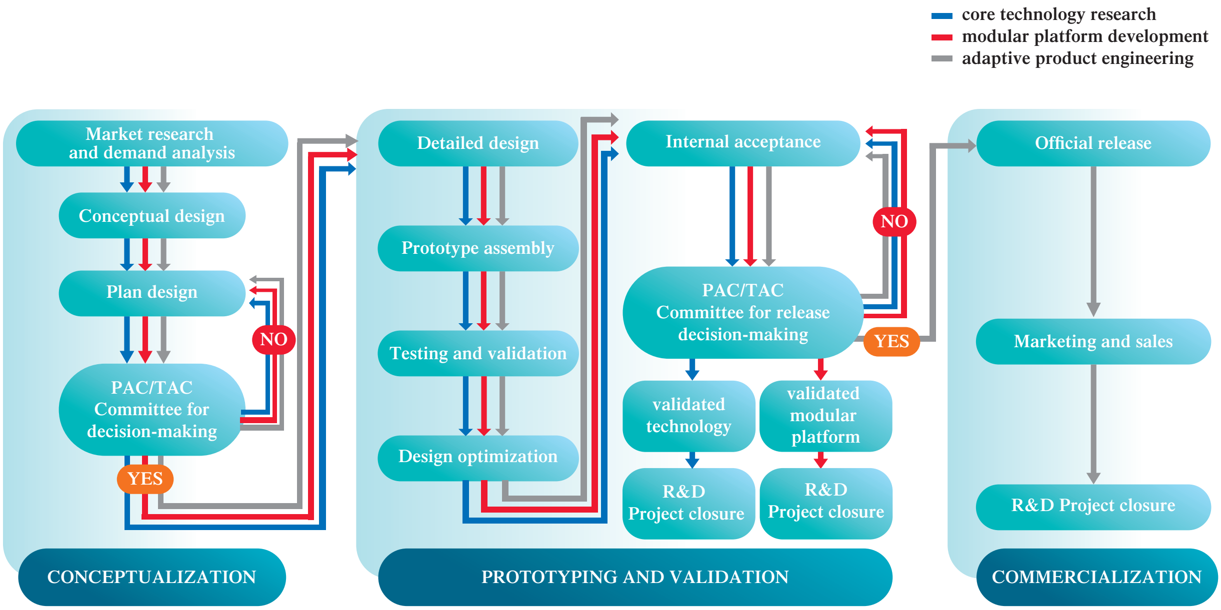
(ii) ***Modular platform development.*** Building on our core technology, we develop a modular technology platform which shares technical architectures with adaptable product configurations, allowing development of new products while maintaining cross-product compatibility.

(iii) ***Adaptive product engineering.*** Through continuous analysis of industry evolution and customer needs, we engineer adaptive product which address the majority of application requirements, balancing standardisation with market-responsive adaptability.

We incurred R&D expenses of RMB108.4 million, RMB89.9 million and RMB85.9 million for FY2022, FY2023 and FY2024, respectively. The decrease in our R&D expenses during the Track Record Period was primarily due to the progression of our R&D projects. For details, see "Financial Information – Key Components of Our Consolidated Statements of Profit or Loss – Research and Development Expenses" in this document. During the Track Record Period, all of our R&D expenses were recognised as expenses in the year when such expenses were incurred.

R&D Workflow

We employ a systematic R&D workflow for our core technology research, modular platform development and adaptive product engineering. The diagram below sets out the principal steps of our R&D workflow from (i) conceptualization, (ii) prototyping and validation to (iii) commercialization:



- ***Conceptualization.*** Our R&D process begins with comprehensive market analysis and technical assessment tailored to each R&D stream. Our R&D team designs a preliminary plan for the R&D project. Our product approval committee (the "**PAC**") and/or the technical advisory committee (the "**TAC**") then review and evaluate the proposed R&D project to decide whether to proceed with the R&D project.

- ***Prototyping and Validation.*** Upon approval of the proposed R&D project by the PAC and TAC, we proceed to finalise the detailed design of the product and technology. We design a physical prototype for testing and validation, which then undergoes rigorous testing on its functionality, performance and reliability. We continuously refine and optimise our design to address any identified issues and enhance overall performance based on the testing results. Our quality control team reviews and approves the finalised product or technology, followed by the final evaluation by our PAC and TAC. Core technology research and modular platform development reach completion at this stage, delivering validated technologies and engineering-qualified modular platform ready for use by our R&D personnel.

- ***Commercialization.*** For adaptive product engineering initiatives which complete validation, we launch and promote our products through targeted marketing campaigns. Following the launch of the products, our R&D team conducts comprehensive review of the R&D project, evaluating its success against initial objectives and documenting key learnings for future initiatives.

R&D Team and Core Members

As of 31 December 2024, we had a R&D team of 155 employees, representing over 35.5% of our total workforce. Around 29.7% of our R&D personnel hold a master's degree or higher. Our R&D team comprises employees from multiple disciplines including mechanical systems, control theory, materials engineering, electrical engineering, mechanical and aerospace engineering, digitalization, and software engineering. Our R&D team is led by five core members, including Dr. Wang, the chairman of our Board, an executive Director and the general manager of our Company. The following table sets forth the details of our core R&D members:

Core R&D members	Profile
Dr. Wang	Dr. Wang is responsible for product development planning of our Company. Dr. Wang has spearheaded the R&D of various breakthrough equipment, including the dual five-axis mirror milling machine tools, five-axis machining center, and automated drilling and riveting equipment. For details of the biography of Dr. Wang, see "Directors and Senior Management – Executive Directors" in the document.
Mr. Yao Bin	Mr. Yao Bin is our co-technical director, and is responsible for overseeing the R&D of electrical control, CNC systems and mirror milling technology. For details of the biography of Mr. Yao, see "Directors and Senior Management – Executive Directors" in the document.
Dr. Zhong Lei	Dr. Zhong Lei is our co-technical director, and is responsible for overseeing the R&D of our Group in respect of mechanical hardware. Dr. Zhong has led the team in the R&D of horizontal flip-type milling five-axis machine tools.
Dr. Chen Hao	Dr. Chen Hao is our co-technical director, and is responsible for the R&D of the five-axis turning-milling machining centers, and our proprietary CNC systems. Dr. Chen has extensive experience in CNC technology research and engaged in the study of five/six-axis motion control algorithms.

Core R&D members	Profile
Mr. Hu Yehui	Mr. Hu Yehui is our deputy product line director, and is responsible for supervising product development and the R&D of carbon fiber composite material structures and friction stir welding five-axis machine tools.

We also enter into confidentiality, intellectual property and non-competition agreements with our R&D team members. The R&D team members shall not, without our prior written consent, disclose or transfer confidential information such as technical secrets to any third party during and after employment, and all inventions created during employment or using company resources belong exclusively to our Company.

R&D Collaborations

We collaborate with established research and tertiary institutions and our customer to enhance our R&D capabilities. During the Track Record Period, we entered into collaboration agreements with (i) SJTU on the establishment of the "Joint R&D Centre for High-end Equipment and Advanced Process Technology" (高端裝備與先進工藝技術聯合研發中心) (the "**Establishment of Joint R&D Centre with Shanghai Jiao Tong University**"), and (ii) Customer I on the establishment of the "Center of Excellence" (卓越創新中心) (the "**Establishment of COE with Customer I** ").

The major terms of the aforesaid collaboration agreements are outlined below:

Terms	Establishment of Joint R&D Centre with SJTU	Establishment of COE with Customer I
Term of agreement	From 1 October 2023 to 30 September 2028	From 17 February 2023 to 16 February 2028
Scope of work	SJTU shall organise its researchers to conduct specialised research projects in response to the R&D requirements of the Company.	To jointly research on the production process technology in the aviation and aerospace sector.
Payment of fees	We shall pay an annual collaboration fee of not less than RMB5 million to SJTU.	Both parties shall contribute funds to the COE, with specific amounts to be determined by each individual research agreements.

Terms	Establishment of Joint R&D Centre with SJTU	Establishment of COE with Customer I
Ownership of intellectual property rights	The intellectual property rights jointly developed by both parties shall be co-owned by both parties. We maintain the exclusive right to commercialise the intellectual property rights.	The intellectual property rights jointly developed by both parties shall be determined on a project basis through mutual agreement. Intellectual property rights jointly developed by both parties are generally co-owned by both parties pursuant to the individual research agreements entered into with Customer I.
Confidentiality	Each party undertakes not to disclose or use any confidential information during the term of the agreement and two years after the termination of agreement.	Each party undertakes not to disclose or use any confidential information during the term of the agreement and after its termination.

Ongoing R&D Projects

As of the Latest Practicable Date, we had 25 ongoing R&D projects, among which seven projects are core technology research, seven projects are modular platform development and 11 projects are adaptive product engineering. We expect 17 of these ongoing R&D projects to be completed by the end of 2025. Some of our noteworthy ongoing R&D projects include:

- ***the use of carbon fiber composites.*** As the world's first and only manufacturer that sold the first machine tool which fully applied carbon fiber composite materials across all moving parts, we aim to enhance this proprietary technology to further reduce the mass and thermal expansion of our products. Such technology will be applied across our aviation and aerospace intelligent manufacturing equipment and large-span carbon fiber composite five-axis machine tools.

- ***the development of AI-powered CNC system.*** We aim to further invest in AI-powered CNC system to simplify the multi-stage five-axis machining operations by integrating specialised manufacturing knowledge databases, advanced AI-driven optimization algorithms and digital twin simulation environments.

For details of the aforesaid R&D projects, see "Our Strategies – Technological advancements through R&D" in this document.

R&D Achievements and Recognitions

In recognition of our R&D efforts and results, we received the following major awards and recognitions during the Track Record Period.

Award Year	Awards/Recognitions	Award-winning projects	Awarding Institution/Authority
2023	Shanghai Special Prize for Technology Invention (上海市科技發明獎特等獎)	Aerospace large curved skin/tank bottom dual five-axis mirror milling technology and equipment (航空航太大型曲面蒙皮/箱底雙五軸鏡像銑削技術與裝備)	Shanghai Municipal People's Government
2023	Second Prize of Science and Technology Award (科學技術獎第二獎)	Key technologies and equipment for laser precision cutting of large-scale complex skins (大尺寸複雜蒙皮鐳射精准刻型關鍵技術與裝備)	Aviation Industry Corporation of China, Ltd.
2023	Third Prize of National Defense Science and Technology Progress Award (國防科學技術進步獎三等獎)	Key technologies and equipment for laser precision cutting of large-scale complex skins (大尺寸複雜蒙皮鐳射精准刻型關鍵技術與裝備)	Ministry of Industry and Information Technology of the People's Republic of China
2024	Spring Swallow Award of China CNC Machine Tool Exhibition (中國數控機床春燕獎)	HMT-i500 five-axis milling-turning compound machine center (HMT-i500五軸銑車複合加工中心)	CMTBA
2024	National Little Giant Enterprise (國家專精特新小巨人企業)	–	Ministry of Industry and Information Technology

OUR CORE TECHNOLOGIES

We have built a comprehensive and multi-dimensional R&D platform encompassing five core technological pillars: (i) precision mechanical design and manufacturing process technology, (ii) core component development technology, (iii) CNC system and intelligent measurement and control technology, (iv) process programming software technology and (v) AI-driven manufacturing technology. These five core technological pillars form the foundation of our R&D system which is utilised as building blocks for adaptation and application in our product portfolio. For more details of the application of our core technologies to our products, please see "– Our Products and Services" in this section.

Precision mechanical design and manufacturing process technology

Precision mechanical design and manufacturing process technology represents the foundation layer of our portfolio of core technologies. Through structural optimization and specialised machining methods, it ensures our products possess stable machining capability and long-term accuracy retention. Key related technologies are as follows:

Technology	Key features
Dual five-axis mirror milling machine tool design and manufacturing technology (雙五軸鏡像銑機床設計製造技術)	• This technology features a dual horizontal five-axis configuration, where mirrored synchronous motion between the machining-side spindle and support-side measurement support head enhances local rigidity, which enables high-precision mirror milling of large thin-walled parts
High-speed carbon fiber composite machine tool design and manufacturing technology (高速碳纖維複材機床設計製造技術)	• This technology employs carbon fiber composite materials for critical structural components such as beams, saddles and rams to maintain both precision and stability during high-speed operation
Large-scale horizonal five-axis machine tool configuration design and manufacturing technology (大型臥式五軸機床構型設計製造技術)	• This technology incorporates a high-torque, high-rigidity AC swivel head and an integrated high-stiffness structural design which enables high-precision five-axis machining of large complex curved surfaces and improved processing efficiency.
Automatic drilling and riveting equipment design and manufacturing technology (自動鑽鉚裝備設計製造技術)	• This technology integrates hole normal vector detection, datum hole alignment, automated hole drilling, fastener feeding, and riveting functions for automatic drilling and riveting operations.
Friction stir welding equipment design and manufacturing technology (攪拌摩擦焊接裝備設計製造技術)	• By incorporating gantry structures and integrated milling-welding-positioning-clamping capability, this technology enables precision welding for aerospace cylindrical section structural parts.

Core component development technology

Core component development technology concentrates on the design and manufacturing of core components including motion mechanisms, power transmission, and positioning systems. Key related technologies are as follows:

Technology	Key features
High-speed, high-precision rotary positioning technology (高速高精度旋轉運動定位技術)	• This technology encompasses rotary transmission design, high-rigidity construction, precision component manufacturing, and accurate assembly verification, which enables both high-speed and high-precision rotational axis movement.
Heavy-duty, high-torque rotary positioning technology (重載大扭矩旋轉運動定位技術)	• This technology employs five-axis flank milling and synchronised grinding techniques to manufacture planar enveloping toroidal worm gears, which enables heavy-load and high-torque transmission of rotating shafts.
Multi-function drilling-riveting-measurement spindle technology (鑽-鉚-測多功能複合加工主軸技術)	• This technology integrates multiple functions, including normal-direction measurement, automated drilling and countersinking, visual alignment, automatic fastener feeding and riveting, and real-time quality inspection – into a single compact unit.
Milling-welding composite spindle technology (銑-焊複合加工主軸技術)	• Designed specifically for stir welding processing, this technology combines milling and welding capabilities into a single integrated unit, featuring both retraction and pressure detection functions.
Turning-milling composite spindle technology (車-銑複合加工主軸技術)	• This technology enables machining of complex-shaped components such as blades and tool holders through combining turning and milling operations in a single setup.

CNC system and intelligent measurement and control technology

CNC system and intelligent measurement and control technology forms the intelligent control center of intelligent manufacturing equipment by enabling dynamic optimization and closed-loop error elimination during machining processes. Key related technologies are as follows:

Technology	Key features
Mirror milling high-precision real-time thickness measurement and compensation technology (鏡像銑高精度即時測厚補償加工技術)	• This system integrates real-time thickness measurement with adaptive machining through (i) instantaneous data transmission, (ii) closed-loop thickness control algorithms and (iii) intelligent process compensation to achieve dimensional stability.
Friction stir welding constant pressure/displacement real-time control technology (攪拌焊恒壓力恒位移即時控制技術)	• This technology features a spindle design which maintains consistent forging pressure independent of lateral forces and forward resistance, eliminating frictional interference between the spindle and its housing caused by side loads to achieve high-precision real-time force measurement and stable welding quality.
Automated drilling and riveting normal-direction countersink depth and hole diameter measurement and control technology (自動鑽鉚法向窩深孔徑測控技術)	• This technology incorporates contact-based hole normal vector detection, hole diameter verification, and countersink depth control, which overcome the limitations of conventional drilling methods and improve drilling and riveting accuracy.
Five-axis turning-milling CNC system technology (五軸車銑複合數控系統技術)	• The technology integrates multiple machining capabilities including turning, milling, drilling, boring, reaming, threading and tapping operations into a single setup, which enable efficient processing of complex-shaped parts.
Spatial and thermal displacement error measurement and compensation technology (空間與熱位移誤差測量補償技術)	• Through (i) spatial accuracy detection and control systems and (ii) high-precision dual-swivel head spatial accuracy measurement, this integrated system enables spatial positioning accuracy.
Five-axis synchronised dynamic accuracy measurement and optimization technology (五軸聯動動態精度測量優化技術)	• This technology enables precise measurement and compensation optimization of the synchronisation of five-axis machine tools, which enhances motion accuracy of rotary axes.

Technology	Key features
High-precision spatial measurement and control technology for industrial robots (機器人高空間精度測量與控制技術)	• This technology enables an advanced robot accuracy calibration system based on a rigid-flexible coupling model, enabling improvements in robotic positioning performance.

Process programming software technology

Process programming software technology converts processing requirements into executable equipment instructions through intelligent algorithms. Key related technologies are as follows:

Technology	Key features
Mirror milling process planning software technology (鏡像銑加工測量程式設計軟體與工藝技術)	• This technology enables single-step generation of machine tool path files while incorporating adaptive machining capabilities based on real-time laser-scanned point cloud data of workpiece deformation during milling.
Automated drilling and riveting programming simulation software and process technology (自動鑽鉚程式設計模擬軟體與工藝技術)	• By combining intelligent programming with virtual process validation, the technology aims to enable first-time-right manufacturing for aerospace applications where precision drilling and riveting are critical.

AI-driven manufacturing technology

AI-driven manufacturing technology aims to enable the intelligent automation of complex five-axis machining workflow which used to require specialised expertise across multiple stages. Key related technologies are as follows:

Technology	Key features
AI semantic understanding technology (AI語義理解技術)	• This technology targets to develop an end-to-end framework leveraging knowledge transfer capabilities, which incorporates dynamic validation feedback mechanisms for adaptive error recovery.
Multimodal manufacturing knowledge base architecture (多模態製造知識庫)	• This knowledge base architecture targets to integrate libraries of tooling, fixtures, machine parameters and process knowledge to process scenario inputs which generates optimised machining instruction.
High-fidelity virtual-physical machining simulation technology (高保真虛實融合加工仿真技術)	• This technology targets to leverage real-time toolpath data and part geometry to predict cutting forces with high accuracy during the machining process.

Technology	Key features
Self-supervised learning technology under multi-physics constraints (多物理場約束下的自監督與強化學習技術)	• This technology targets to enhance process decision-making through unified sequence generation handling multi-level abstraction problems, tiered mechanisms for precision optimization guidance and hybrid training environments ensuring real-world reliability.
Integrated AI-powered CNC system validation technology (AI-CNC系統的整體集成與廣泛適應能力驗證技術)	• This technology targets to replace traditional multi-stage machining workflows with AI-drive direct output.

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, our Group had over 80 registered patents and filed over 40 patent applications which were pending approval. Examples of patents held by our Group in relation to our core technologies which we consider to be material to our business include the following:

Precision mechanical manufacturing process technology

	Patent	Place of registration	Patent number
1.	Integrated riveting device and method for large cylindrical segment components (大型筒段構件的整體鉚接裝置及其方法)	The PRC	ZL201210143811.8
2.	The mirror image method for milling and system of covering processing (蒙皮加工的鏡像銑削方法與系統)	The PRC	ZL201710571555.5
3.	Friction stir welding device and method for large-diameter low-rigidity fuel tanks (大直徑低剛度燃料貯箱的攪拌摩擦焊接裝置及焊接方法)	The PRC	ZL201710980343.2
4.	Adhesive bonding structure and method for composite materials (複合材料膠接結構及方法)	The PRC	ZL202211048728.2
5.	Mirror milling device for processing arched ring-shaped thin-walled workpieces (用於拱形環狀薄壁工件加工的鏡像銑削裝置)	The PRC	ZL202310306147.2

Core component development technology

	Patent	Place of registration	Patent number
6.	End effector for high-precision hole making and dimple forming of robot and measuring method (用於機器人高精度制孔與鍃窩的末端執行器及測量方法)	The PRC	ZL201711056976.0
7.	Swivel head device for machining centers suitable for difficult-to-machine materials (適用於難加工材料的加工中心擺頭裝置)	The PRC	ZL202210758225.8
8.	Mill-turn composite electric spindle (車銑複合電主軸)	The PRC	ZL202222569986.7

CNC system and intelligent measurement and control technology

	Patent	Place of registration	Patent number
9.	Measuring and control device and method for upsetting force and advancing resistance in friction stir welding machine tool (一種攪拌摩擦焊機床頂鍛力及前進抗力測控裝置及方法)	The PRC	ZL201410682966.8
10.	Real-time measurement system and method for thin-walled parts (薄壁件實時測量系統及方法)	The PRC	ZL201710736334.9
11.	Contact-based surface panel normal direction measurement and countersink depth compensation device and method (接觸式曲面壁板法向測量與鍃窩深度補償裝置及測量方法)	The PRC	ZL202010202323.4

Progress programming software technology

	Patent	Place of registration	Patent number
12.	Method and device for automatically generating aircraft skin mirror image milling tool path track (飛機蒙皮鏡像銑削刀路軌跡自動生成方法及裝置)	The PRC	ZL201910862189.8

We believe that our intellectual property rights are critical to our continued success. To safeguard these intellectual property rights, we have implemented comprehensive measures including (i) establishing a set of robust internal policies to ensure effective management of our intellectual properties, (ii) timely registering, filing and applying for ownership of our intellectual properties, (iii) rewarding employees who contribute to the development of our intellectual properties, and (iv) entering into agreements with our employees which state we own all intellectual properties developed (a) during an employees' employment with us, (b) using our resources or proprietary information, (c) as part of their job duties or assigned tasks, or (d) within one year after the termination of their employment, if related to their work for the Company.

OUR PRODUCTS AND SERVICES

Leveraging our core technologies, we have developed a product portfolio comprising (i) aviation and aerospace intelligent manufacturing equipment, (ii) compact general industrial five-axis machine tools and (iii) large-span carbon fiber composite five-axis machine tools, to customers in various downstream industries including the aviation and aerospace sector, and the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing. In addition, we provide repair and maintenance services in meeting different operational requirements of our customers.

Details of our comprehensive product portfolio are as follows:

(i) ***Aviation and aerospace intelligent manufacturing equipment.*** Our aviation and aerospace intelligent manufacturing equipment comprise specialised CNC process equipment and five-axis CNC machine tools specifically engineered for the aviation and aerospace sector. They are particularly suited for manufacturing key aviation and aerospace components, including aircraft skins and structural frames, rocket fuel tanks and riveted cabin sections, and engine components such as turbine discs, casings, combustion chambers and pump vales. Our products deliver machining capabilities including precision milling, friction stir welding, robotic automated drilling and riveting and large-component assembly. By combining the technical advantages of having an extended working range, high spatial positioning accuracy and heavy-load and high-rigidity, our products meet the stringent demands for aviation and aerospace manufacturing, addressing the machining challenges in complex surface and difficult-to-process materials.

(ii) ***Compact general industrial five-axis machine tools.*** Our compact general industrial five-axis machine tools are versatile five-axis CNC machine tools under three-meter span designed for machining of small-to-medium components in the general industrial sector, which support multiple machining processes including milling, turning, drilling and boring. They are applied across various downstream industries for manufacturing battery housings and motor components for automotives, artificial bones for medical equipment, and propellers and marine engine parts for shipbuilding etc. Our compact general industrial five-axis machine tools demonstrate high process adaptability across various materials and geometrics while featuring a user-friendly interface, thereby providing the general industrial sector with accessible channels to industrial-grade precision machining.

(iii) ***Large-span carbon fiber composite five-axis machine tools.*** Our large-span carbon fiber composite five-axis machine tools refer to advanced five-axis CNC machine tools featuring gantry structures with span ranging from three meters to a maximum of 15 meters, designed for machining of massive monolithic components in the general industrial sector. They exhibit the technological advantages of lightweight properties, high-dynamic performance, extended operating range, micron-level accuracy and advanced thermal and vibration control capabilities. They are applied across industries such as automotive, shipbuilding and energy where demands exist for production and processing of massive and high-precision structures. We first sold our large-span carbon fiber composite five-axis machine tools in the first quarter of 2025 as the world's first and only manufacturer that sold the first machine tool which fully applied carbon fiber composite materials across all moving parts.

While we first sold our large-span carbon fiber composite five-axis machine tools in 2025, following table sets forth our revenue by product category during the Track Record Period:

	Year ended 31 December					
	2022		**2023**		**2024**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Aviation and aerospace intelligent manufacturing equipment	132,434	97.5	325,089	97.2	503,434	94.7
Compact general industrial five-axis machine tools	–	–	3,476	1.0	23,839	4.5
Repair and maintenance services	3,335	2.5	6,065	1.8	4,283	0.8
Total	**135,769**	**100.0**	**334,630**	**100.0**	**531,556**	**100.0**

The following table sets forth our gross profit/(loss) and gross profit/(loss) margin by product category during the Track Record Period:

	Year ended 31 December					
	2022		2023		2024	
	Gross profit/(loss)	Gross profit/(loss) margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Aviation and aerospace intelligent manufacturing equipment	21,108	15.9	120,799	37.2	196,767	39.1
Compact general industrial five-axis machine tools	–	–	662	19.0	6,118	25.7
Repair and maintenance services	302	9.1	882	14.5	2,284	53.3
Subtotal	**21,410**	**15.8**	**122,343**	**36.6**	**205,169**	**38.6**
Less: impairment losses on inventories	*(46,195)*		*(6,532)*		*(5,290)*	
Total	**(24,785)**	**(18.3)**	**115,811**	**34.6**	**199,879**	**37.6**

We recorded gross loss of RMB24.8 million, gross profit of RMB115.8 million and RMB199.9 million in FY2022, FY2023 and FY2024, respectively. For details of our gross profit/(loss), see "Financial Information – Year to Year Comparison of Results of Operations" in this document.

During the Track Record Period, the average selling prices ("**ASP**") of our products varied according to various technical customizations of our customers. For more details of our pricing policy, please see "– Pricing Policy" in this section. The sales of our products are generally not subject to seasonal fluctuations. The table below sets out our sales volume, ASP and price ranges of our products by product category during the Track Record Period:

	Year ended 31 December								
	2022			2023			2024		
	Sales volume	ASP	Price range	Sales volume	ASP	Price range	Sales volume	ASP	Price range
	(Units)	*(RMB'000)*	*(RMB'000)*	*(Units)*	*(RMB'000)*	*(RMB'000)*	*(Units)*	*(RMB'000)*	*(RMB'000)*
Aviation and aerospace intelligent manufacturing equipment	23	5,758	430 to 38,200	55	5,911	248 to 31,800	50	10,069	250 to 51,300
Compact general industrial five-axis machine tools	–	–	–	3	1,159	973 to 1,400	23	1,036	870 to 1,500

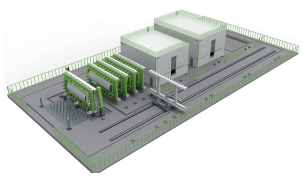
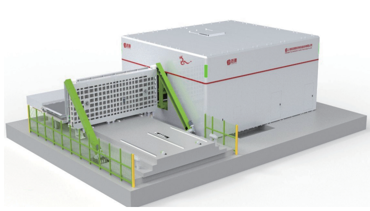
Aviation and aerospace intelligent manufacturing equipment

Our aviation and aerospace intelligent manufacturing equipment include the (i) dual five-axis mirror milling machine tools, (ii) horizontal flip-type milling five-axis machine tools, (iii) friction stir welding five-axis machine tools, (iv) aviation and aerospace five-axis machining centers, (v) automated drilling and riveting docking equipment and (vi) high-precision aviation and aerospace five-axis gantry machine tools. Sales of our aviation and aerospace intelligent manufacturing equipment accounted for approximately 97.5%, 97.2% and 94.7% of our total revenue for FY2022, FY2023 and FY2024, respectively.

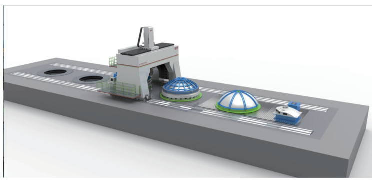
According to the CIC Report, we sold the world's first five-meter vertical dual five-axis mirror milling machine tool for machining of launch tank vehicle domes. According to the same source, our China's first horizontal dual five-axis mirror milling machine tool has enabled environmentally-friendly and high precision mechanical milling of aircraft skin. Such product has been adopted for machining of C919 aircraft skin. Our friction stir welding five-axis machine tool is also China's first machine tool for rocket tanks machining. It is used in manufacturing critical components of multiple series of launch vehicles.

Set forth below are the details of our aviation and aerospace intelligent manufacturing equipment:

Aviation and aerospace intelligent manufacturing equipment

	Function	Target use scenarios	Core technology applied
Dual five-axis mirror milling machine tools (雙五軸鏡像銑機床)  *Horizontal dual five-axis mirror milling machine tools*	Precision machining of curved components with the use of two synchronised five-axis units operating in mirrored opposition	Machining of large thin-walled aircraft skin	**Precision mechanical manufacturing process technology** • Dual five-axis mirror milling machine tool design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology
 *Vertical dual five-axis mirror milling machine tools*		Machining of launch vehicle fuel tank domes	**CNC system and intelligent measurement and control technology** • Mirror milling high-precision real-time thickness measurement and compensation technology • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology
Horizontal flip-type milling five-axis machine tools (臥式翻板銑五軸機床) 	Machining of large, complex components through its integrated swivel head and rotary table configuration	Machining of large titanium and aluminum alloy aircraft structural components	**Precision mechanical manufacturing process technology** • Large-scale horizontal five-axis machine tool configuration design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology • High-duty, high-torque rotary positioning technology **CNC system and intelligent measurement and control technology** • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

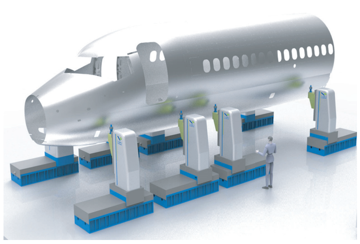
Aviation and aerospace intelligent manufacturing equipment

	Function	Target use scenarios	Core technology applied
Friction stir welding five-axis machine tools (攪拌摩擦焊五軸機床) 	Large, curved surface friction stir welding with a heavy-duty five-axis gantry structure and integrated milling-welding-positioning-fixturing technology	Welding for rocket tanks	**Precision mechanical manufacturing process technology** • Friction stir welding equipment design and manufacturing technology **Core component development technology** • Heavy-duty, high-torque rotary positioning technology • Milling-welding composite spindle technology **CNC system and intelligent measurement and control technology** • Friction stir welding constant pressure/displacement real-time control technology • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

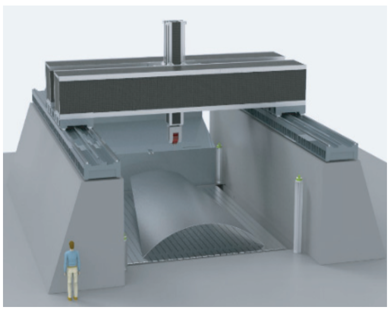
Aviation and aerospace intelligent manufacturing equipment

	Function	**Target use scenarios**	**Core technology applied**
Aviation and aerospace five-axis machining center (航空航天五軸加工中心)  *Vertical aviation and aerospace five-axis machining center*	Machining of large complex-feature and complex-curvature components with high-speed and high-precision rotational axis movement	Machining of large titanium and aluminum alloy aircraft structural components	**Core component development technology** • High-speed, high-precision rotary positioning technology **CNC system and intelligent measurement and control technology** • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology
 *Horizontal aviation and aerospace five-axis machining center*		Machining of aero-engine components such as inducer, rocket nozzles, pump/valve housings	

Aviation and aerospace intelligent manufacturing equipment

	Function	**Target use scenarios**	**Core technology applied**
Automated drilling and riveting docking equipment (航空航天自動鑽鉚對接裝備)  *Automated drilling and riveting equipment*	Automated drilling and riveting of component which builds upon an end-effector that integrates normal-direction measurement, datum hole detection, automated hole drilling, fastener feeding and riveting functions	Automated drilling, riveting and hole-making for launch vehicle barrel sections and aircraft fuselage segments	**Precision mechanical manufacturing process technology** • Automatic drilling and riveting equipment design and manufacturing technology **Core component development technology** • Multi-function drilling-riveting-measurement spindle technology **CNC system and intelligent measurement and control technology** • Automated drilling and riveting normal-direction countersink depth and hole diameter measurement and control technology • High-precision spatial measurement and control technology for industrial robots
 *Digital docking equipment*	Component alignment and docking using multiple CNC positioners with multi-axis motion control, posture measurement and analysis for assembly sections, and automated spherical joint engagement	Automated alignment and precision docking assembly for aircraft fuselage sections	

Aviation and aerospace intelligent manufacturing equipment

	Function	Target use scenarios	Core technology applied
High-precision aviation and aerospace five-axis gantry machine tools (高精度航空航天五軸龍門機床) 	High-accuracy machining of large-scale, high-geometric workpieces with a double-beam bridge gantry structure and moving parts made of carbon fiber composites	High-precision machining of large aircraft structural components	**Precision mechanical manufacturing process technology** • High-speed carbon fiber composite machine tool design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology **CNC system and intelligent measurement and control technology** • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

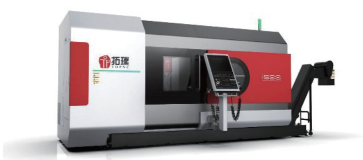
Compact general industrial five-axis machine tools

Our compact general industrial five-axis machine tools comprise the Kunpeng (鯤鵬) series, with nine models across two product categories of (i) five-axis milling-turning machining centers and (ii) horizontal five-axis machining centers. Among which, the five-axis milling-turning machining centers have been introduced to the market and have been generating revenue since 2023. Sales of our compact general industrial five-axis machine tools accounted for 1.0% and 4.5% of our total revenue for FY2023 and FY2024, respectively. We believe compact general industrial five-axis machine tools will represent an increasing proportion of our revenue as we continue to expand our business in the general industrial market including automative, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing.

Our compact general industrial five-axis machine tools incorporate our proprietary CNC system and in-house designed core components, offering cost-performance advantages for our customers. Our five-axis milling-turning machining center combines multiple machining processes including turning, milling, drilling, tapping, and gear cutting operations, which significantly improves production efficiency and operational experience; whereas our horizontal five-axis machining center efficiently process complex components such as impellers, blisks, and multi-surface casings.

Set forth below are the details of our compact general industrial five-axis machine tools:

Compact general industrial five-axis machine tools

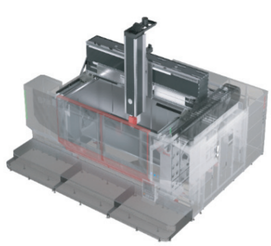
	Function	Target use scenarios	Core technology applied
Five-axis milling-turning machining centers (五軸車銑複合加工中心) 	Machining of small-to-medium complex components with combined milling and turning operations in a single setup	Medical equipment: artificial bones, artificial joints Machine tools: electric spindle components Automotive and machinery: engine blocks, motor shaft housings Semiconductor equipment: rotor shafts	**Core component development technology** • Turning-milling composite spindle technology • High-speed, high-precision rotary positioning technology **CNC system and intelligent measurement and control technology** • Five-axis turning-milling CNC system technology • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology
Horizontal five-axis machining centers (臥式五軸加工中心) 	Machining of complex-feature and complex-curvature components (within 1,000mm work envelope) with high-speed and high-precision rotational axis movement	Machining of complex-shaped components such as pump/valve housings, automotive engine blocks, small-to-medium moulds, and medical devices	**Core component development technology** • High-speed, high-precision rotary positioning technology **CNC system and intelligent measurement and control technology** • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

Large-span carbon fiber composite five-axis machine tools

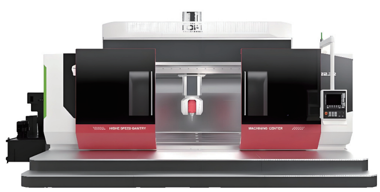
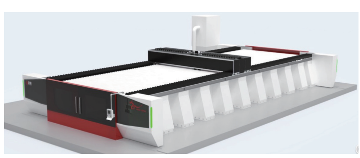
Our large-span carbon fiber composite five-axis machine tools refer to advanced five-axis CNC machine tools which integrate carbon fiber composites with innovative structural designs. Our product portfolio includes the Phantom (幻影) series which comprise three product categories of (i) high-speed five-axis gantry machine tools, (ii) high-precision five-axis gantry machine tools and (iii) large-span five-axis gantry machine tools. They exhibit the technological advantages of lightweight properties, high-dynamic performance, extended operating range, micron-level accuracy and advanced thermal and vibration control capabilities. We first sold our large-span carbon fiber composite five-axis machine tools in the first quarter of 2025. According to the CIC Report, we are the world's first and only manufacturer that sold the first machine tool which fully applied carbon fiber composite materials across all moving parts.

Set forth below are our large-span carbon fiber composite five-axis machine tools:

Large-span carbon fiber composite five-axis machine tools

	Function	Target use scenarios	Core technology applied
High-speed five-axis gantry machine tools (高速五軸龍門機床)  	High-speed machining of large workpieces with a double-beam bridge gantry structure and moving parts made of carbon fiber composites	High-speed machining of post-casting automotive integrated components	**Precision mechanical manufacturing process technology** • High-speed carbon fiber composite machine tool design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology **CNC system and intelligent measurement and control technology** • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

Large-span carbon fiber composite five-axis machine tools

	Function	Target use scenarios	Core technology applied
High-precision five-axis gantry machine tools (高精度五軸龍門機床) 	High-accuracy machining of large-scale, high-geometric workpieces with a double-beam bridge gantry structure and moving parts made of carbon fiber composites	Machining of semiconductor vacuum chambers and automotive molds	**Precision mechanical manufacturing process technology** • High-speed carbon fiber composite machine tool design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology
Large-span five-axis gantry machine tools (大尺寸五軸龍門機床) 	Machining of extra-large workpieces with a double-beam bridge gantry structure and moving parts made of carbon fiber composites	Machining of extra-large components which range from 6m to 15m in width	**Precision mechanical manufacturing process technology** • High-speed carbon fiber composite machine tool design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology **CNC system and intelligent measurement and control technology** • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

Repair and maintenance services

We provide repair and maintenance services in meeting different operational requirements of our customers. For FY2022, FY2023 and FY2024, we generated 2.5%, 1.8% and 0.8% of our total revenue from the provision of repair and maintenance services, respectively.

SALES

As at 31 December 2024, our sales team consisted of 61 employees. Our sales team mainly comprise personnel with extensive industry knowledge and prior working experience with enterprises in the intelligent manufacturing equipment industry, and is primarily responsible for frequently communicating with our customers and understanding their feedback on the quality, preferences, improvements and market demand of our products and services. To encourage and incentivize our sales force, we have implemented a compensation structure that includes a fixed component as well as a performance-based component and also set performance targets for our sales team.

Over the years, we have established an extensive customer base across China. We primarily sell our products through our dedicated sales team, while complementing this with partnerships with sales representatives as part of our plan to expand our market presence in the general industrial market and introduce our compact general industrial five-axis machine tools to the market. In FY2024, we recorded RMB7.1 million revenue contributed by sales representatives, accounting for 1.3% of our total revenue.

During the Track Record Period, we provided products and services to 39, 47 and 38 customers, respectively. Our customers mainly comprise (i) end customers in the aviation and aerospace sector and the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing, and (ii) representatives of end users.

To procure customers such as state-owned enterprises, we actively pursue tendering opportunities identified through strategic marketing initiatives including industry exhibitions and government procurement platforms. Our tender evaluation process involves assessment of factors including (i) financial viability, including material costs, labour requirements and projected margins; (ii) technical and operational feasibility, including engineering specifications, production capacity and resource availability; and (iii) logistical requirements, including delivery timelines and installation schedules.

During the Track Record Period, the number of awarded tenders remained relatively stable at three, five and three for the respective year. The following table shows the details of our tendering during the Track Record Period:

	FY2022	FY2023	FY2024
Number of tenders submitted	9	22	15
Number of tenders awarded	3	5	3
Success rate *(Note)*	33.3%	22.7%	20.0%

Note: The tender success rate for a particular year is calculated based on the number of tenders awarded to the Group (whether awarded in the same year or subsequently) divided by the number of tenders submitted during that year.

We also enter into sales contracts through direct negotiations with customers without tendering requirements. Our sales team manages initial inquiries and prepare sales contracts detailing product specifications, configurations and pricing. Our sales team then send the sales contracts to potential customers for their review and confirmation. Our sales contract typically includes terms that govern specifications of our products, product fees, payment method and schedule, packaging and logistics requirements, product testing procedure and warranty periods.

Our sales contract typically contains the following salient terms:

Terms	Description
Quality requirements	Our products must comply with the technical specifications mutually agreed in the sales contract and the relevant national standards for mandatory accuracy requirements and testing methods for CNC machine tools.
Delivery and logistics	We shall be responsible for the delivery of products to the customer's designated site, and associated costs including transportation, installation, inspection, acceptance testing and warranty services. These services are covered within the total contract price. Sales contracts with our customers may contain a delay penalty clause that if there is any delay from the agreed deadline, we may be subject to a fine calculated on a daily/weekly basis, with a ceiling of up to 5% to 20% of the total purchase price generally.

Terms	Description
Payment structure	Our sales contracts typically provide for payment by several instalments, including (i) upfront payment upon execution of contract, (ii) second payment upon pre-acceptance testing approval, (iii) third payment upon final acceptance approval and (iv) final payment upon fulfilment of warranty service.
Breach of contract	In the event of delayed delivery, we will incur penalty fees deductible from the contract price. Such penalties will be subject to a predetermined maximum cap.
Product return	In the event any of the products fail to meet the agreed quality, we shall replace or supplement the deficient products. In the event any of the products fundamentally fail to meet the agreed quality, we shall accept full product return, and refund all payments received from the customers.

We formulate a procedure to ensure compliance with the U.S. OFAC Sanctions Programme, that our sales team must conduct OFAC list matching prior to customer due diligence and entering into of sales contract. Furthermore, we formulate a procedure for sales contract management, which includes that our production schedule shall align with the delivery timeline as agreed in the sales contract.

PRICING POLICY

We normally set a price on a cost-plus basis taking into account a variety of factors, including cost of raw materials, labour costs, research and development costs, complexity of the work, sub-contracting costs, business strategies, market demand, the specification and/or customisations required by our customers and past relationships with the customers.

MARKETING

We strengthen and expand relationships with both existing and potential customers by showcasing the capabilities and advanced applications of our products. Our multifaceted marketing initiatives include participation in industry exhibitions, technical seminars, executing digital marketing campaigns and organising customer site visits. For FY2022, FY2023 and FY2024, our selling and marketing expenses were RMB11.9 million, RMB26.0 million and RMB28.1 million, respectively, representing 8.7%, 7.8% and 5.3% of our revenue for the same years, respectively.

The following table sets forth the details of our marketing activities:

Types	Details
Industry exhibitions	We have been actively participating in various industry exhibitions, including China International Industry Fair (中國國際工業博覽會), China CNC Machine Tool Fair (中國國際機床展會), Zhuzhou Industrial Expo (株洲工業展覽會), where we demonstrate our technical capabilities and engage with industry stakeholders. These industry exhibitions enable us to showcase our products while identifying new business opportunities across industrial sectors.
Social media	As of the Latest Practicable Date, we have established presence on WeChat official account (微信公衆號), WeChat Channel (微信視頻號) and LinkedIn. We regularly publish demonstrative videos and technical content which highlight the applications, operational advantages and real-world implementations of our products.

Types	Details
Technical seminars	We actively participate in technical seminars to demonstrate thought leadership and engage with industry experts. Key events include High-quality Development Forum for Industrial Machine Tools (機床裝備高質量發展論壇), Yangtze Delta Industry Innovation Salon on Digital Design & Manufacturing (數字化設計與製造長三角產業協同創新沙龍) and Metalworking Technology Innovation Forum (金屬加工工藝創新論壇), where we discussed innovations and advancements in intelligent manufacturing equipment.

OUR CUSTOMERS

Overview

Over the years, we have successfully expanded our market presence from the aviation and aerospace sector into the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing. We have in particular cultivated long-standing relationships with key aviation and aerospace customers spanning over a decade. We believe our long-term business relationship with our major customers are mutually beneficial, as these collaborations enable our customers to secure a stable supply of manufacturing solutions tailored to their operational needs and technological requirements, while simultaneously driving our R&D advancements as we respond to their evolving demands for higher-performance products.

Our Top Five Customers

Sales to our top five customers for FY2022, FY2023 and FY2024 amounted to approximately RMB133.4 million, RMB310.3 million and RMB422.7 million, respectively, representing approximately 98.3%, 92.7% and 79.5% of our total revenue for the respective years. Sales to our largest customer for FY2022, FY2023 and FY2024 amounted to approximately RMB68.5 million, RMB195.4 million and RMB129.6 million, representing approximately 50.5%, 58.4% and 24.4% of our total revenue, respectively.

The information of our top five customers for the Track Record Period is set out below:

FY2022

	Customer	Notes	Products/services provided by our Group	Year in which our business relationship commenced	Revenue contribution *(RMB'000)*	Percentage of our total revenue *(%)*
1	Chengdu Yongfeng	*(1)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2018	68,548	50.5
2	Customer A#	*(2)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2017	39,070	28.8
3	Customer B#	*(3)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2009	24,632	18.1
4	Customer C	*(4)*	Aviation and aerospace intelligent manufacturing equipment	2019	648	0.5
5	Customer D#	*(5)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2009	518	0.4
	Total				133,416	98.3

The customer is a group consolidating the transaction amounts of entities within such group.

FY2023

	Customer	Notes	Products/services provided by our Group	Year in which our business relationship commenced	Revenue contribution *(RMB'000)*	Percentage of our total revenue *(%)*
1	Customer B#	*(3)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2009	195,355	58.4
2	Customer A#	*(2)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2017	54,498	16.3
3	Customer D#	*(5)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2009	25,680	7.7
4	Customer E	*(6)*	Aviation and aerospace intelligent manufacturing equipment	2020	21,886	6.5
5	Customer F#	*(7)*	Aviation and aerospace intelligent manufacturing equipment	2021	12,869	3.8
	Total				310,288	92.7

The customer is a group consolidating the transaction amounts of entities within such group.

FY2024

	Customer	Notes	Products/services provided by our Group	Year in which our business relationship commenced	Revenue contribution *(RMB'000)*	Percentage of our total revenue *(%)*
1	Customer F#	*(6)*	Aviation and aerospace intelligent manufacturing equipment	2021	129,635	24.4
2	Customer G	*(8)*	Aviation and aerospace intelligent manufacturing equipment	2022	103,415	19.5
3	Customer H	*(9)*	Aviation and aerospace intelligent manufacturing equipment and compact general industrial five-axis machine tools	2021	76,120	14.3
4	Customer A#	*(2)*	Aviation and aerospace intelligent manufacturing equipment	2017	68,419	12.9
5	Customer I	*(10)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2016	45,142	8.4
	Total				422,731	79.5

The customer is a group consolidating the transaction amounts of entities within such group.

Notes:

1. Chengdu Yongfeng is a limited liability company established in the PRC in 2013, with a registered capital of RMB56.3 million. It is primarily engaged in the research, production, sales of spacecraft, civil aviation components and aerospace-related systems and provision of metal cutting services. Chengdu Yongfeng was owned by the Company as to 10.7939% before the Chengdu Yongfeng Disposal in November 2024. There was no credit period granted to it and the sales to it was settled by bank transfer. For details, please see "History – Acquisition, Merger and Disposal – Disposal of equity interest in Chengdu Yongfeng" in this document.

2. Customer A is a limited liability company established in the PRC in 2008, with a registered capital of RMB64.0 billion. It is a central state-owned enterprise primarily engaged in aircraft manufacturing. During the Track Record Period, we had business relationship with seven of its subsidiaries. We typically granted a credit period of up to 30 days to them and the sales to them were settled by bank transfer.

3. Customer B is a limited liability company established in the PRC in 1999, with a registered capital of RMB20.0 billion. It is a central state-owned enterprise primarily engaged in the research, production, sales of spacecraft and aerospace-related systems. During the Track Record Period, we had business relationship with eight of its subsidiaries. We typically granted a credit period of up to 180 days to them and the sales to them were settled by bank transfer and acceptance bill.

4. Customer C is a vocational and technical college established in the PRC in 1965, with a registered capital of RMB93.2 million. Its scope of operation is to cultivate talents with technical skills for the aviation industry and other industries. There was no credit period granted to it and the sales to it was settled by bank transfer.

5. Customer D is a limited liability company established in the PRC in 1999 with a registered capital of RMB18.7 billion. It is a central state-owned enterprise primarily engaged in R&D and manufacturing of aerospace products and satellite ground application systems. During the Track Record Period, we had business relationship with four of its subsidiaries. We typically granted a credit period of up to 30 days to them and the sales to them were settled by bank transfer.

6. Customer E is established in the PRC in 2008 with a registered capital of approximately RMB306.2 million. It is listed on the Shanghai Stock Exchange and primarily engaged in manufacturing of semiconductor components. We typically granted a credit period of 15 working days to it and the sales to it was settled by bank transfer and acceptance bill.

7. Customer F is a limited liability company established in 2018 with a registered capital of RMB1.0 billion. It is a state-owned enterprise primarily engaged in design and production of construction management. During the Track Record Period, we had business relationship with two of its subsidiaries, including Chengdu Chenfei, which is held as to 14.5% equity interest by and accounted for as an associate of our Company. We typically granted a credit period of up to 30 days to them and the sales to them was settled by bank transfer.

8. Customer G is a limited liability company established in 2019 with a registered capital of approximately RMB90.0 million. It is primarily engaged in spacecraft and launch vehicle manufacturing. We typically granted a credit period of up to 30 days to it and the sales to it was settled by bank transfer.

9. Customer H is a limited liability company established in the PRC in 2002 with a registered capital of RMB549.3 million. It is listed on the Shenzhen Stock Exchange and is primarily engaged in the manufacturing of ship and aerospace equipment. We typically granted a credit period of up to 30 days to it and the sales to it was settled by bank transfer.

10. Customer I is a limited liability company established in the PRC in 1982 with a registered capital of approximately RMB8.3 billion. It is a state-owned enterprise primarily engaged in design and production of civil aircraft parts. We typically granted a credit period of 45 working days to it and the sales to it was settled by bank transfer.

We held 14.5% equity interest in Chengdu Chenfei, which is a subsidiary of Customer F. Chengdu Chenfei was accounted for as an associate of our Company. During Track Record Period, all of our top five customers were Independent Third Parties. As of the Latest Practicable Date, to the best of our knowledge, none of our Directors, their associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our top five customers.

Top Five Customers Concentration

During the Track Record Period, we had a concentration of top five customers. The revenue contribution of our top five customers represented 98.3%, 92.7% and 79.5% of our revenue during the Track Record Period respectively. Sales of aviation and aerospace intelligent manufacturing equipment have been our principal business through which we have accumulated substantial expertise and industry know-how. Our Directors consider that our customer concentration is a result of our strategic decision in establishing business relationship with leading and sizable aviation and aerospace groups with a considerable number of subsidiaries within the same group. Accordingly, on a consolidated basis, a few customers may have already contributed a significant portion of our revenue, especially, given that the domestic aviation and aerospace sector is still at the early stage of development where the industry is concentrated dominated by a limited number of players.

Notwithstanding the foregoing, given that (i) we are a pioneer in developing various China's first products for the aviation and aerospace sector and there are a limited number of industry players, (ii) we have been able to procure different combinations of top five customers during the Track Record Period, and (iii) our strength lies in our localization of industrial machine tools through co-development with our customers, our Directors are of the view that the concentration of customers during Track Record Period did not materially impinge on our sustainability.

OUR SUPPLIERS

Overview

The principal raw materials procured by us are parts and components for our production which mainly comprise control systems, structural components such as machine tool beds and machine tool accessories and mechanical components such as controllers, rotary axes and spindles. We generally purchase raw materials from local suppliers in the PRC. Our suppliers primarily consist of (i) providers of parts and components and (ii) manufacturing partners who provide manufacturing services to produce parts and components based on our proprietary design. We carefully select our suppliers in order to ensure availability and quality of our raw materials by implementing stringent quality control measures. For more details of our quality control measures, please see "– Quality Control – Procurement" in this section.

The prices of our raw materials fluctuate due to a variety of factors, including supply and demand dynamics, our ability to negotiate prices with suppliers and others. We usually work with multiple suppliers to reduce risks associated with procurement. During the Track Record Period, we did not experience any significant shortage of supply of principal raw materials, and the principal raw materials provided by our suppliers did not have any significant quality issues.

Providers of Parts and Components

Upon receiving the supplies, we retain the right to reject or return based on the results of our inspection. We typically obtain quotations from at least two suppliers, in order to ensure supply stability and optimal procurement cost control.

We normally enter into framework agreements with our providers of parts and components which set out the general terms and conditions of cooperation. There are no minimum purchase obligations under the framework agreements. We make separate purchase orders pursuant to the framework agreements and negotiate prices and volumes before each purchase order. We make the payment as set forth in the purchase order, and the supplier is typically responsible for the delivery of the parts and components. Prior to entering into business relationships with such providers of parts and components, we evaluate a variety of factors, including their product quality, qualification, reputation, pricing and overall services. We perform thorough due diligence on our suppliers, request samples before making purchase orders and regularly monitor and review their performance.

Manufacturing Partners

During the Track Record Period, we also engaged manufacturing partners to produce parts and components based on our proprietary designs. We maintain frequent and open communication with our manufacturing partners on project-related matters, particularly on the progress of work and project requirements. There was no material delay by our manufacturing partners during the Track Record Period.

Our Top Five Suppliers

Purchases from our top five suppliers amounted to RMB71.5 million, RMB117.6 million and RMB60.9 million, representing approximately 31.9%, 35.6% and 32.5% of our total purchase for FY2022, FY2023 and FY2024, respectively. Purchases from our largest suppliers amounted to RMB21.8 million, RMB48.4 million and RMB23.1 million, representing 9.7%, 14.6% and 12.3% of our total purchase for FY2022, FY2023 and FY2024, respectively.

The information of our top five suppliers for the Track Record Period is set out below:

FY2022

	Supplier	Notes	Products/services procured by our Group	Year in which our business relationship commenced	Purchase amount	Percentage of our total purchase amount
					(RMB'000)	*(%)*
1	Shanghai Anyu Electromechanical Equipment Co., Ltd.* (上海安馭機電設備有限公司)	*(1)*	CNC system	2016	21,835	9.7
2	Shanghai Jinjia Automation Technology Co., Ltd.* (上海津甲自動化科技有限公司)	*(2)*	Structural and mechanical components	2014	16,855	7.5
3	LIBERTY LIFT Solution Shandong OILFIELD Equipment Manufacturing Co., Ltd. (山東力博利夫石油設備製造有限公司)	*(3)*	Structural and mechanical components, manufacturing services	2018	13,091	5.9
4	Giant Precision Machinery (Kunshan) Co., Ltd.* (盖特精工機械(昆山)有限公司)	*(4)*	Structural and mechanical components	2019	12,161	5.4
5	Shanghai Gongzhixia Precision Machinery Co., Ltd. (上海弓之下精密機械有限公司)	*(5)*	Structural and mechanical components	2013	7,535	3.4
	Total				71,477	31.9

FY2023

	Supplier	Notes	Products/services procured by our Group	Year in which our business relationship commenced	Purchase amount *(RMB'000)*	Percentage of our total purchase amount *(%)*
1	Shanghai Anyu Electromechanical Equipment Co., Ltd.* (上海安馭機電設備有限公司)	*(1)*	CNC system	2016	48,380	14.6
2	Shanghai Jinjia Automation Technology Co., Ltd.* (上海津甲自動化科技有限公司)	*(2)*	Structural and mechanical components and CNC system	2014	26,512	8.0
3	Chongqing Maixintu Precision Machinery Co., Ltd.* (重慶麥新途精密機械有限公司)	*(6)*	Structural and mechanical components, manufacturing services	2017	17,722	5.4
4	Giant Precision Machinery (Kunshan) Co., Ltd.* (蓋特精工機械(昆山)有限公司)	*(3)*	Structural and mechanical components, manufacturing services	2018	15,867	4.8
5	Shanghai Shide Machinery Equipment Co., Ltd.* (上海誓德機械設備有限公司)	*(7)*	Structural and mechanical components, manufacturing services	2013	9,121	2.8
	Total				117,602	35.6

FY2024

	Supplier	Notes	Products/services procured by our Group	Year in which our business relationship commenced	Purchase amount *(RMB'000)*	Percentage of our total purchase amount *(%)*
1	Shanghai Anyu Electromechanical Equipment Co., Ltd.* (上海安馭機電設備有限公司)	*(1)*	CNC system	2016	23,123	12.3
2	Shanghai Jinjia Automation Technology Co., Ltd.* (上海津甲自動化科技有限公司)	*(2)*	Mechanical components and CNC system	2014	12,524	6.7
3	Giant Precision Machinery (Kunshan) Co., Ltd.* (蓋特精工機械(昆山)有限公司)	*(3)*	Structural and mechanical components, manufacturing services	2018	9,377	5.0
4	Shanghai Hejian Electrical Assembly Equipment Co., Ltd. (上海和建電器成套設備有限公司)	*(9)*	Structural and mechanical components	2014	8,486	4.5
5	Nantong Yisheng Machinery Co., Ltd.* (南通易昇機械有限公司)	*(8)*	Structural and mechanical components	2023	7,428	4.0
	Total				60,938	32.5

Notes:

1. Shanghai Anyu Electromechanical Equipment Co., Ltd.* (上海安馭機電設備有限公司) is a limited liability company established in the PRC in 2011, with a registered capital of RMB15 million. It is primarily engaged in the sale of computer hardware and software and electromechanical equipment accessories. Generally, no credit period was granted to us and we settled payment by bank transfer and bank acceptance note.

2. Shanghai Jinjia Automation Technology Co., Ltd.* (上海津甲自動化科技有限公司) is a limited liability company established in the PRC in 2013, with a registered capital of RMB9 million. It is primarily engaged in the sale of mechanical equipment and mechanical parts. We were typically granted a credit period of 90 to 120 days and we settled payment by bank acceptance note.

3. LIBERTY LIFT Solution Shandong OILFIELD Equipment Manufacturing Co., Ltd. (山東力博利夫石油設備製造有限公司) is a limited liability company established in the PRC in 2016, with a registered capital of RMB7.9 million. It is primarily engaged in production and sales of equipment and accessories for oil drilling and production, and electromechanical equipment accessories. We were generally granted a credit period of 30 days and we settled payment by bank transfer.

4. Giant Precision Machinery (Kunshan) Co., Ltd.* (蓋特精工機械昆山有限公司) is a limited liability company established in the PRC in 2012, with a registered capital of RMB10.5 million. It is primarily engaged in the provision of material services and sale of mechanical parts. We were granted a credit period of 60 days and we generally settled payment by bank transfer and bank acceptance note.

5. Shanghai Gongzhixia Precision Machinery Co., Ltd. (上海弓之下精密機械有限公司) is a limited liability company established in the PRC in 2008, with a registered capital of RMB5 million. It is primarily engaged in the sale of mechanical equipment and mechanical parts. We were typically granted a credit period of 120 days and we settled payment by bank transfer.

6. Chongqing Maixintu Precision Machinery Co., Ltd.* (重慶麥新途精密機械有限公司) is a limited liability company established in the PRC in 2017, with a registered capital of RMB5 million. It is primarily engaged in the R&D, production and sales of CNC machine tools and parts. We settled via 100% advance payment by bank transfer.

7. Shanghai Shide Machinery Equipment Co., Ltd.* (上海誓德機械設備有限公司) is a limited liability company established in the PRC in 2013, with a registered capital of RMB8 million. It is primarily engaged in the manufacturing and processing of electromechanical equipment. We were typically granted a credit period of 60 days and we settled payment by bank transfer and bank acceptance note.

8. Nantong Yisheng Machinery Co., Ltd.* (南通易昇機械有限公司) is a limited liability company established in the PRC in 2019, with a registered capital of RMB10 million. It is primarily engaged in R&D, manufacturing and sales of mechanical equipment. We were typically granted a credit period of 60 days and we settled payment by bank transfer and bank acceptance note.

9. Shanghai Hejian Electrical Assembly Equipment Co., Ltd.* (上海和建電器成套設備有限公司) is a limited liability company established in the PRC in 2008, with a registered capital of RMB0.5 million. It is primarily engaged in R&D, manufacturing and sales of mechanical equipment. We were typically granted a credit period of 120 days and we settled payment by bank transfer and bank acceptance note.

During the Track Record Period, all of our top five suppliers were Independent Third Parties. As of the Latest Practicable Date, to the best of our knowledge, none of our Directors, their associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our top five suppliers.

Overlapping of Major Customers and Suppliers

During the Track Record Period, we had overlapping major customers and suppliers (the "**Overlapping Customer(s) and Supplier(s)**"), which are (i) two of our major customers, namely Chengdu Yongfeng (our largest customer in FY2022) and Customer A (one of our top five customers during the Track Record Period); and (ii) one of our major suppliers, namely Chongqing Maixintu Precision Machinery Co., Ltd.* (重慶麥新途精密機械有限公司) ("**Chongqing Maixintu**") (one of our top five suppliers in FY2023). The following sets forth sales and purchase amount of the Overlapping Customers and Suppliers during the Track Record Period:

Overlapping Customer and Supplier	Year	Revenue contribution *(RMB'000)*	Approximate percentage of our total revenue *(%)*	Purchase amount *(RMB'000)*	Approximate percentage of our total purchase *(%)*
Major Customer					
Chengdu Yongfeng	FY2022	68,548	50.5	57	0.03
	FY2023	–	–	2,439	0.7
	FY2024	–	–	364	0.2
Customer A	FY2022	39,070*(Note)*	28.8	–	–
	FY2023	54,498*(Note)*	16.3	–	–
	FY2024	68,420*(Note)*	12.9	646	0.3
Major Supplier					
Chongqing Maixintu	FY2022	–	–	2,355	1.1
	FY2023	–	–	17,722	5.4
	FY2024	78	0.01	–	–

Note: For the avoidance of doubt, the revenue contribution represents the amount from all relevant subsidiaries of Customer A as discussed above.

For FY2022, we provided aviation and aerospace intelligent manufacturing equipment and repair and maintenance services to Chengdu Yongfeng which is primarily engaged in the production and sales of spacecraft, civil aviation components and aerospace-related systems and provision of metal cutting services, for its production of civil aviation components. For each year during the Track Record Period, we procured tooling platforms from Chengdu Yongfeng for the production of aviation and aerospace intelligent manufactoring equipment which will be sold to our other customers.

During the Track Record Period, we provided aviation and aerospace intelligent manufacturing equipment to Customer A for its production of aircraft. For FY2024, we procured processing materials for our production from Customer A, which is primarily engaged in manufacturing of aircraft, automotive and large-scale equipment, and sale of tooling and fixtures.

For FY2022 and FY2023, we procured structural and mechanical components from Chongqing Maixintu, which is primarily engaged in R&D and sales of CNC machine tools and parts. For FY2024, Chongqing Maixintu purchased repair and maintenance services from us for the production of their own machine tools.

All of our sales to and purchases from the Overlapping Customers and Suppliers were conducted in the ordinary course of business under normal commercial terms and in arm's length basis.

PRODUCTION

Our Production Workflow

We adopt a stringent production process where we have production handbooks setting out details and explanatory notes for our production process. We will review our production handbooks from time to time to ensure the accuracy of and to make appropriate adjustments to our production process. It is also our policy to carry out quality control throughout our entire production process as we are committed to providing high quality products to our customers. Please also see "– Quality control" in this section for details.

Our production lead times vary according to the technical complexity of each product. For aviation and aerospace intelligent manufacturing equipment, their production lead times range from approximately six months to 30 months, while compact general industrial five-axis machine tools require approximately 1.5 months to three months. The principal steps of our production workflow are set forth below:

- **Production preparation.** The production planning team confirm all production procedures and conduct pre-production system checks.

- **Component procurement and preparation.** Once the production procedures are confirmed, our procurement team source principal parts and components from our suppliers. For critical components such as rotary axes, electric spindles and CNC systems, we design the components in-house then engage manufacturing partners to manufacture them according to our dimensional and performance requirements.

- **Component assembly.** We assemble parts and components including guide rails, roller screws and other machined parts which are procured from suppliers and manufacturing partners onto our key machine tool modules. These include the transmission systems (X/Y/Z-axes) assembly, rotary axis assembly and electrical cabinet assembly. Each module is assembled according to our technical specifications to ensure proper functionality.

- **Precision final assembly and testing.** In the final assembly stage, we integrate all modules with micro-level precision which form our products. After internal testing, our finished products undergo further testing with our customers which includes the pre-acceptance phase and the final acceptance phase.

Given the lengthy process from commencement of our production to completion, the potential of disagreement on the technical specification, quality of our products and timetable between our customers and our Company would naturally increase as time goes by. We have on-going discussion and follow-ups with our customers in respect of the progress of contract completion. During the Track Record Period, we have experienced delay in completion against the agreed deadline with our customers, leading to one incident of a delayed delivery penalty of RMB8.1 million to Customer E in FY2023. For details, see "Financial Information – Inventory" in this document. Save for the aforesaid incident, we did not receive any claim for penalty or termination of contract from customers which resulted in any material adverse impact on our business operations and financial conditions during the Track Record Period.

Our Production Facilities

As of the Latest Practicable Date, we had three production bases in total, of which two were in operation and one was expected to commence construction in the second half of 2025. The following table sets forth their details:

	Name	Aggregate gross floor area *(sq.m.)*	Main functions/current status as at the Latest Practicable Date
1.	Minhang Production Base	15,319.26	Production of (i) aviation and aerospace intelligent manufacturing equipment, (ii) compact general industrial five-axis machine tools and (iii) large-span carbon fiber composite five-axis machine tools.
2.	Jiaxing Production Base	35,842.84	Production of compact general industrial five-axis machine tools, which commenced operation in May 2025.
3.	Zhuanqiao Production Base	24,243.61 *(planned)*	Planned production of (i) aviation and aerospace intelligent manufacturing equipment which are of larger scale and (ii) large-span carbon fiber composite five-axis machine tools. It is expected to commence construction in the second half of 2025.

We plan to consolidate majority of the production of aviation and aerospace intelligent manufacturing equipment which are of larger scale and large-span carbon fiber composite five-axis machine tools which require more extensive assembly areas to the new Zhuanqiao Production Base while our Jiaxing Production Base shall focus on production of compact general individual five-axis machine tools and our Jiaxing Production Base shall focus on production of compact general industrial five-axis machine tools and our Minhang Production Base shall continue with our production of all three product categories. We believe the production separation allows for optimised production workflows, enabling specialised production environments tailored to each product category's unique requirements. For details, see "– Our Strategies – Expansion and optimization of production capacity to capture the growing market demand" in this section.

Utilisation Rates

The following table sets forth the utilisation rates of our Minhang Production Base during the Track Record Period:

	Designed Area of Production[1] *(sq.m.)*	Actual Area Occupied for Production[2] *(sq.m.)*	Utilisation Rate[3]
FY2022	4,916	3,853	78.4%
FY2023	4,916	4,577	93.1%
FY2024	4,916	3,901	79.4%

Notes:

(1) Our production operations mainly involve assembly of parts and components and depends on the availability of working space in our production base. The maximum production capacity of our Minhang Production Base refers to the designed area of production of the different production sections of our Minhang Production Base in square meters.

(2) Actual size and duration of occupation of production area vary according to size and production cycle of product, which in turn depends on technical complexity of product. For details of our production workflow, please see "Production – Our production workflow" above. As such, the actual area occupied for production is defined by the actual area occupied for production of a particular month with the highest utilised area for production in the relevant year.

(3) The utilisation rate, which are for illustration purposes only, of each year is calculated based on the actual area occupied for production and the designed area of production of the Minhang Production Base for the relevant year. The fluctuation of utilisation rate was affected by the production cycles of the various products during the Track Record Period.

Our Major Production Machinery and Equipment

Our major production machinery and equipment mainly comprise assembly and inspection machinery and equipment for assembling of various parts and components for the manufacturing of our products. Set out below a summary of our self-owned major production machinery and equipment:

- Laser interferometer (激光干涉儀), which uses laser technology to measure linear positioning accuracy, angular errors, straightness and flatness of machine tools.
- laser tracker (激光跟蹤儀), which uses 3D spatial positioning for calibrating and verifying the geometric accuracy of machine tools.
- Ballbar system (球杆儀), which tests dynamic accuracy of machine tools by analysing circular motion errors during rapid movements.
- Height gauge (高度儀), which measures the vertical dimension of objects.
- Three-dimensional coordinate measuring machine (三坐標測量機), which are used for geometric accuracy and tolerance testing of raw materials.

Our major production machinery and equipment generally have useful lives of 36 months to 120 months. We conduct regular inspection of our production machinery and equipment, and have in place maintenance systems for our production machinery and equipment. Maintenance is carried out by our repair staff and we would engage external repair team when necessary. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material or prolonged interruption to our production processes due to machinery or equipment failure.

QUALITY CONTROL

We believe that quality standards are crucial to our success. Therefore, we have put in place a quality control system to ensure that the quality of our products meet the expectations of our customers. We have implemented a strict quality control system, which has been accredited with various quality management certifications, including ISO 9001 and have a dedicated quality control team to oversee our quality control system.

Quality Control in our Operation and Production Processes

We adopt the following major quality control procedures in our operation and production processes:

Procurement

We maintain a list of approved suppliers, which is subject to annual review to ensure compliance with our quality standards. It is our policy to make procurement exclusively from the approved suppliers. In addition, we conduct routine inspections on raw materials procured from our suppliers before they are used in the production process. These inspections ensure that the materials meet both our specifications and the required quality standards. In the event that any substandard or defective materials are detected, we promptly return them to the relevant suppliers for replacement.

In-process quality testing

We perform in-process quality testing at various stages of the production process, including key control points and assembly processes, to ensure the highest standards of product quality. This in-process quality testing allows us to identify and rectify defects early, ensuring that any issues are resolved before the product progresses to the next stage of production.

Finished product testing

Upon passing internal quality testing, we notify customers to conduct finished product testing, comprising two phases of (i) the pre-acceptance phase and (ii) the final acceptance phase. For our compact general industrial five-axis machine tools, pre-acceptance testing is generally not required. They are shipped to customers' sites for a single on-site acceptance testing. For our aviation and aerospace intelligent manufacturing equipment and large-span carbon fiber composite five-axis machine tools, we invite customer to conduct sample runs to jointly evaluate the key operational and technical parameters. We provide complete quality certification documentation and testing reports for customer review. Only after successful pre-acceptance testing and receipt of the customer's signed approval do we proceed with delivery to the customer's site. For the final acceptance phase, we prepare a final acceptance outline that is similarly reviewed and approved by the customer. This is followed by comprehensive performance testing conducted at the customer's facility. The process formally concludes when the customer confirms all contractual specifications have been met, as documented through a mutually signed installation delivery confirmation.

During the Track Record Period and up to the Latest Practicable Date, there was one incident of order adjustment that materially and adversely affected our business. For details, please see "Financial Information – Description of Selected Items of the Consolidated Statements of Financial Position – Inventories" in this document. We normally provide warranties of one to two years as stated in our contracts with customers. Our warranty policy is usually limited to defects or failure of products that do not satisfy product specification or fall short of the quality standards agreed with our customers.

As at 31 December 2022, 2023 and 2024, our warranty provision amounted to RMB9.7 million, RMB10.0 million, and RMB17.4 million, respectively.

LOGISTICS AND INVENTORY MANAGEMENT

Logistics and Warehouses

We leverage on our own warehouses for storing finished products, semi-finished products, and raw materials, and we engage third-party logistics service providers for delivery services. Finished products that have passed pre-acceptance testing are delivered by the logistics service providers from our warehouses to locations specified by our customer.

Inventory Management

Our inventories include raw materials, work-in-progress, finished goods and goods-in-transit. Our principal raw materials are parts and components we use in our production which include control systems, structural components such as machine tool beds and machine tool accessories and mechanical components such as controllers, rotary axes and spindles. We generally arrange procurement with our suppliers after entering into relevant contracts and confirming product specifications with our customers. Therefore, we are generally not exposed to significant over-stocking risk.

As at 31 December 2022, 2023 and 2024, our inventory balances (net of provision for impairment loss) amounted to approximately RMB443.5 million, RMB588.5 million and RMB486.1 million of inventories, respectively. During the Track Record Period, the inventory turnover days was approximately 916 days, 849 days and 583 days for FY2022, FY2023 and FY2024, respectively.

INFORMATION SYSTEM

We believe that well-implemented information systems are critical in improving our efficiency in administering and operating our business. We have maintained comprehensive information systems which integrate the internal and external management information across various aspects of our business operations.

Our ERP system enables us to manage our procurement, sales, inventory and financial analysis and reporting, which in turn, has allowed us to manage and optimise our business process and to improve our operation performance. In future, we will continue to enhance our information systems that enable us to obtain and process information and data on an expedited basis, support our decision-making, increase our production efficiency, all of which will in turn help us to improve our cooperation with our customers and suppliers and increase our revenue and profitability.

EMPLOYEES

As at 31 December 2024, we had a total of 436 employees in the PRC and one employee in Germany. The number of our employees classified by function is as follows:

Function	Number of employees	% of total
Operation and production	166	38.0
R&D	155	35.5
Sales and marketing	61	14.0
Administration and management	55	12.5
Total	437	100.0

Recruitment and Remuneration Policy

We recruit our employees based on a variety of factors, including but not limited to their industry experience, qualifications, educational background and our operational needs. We recruit talents with high standards and through various methods, including campus recruitment, online recruitment and internal referrals, to meet our diverse talent demands.

We offer competitive remuneration packages to our employees, which are generally based on their qualifications, industry experience, position and performance. We conduct regular performance evaluations and reward well-performing employees with bonuses and promotions, fostering a culture of recognition and growth.

Training

We are committed to investing in continuous training programmes to enhance the professional knowledge, management skills, and technical expertise of our employees. Our training initiatives include regular and tailor-made internal and external programmes, designed to keep our workforce updated with the latest industry standards and best practices relevant to their roles. In addition, we provide comprehensive pre-employment inducting training and orientation programmes for our new hires to ensure a smooth transition into the Company. We also organise various cultural activities to help employees gain a deeper understanding of our corporate values and organisational culture, fostering a sense of belonging and alignment with our mission.

Employee Relationship

We have established labour unions for our employees. We believe that we have maintained a good relationship and expect to maintain an amicable relationship in the future with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material labour disputes, work stoppages or labour strikes that led to disruptions in our operations.

Social Security Plans

As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including pension, medical insurance, maternity insurance, work-related injury insurance, unemployment insurance and housing provident fund. As advised by our PRC Legal Advisor, we were in compliance with applicable laws and regulations related to social insurance and housing provident funds in all material aspects during the Track Record Period based on the confirmation from the relevant competent authorities.

Labour Dispatch

In addition to direct employment, during the Track Record Period, we engaged dispatched employees to meet our need in daily business operations. As of 31 December 2022, 2023 and 2024, (i) our Company engaged 43, 50 and nil dispatched employees, which accounted for 9.4%, 10.5% and nil% of its total number of employees; and (ii) Jiaxing Top engaged nil, five and nil dispatched employees, which accounted for nil, 19.2% and nil of its total number of employees, respectively. In general, according to the labour dispatch agreements, (i) we are responsible for paying wages to the dispatched staff; (ii) the employment agents are responsible for arranging for their insurance and other welfare conditions as required by the applicable PRC laws and regulations; and (iii) we shall provide training materials related to occupational health and safety to the dispatched staff.

According to the Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》), the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers). Accordingly, our Company (for FY2023) and Jiaxing Top (for FY2023) utilised and engaged dispatched staff which had exceeded the above 10% limit. Such non-compliance happened due to inadequate legal knowledge and/or inadvertent oversight of the relevant legal requirements. As advised by our PRC Legal Advisors, relevant governmental authorities may impose a fine of not less than RMB5,000 but not more than RMB10,000 per dispatched employee exceeding the regulatory threshold. During the Track Record Period and up to the Latest Practicable Date, our Company and Jiaxing Top have not received any notice of rectification from the labour administrative departments nor there is any pecuniary penalty imposed on our Company and Jiaxing Top in relation to the said non-compliance.

To ensure future compliance, we increase the number of direct engaged employees, and have adopted internal policies to require our human resources department to maintain a staff list in identifying the dispatched staff and our own staff and calculate the ratio of dispatched staff to the total number of workers. In addition, the designated staff is required to calculate the ratio before each engagement of dispatched staff, to ensure the potential engagement would not exceed 10% of the total number of its workers. Furthermore, the staff list (with the ratio of the dispatched staff) is required to submit to department heads of production department, finance department and human resources department to review on a monthly basis.

Since our Company and Jiaxing Top have not received any notice of rectification from the labour administrative department and our Company and Jiaxing Top have taken steps to reduce its number of dispatched staff to below the regulatory limit under the Interim Provisions on Labour Dispatch, our PRC Legal Advisor is of the view that (i) the risk of our Company and Jiaxing Top being subject to administrative penalties is remote; (ii) the business operations of our Company and Jiaxing Top will not be subject to material legal risk as a result of the non-compliance and (iii) it will not pose any material impact on our Group's operation and production.

INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by laws and regulations in the PRC, which are generally consistent with industry practice and provides adequate protection for our assets and operations. However, we may be exposed to other claims or liabilities beyond our insurance coverage. For details, see "Risk Factors – Risks Relating to Our Business – Our insurance coverage may not cover all losses which could have a material and adverse effect on our business, financial conditions and results of operations" in this document. As of the Latest Practicable Date, we did not have any material outstanding insurance claims in relation to our business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

ESG Governance

We are committed to abiding by numerous national, municipal and local laws and regulations in relation to environmental protection, labour management, health and safety, business ethics, etc. At the same time, we are in the process of establishing ESG policies in accordance with Appendix C2 of the Listing Rules, which would cover, among others, (i) ESG policies and performance, (ii) ESG strategy, and (iii) ESG risk management and monitoring.

Our Board is the highest responsible and decision-making body for our Group's ESG-related management and issues, and bears ultimate obligation for our Group's ESG targets, initiatives, and strategy.

For the sake of fulfilling our obligations as a responsible member of the society, we are dedicated to promoting environmental protection, social responsibility, and best corporate governance practices. Therefore, we have integrated ESG matters into corporate management and operations and we are committed to complying with the ESG reporting requirements upon **[REDACTED]**.

We attach importance to ESG risk identification and strive to implement risk mitigation measures. We have identified climate-related risks and opportunities, and carried out corresponding mitigating measures, relevant details please refer to section "Response to Climate Change".

ESG Goals

We focus on areas such as business ethics, employee responsibility, sustainable supply chain, environmental responsibility and community engagement, and we intend to put our efforts in the following directions and goals:

(i) Business ethics: we are committed to preventing corruption incidents from occurring through an effective business ethics management system including policies and procedures, whistle-blowing mechanisms, and regular anti-corruption training for all employees.

(ii) Environmental responsibility: we will continuously strive to improve our resource utilisation efficiency, reduce our own carbon emissions, and increase the proportion of resource recycling.

(iii) Employee responsibility: we value our employee as valuable assets of the Group and are committed to protecting their rights, such as protecting their safety and health, providing competitive salaries, offering a well-rounded welfare system, and increasing employee engagement and satisfaction.

(iv) Sustainable supply chain: we strive to build a sustainable supply chain with our suppliers. To realise this, we continue to optimise our supply chain management system and require suppliers to fulfil their ESG responsibilities in aspects of labour management, environmental protection, privacy protection, business ethics, occupational health and safety, etc.

(v) Community engagement: we are committed to continuously increasing public welfare investment and striving to make our own contributions to society.

Materiality Assessment

To understand the scope and long-term impact of different ESG issues on our operation, long-term development, and to continuously improve the ESG management and related information disclosure of our Group, we conduct materiality assessment based on the consideration of our business status quo, industry trends, national macro-environment, and regular communication with our stakeholders. As a result, we have identified material ESG issues for our Group and prioritise them in the implementation of our sustainability values and goals.

Business ethics

Our Group has long placed great emphasis on the construction of anti-corruption management, regarding it as a crucial cornerstone for the healthy, stable, and sustainable development of the enterprise. Our Group has incorporated anti-corruption related clauses into important documents such as the "Supplier Code of Business Conduct" (《供應商商業行為規範》), comprehensively infiltrating the anti-corruption concept into every aspect of corporate operations and employees' daily work.

Through multi-channel publicity and education, all employees can understand the significant meaning of anti-corruption work for the development of the enterprise, creating a strong anti-corruption culture atmosphere within the enterprise and forming a good situation where everyone participates and abides by the rules.

During the Track Record Period, we ensured compliance with all relevant PRC laws and regulations.

Environmental responsibility

As a technology enterprise that provides high-end equipment technology services, our environmental impact during operation is relatively minimal. Nevertheless, we are well aware that there is an increasing emphasis on environmental protection in today's society. Therefore, we strictly comply with the environmental laws and regulations of the PRC and implement environmental protection measures.

Response to climate change

Our Group is acutely aware that climate change poses a complex challenge. We recognise that it may significantly impact society and our daily operations. Our Group may encounter financial losses and non-financial setbacks due to environmental and climate-related risks. Identifying both current and potential risks to our business and proactively managing and responding to them is vital for our sustainable development. These risks mainly include:

(i) Physical risks: Stemming from the physical impacts of climate change, acute events like floods, typhoons, and droughts, or chronic changes such as long-term temperature increases and sea-level rise, can disrupt our supply chain and damage our manufacturing facilities.

(ii) Transition risks: Associated with regulatory, market, and reputational changes, these may require our Group to allocate more resources for climate change mitigation and adaptation. Stricter regulations and market trends towards sustainability may prompt us to upgrade manufacturing processes and innovate to maintain competitiveness and reputation.

To better address the climate risks, our Group has issued the *" Extreme Weather Emergency Plan" (《極端天氣應急預案》)* and the *"Work Arrangements Under Special Weather Condition"(《特殊天氣工作安排規定》)*. These contingency plans clarify the responsibilities of different departments in extreme weather conditions, detailing warning levels, response measures, emergency procedures, support measures, and training requirements, and listing corresponding management measures to ensure employee safety.

Set forth below is a summary of the climate-related risks we have identified, their actual or potential impacts, and the mitigating measures we have taken or plan to take:

Climate-related risk	**Time impact**	**Actual or potential impact**	**Mitigating measures**
Extreme weather like floods and typhoons disrupting the supply chain, affecting the production.	Short-term (1–3 years)	Can cause production interruption, increase production costs, delay order deliveries, reduce customer satisfaction, and thus impact revenue.	Build a diversified supply chain system and establish partnerships with multiple suppliers. Strengthen communication and collaboration with suppliers to jointly address extreme weather risks.

Climate-related risk	Time impact	Actual or potential impact	Mitigating measures
Regulators imposing strengthened disclosure requirements on carbon emissions accounting, green manufacturing standards, etc.,	Short-term (1–3 years)	Causing risks such as regulatory penalties and damage to reputation if fail to meet the requirements.	Establish a professional environmental data management team responsible for accurate accounting and collation of carbon emissions and other data. Regularly invite external experts to guide and review the company's disclosure work.
Customer demanding products with lower energy consumption and higher environmental performance.	Medium-term (4–9 years)	May lead to order losses, a decline in market share, and damage to the company's brand image and reputation within the industry.	Increase investment in green manufacturing technology research and development, optimise product design, and improve product energy efficiency. Establish a customer demand tracking mechanism to promptly understand market demands for green products.

Climate-related risk	Time impact	Actual or potential impact	Mitigating measures
Stricter climate policies raise the threshold for green manufacturing in the industry, such as increasing energy consumption standards and limiting total carbon emissions.	Medium-term (4–9 years)	May need to invest a large amount of capital to upgrade production equipment and optimise production processes to meet the requirements, increasing operating costs.	Plan ahead for green manufacturing technology and actively participate in the formulation of industry green manufacturing standards. Give priority to suppliers that use renewable energy and have energy-efficient equipment.
Global and domestic carbon neutrality goals drive the industry towards in-depth green transformation, and customers' demands for full-life-cycle green manufacturing services are increasing.	Long term (10 years or more)	May raise operating costs due to higher R&D input. May also lose market competitiveness if fail to keep up with the industry's green transformation pace.	Formulate a long-term green development plan. Increase the introduction and cultivation of green manufacturing talents to promote the company's continuous innovation.

Air pollutant management

Our Group's emissions of air pollutants mainly come from business vehicle use, with nitrogen oxides (NOx), sulphur oxides (SOx), and particulate matter (PM) being the primary contaminants. To mitigate these emissions, our Group ban high-emission vehicles like diesel trucks with National IV or lower standards. We also promote new energy vehicles with incentives such as green channels, preferential parking, and free new energy charging stations. All vehicles, whether from outside or within our group, must go through a declaration and review process to ensure they meet emission standards.

The table below demonstrates a breakdown of our air pollutant emission generated from business vehicles record during the Track Record Period:

Air pollutant emission(Note 1)	Unit	FY2022	FY2023	FY2024
Nitrogen oxides (NOx)	kg	14.63	19.27	17.99
Sulphur oxides (SOx)	kg	0.12	0.16	0.15
Particulate matter (PM)	kg	1.24	1.63	1.53

Note:

1. In 2022, Shanghai experienced an approximately three-month epidemic lockdown, resulting in less use of company vehicles for our Group.

Waste management

We ensure all waste treatment activities fully comply with PRC laws and regulations, guaranteeing safe and compliant handling throughout the process.

In our operations, the hazardous waste generated by our Group mainly includes used emulsion liquids and their packaging, as well as waste rags. These hazardous substances have the potential to cause harm to the environment and human health if not managed appropriately. We manage these hazardous wastes properly and regularly engage professional third-party organisations to dispose them, ensuring that the entire process does not cause harm to the environment.

As for non-hazardous waste, it mainly consists of ordinary office waste and harmless waste materials generated during production. We have signed contract with a qualified waste material recycling company to recycle and process materials such as wood, paper, and plastic from our waste, in order to promote circular economy.

The table below sets forth a breakdown of the amount of waste generated during the Track Record Period:

Waste generation	Unit	FY2022	FY2023	FY2024
Hazardous waste	tonne	8.74	8.45	6.17
Intensity of hazardous waste	tonne/million RMB of revenue	0.06	0.03	0.01
Non-hazardous waste	tonne	95.47	102.82	110.16
Intensity of non-hazardous waste	tonne/million RMB of revenue	0.70	0.31	0.21

Use of resources

As a high-tech enterprise, we obtain our resources from standard sources. In terms of energy, the main energy consumption in our operations include the gasoline and diesel used by company-owned vehicles. Regarding electricity, it powers our operations. For water resources, we rely on the municipal water supply. This water is used in multiple aspects of our company, including the daily operations of manufacturing facilities, maintaining the hygiene of our premises, and meeting the needs of our employees in office buildings and canteens. Overall, our business activities have a relatively minor impact on these resources.

Our Group strictly abides by all relevant PRC laws and regulations regarding resource management. We are committed to enhancing resource-use efficiency through continuous optimisation to minimise any potential negative environmental effects. We place great importance on energy conservation and consumption reduction. Internally, we have implemented a series of resource-saving rules. For example, we have set temperature limits for office air conditioners to avoid excessive energy use. In our manufacturing facilities, we require regular equipment maintenance to ensure optimal energy-efficiency. We also encourage employees to reuse water when possible and report water leaks in faucets, pipes, or toilets immediately when noticing them. Through these efforts, we aim to continuously reduce our resource usage and contribute to a more sustainable future.

The Integrated Project of the Production, R&D and Operation Headquarters for High-end CNC Equipment in the Aerospace Industry under construction by the Group incorporates energy conservation concepts in various aspects such as building design, electricity usage, water supply and drainage, and renewable energy utilisation. As evaluated by the *Shanghai Energy Efficiency Centre (上海市能效中心)*, the project will only have a minor impact on the regional energy consumption increment control target. The project will be completed in 2027.

The table below sets forth a breakdown of our energy and resource consumption during the Track Record Period:

Energy and resources consumption	Unit	FY2022	FY2023	FY2024
Gasoline consumption	litre	7,390.00	10,160.00	9,140.00
Diesel consumption	litre	680.00	840.00	840.00
Direct energy consumption *(Note 1)*	MWh	78.23	106.58	96.74
Direct energy consumption intensity	MWh/million RMB of revenue	0.58	0.32	0.18
Electricity consumption *(Note 2)*	MWh	1,299.14	1,805.46	2,201.58
Electricity consumption intensity	MWh/million RMB of revenue	9.57	5.40	4.14
Water consumption	tonne	4,580.00	5,171.00	4,476.00
Water consumption intensity	tonne/million RMB of revenue	33.73	15.45	8.42

Notes:

1. Including gasoline and diesel consumption by self-owned vehicles.

2. In 2022, Shanghai experienced an approximately three-month epidemic lockdown, resulting in low electricity consumption for our Group.

Greenhouse gas emissions

Our Group is highly attentive to greenhouse gas (GHG) emissions and is determined to find effective ways to reduce carbon emissions. We have put in place multiple relevant measures to minimise GHG emissions.

We have formulated and followed the *"Vehicle Carbon Emission Management Measures" (《車輛碳排放管理舉措》)*, to restrict high emission vehicles and encourage the use of new energy vehicles. We have also established the *"Energy Conservation and Consumption Reduction Management Regulations" (《節能降耗管理規定》),* which implemented a series of energy-saving measures. For example, it specifies temperature setting requirements for summer and winter, and air-conditioners should not be turned on when there is no one in the room. Also, for lighting, employees are encouraged to use natural light when possible, and the last person leaving a work area needs to turn off the lights. Furthermore, personal computers are set to auto-screen-off, and devices like projectors and displays should be turned off after use.

In addition, we are actively promoting the transition to renewable energy to advance the process of carbon reduction. Our group has partnered with a new energy company to install photovoltaic power generation facilities on the rooftop of the company's factory, which will be put into operation from 2025.

The table below sets forth our GHG emissions during the Track Record Period:

GHG emission	Unit	FY2022	FY2023	FY2024
Scope 1	tonne CO_2e			
Greenhouse Gas direct emission*(Note 1)*		24.78	31.85	29.41
Scope 2	tonne CO_2e			
Greenhouse Gas indirect emission*(Note 2)*		723.36	1,005.28	1,225.84
Scope 3	tonne CO_2e			
other Greenhouse Gas indirect emission*(Note 3)*		1.77	2.00	1.73
Total Greenhouse Gas Emissions	tonne CO_2e	749.91	1,039.13	1,256.98
Total Greenhouse Gas Emissions Intensity	tonne CO_2e/million RMB of revenue	5.52	3.11	2.36

Notes:

1. Scope 1 direct emission includes the GHG emissions from our self-owned business vehicles and usage of refrigerant. Emissions factors refer to the "HKEx - How to prepare an ESG Report Reporting Appendix 2: Reporting Guidance on Environmental KPIs"

2. Scope 2 indirect emission primarily includes the GHG emissions from our usage of purchased electricity. The emission factor is referred from the database of IEA and Chinese average emission factor of the national power grid. In 2022, Shanghai experienced an approximately two-month epidemic lockdown, resulting in low scope 2 GHG emissions for our Group.

3. Scope 3 other indirect emission includes the GHG emissions from electricity for the treatment of water and wastewater.

Employee Responsibility

Employees are an important asset to our group, and their growth significantly contributes to the group's development. Guided by our people-oriented philosophy, we are dedicated to offering employees fair and just opportunities, a healthy and safe working environment, and a democratic and harmonious corporate atmosphere.

Employment

We are subject to various PRC laws and regulations on compensation, dismissal, equal opportunities, diversity, and anti-discrimination. We sign labour contracts with our employees to safeguard their legitimate rights and interests and ensure the legal compliance of the dismissal process. We adhere to the principle of diversified employment, implement the talent diversification development strategy, respect and tolerate the differences among employees in all aspects. We ensure that factors such as skin colour, nationality, gender, age, ethnicity, marital status, religious belief, and household registration do not influence the hiring, treatment, or promotion of employees. This approach creates a working environment that fosters mutual respect, understanding, and integration for employees from different cultural backgrounds. In addition, we actively support the employment of people with disabilities and provide them with suitable jobs based on their ability and needs.

We attach great importance to safeguarding employees' rights and interests. In strict accordance with relevant regulations, we explicitly prohibit the employment of child labour and forced labour. All of our employees are required to be at least 18 years old. In addition, we exercise strict management over employees' overtime work. We encourage employees to strike an optimal work-life balance, believing that this not only benefits their personal well-being but also enhances overall work efficiency and job satisfaction.

We comprehensively consider factors such as market level, job value, employee performance and skill level to determine employee salaries and bonuses, and strive to provide employees with competitive remuneration packages:

(i) Basic salary.

(ii) Performance bonus.

(iii) Annual bonus.

(iv) Other performance incentive bonuses.

(v) Salaries in cash or non-cash form for short-and long-term incentives.

(vi) Welfare: vacations and insurance.

The table below sets forth a composition of our total workforce during the Track Record Period:

Employment Indicators		**As at 31 December**	
	2022	**2023**	**2024**
By Gender			
Male	366	377	368
Female	66	76	69
By Employment Type			
Full-time	425	445	429
Part-time	7	8	8
By Age Group			
Under 30 years old	67	77	67
30 – 50 years old	319	333	329
Over 50 years old	46	43	41
By Geographical Region			
Mainland China	419	448	436
Others	13	5	1
Total	**432**	**453**	**437**

Employee Turnover Rate	**FY2022**	**FY2023**	**FY2024**
By Gender			
Male	37%	30%	40%
Female	18%	3%	12%
By Employment Type			
Full-time	33%	26%	36%
Part-time	83%	0%	0%
By Age Group			
Under 30 years old	51%	7%	40%
30 – 50 years old	34%	32%	38%
Over 50 years old	10%	9%	5%
By Geographical Region			
Mainland China	33%	24%	35%
Others	56%	89%	133%
Total	**34%**	**26%**	**36%**

Occupational Health and safety

Occupational health and safety (hereinafter referred to as "**OHS**") holds a top-priority position in our corporate operations. We are strictly compliant with a wide range of PRC laws and regulations governing labour, safety, and work-related incidents. We are committed to creating a caring and dynamic work environment, placing the physical and mental well-being of our employees at the forefront. To safeguard everyone's physical health, we regularly arrange comprehensive health check-up services. Given the nature of our business, our workplaces primarily include offices and warehouses. To ensure a safe working environment and enhance OHS awareness across our Group, we have implemented a series of measures:

(i) Implement rigorous safety guidelines on warehouse fire safety, equipment operation, cargo and personnel.

(ii) Conduct monthly safety inspections of the warehouse and maintenance of fire protection facilities to ensure that our equipment is safe for use.

(iii) Carry out regular emergency drills to ensure that all of our employees are equipped with the necessary awareness and technical skills.

(iv) Develop the "Comprehensive Emergency Plan for Work Safety Accidents" to systematically improve our safety management system and enhance our ability to handle work safety accidents.

(v) Equip first-aid toolkit box to help employees cope with sudden physical discomfort.

(vi) Conduct special safety training for employees annually to enhance their safety awareness.

During the Track Record Period, we did not have any material non-compliance issues and accidents with regard to occupational health and safety. Our health and safety data for the Track Record Period are listed out below:

	FY2022	**FY2023**	**FY2024**
Number of work-related fatalities (person)	0	0	0*(Note 1)*
Number of work-related injuries*(Note 2)*	2	2	6
Lost days due to work-related injury (day)*(Note 3)*	38	111	211

Notes:

1. In 2024, an employee of our Group suffered from a fatal incident. It was an unexpected accident happened during a business trip which he sustained a slip-and-fall accident during meal service. Our Group was not held liable for the incident as it happened outside of the regular workplace and normal working hours. Out of humanitarian considerations, our Group has provided compensatory support to the employee's family.

2. According to the national standard of "Disability Level of Occupational Injury and Occupational Diseases in Labour Capacity Appraisal" 《勞動能力鑒定職業工傷與職業病致殘等級》, all the appraisals of the work-related injuries during the Track Record Period were at level 9 or 10, indicating minor injury situations. These work-related injuries have not caused any claims for personal or property damage.

3. The cumulative number of working days lost by all employees.

Development and Training

We attach great importance to the career development and growth of talents and formulated the Training Management System (*《公司培訓制度》*) and New Employee Training Management System (*《新員工培訓管理制度》*).

Quality training is an important means to achieve staff development. We have implemented clear regulations on training plans, training types, training implementation and impact evaluation, and developed a comprehensive training plan every year, covering various topics such as leadership training, professional and technical personnel development, communication ability improvement as well as project management ability strengthening. Post-training evaluations are conducted through written tests, hands-on assessments, or oral defences to measure employee learning outcomes. Our diversified and multi-level training system can fully stimulate the potential of employees and improve their professional abilities.

Supply Chain Management

We have developed a series of internal policies for supply chain management and established an evaluation and assessment mechanism that covers the entire lifecycle of suppliers. We mandate that suppliers and outsourcers furnish relevant qualifications and certifications, such as business licences and production and operation licences. Besides, we give preference to suppliers who demonstrate good ESG management and practices such as capabilities of good customer services, production capacity, clothing process control, quality control, and their obtaining of ESG-related certifications such as ISO 9001 (Quality Management System Certification). When introducing new suppliers, after passing the on-site assessment and review, they can only be officially recognised as regular suppliers after a trial period. In case of any quality issues, they will be immediately rejected. Besides, all brand applications and supplier introductions must be approved by the Quality Director.

Community Engagement

We are committed to contributing to the public welfare and sharing our corporate social responsibility. We continue to devote ourselves to public welfare, and during the Track Record Period, we have invested RMB300,000 in total. To promote the core values of our corporate culture, as of 2024, we have made cumulative donations of RMB200,000 to the *Shanghai Minhang District Society for Promotion of the Guangcai Programme* (上海市閔行區光彩事業促進會), mainly supporting public welfare projects such as educational assistance for students and assistance to the elderly. In September 2023, we also donated RMB100,000 to the *Love Rescue, Warmth for Thousands of Families project* (愛心救助，情暖萬家項目) through the *Shanghai Charity Foundation* (上海市慈善基金會). We will spare no effort in giving back to the community and contributing to the building of a harmonious and sustainable society.

PROPERTIES

We occupy certain properties in China and overseas primarily as our production facilities, offices and staff dormitories. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as at 31 December 2024, none of our properties has a carrying amount of 15% or more of our consolidated total assets.

Owned Properties

As at the Latest Practicable Date, we owned two parcels of land with a total site area of approximately 49,807.71 sq.m. located in China. We use the two parcels of land for construction of our Jiaxing Production Base and Zhuanqiao Production Base.

Leased Properties

As of the Latest Practicable Date, we leased seven properties from Independent Third Parties with an aggregate gross floor area of approximately 20,440.88 sq.m. including 15,139.26 sq.m. for our Minhang Production Base in the PRC, which had been used mainly as our production facilities, office and staff dormitory.

As of the Latest Practicable Date, we also leased one property from Independent Third Party with an aggregated gross floor area of approximately 280.45 sq. m. in Germany, which had been used mainly as warehouse and office.

Lease Registration and Filing

As of the Latest Practicable Date, three leased properties in the PRC with an aggregate floor area of 1,169.84 sq.m. used as our staff dormitories had not been registered and filed with the relevant real estate administration bureaus in the PRC. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in us being required to vacate the leased properties. However, the relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 on each lease agreement that is not registered and filed, and therefore a maximum penalty of RMB30,000 in aggregate. Based on the number of these properties and the cities where they are located, we believe the likelihood that we will be punished due to failure to register and file all the relevant lease agreements at the same time is remote. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any administrative penalties imposed by the competent authorities for failing to complete the registration and filing of the lease agreements. Upon expiry of these lease agreements, we will assess the legal risk when renewing the relevant lease agreements. Having considered the foregoing, our Directors believe that the non-registration of leases described above will not, individually or in the aggregate, materially affect our business and results of operation, on the grounds that: (i) the limited number of leased properties involved; (ii) the likelihood that we will be punished due to the registration and filing is remote; and (iii) there are alternative properties at comparable rental rates on the market.

LICENCES, PERMITS AND CERTIFICATES

As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had obtained all licences, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in the PRC, and such licences, permits, approvals and certificates remained in full effect. We are required to renew such licences, permits, approvals and certificates from time to time. As advised by our PRC Legal Advisor, we do not expect any legal obstacles in such renewals so long as we meet the applicable requirements and conditions set by the relevant government agencies and adhere to procedures set forth in the relevant laws and regulations.

LEGAL AND COMPLIANCE

Legal Proceedings

We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business. As of the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings pending or threatened against our Company or any of the Directors which could have a material and adverse effect on our financial condition or results of operations. During the Track Record Period and up to the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings against our Company or any of the Directors which had caused a material and adverse effect on our business, results of operations or financial condition.

Non-compliance

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed below, there were no material breaches or violations of the laws or regulations applicable to us that would have a material adverse impact on our business, results of operation and financial conditions taken as a whole, and we have complied with all applicable laws and regulations in the relevant jurisdictions where we operate in all material respects during the Track Record Period and up to the Latest Practicable Date.

Incorrect customs declaration

Details of incident

In March 2022, a third party freight agent appointed by us in relation to an import of carbon fiber fabric in the amount of EUR135,000 has mistakenly submitted customs declaration with an incorrect commodity classification code with an applicable duty rate of 10%. Upon review, the Shanghai Pudong International Airport Customs (the "**Shanghai Pudong Customs**") determined the correct classification should have been an applicable duty rate of 17%, and therefore an underpaid tax amount of RMB84,559.64.

Reasons

To the best knowledge of our Directors, responsible staff of the third party freight agent had mistakenly filled in the customs declaration with an incorrect classification due to the inadvertent mistake.

Legal consequences

According to the Administrative Penalty Discretion Benchmark of the People's Republic of China Customs (No. 1) (《中華人民共和國海關行政處罰裁量基準(一)》), the administrative penalty imposed for the aforesaid incident should be a fine in the amount of 60% or more but less than 100% of the underpaid tax. The Shanghai Pudong Customs imposed on our Group an administrative penalty of RMB51,000 for the aforesaid incident.

Remedial actions and potential impact on the Group

We have fully settled the administrative penalty for the aforesaid incident and taken remedial actions to enhance our internal policies in this regard. According to the Administrative Penalty Law of the People's Republic of China (《中華人民共和國行政處罰法》), no entity shall be imposed administrative penalty for more than once for the same illegal act. Furthermore, we have adopted internal policies to enhance our customs declaration procedures, and all relevant information even if is filled in by third party freight agent shall be reviewed and checked by our responsible staff before declaration. We will also continue to provide adequate training to our staff in relation to compliance requirement and appropriate working procedure.

Based on the advice of the PRC Legal Advisors, our Directors are of the view that the aforesaid incident will not have a material adverse impact on our business operations or financial condition. Furthermore, our Directors confirm that our Group's enhanced internal policies is sufficient for the purpose of avoidance of occurrence of similar non-compliance incident and ensuring ongoing material compliance with the relevant laws and regulations.

Business activities with the certain suppliers and customers subject to International Sanctions

The Relevant Sanctions Authorities, in particular the U.S. and the U.K. governments, have imposed International Sanctions programmes that are applicable to designated persons/entities and export control restrictions which are applicable to specific goods.

We have engaged Holman Fenwick Willan LLP, our legal advisors as to International Sanctions to review our compliance with International Sanctions and evaluate our sanctions risks. During the Track Record Period, we sold products to certain customers (the "**Relevant Customers**") and purchased/acquired supplies/products from certain supplier (the "**Relevant Suppliers**") (Relevant Customers and Relevant Suppliers together as the "**Relevant Parties**") which are either (i) placed on the list of Specially Designated Nationals and Blocked Person (the "**SDN List**") maintained by the Office of Foreign Assets Control (the "**OFAC**") or subject to asset freeze under The Russia (Sanctions)(EU Exit) Regulations 2019 (the "**UK Regulation**") subsequent to our sales or procurement; or (ii) subject to export control under the Export Administration Regulations (the "**EAR**") which the Group did not exceed the relevant *de minimis* level of U.S.-origin product. During the Track Record Period, our Group did not conduct (i) any sales or procurement with any entities placed on the SDN list and subject to the UK Regulation at the relevant time; or (ii) any sales which exceed the relevant *de minimis* level of U.S.-origin product under the relevant EAR; and our International Sanctions Legal Advisor did not consider that our Group's businesses with the Relevant Suppliers and the Relevant Customers during the Track Record Period would have implicated any material sanction risks. For illustration purposes, in relation to FY2022, FY2023 and FY2024, (i) our procurement from the Relevant Suppliers amounted to RMB2.95 million, RMB0.07 million and RMB0.65 million, representing approximately 1.84%, 0.03% and 0.20% of our total cost of sales, respectively; and (ii) our total revenue derived from the Relevant Customers was nil, RMB19.89 million and RMB104.40 million, respectively, representing approximately nil, 5.94% and 19.64% of our total revenue, respectively.

Economic sanctions

The U.S. sanctions include list-based sanctions that prohibit U.S. persons to have any dealings with or facilitate dealings with parties designated on the list of Specially Designated Nationals and Blocked Person (the "**SDN List**") maintained by the Office of Foreign Assets Control (the "**OFAC**"). U.S. persons are not permitted to have any dealings whatsoever with or facilitate dealings with parties designated on the SDN List unless authorised by the OFAC. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the U.S.

The Russia (Sanctions)(EU Exit) Regulations 2019 (the "**UK Regulation**") prohibits persons with a UK nexus from dealing with funds or economic resources owned, held or controlled by a designated person under the regulation.

During the Track Record Period, we purchased certain milling, cutting tools and accessories from certain Relevant Suppliers prior to such entities were listed on the SDN List or subject to asset freeze under the UK Regulation. The Relevant Suppliers were listed on the SDN List or were subject to asset freeze under the UK Regulation subsequent to our sales or procurement. On the basis that (i) our Group did not conduct any business transactions with each of the Relevant Suppliers since it was listed as sanctioned entities by the Relevant Sanctions Authorities of the U.S. or the U.K.; (ii) our Group was not involved in any payment, products and services to or from each of the Relevant Suppliers since it was placed on the SDN List or subject to asset freeze under the U.K. Regulation; and (iii) since the Relevant Suppliers have been placed on the SDN List or subject to asset freeze under the U.K. Regulation, our Group has not ordered and will not order any further supplies or accept any orders from the Relevant Suppliers, the International Sanctions Legal Advisor does not consider our Group's business with the Relevant Suppliers during the Track Record Period would have implicated any material sanction risks.

Export control

Each of the Relevant Customers (i.e. Relevant Customer W, Relevant Customer X, Relevant Customer Y and Relevant Customer Z) is included as a "military end user" (the "**MEU**"), which are entities that the U.S. considers "represent an unacceptable risk" of using or diverting goods for military end use or to military end users in China, Russia, or Venezuela. These entities are included in the Military End User List set out in Supplement No. 7 to Part 744 of the Export Administration Regulations (the "**EAR**"), being regulations issued by the U.S. Department of Commerce, the U.S. Bureau of Industry and Security (the "**BIS**") relating to the control of certain exports, re-exports, and other activities. To the extent any of our Group's products fall within the scope of Supplement No. 2 to Part 744 of the EAR, and are transported through the U.S., or integrate above-threshold U.S.-origin product, they are subject to the EAR. Where subject to the EAR, U.S. rules would prohibit our Group from providing the goods to any MEUs. To that end, our Group would be prohibited from providing such goods to the Relevant Customers, where they pass through the U.S., consist of U.S.-origin product, or exceed the *de minimis* level of U.S.-origin product, or of course if they exported from the U.S. or re-exported.

Our Group's sales of computerised, numerical control systems and products which aggregated to an amount of approximately RMB124.29 million to the Relevant Customers, were as advised by the International Sanctions Legal Advisor not related to any of the aforesaid items or is intended for military usage, no goods involved in the sale of products of our Group incorporate more than the applicable *de minimis* amount of U.S.-origin products, parts, commodities, software or technology under the EAR, and neither our Company nor any of its subsidiaries, affiliates, agents, directors, officers, or employees are engaged in the transactions business or financial dealings relating to the Relevant Customers that directly or indirectly involve or benefit a person or entity were a U.S. person. On such basis, the International Sanctions Legal Advisor considers that it is unlikely these U.S. export controls will apply to the Group's products and would have implicated any export control risks.

NS-CMIC List

Relevant Customer Z is on the Non-SDN Chinese Military-Industrial Complex Companies List (the "**NS-CMIC List**" pursuant to the U.S. President Executive Order 14032 (the "**CMIC EO"**), which restrict the purchase or sale of any publicly traded securities by any U.S. persons. Our Company is not ultimately owned by a U.S. person and does not have any U.S.-based subsidiaries. However, to the extent any director or employee of our Company is a U.S. citizen or permanent resident, they would be considered U.S. persons and generally subject to such CMIC EO prohibitions. Nonetheless, the U.S. persons employed by non-U.S. employers may be involved in the purchase or sale of these securities on behalf of their employer in the ordinary course of business, subject to safeguards. The CMIC EO does not apply to transactions unrelated to securities, such as the sale of goods or services.

Since the nature of the transactions with Relevant Customer Z were not related to their securities; and neither our Company nor any of its subsidiaries, affiliates, agents, directors, officers, or employees are engaged in the transactions business or financial dealings relating to Relevant Customer Z that directly or indirectly involve or benefit a person or entity were a U.S. person. On such basis, the International Sanctions Legal Advisor did not consider the Group's business with Relevant Customer Z during the Track Record Period would have implicated any material International Sanction risks.

CMC List

Relevant Customer Z is currently included on the list of "Chinese military companies" (the "**CMC List**"), which is identified and published by the U.S. Secretary of Defence annually. There is no restrictions on CMC currently imposed, which would apply to our Company. Indeed, U.S. and non-U.S. companies are not currently restricted from doing business with CMCs unless they are otherwise sanctioned/restricted.

Several future restrictions are planned to come into effect in 2026 and 2027. Most significantly, pursuant to section 805 of the NDAA (2024), the U.S. Department of Defence is prohibited as of 2026 and 2027 respectively, from entering into, renewing, or extending a contract (a) for the procurement of goods, services, and technology with an entity on the CMC List (effective June 2026), and (b) for the procurement of goods or services that include goods or services produced or developed by an entity on the CMC List (effective 2027). Since (i) there do not appear to be any current restrictions on CMCs; (ii) the lack of any U.S. nexus; (iii) the potential future restrictions as mentioned above will only become effective in 2026 and 2027, and (iv) our Group's transaction with Relevant Customer Z does not involve any contract(s) with the U.S. Department of Defence. On such basis, the International Sanctions Legal Advisor did not consider our Group's business with Relevant Customer Z during the Track Record Period would have implicated any material International Sanction risks.

Analysis conclusion

In summary, our International Sanctions Legal Advisor has advised us that the business activities of our Group during the Track Record Period did not result in and are not subject to any material International Sanctions risk relating to the Relevant Persons under the International Sanctions programmes.

Our International Sanctions Legal Advisor is of the view that the involvement by the **[REDACTED]**, the Stock Exchange and its related group companies, our Company's investors and shareholders, the Joint Sponsors and the **[REDACTED]** in the **[REDACTED]** should not implicate any applicable International Sanctions risk on them.

While we will cease all business dealing with the Relevant Suppliers being on the SDN List or subject to asset freeze under the U.K. Regulation, we do not intend to increase the levels of our business dealings with the Relevant Customers or Relevant Suppliers which are listed on other International Sanctions programmes as of the Latest Practicable Date. We shall continue and maintain our compliance with International Sanctions laws and regulations by strictly following our internal control measures, and to cease business activities with the relevant sanctioned customers and suppliers, if and when required.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Board is responsible for the overall effectiveness of our risk management and establishing our internal control system and reviewing its effectiveness. We have established and we maintain risk management and internal control systems consisting of policies and procedures that are appropriate for our business operations, and we are dedicated to continuously improving and implementing these systems to ensure our policies and implementation are effective and sufficient.

In preparation for the **[REDACTED]**, we have engaged an independent third-party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of our internal controls over financial reporting in March 2025 (the "**Internal Control Review**"). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, (5) monitoring, (6) financial reporting procedures, (7) sales and receivables management, (8) procurement and payables management, (9) production and cost management, (10) inventory management, (11) human resources and payroll management, (12) banking, monetary funds and cash management, (13) investment and financing management, (14) expense management, (15) fixed assets management, (16) tax management, (17) R&D and intangible assets management, (18) insurance management, (19) information systems management and (20) contract management process. The Internal Control Consultant performed the follow-up reviews in May 2025 to review the status of the management actions taken by us to address the findings of the Internal Control Review (the "**Follow-up Review**"). The Internal Control Consultant did not have any further recommendation in the Follow-up Review. The Internal Control Review and the Follow-up Review were conducted based on information provided by our Group and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Having considered the report prepared by our Internal Control Consultant, the Directors confirmed that all of the major recommendations provided by the Internal Control Consultant have been followed and corrective actions were taken accordingly to address our internal control deficiencies and weaknesses. Our Directors are of the view that our enhanced internal control measures are adequate and effective to ensure compliance with relevant laws and regulations going forward.

Financial Reporting Risk Management

Our finance department is responsible for overseeing the financial reporting risk management of our Group. We have in place a series of accounting policies in connection with our financial reporting risk management, such as financial report management policies, budget management policies, financial statements preparation policies and financial department and staff management policies. We have various procedures in place to implement accounting policies, and our financial department reviews our management accounts based on such procedures. We also provide regular training to our financial department staff to ensure that they understand our accounting policies.

Data Privacy and Security Risk Management

We have formulated IT security-related policies and management procedures in order to establish clear procedures in relation to IT-related aspects of our operations such as the operation and maintenance of our information system, personal information security management and network and database management.

We also collect certain types of data which may be considered as personal information under the applicable laws and regulations. We believe that appropriate collection, storage and protection of end user data is critical to our success. As such, we have implemented relevant internal procedures and policies to ensure our IT infrastructure is secure enough to protect the end user data and avoid unauthorised leakage or loss of such data. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material system failure in our IT infrastructure, or any material leakage or loss of end user data.

Our IT department is responsible for ensuring the security of our IT infrastructure and our data compliance joint work group is responsible for ensuring that the collection and protection of end user data are in compliance with our internal rules and the applicable laws and regulations.

Human resource risk management

We invest in continuing education and training programmes, including regular and tailor-made internal and external training, for our employees in different departments. Through these trainings arranged by our human resources department, we ensure that skill sets of our employees are updated constantly. We maintain strict standard in recruiting to ensure that the quality of the new hires and we conduct periodic performance reviews for all our employees.

We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, confidentiality, work ethics, fraud prevention mechanism, negligence and corruption.

We also have in place an anti-corruption policy to safeguard against any corruption within our Company. The policy explains potential corruption conducts and our anti-corruption measures. Our internal reporting channel is kept open and available for our staff to report any corruption acts on an anonymous basis. Our business, finance, legal and internal control departments are responsible for overseeing the implementation of the anti-corruption policy and investigating the reported incidents in order to take appropriate measures.

OVERVIEW

As of the Latest Practicable Date, Dr. Wang controlled approximately 38.7% of the voting power at the general meetings of our Company, comprising (1) approximately 36.8% beneficially owned by him directly and (2) approximately 1.9% beneficially owned by Tuoxian Technology, an employee share ownership platform which is controlled by Dr. Wang as its general partner. Upon the **[REDACTED]**, Dr. Wang will control approximately **[REDACTED]**% of the voting power at the general meetings of our Company, comprising (i) approximately **[REDACTED]**% beneficially owned by him directly and (ii) approximately **[REDACTED]**% beneficially owned by Tuoxian Technology, assuming the **[REDACTED]** is not exercised. Therefore, Dr. Wang and Tuoxian Technology are a group of our Controlling Shareholders as of the Latest Practicable Date and will be our single largest group of Shareholders upon the **[REDACTED]**.

NO COMPETITION AND CLEAR DELINEATION OF BUSINESS

Our Controlling Shareholders have confirmed that as of the Latest Practicable Date, none of them or any of their respective close associates had any interest in a business that competes or is likely to compete, either directly or indirectly, with our business, which is subject to disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Management Independence

Our business is primarily managed and conducted by our Board and senior management. Upon the completion of the **[REDACTED]**, our Board will comprise of three executive Directors, two non-executive Directors and three independent non-executive Directors. For details, see "Directors and Senior Management" in this document.

Our Directors believe that our Board and senior management is able to manage our business and function independently from our Controlling Shareholders based on the following reasons:

(1) each of our Directors is aware of his/her fiduciary duties as a Director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;

(2) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Directors shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum;

(3) we have three independent non-executive Directors, who have extensive experience in different areas and have been appointed to ensure that the decisions of our Board are made after due consideration of independent and impartial opinions. Certain matters of our Company must always be referred to the independent non-executive Directors for review in accordance with the Listing Rules, the applicable laws and our Articles of Association and internal policies;

(4) our daily management and operations are carried out by our senior management team. Except Dr. Wang himself and save as otherwise disclosed in "Directors and Senior Management" section of this document, our senior management team members are independent from our Controlling Shareholders, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interest of our Group; and

(5) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For details, see "– Corporate Governance" in this section.

Operation Independence

We have established our own organisational structure comprised of individual departments, each with specific areas of responsibilities. We have also established various internal control procedures to facilitate the effective operation of our business. Our Group is not operationally dependent on our Controlling Shareholders. Our Company (through itself or its subsidiaries) holds or enjoys the benefit of all relevant licences and owns all relevant intellectual property and R&D facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and suppliers.

Based on the above, our Directors believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates.

Financial Independence

We have an independent financial system. Our Group's accounting and finance functions are independent of our Controlling Shareholders and their respective close associates. Our Group makes financial decisions according to our own business needs. Our Group's major finance operations are handled by our financial management department, which operates independently from our Controlling Shareholders and their close associates. We do not share any other functions or resources with any of our Controlling Shareholders or their respective close associates.

During the Track Record Period, we primarily financed our business operations through cash generated from our business activities and equity financing activities. As at 31 December 2024, the Group's borrowings of RMB150.3 million were guaranteed by Dr. Wang; and the Group's borrowings of RMB32.1 million were secured by the Group's land-use right with aggregate carrying amounts of approximately RMB8.1 million and were guaranteed by Dr. Wang. Please see "Financial Information – Indebtedness" and Note 28 of the Accountant's Report as set out in Appendix I to this document. Furthermore, Dr. Wang has also provided a guarantee to the external finance provider in relation to supplier finance arrangements which are offered to some of our key suppliers. Please see "Financial Information – Description of Selected Items of the Consolidated Statements of Financial Position – Trade and bills payables" and Note 25 of the Accountant's Report as set out in Appendix I to this document. The Company is in the process of negotiating with the relevant banks and external financial provider and such guarantees or security provided by Dr. Wang are expected to be released in full before the **[REDACTED]**. As such, our Directors are of the view that the guarantee does not affect our financial independence.

Based on the above, our Directors believe that our Group is able to operate with financial independence from our Controlling Shareholders and their close associates.

CORPORATE GOVERNANCE

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of our Shareholders, including:

(1) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(2) our Company has established internal control mechanism to identify connected transactions. After the **[REDACTED]**, our Company will comply with the requirements in connection with connected transactions under the Listing Rules;

(3) where our Directors reasonably request the advice of independent professionals, such as independent financial advisors, the appointment of such independent professional will be made at our Company's expense;

(4) we have appointed Guotai Junan Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance;

(5) we have established the Audit Committee, Remuneration and Appraisal Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code;

(6) our Controlling Shareholders will confirm the status of their non-competing interest, if any, on an annual basis and to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by our Company; and

(7) our Company will disclose decisions (with basis), if any, on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

BOARD OF DIRECTORS

Our Board consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. Our Board is responsible and has general power for the management and conduct of our business. We have entered into service contracts and/or letters of appointment with each of our Directors. Pursuant to the Articles of Association, our Directors are elected and appointed by our Shareholders at a Shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment.

Members of our Board

The table below shows certain information in respect of the members of our Board:

Name	Age	Position/Title	Date of joining our Group	Date of appointment as Director	Key role and responsibility	Relationship with other Directors and senior management
Executive Directors						
Dr. Wang Yuhan (王宇晗)	59	Founder, chairman of the Board, executive Director, and general manager	18 May 2007	18 May 2007	Responsible for overseeing the overall business and product development, management and strategic planning of our Group	Uncle of Mr. Wang Jinsen, our joint company secretary
Mr. Li Yuhao (李宇昊)	50	Executive Director	18 May 2007	18 May 2007	Responsible for overseeing the overall business development, management and strategic planning of our Group	N/A
Mr. Yao Bin (姚彬)	39	Executive Director	10 April 2015	30 April 2025	Responsible for overseeing R&D of our Group in respect of electrical control	N/A

Name	Age	Position/Title	Date of joining our Group	Date of appointment as Director	Key role and responsibility	Relationship with other Directors and senior management
Non-executive Directors						
Mr. Li Qingfeng (李慶豐)	57	Non-executive Director	15 May 2011	1 December 2021	Responsible for providing management and strategic advice to our Group	N/A
Mr. Li Yonghao (李永昊)	39	Non-executive Director	18 July 2021	18 July 2021	Responsible for providing management and strategic advice to our Group	N/A
Independent non-executive Directors						
Dr. Yang Jianguo (楊建國)	68	Independent non-executive Director	[●]	[●]	Supervising and providing independent opinion to our Board	N/A
Dr. Feng Hutian (馮虎田)	60	Independent non-executive Director	26 May 2023	26 May 2023	Supervising and providing independent opinion to our Board	N/A
Ms. Liu Yueheng (劉玥衡)	33	Independent non-executive Director	[●]	[●]	Supervising and providing independent opinion to our Board	N/A

Executive Directors

Dr. Wang Yuhan (王宇晗), aged 59, is our co-founder, and the chairman of our Board, an executive Director and the general manager of our Company. He has served as a Director and the chairperson of our Board since May 2007, and was re-designated as an executive Director on 30 April 2025. He is primarily responsible for the overall business and product development and strategic planning of our Group. Dr. Wang has also held various positions in several subsidiaries of our Group, including as the executive director of Suzhou Top since June 2022 and as the executive director and general manager of Jiaxing Top since March 2023. Dr. Wang is the uncle of Mr. Wang Jinsen, our joint company secretary.

Dr. Wang has over 27 years of experience in academia and mechanical engineering industry. He served as an associate professor in the School of Mechanical Engineering at SJTU, his alma mater, from 1998 to 2008, and was primarily responsible for engineering research and teaching. He has continued to serve as a research fellow of SJTU after our Company was founded in May 2007.

Dr. Wang obtained a master's degree in mechanical manufacturing from Nanjing Institute of Aeronautics and Astronautics (南京航空學院) (now known as Nanjing University of Aeronautics and Astronautics (南京航空航天大學)) in April 1992. He further received a doctorate in mechanical and electronic engineering from SJTU in July 2005.

Dr. Wang has received national and regional awards in recognition of his contributions to technological innovation and scientific research. He was recognised as a Leading Talent of Shanghai (上海市領軍人才) in 2014 and was selected under the Ministry of Science and Technology's Programme for Promoting Innovation and Entrepreneurship Talents (中華人民共和國科學技術部創業人才推進計劃科技創新創業人才) in 2016. Dr. Wang was also awarded the First Prize and the Special Prize of the Shanghai Science and Technology Award (上海市科學技術獎) in 2015 and 2023, respectively, the First Prize of the Defence Science and Technology Progress Award (國防科學技術進步獎一等獎), and the Third Prize of the China Machinery Industry Science and Technology Award (中國機械工業科學技術獎三等獎). He received the Second Prize of the State Scientific and Technological Progress Award (國家科學技術進步獎二等獎) in 2016, and was selected as a leading entrepreneur under the third batch of the National "Ten Thousand Talents Programme" (國家"萬人計劃") in science and technology entrepreneurship in 2018.

Dr. Wang was a supervisor of the following deregistered entities prior to their respective deregistration:

Name of the deregistered entities	Time of deregistration	Principal business of the deregistered entities	Position held and tenure at the deregistered entities
Shanghai Mingneng Electromechanical Co., Ltd. (上海銘能機電有限公司)	February 2007	Sales of security, mechanical and telecommunication equipment	Supervisor (from May 2002 to February 2007)
Shanghai Jinsi CNC Equipment Design Co., Ltd. (上海近思數控裝備設計有限公司)	October 2015	Technology development, technology transfer, technical consultation, technical services in the fields of CNC equipment and software	Supervisor (from December 2006 to October 2015)

Dr. Wang confirmed that the aforementioned entities were solvent and were not involved in any material non-compliance incidents immediately prior to their respective deregistration. There was no wrongful act on his part leading to the deregistration and he is not aware of any actual or potential claim which has been or could potentially be made against him as a result of the deregistration.

Mr. Li Yuhao (李宇昊), aged 50, is our co-founder and an executive Director of our Company. He has served as a Director since May 2007, and was re-designated as an executive Director on 30 April 2025. He is primarily responsible for the overall business development and strategic planning of our Group. He served as the deputy general manager of our Company during the period from 18 May 2007 to 11 February 2025. Mr. Li YH is also the executive director of Top Software since August 2011.

Mr. Li YH has over 27 years of experience in the mechanical engineering industry. During the period from August 1998 to October 2014, he worked at various engineering positions in the School of Mechanical Engineering at SJTU, his alma mater, including as an assistant engineer, as an engineer and as a senior engineer.

Mr. Li YH obtained a bachelor's degree in mechanical manufacturing and automation from SJTU in July 1998. He further obtained a master's degree in mechanical manufacturing and automation from the same university in March 2003.

Mr. Li YH has been the recipient of multiple awards in recognition of his achievements in engineering research. In 2015, Mr. Li YH was awarded both the First Prize of the Defence Science and Technology Progress Award (國防科學技術進步獎一等獎) and the First Prize of the Shanghai Scientific and Technological Progress Award (上海市科學技術進步獎一等獎). He was further awarded the Second Prize of the State Scientific and Technological Progress Award (國家科學技術進步獎二等獎) in 2016. In 2021, Mr. Li YH was selected as an "Industry Elite" (產業領軍人才) under the Shanghai Industrial Talent Programme (上海產業菁英高層次人才計劃) in recognition of his leadership in industrial innovation.

Mr. Li YH was a supervisor of the following entity prior to the revocation of its business licence:

Name of entity	Time of revocation	Principal business of the entity	Position held
Shanghai Zhuoercheng Automation Equipment Co., Ltd. (上海卓而誠自動化設備有限公司)	February 2007	Instrument manufacturing	Supervisor (from February 2004 to February 2007)

Mr. Li YH confirmed that the aforementioned company was solvent when its business licence was revoked and there was no wrongful act on his part which that led to the revocation of their business licences. Mr. Li YH further confirmed that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there was no outstanding claims and/or liabilities as a result of the revocation of the business licences of such company.

Mr. Yao Bin (姚彬), aged 39, is our executive Director, employee representative director and the co-technical director of our Company. He joined our Group as a senior engineer of Top Software in April 2015 and was promoted as the co-technical director of our Company in July 2021. He was appointed as our executive Director on 10 April 2025 and is primarily responsible for overseeing R&D of our Group in respect of electrical control.

Prior to joining our Group, Mr. Yao worked as a chief product engineer of Shanghai Weihong Electronic Technology Co., Ltd. (上海維宏電子科技股份有限公司) (300508.SH) during the period from July 2009 to April 2015.

Mr. Yao obtained a bachelor's degree in computer science and technology from University of Science and Technology of China (中國科學技術大學) in July 2009. He further obtained a master's degree in management science and engineering from Southwest Jiaotong University (西南交通大學) in September 2023.

Non-executive Directors

Mr. Li Yonghao (李永昊), aged 39, is our non-executive Director. He was appointed as our Director since July 2021, and was re-designated as a non-executive Director on 30 April 2025. He is primarily responsible for providing management and strategic advice to our Group.

Mr. Li has over 13 years of experience in accounting and finance industry. From October 2011 to July 2018, he worked as director of the merger and acquisition finance department at Haitong Securities Company Limited (海通證券股份有限公司). Since July 2018, he served as various positions at CDH Shanghai CDH Bai Fu Wealth Management Co., Ltd. (上海鼎暉百孚投資管理有限公司), including as a vice president of the investment department and an executive director from July 2018 to January 2024, and as a partner since January 2024.

Mr. Li obtained a bachelor's degree in financial engineering from Shanghai University of Finance and Economics (上海財經大學) in July 2008. Mr. Li further obtained a master's degree in finance from Syracuse University in December 2009.

In March 2021, Mr. Li received a notice from the CSRC in accordance with the Administrative Measures for the Material Asset Restructuring of Listed Companies (CSRC Order No. 127) (《上市公司重大資產重組管理辦法》(證監會令第127號)) ("**Restructuring Measures**"), whereby he was notified that he had not exercised professional prudence to conduct necessary due diligence in respect of a transaction, and was therefore suspended for a period of three months from 23 March 2021 to 22 June 2021 for holding or effectively performing duties, as a financial adviser, in respect of material asset restructuring activities of listed companies (the "**Incident**").

As confirmed by Mr. Li, the Incident was due to inadvertent oversight of the applicable rules and regulations under the Restructuring Measures. Other than the temporary suspension order, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there was no outstanding claims and/or liabilities as a result of the Incident. Having considered the background, reasons and the results of the Incident, the Directors are of the view that, (i) the Incident was not intentional and was an inadvertent oversight by Mr. Li of the implication of the Restructuring Measures; (ii) the Incident does not involve any finding of dishonesty, fraud or criminal liability on the part of Mr. Li nor reflect negatively on his integrity or competency as a director of a listed company; (iii) the suspension order lasted for three months and has been lifted since, and (iv) the inadvertent oversight happened almost a decade ago, therefore the Incident does not impact his suitability as a Director under Rule 3.08 and 3.09 of the Listing Rules.

Mr. Li Qingfeng (李慶豐), aged 57, is our non-executive Director. Mr. Li was appointed as a Supervisor in May 2011, was appointed as a Director since 1 December 2021 and was re-designated as a non-executive Director on 30 April 2025. He is primarily responsible for providing management and strategic advice to our Group.

Mr. Li has over 16 years of experience in business management and investment. From August 1988 to October 2001, he worked as a technician at Hebei Kewei Lighting (Group) Company (河北科威燈具(集團)公司). From April 2007 to August 2022, he worked as a senior investment manager and investment director at Unity Venture Capital Management Co., Ltd. (眾合創業投資管理有限公司).

Mr. Li obtained a diploma qualification in accounting through the National Self-Taught Examination from Hebei University of Economics and Business (河北經貿大學) in December 2003. He further obtained an executive master's degree in business administration from Fudan University (復旦大學) in June 2006.

Mr. Li was a supervisor of the following deregistered entity prior to their respective deregistration:

Name of deregistered entity	Time of deregistration	Principal business of the deregistered entity	Position held
Shanghai Qingmuyuan Trading Co., Ltd. (上海青牧源商貿有限公司)	June 2013	Retail and wholesale	Supervisor (from October 2009 to June 2013)

Mr. Li confirmed that the aforementioned entity was solvent and was not involved in any material non-compliance incidents immediately prior to its deregistration. There was no wrongful act on his part leading to the deregistration and he is not aware of any actual or potential claim which has been or could potentially be made against him as a result of the deregistration.

Independent non-executive Directors

Dr. Yang Jianguo (楊建國), aged 68, is our independent non-executive Director. He joined our Company and was appointed as our independent non-executive Director on [●] 2025. He is primarily responsible for providing independent advice on the operations and management of our Group.

Dr. Yang has over 42 years of experience in research and academia. From February 1995 to February 1997, he seated as the visiting scholar and Sino-US joint doctoral student at the Wu Xianming Manufacturing Research Center of the University of Michigan. He returned to work at Mechanical Engineering Department (now known as the School of Mechanical Engineering) of SJTU in September 1998 and served at various positions, including as an associate professor, department head professor, doctoral supervisor, and retired in June 2020 and served as a postgraduate teaching supervisor since then.

Dr. Yang obtained a bachelor’s degree in mechanical manufacturing from Shanghai Part-time Industry University (上海市業餘工業大學) (now known as Shanghai Polytechnic University (上海第二工業大學)) in December 1982. He further obtained a master’s degree in mechanical manufacturing and received a doctorate from SJTU in March 1992 and December 1998 respectively.

Dr. Feng Hutian (馮虎田), aged 60, is our independent non-executive Director. He was appointed as an independent Director on 26 May 2023 and was re-designated as our independent non-executive Director on 30 April 2025. He is primarily responsible for providing independent advice on the operations and management of our Group.

Dr. Feng has over 36 years of experience in academia and research. Since March 1991, Dr. Feng worked at Nanjing University of Science and Technology (which was known as Huadong Mechanics College (華東工學院)), his alma mater, where he worked at the positions of lecturer, associate professor, and eventually professor since April 2008. He has served as the director of the Key Laboratory of the Ministry of Industry and Information Technology at Nanjing University of Science and Technology (南京理工大學工信部重點實驗室) since December 2016.

Dr. Feng serves as an independent director of Estun Automation Co., Ltd. (南京埃斯頓自動化股份有限公司) (002747.SZ) since July 2020, and an independent director of Zhejiang Zhongjian Technology Co., Ltd. (002779.SZ) since January 2024.

Dr. Feng obtained a bachelor’s degree in mechanical engineering from Taiyuan Mechanics College (太原機械學院) (now known as North University of China (中北大學)) in July 1986. He further obtained a master’s degree in mechanical engineering from Huadong Mechanics College (華東工學院) (now known as Nanjing University of Science and Technology (南京理工大學)) in March 1991, and received a doctorate in mechanical engineering from Nanjing University of Science and Technology (南京理工大學) in December 2000.

Ms. Liu Yueheng (劉玥衡), aged 33, is our independent non-executive Director. She joined our Company and was appointed as our independent non-executive Director on [●] 2025. She is primarily responsible for providing independent advice on the operations and management of our Group.

Ms. Liu has over 10 years of experience in accounting and financial management. From March 2015 to November 2017, she worked as an accounting officer for TISCO Trading (H.K.) Ltd. (太鋼進出口(香港)有限公司), which engages in the business of import and export services of stainless steel, and she was primarily responsible for financial management, control and budgeting. From January 2018 to April 2021, she worked for HKR International Limited (香港興業國際集團有限公司) (480.HK) with her last position as accountant. Since August 2021, she worked as the department manager of the financial market department of China CITIC Financial Assets International Holdings Limited (中國中信金融資產國際控股有限公司) (formerly known as China Huarong International Holdings Ltd.), where she was primarily responsible for asset and debt management.

Ms. Liu obtained a bachelor's degree in financial management from Sichuan Normal University (四川師範大學) in June 2013. She further obtained a master's degree in professional accounting and corporate governance from The City University of Hong Kong (香港城市大學) in October 2014. She is a member of Hong Kong Institute of Certified Public Accountants since January 2023.

CONFIRMATION FROM OUR DIRECTORS

Save as otherwise disclosed above and in this document, each of our Directors confirms with respect to himself or herself that he/ she (i) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management, substantial shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; (iii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (iv) there are no other matters concerning our Director's appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Each of our Directors has confirmed that he/she obtained the legal advice on 6 May 2025 with regards to the requirements under the Listing Rules that are applicable to him/her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange as set out in Rule 3.09D of the Listing Rules and he/she understood his/her obligations as a director of a listed issuer.

Each of our independent non-executive Directors has confirmed (i) his/her independence with regards to each of the factors as set out in Rule 3.13(1) to (8) of the Listing Rules, (ii) he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Hong Kong Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointment.

SENIOR MANAGEMENT

The senior management of our Group, together with our executive Directors, are responsible for the day-to-day operations and management of the business of our Group.

Dr. Wang, aged 59, is the chairman of our Board, our executive Director and the general manager of our Company. For details of his biographical details, see "– Board of Directors – Executive Directors" in this section.

Mr. Li YH, aged 50, is our executive Director. For details of his biographical details, see "– Board of Directors – Executive Directors" in this section.

Mr. Yao Bin (姚彬), aged 39, is our executive Director and co-technical director of our Company. For details of his biographical details, see "– Board of Directors – Executive Directors" in this section.

Dr. Zhong Lei (鐘磊), aged 38, is the co-technical director of our Company and is primarily responsible for overseeing R&D of our Group in respect of mechanical hardware. He was appointed as our co-technical director since March 2021 and served as our Supervisor during the period from February 2023 to April 2025.

Dr. Zhong joined our Company in April 2012. He has also held various other positions of our Company, including as the research supervisor, research manager and deputy research director from April 2012 to March 2021.

Dr. Zhong obtained a bachelor's degree in mechanical engineering and automation from SJTU in July 2009. He further obtained a master's degree in mechanical manufacturing and automation from SJTU in March 2012, and received a doctorate in mechanical engineering from SJTU in June 2020.

Mr. Lei Feiling (雷飛淩), aged 50, is the deputy general manager of our Company and is primarily responsible for overseeing the business operation of our Group. He joined our Group on 13 September 2022 and served as the head of operations and was promoted as the deputy general manager since December 2023.

Mr. Lei has over 20 years of experience in the engineering industry. From July 2004 to June 2017, he served as a technical director at Deckel Maho Gildemeister (Shanghai) Machine Tools Co. Ltd. (德克爾馬豪吉特邁機床(上海)有限公司). From September 2017 to May 2021, he served as the associate technical director and chief technical officer of EMAG (China) Machinery Co., Ltd. (埃馬克(中國)機械有限公司). From July 2021 to August 2022, he served as the deputy general manager and chief engineer of Zhejiang Jinhuo Technology Industry Co., Ltd. (浙江金火科技實業有限公司).

Mr. Lei obtained a bachelor's degree in mechanical design and manufacturing from Beijing Institute of Mechanical Engineering (北京機械工業學院) (now known as Beijing Information Science and Technology University (北京資訊科技大學)) in July 1998. He further obtained a master's degree in mechanical engineering from Tongji University (同濟大學) in September 2014.

Mr. Zhang Muqing (張木清), aged 42, is our chief financial officer. He joined our Group in June 2021 and has since served as our chief financial officer. He is primarily responsible for the financial and accounting affairs of our Group.

Mr. Zhang has over 19 years of experience in the accounting and finance industry. Prior to joining our Group, from August 2005 to May 2015, he worked as various accounting position, including as accounting accountant, asset management accountant and general ledger accountant, at Hangzhou H3C Technologies Co., Ltd. (杭州華三通信技術有限公司) (now known as H3C Technologies Co., Ltd. (新華三技術有限公司)). From May 2015 to June 2021, he worked at China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司) and China Minsheng Financial Intelligence Co., Ltd. (中民財智有限公司), with the last position being deputy general manager..

Mr. Zhang obtained a bachelor's degree in accounting from Xiamen University (廈門大學) in July 2005. He is a non-practising member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since July 2013.

Mr. Wang Jinsen (王勁森), aged 34, is our joint company secretary. He joined our Group as the assistant to chairman of our Board and the Board secretary since April 2023 and was promoted to become our joint company secretary in April 2025. Mr. Wang is the nephew of Dr. Wang.

Prior to joining our Group in April 2023, Mr. Wang worked as the secretary to the board of directors of Sichuan Xukang Medical Equipment Co., Ltd. (四川旭康醫療器械有限公司) from February 2016 to July 2017, where he was primarily responsible for assisting in company secretarial affairs. From November 2021 to March 2023, he worked as an investment manager for Unity Venture Capital Management Co., Ltd. (眾合創業投資管理有限公司).

Mr. Wang obtained a bachelor's degree from Dickinson College in May 2013 and obtained a master's degree in music performance from New Jersey City University in May 2015. He was awarded with the qualification of board secretary by Shanghai Stock Exchange in November 2017.

JOINT COMPANY SECRETARIES

Mr. Wang Jinsen (王勁森) was appointed as our joint company secretary on 30 April 2025. For details of his biography, see "Senior Management" in this section.

Mr. Yau Tsz Lun (游子麟) is our joint company secretary. Mr. Yau is a Manager of Company Secretarial Services of Tricor Services Limited. Mr. Yau has over 6 years of experience in the company secretarial field. He has been appointed as company secretary for Nanjing Sinolife United Company Limited (南京中生聯合股份有限公司) (3332.HK) since 23 August 2024, and for C&D International Investment Group Limited (建發國際投資集團有限公司) (1908.HK) since 30 August 2024.

Mr. Yau obtained a master's degree in professional accounting and corporate governance from The City University of Hong Kong (香港城市大學). Mr. Yau is a Chartered Secretary, a Chartered Governance Professional and an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), our Company has formed three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee.

Audit Committee

We have established the Audit Committee pursuant to Rule 3.21 of the Listing Rules with written terms of reference in compliance with paragraph D.3 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board.

The Audit Committee consists of three Directors, namely Ms. Liu Yueheng (劉玥衡), Mr. Li Qingfeng (李慶豐) and Dr. Yang Jianguo (楊建國), with Ms. Liu Yueheng (劉玥衡) being the chairperson. She is an independent non-executive Director and possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules.

Remuneration and Appraisal Committee

We have established the Remuneration and Appraisal Committee pursuant to Rule 3.25 of the Listing Rules with written terms of reference in compliance with paragraph E.1 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Appraisal Committee are to (i) establish, review and provide advice to our Board on our policies concerning remuneration of Directors and senior management officers and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, (ii) to determine the terms of the specific remuneration package of each executive Director and senior management, (iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time, and (iv) to review and approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration and Appraisal Committee consists of three Directors, namely Dr. Feng Hutian (馮虎田), Mr. Li Yuhao (李宇昊) and Dr. Yang Jianguo (楊建國), with Dr. Feng Hutian (馮虎田) being the chairperson.

Nomination Committee

We have established the Nomination Committee pursuant to Rule 3.27A of the Listing Rules with written terms of reference in compliance with paragraph B.3 of Part 2 of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules. The primary duties of the Nomination Committee are to (i) review the structure, size and composition of our Board on a regular basis and make recommendations regarding any proposed changes to the composition of our Board, (ii) identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board and (iii) assess the independence of our independent non-executive Directors and make recommendations on matters relating to the appointment, reappointment and removal of our Directors and succession planning.

The Nomination Committee consists of three members, namely Dr. Wang, Dr. Feng Hutian (馮虎田) and Ms. Liu Yueheng (劉玥衡), with Dr. Wang being the chairperson.

BOARD DIVERSITY POLICY

Our Company is dedicated to fortify the effectiveness of our Board and to uphold high standards of corporate governance through the adoption of a board diversity policy. Our Company actively embraces the benefits of having a diverse Board, recognising that cultivating diversity at the Board level is pivotal in attaining our Company's strategic objectives. To do so, our Company will assess numerous factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. Selection for potential Board candidates will be based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time. The ultimate decisions of Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Board consists of a balanced blend of knowledge, skills and experience, including engineering, academics and research, business management, and finance and accounting. We have three independent non-executive Directors who have distinct industry backgrounds, representing over one-third of our Board members. Further, our Board consists of male and female members, with age range from 34 to 68 years old. A thorough assessment of our Board's membership, structure, and composition has led us to believe that our Board configuration is well-balanced, with Directors possessing a rich tapestry of experiences and skills that fortify our operational excellence.

Continuing our commitment to promoting gender diversity across all levels, our Board diversity policy advocates for a progress increase in the representation of female members on the Board post-**[REDACTED]**, whenever feasible, during the selection and recommendation of suitable candidates for Board appointments. We are also dedicated to fostering gender diversity in mid to senior staff recruitment to cultivate a pipeline of female senior management and potential successors to our Board. Striving for an equitable gender balance in alignment with stakeholder expectations and global best practices is a key objective for us. Given the unique backgrounds of our Directors and our specific operational needs, we are confident that our Board composition post-**[REDACTED]** aligns with the principles outlined in our board diversity policy.

The Nomination Committee is responsible for ensuring the diversity of our Board members. After **[REDACTED]**, the Nomination Committee will periodically review our board diversity policy to ensure its continued effectiveness, with annual disclosures on the implementation of our board diversity policy in our corporate governance report.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors, Supervisors and members of senior management receive compensation in the form of fees, salaries, allowances and benefits in kind, share-based payments, discretionary bonuses and retirement scheme contributions.

For the three years ended **[REDACTED]** December 2022, 2023 and 2024, the aggregate amount of emolument paid or payable to our Directors and Supervisors (including salaries, allowances and benefits in kind, share-based payments, performance-related bonuses and pension scheme contributions), were approximately RMB7.8 million, RMB6.0 million and RMB7.3 million, respectively.

For the three years ended **[REDACTED]** December 2022, 2023 and 2024, the aggregate amount of emolument paid or payable to the five highest paid individuals of our Group who are neither a Director nor a Supervisor of the Company were approximately RMB3.8 million, RMB2.3 million and RMB3.3 million, respectively.

During the Track Record Period, no emolument was paid to, or receivable by, our Directors, Supervisors or the five highest paid individuals of our Group as an inducement to join or upon joining our Group or as a compensation for loss of office in the Track Record Period.

Further, none of our Directors had waived any emolument during the same period. Pursuant to existing arrangements that are currently in force as at the date of this document, the emolument (including salaries, bonuses, allowances and benefits in kind, share-based payments, performance-related bonuses and pension scheme contributions) payable to our Directors and Supervisors by us for the year ending 31 December 2025 are estimated to be no more than approximately RMB6.0 million in aggregate.

Our Board will review and determine the emoluments and compensation packages of our Directors and members of senior management. Following the **[REDACTED]**, our Board will receive recommendations from our Remuneration and Appraisal Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

Save as disclosed above, no other emolument had been paid, or are payable, by any member of our Group to our Directors or Supervisors during the Track Record Period. For additional information on our Directors' and Supervisors' emoluments during the Track Record Period as well as information on the highest paid individuals, please see Notes 9 in the Accountants' Report set out in Appendix I to this document.

COMPLIANCE ADVISOR

Pursuant to Rule 3A.19 of the Listing Rules, we have appointed Guotai Junan Capital Limited as our compliance advisor (the "**Compliance Adviser**"). Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will provide advice when consulted by the Company in relation to the followings:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues, sales or transfers of treasury shares and share repurchases;
- where we procure to use the proceeds from the **[REDACTED]** in a manner different form that detailed in this document or where its business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes any inquiry to our Company regarding unusual movement in the price or trading volume of our H Shares under Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the **[REDACTED]** and is expected to end on the date on which our Company distributes our annual report in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code and the associated Listing Rules after the **[REDACTED]**.

Pursuant to code provision C.2.1 of Part 2 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Wang currently performs both roles of chairman and chief executive for having been appointed as the chairman of our Board and the general manager of our Company. Our Board believes that vesting the roles of both the chairman of our Board and general manager in the same person has the benefit of (1) ensuring consistent leadership within our Company, (2) enabling more effective and efficient overall strategic planning for our Company, and (3) facilitating the flow of information between the management and our Board. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the general manager of our Company at a time when it is appropriate by taking into account the circumstances of our Company as a whole.

This section presents certain information regarding our share capital prior to and following the completion of the **[REDACTED]**.

IMMEDIATELY BEFORE THE [REDACTED]

As of the Latest Practicable Date, our registered and issued share capital was RMB34,395,179, comprising 343,951,790 Shares with a nominal value of RMB0.10 each.

UPON COMPLETION OF THE [REDACTED]

Immediately following completion of the **[REDACTED]** and conversion of Domestic Shares into H Shares, assuming that the **[REDACTED]** is not exercised, the share capital of our Company will be as follows:

Description of Shares	**Number of Shares**	**Approximate percentage to total share capital**
Domestic Shares	**[REDACTED]**	**[REDACTED]**
H Shares converted from Domestic Shares *(Note 1)*	**[REDACTED]**	**[REDACTED]**
H Shares to be issued under the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**[REDACTED]**

Note:

(1) For details of the identities of the Shareholders whose Domestic Shares will be converted into H Shares upon **[REDACTED]**, see "History and Corporate Structure – Capitalisation" and "History and Corporate Structure – Public Float" in this document.

Immediately following completion of the **[REDACTED]** and conversion of Domestic Shares into H Shares, assuming that the **[REDACTED]** is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the enlarged issued share capital after the [REDACTED]
Domestic Shares	**[REDACTED]**	**[REDACTED]**
H Shares converted from Domestic Shares	**[REDACTED]**	**[REDACTED]**
H Shares to be issued under the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
H Shares to be issued pursuant to the exercise of the **[REDACTED]** in full	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**[REDACTED]**

OUR SHARES

Upon completion of the **[REDACTED]** and the Conversion of Domestic Shares into H Shares, the Shares will consist of Domestic Shares and H Shares. Domestic Shares and H Shares are all ordinary Shares in the share capital of our Company. Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons. Domestic Shares can only be subscribed for by and traded between legal or natural PRC persons, qualified foreign institutional investors and foreign strategic investors. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and transferred in Renminbi. Domestic Shares and H Shares are regarded as one class of Shares under our Articles of Association. Our Domestic Shares are not listed or traded on any **[REDACTED]**.

RANKING

Save as described in this document, Domestic Shares and H Shares shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of Domestic Shares are to be paid by us in Renminbi. In addition to cash, dividends may be distributed in the form of Shares. For holders of H Shares, dividends in the form of Shares will be distributed in the form of additional H Shares. For holders of Domestic Shares, dividends in the form of Shares will be distributed in the form of additional Domestic Shares.

CONVERSION OF DOMESTIC SHARES INTO H SHARES

If any of the Domestic Shares are to be converted, **[REDACTED]** and **[REDACTED]** as H Shares on the Stock Exchange, such conversion, **[REDACTED]** and **[REDACTED]** will need the filling of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange.

Register with the CSRC and Full Circulation Application

In accordance with the Overseas Listing Trial Measures and related guidelines, H-share listed companies which apply for the conversion of Domestic Shares into H shares for and submit listing and circulation on the Stock Exchange shall file with the CSRC materials on key compliance issues. An unlisted domestic joint stock company may apply for Full Circulation when applying for an overseas **[REDACTED]**.

The Company applied for a Full Circulation filing when filing with the CSRC for an overseas **[REDACTED]** on [●] 2025, and submitted the filing reports, authorization documents of the shareholders of Domestic Shares which applied for the H-share "Full circulation", undertaking on the compliance of share acquisition and other documents in accordance with the requirements of the CSRC.

The Company have received the filing notice from the CSRC dated [●] 2025 in relation to the registration of the overseas **[REDACTED]** and "Full Circulation", pursuant to which (1) the Company was approved to issue no more than [●] H Shares with a nominal value of RMB0.10 each, which are all ordinary shares, and the Company may be listed on the Main Board of the Stock Exchange ; (2) a total of 306,142,904 Domestic Shares held by the Full Circulation Participating Shareholders were approved to be converted into H Shares, and the relevant Shares may be listed on the Stock Exchange upon completion of the **[REDACTED]**.

[REDACTED] Approval by the Stock Exchange

We have applied to the **[REDACTED]** of the Stock Exchange for the granting of the **[REDACTED]** of, and permission to deal in, (i) our H Shares to be issued pursuant to the **[REDACTED]** (including any H Shares which may be issued pursuant to the exercise of the **[REDACTED]**); and (ii) the H Shares to be converted from 306,142,904 Domestic Shares, which is subject to the approval by the Stock Exchange.

We will perform the following procedures for the conversion of the relevant Domestic Shares into H Shares after receiving the approval of the Stock Exchange : (1) giving instructions to our **[REDACTED]** regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by **[REDACTED]** for deposit, clearance and settlement in the **[REDACTED]**.

Domestic Procedures

Pursuant to the relevant regulations, the Full Circulation Participating Shareholders may only deal in the Shares upon completion of the below arrangement procedures for the registration, deposit and transaction settlement in relation to the conversion and **[REDACTED]**:

1. We will appoint CSDC as the nominal holder to deposit the relevant securities at CSDC (Hong Kong), which will then deposit the securities at **[REDACTED]** in its own name. CSDC, as the nominal holder of the Full Circulation Participating Shareholders, shall handle all custody, maintenance of detailed records, cross-border settlement and corporate actions, etc. relating to the converted H Shares for the Full Circulation Participating Shareholders;

2. We will engage a domestic securities company (the "**Domestic Securities Company**") to provide services such as sending orders for trading of the converted H Shares and receipt of transaction returns. The Domestic Securities Company will engage a Hong Kong securities company (the "**Hong Kong Securities Company**") for settlement of share transactions. We will make an application to CSDC, Shenzhen Branch for the maintenance of a detailed record of the initial holding of the converted H Shares held by our Shareholders. Meanwhile, we will submit applications for a domestic transaction commission code and abbreviation, which shall be confirmed by CSDC, Shenzhen Branch as authorised by Shenzhen Stock Exchange;

3. The Shenzhen Stock Exchange shall authorise Shenzhen Securities Communication Co., Ltd. to provide services relating to transmission of trading orders and transaction returns in respect of the converted H Shares between the Domestic Securities Company and the Hong Kong Securities Company, and the real-time market forwarding services of the H Shares;

4. According to the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), the Full Circulation Participating Shareholders shall complete the overseas shareholding registration with the local foreign exchange administration bureau before the Shares are sold, and after the overseas shareholding registration, open a specified bank account for the holding of overseas shares by domestic investors at a domestic bank with relevant qualifications and open a fund account for the H Share "Full Circulation" at the Domestic Securities Company. The Domestic Securities Company shall open a securities trading account for the H Share "Full Circulation" at the Hong Kong Securities Company; and

5. The Full Circulation Participating Shareholders shall submit trading orders of the converted H Shares through the Domestic Securities Company. Trading orders of the Full Circulation Participating Shareholders for the relevant Shares will be submitted to the Stock Exchange through the securities trading account opened by the Domestic Securities Company at the Hong Kong Securities Company. Upon completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the Full Circulation Participating Shareholders, will all be conducted separately. As a result of the conversion, the shareholding of the relevant Full Circulation Participating Shareholders in our share capital registered shall be reduced by the number of Domestic Shares converted and increased by the number of H Shares so converted.

A Shareholder holding Domestic Shares not converted into H Shares can work with the Company according to the Articles of Association and follow the procedures set out in this document to convert the Domestic Shares into H Shares after the **[REDACTED]** if they want, provided that such conversion of Domestic Shares into and **[REDACTED]** and **[REDACTED]** of H Shares will be subject to the approval of the relevant PRC regulatory authorities, including the CSRC, the approval of the Stock Exchange and the satisfaction of the public float requirement under the Listing Rules by the Company.

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

Under the PRC Company Law, Shares which have been in issue before we publicly issue Shares may not be transferred within one year from the date of listing on a stock exchange. Accordingly, Shares issued by our Company prior to the **[REDACTED]** shall be subject to this statutory restriction and not be transferred within a period of one year from the **[REDACTED]**. Our Directors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors and such members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are **[REDACTED]** and traded , nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions or conditions on the transfer of the Shares held by our Directors, members of senior management of our Company and other Shareholders. For details, see "Appendix III – Summary of Articles of Association" in this document.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralised Registration and Deposit of Non-overseas Listed Shares of Companies listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, our Company is required to register and deposit our Shares that are not **[REDACTED]** on the overseas stock exchange with the CSDC within 15 working days upon the **[REDACTED]** and provide a written report to the CSRC regarding the centralised registration and deposit of our Shares that are not listed on the overseas stock exchange as well as the **[REDACTED]** and **[REDACTED]** of our H Shares.

To the best of the Directors' knowledge and information, the following persons will, immediately following the completion of the **[REDACTED]**, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at any general meeting of our Company:

		As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] and the Conversion of Domestic Shares into H Shares (assuming the [REDACTED] is not exercised)			
Shareholder	**Nature of interest**	**Number of Domestic Shares** *(Note 1)*	**Approximate percentage of shareholding in the total issued share capital of our Company**	**Number of Shares** *(Note 1)*	**Description of Shares**	**Approximate percentage of shareholding in our Domestic Shares/ H Shares (as appropriate)**	**Approximate percentage of shareholding in the total issued share capital of our Company**
			%			%	%
Dr. Wang	Beneficial owner	126,636,770	36.8%	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
				[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**
	Interest in controlled corporation *(Note 2)*	6,624,610	1.9%	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
				[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**
Mr. Li YH	Beneficial owner	32,458,200	9.4%	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
				[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**
Shanghai Yiding Investment Management Centre (Limited Partnership) (上海誼鼎投資管理中心(有限合夥)) ("**Shanghai Yiding Investment LP**")	Beneficial owner	27,465,430	8.0%	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
				[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**

		As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] and the Conversion of Domestic Shares into H Shares (assuming the [REDACTED] is not exercised)			
Shareholder	**Nature of interest**	**Number of Domestic Shares** (Note 1)	**Approximate percentage of shareholding in the total issued share capital of our Company** %	**Number of Shares** (Note 1)	**Description of Shares**	**Approximate percentage of shareholding in our Domestic Shares/ H Shares (as appropriate)** %	**Approximate percentage of shareholding in the total issued share capital of our Company** %
Guo Hui (郭輝)	Interest in controlled corporation (Note 3)	27,465,430	8.0%	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
				[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**
Shanghai Yirun Investment Management Center (Limited Partnership) (上海伊潤投資管理中心(有限合夥)) ("**Shanghai Yirun**")	Interest in controlled corporation (Note 3)	27,465,430	8.0%	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
				[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**
Wang Yu (王禹)	Interest in controlled corporation (Note 3)	27,465,430	8.0%	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
				[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**
Nie Xinyong (聶新勇)	Interest in controlled corporation (Note 3)	27,465,430	8.0%	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
				[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**

		As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] and the Conversion of Domestic Shares into H Shares (assuming the [REDACTED] is not exercised)			
Shareholder	**Nature of interest**	**Number of Domestic Shares** (Note 1)	**Approximate percentage of shareholding in the total issued share capital of our Company** %	**Number of Shares** (Note 1)	**Description of Shares**	**Approximate percentage of shareholding in our Domestic Shares/ H Shares (as appropriate)** %	**Approximate percentage of shareholding in the total issued share capital of our Company** %
Jiaxing CDH Geying Equity Investment Cooperation Enterprise (Limited Partnership (嘉興鼎暉戈迎股權投資合夥企業(有限合夥)) ("**Jiaxing CDH Investment LP**")	Beneficial owner	**[REDACTED]**	5.6%	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
				[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**
Shanghai CDH Fushun Investment Partnership (Limited Partnership) (上海鼎暉孚舜投資合夥企業(有限合夥)) ("**Shanghai CDH Investment LP**")	Interest in controlled corporation (Note 4)	**[REDACTED]**	5.6%	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
				[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**
Jiaxing CDH Baifu Enterprise Management Co., Ltd. (嘉興鼎暉百孚企業管理有限公司) ("**Jiaxing CDH Company**")	Interest in controlled corporation (Note 4)	**[REDACTED]**	5.6%	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
				[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**

		As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] and the Conversion of Domestic Shares into H Shares (assuming the [REDACTED] is not exercised)			
Shareholder	**Nature of interest**	**Number of Domestic Shares** *(Note 1)*	**Approximate percentage of shareholding in the total issued share capital of our Company**	**Number of Shares** *(Note 1)*	**Description of Shares**	**Approximate percentage of shareholding in our Domestic Shares/ H Shares (as appropriate)**	**Approximate percentage of shareholding in the total issued share capital of our Company**
			%			%	%
Ningbo CDH Investment Partnership (Limited Partnership) (寧波鼎暉柃餉股權投資合夥企業(有限合夥)) ("**Ningbo CDH LP**")	Interest in controlled corporation *(Note 4)*	19,118,750	5.6%	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
				[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**
Shenzhen Hehui Wealth Investment Enterprise (Limited Partnership) (深圳市和輝財務投資企業(有限合夥)) ("**Shenzhen Hehui Investment LP**")	Beneficial owner	11,390,880	3.3%	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
				[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**
Shenzhen Zhongyi Hehui Equity Investment Enterprise (Limited Partnership) (深圳市中藝和輝股權投資企業(有限合夥)) ("**Shenzhen Zhongyi Investment LP**")	Beneficial owner	7,385,140	2.2%	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
				[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**

		As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] and the Conversion of Domestic Shares into H Shares (assuming the [REDACTED] is not exercised)			
Shareholder	Nature of interest	Number of Domestic Shares (Note 1)	Approximate percentage of shareholding in the total issued share capital of our Company %	Number of Shares (Note 1)	Description of Shares	Approximate percentage of shareholding in our Domestic Shares/ H Shares (as appropriate) %	Approximate percentage of shareholding in the total issued share capital of our Company %
Shenzhen Hehui Xinda Investment Co., Ltd. (深圳市和輝信達投資有限公司) ("**Shenzhen Hehui Xinda**")	Interest in controlled corporation (Note 5)	18,776,020	5.5%	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
				[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**
Luo Peng (羅鵬)	Interest in controlled corporation (Note 5)	18,776,020	5.5%	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
				[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**

Notes:

(1) All interests are long positions.

(2) As of the Latest Practicable Date, Dr. Wang is the general partner of Tuoxian Technology. By virtue of the SFO, Dr. Wang is deemed to be interested in the entire Shares held by Tuoxian Technology.

(3) i. As of the Latest Practicable Date, Guo Hui (郭輝) is the general and executive managing partner of Shanghai Yiding Investment LP. By virtue of the SFO, Guo Hui (郭輝) is deemed to be interested in the 27,465,430 Shares held by Shanghai Yiding Investment LP.

ii. As of the Latest Practicable Date, Shanghai Yirun is a limited partner of Shanghai Yiding Investment LP holding 92% of the partnership interest therein. Therefore, by virtue of SFO, Shanghai Yirun is deemed to be interested in the 27,465,430 Shares held by Shanghai Yiding Investment LP.

iii. As of the Latest Practicable Date, Wang Yu (王禹) is the general and executive managing partner of Shanghai Yirun, which in turn is deemed to be interested in the 27,465,430 Shares held by Shanghai Yiding Investment LP. Therefore, by virtue of SFO, Wang Yu (王禹) is deemed to be interested in the 27,465,430 Shares held by Shanghai Yiding Investment LP.

iv. As of the Latest Practicable Date, Nie Xinyong (聶新勇) is a limited partner of Shanghai Yirun, holding approximately 65.9% partnership interest therein. Since Shanghai Yirun is deemed to be interested in the 27,465,430 Shares held by Shanghai Yiding Investment LP, therefore, by virtue of SFO, Nie Xinyong (聶新勇) is also deemed to be interested in the 27,465,430 Shares held by Shanghai Yiding Investment LP.

(4) i. As of the Latest Practicable Date, Shanghai CDH Investment LP is the general and executive managing partner of Jiaxing CDH Investment LP. Shanghai CDH Investment LP is also the general and executive managing partner of Ningbo CDH LP, which in turn is deemed to be interested in the 19,118,750 Shares held by Jiaxing CDH Investment LP. By virtue of the SFO, Shanghai CDH Investment LP is deemed to be interested in the 19,118,750 Shares held by Jiaxing CDH Investment LP.

ii. As of the Latest Practicable Date, Jiaxing CDH Company is the general and executive managing partner of Jiaxing CDH Investment LP. Therefore, by virtue of SFO, Jiaxing CDH Company is deemed to be interested in the 19,118,750 Shares held by Jiaxing CDH Investment LP. Furthermore, the equity interest of Jiaxing CDH Company is owned 20% each by Li Dan (李丹), Zhao Huaiying (趙懷英), Tan Zihua (譚子華), Fang Xiuli (方秀麗) and Gao Minghai (高明海). To the best knowledge, information and belief of our Directors, none of the aforesaid individuals have control over Jiaxing CDH Company.

iii. As of the Latest Practicable Date, Ningbo CDH LP is a limited partner of Jiaxing CDH Investment LP holding approximately 63.4% of the partnership interest therein. Therefore, by virtue of SFO, Ningbo CDH LP is deemed to be interested in the 19,118,750 Shares held by Jiaxing CDH Investment LP.

(5) i. As of the Latest Practicable Date, Shenzhen Hehui Xinda is the general and executive managing partner of both Shenzhen Hehui Investment LP and Shenzhen Zhongyi Investment LP. Therefore, by virtue of SFO, Shenzhen Hehui Xinda is deemed to be interested in the 18,776,020 Shares held by Shenzhen Hehui Investment LP and Shenzhen Zhongyi Investment LP.

ii. As of the Latest Practicable Date, Luo Peng (羅鵬) is the controlling shareholder of Shenzhen Hehui Xinda, holding approximately 57.7% equity interest therein. Since Shenzhen Hehui Xinda is deemed to be interested in the 18,776,020 Shares held by Shenzhen Hehui Investment LP and Shenzhen Zhongyi Investment LP, Luo Peng (羅鵬) is also deemed to be interested in the 18,776,020 Shares held by Shenzhen Hehui Investment LP and Shenzhen Zhongyi Investment LP.

Save as disclosed above and in "Appendix IV – Statutory and General Information" of this document, our Directors are not aware of any person who will, immediately following the completion of the **[REDACTED]** (and the **[REDACTED]** of any additional H Shares pursuant to the **[REDACTED]**), have an interest or short position in the Shares or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of our Group.

You should read the following discussion and analysis in conjunction with our audited consolidated financial statements, including the notes thereto included in the Accountants' Report set out in Appendix I to this document. You should read the entire Accountants' Report in Appendix I to this document and not rely merely on the information contained in this section. The Accountants' Report has been prepared in accordance with the IFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Forward-looking Statements" and "Risk Factors" in this document.

OVERVIEW

We are a leading enterprise specialising in the R&D, design, production and sales of high-end intelligent manufacturing equipment, comprising primarily five-axis CNC machine tools, in China. We focus on developing five-axis CNC machine tools to address the demand for advanced manufacturing in China's aviation and aerospace sector. According to the CIC Report, in 2024, we ranked first in China's aviation and aerospace five-axis CNC machine tool market with a market share of 11.6%, fifth among all suppliers and third among domestic suppliers in China's five-axis CNC machine tool market, with a market share of 4.3%. According to the same source, five-axis CNC machine tools represent a foundational industrial manufacturing equipment, with growing adoption across industries due to their superior precision, efficiency and intelligent machining capabilities. The market size of five-axis CNC machine tools is expected to increase from RMB10.8 billion in 2024 to RMB27.0 billion in 2029, with a CAGR of 20.1%. During the Track Record Period, we had successfully expanded our market presence into the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by us in the preparation of our historical financial information throughout the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations are affected by a number of general factors, including:

- overall economic growth and conditions in China and globally;
- technological advancement in the industry in which we operate; and
- geopolitical relations.

In addition, our business and results of operations have been and will continue to be affected by company-specific factors, which primarily include the following:

Demand from downstream market and end customers

Demand for our intelligent manufacturing equipment, comprising primarily five-axis CNC machine tools depend on, among other things, the trends and developments in downstream industries, such as the aviation and aerospace sector, and the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing. According to the CIC report, the market size of China's five-axis CNC machine tool market has demonstrated robust growth from RMB7.0 billion in 2020 to RMB10.8 billion in 2024. With the ongoing transition of China's manufacturing sector towards intelligent manufacturing, the market size of China's five-axis CNC machine tool market is expected to reach RMB27.0 billion in 2029 at a CAGR of 20.1%.

Regarding the trends and developments of the downstream industries, following the rapid expansion of China's commercial aviation and aerospace industry, the market size of China's five-axis CNC machine tools in the aviation and aerospace sector increased from RMB2,798.1 million in 2020 to RMB3,836.7 million in 2024, and is expected to further increase to RMB9,273.3 million in 2029 at a CAGR of 19.3%. In the automotive sector, the shift towards electrification and intelligent transformation has driven demand for high-precision machining solutions. The market size of China's five-axis CNC machine tools in the automotive sector increases from RMB967.3 million in 2020 to RMB1,706.9 million in 2024, and is forecasted to grow at a CAGR of 21.3% to RMB4,482.5 million by 2029.

Competitive landscape within our industry

Our financial performance may be affected by the competitive landscape in the global and Chinese five-axis CNC machine tool market. According to the CIC Report, the five-axis CNC machine tool market is highly competitive, with established competitors from Germany and Japan maintaining dominance due to their first-mover advantage and technological leadership. While domestic Chinese enterprises have achieved notable progress in R&D in recent years, they still face challenges in terms of brand recognition, product stability and precision compared to international competitors. Nevertheless, according to the CIC Report, despite the competitive pressure, the aggregate market share of domestic enterprises reached 55.0% in 2024, reflecting China's accelerating shift towards domestic substitution. This figure is projected to rise further to surpassing 75.0% by 2029, driven by continued technological advancement and growing market confidence in domestic capabilities.

Competitive pressures may impact our revenue growth, gross margins and overall financial performance. To address these challenges, we will continue to focus on utilising our technological capabilities, understanding customer needs and strengthening our market position to sustain growth and enhance profitability.

Our product mix

Our financial performance is affected by our product mix, as our prices and gross profit margins vary across our product categories. Different products under the same product category also have varying prices and gross profit margins. During the Track Record Period, we primarily derived our revenue from the sale of aviation and aerospace intelligent manufacturing equipment. The gross margins of our aviation and aerospace intelligent manufacturing equipment are generally higher compared to our other product categories, due to the stringent technical requirements. Conversely, our compact general industrial five-axis machine tools generally have a lower gross margin since we are in an early stage of scaling production and have not achieved as many benefits of economies of scale.

Our R&D capabilities

Our ability to continue R&D activities, develop new technologies, design new products and enhance existing products is critical to our success. We have historically dedicated significant resources towards R&D. For FY2022, FY2023 and FY2024, we incurred R&D expenses of RMB108.4 million, RMB89.9 million and RMB85.9 million. Specifically, the progress of our technology and product development depends largely on our R&D talents. As of 31 December 2024, our R&D team consisted of 155 employees, representing around 35.5% of total employees. As we believe our market success and financial performance will significantly depend on our ability to maintain our technological leadership, we will continue to invest in proprietary technology development and innovation to grow our competitive strengths against our competitors.

Government policies supporting our industry

We have and will continue to benefit from favourable government policies supporting the five-axis CNC machine tool industry. According to the CIC Report, the PRC government in recent years has introduced several preferential policies and development plans to encourage the development of China's five-axis CNC machine tool industry, such as the "the Action Plan for Optimising Standards Regulating Equipment Renewals and Trade-ins of Consumer Goods" (以標準提升牽引設備更新和消費品以舊換新行動方案) which proposed the development and implementation of standards for large-size, high-precision, and high-complexity CNC machine tools. During the Track Record Period, we also received several government grants and subsidies in relation to our R&D efforts, which in turn facilitated our business expansion. However, to the extent that any such favourable government policies were discontinued or reduced in the future, the five-axis CNC machine tool industry and our financial performance and growth prospects may be affected.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgements related to accounting items. The estimates and assumptions we use and the judgements we make in applying our accounting policies have a significant impact on our financial position and operational results. Results may differ from these estimates under different assumptions and conditions.

Our management continually evaluates such estimates, assumptions and judgements based on historical experience and other assumptions which our management believes to be reasonable under the circumstances.

We set forth below accounting policies that we believe involve the most significant estimates, assumptions and judgements used in the preparation of our financial statements. Our significant accounting policies, as well as our key source of estimation uncertainties, which are important for understanding our financial condition and results of operations, are set forth in Notes 2.3 and 3 to the Accountants' Report in Appendix I to this document.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sales of products

The Group manufactures and sells CNC machine tools in the market. Revenue from sales of CNC machine tools is recognised at the point in time when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(b) Repair and maintenance services

The performance obligation is satisfied upon the completion of services and payment is generally due upon finalisation of services.

The warranties provided by the Group cannot be purchased by the customers separately. Such warranties are intended to safeguard the customers against existing defects and do not provide any incremental services to the customers.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sales of CNC machine tools for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials is calculated by weighted average basis and the other costs are stated at actual cost at the time of acquisition, in the case of work in progress and finished goods, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Machinery	10% to 33%
Office equipment and Electronic devices	20% to 33%
Vehicles	10% to 25%
Specialised equipment	10% to 50%
Leasehold improvements	20% to 71%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Share-based payments

Several employee incentive schemes are operated for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined based on recent transaction prices, further details of which are given in note 32 to the Accountants' Report in Appendix I to this document.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years indicated.

	FY2022	**FY2023**	**FY2024**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	135,769	334,630	531,556
Cost of sales	(160,554)	(218,819)	(331,677)
Gross (loss)/profit	(24,785)	115,811	199,879
Other income and gains	30,192	25,106	10,856
Selling and marketing expenses	(11,867)	(26,022)	(28,107)
Administrative expenses	(62,481)	(59,869)	(66,948)
Research and development expenses	(108,388)	(89,917)	(85,880)
Fair value losses on investments measured at fair value through profit or loss	(12,837)	(7,388)	(4,387)
Impairment losses on financial assets, net	(386)	(8,933)	(3,963)
Other expenses	(215)	(4,621)	(1,387)
Finance costs	(6,249)	(5,331)	(7,006)
Share of losses of associates	(289)	(1,105)	(6,171)
(Loss)/Profit before tax	(197,305)	(62,269)	6,886
Income tax expense	(9)	(71)	–
(Loss)/Profit for the year	(197,314)	(62,340)	6,886
Loss attributable to:			
Owners of the parent	(191,572)	(60,523)	8,882
Non-controlling interests	(5,742)	(1,817)	(1,996)
(Loss)/Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted *(RMB)*	(0.57)	(0.18)	0.03

Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with the IFRS Accounting Standards, we also use adjusted net loss/profit (non-IFRS measure) as additional financial measure, which is not required by, or presented in accordance with, the IFRS Accounting Standards. We believe that such non-IFRS measure facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items and provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net loss/profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under the IFRS Accounting Standards.

We define adjusted net loss/profit (non-IFRS measure) as loss/profit for the year adjusted for share-based payments expenses. Share-based payments expenses are non-cash expenses arising from granting restricted share units to the Directors and our employees. The following table sets out a reconciliation from adjusted net loss/profit (non-IFRS measure) to loss/profit for the year which is presented in accordance with the IFRS Accounting Standards.

	FY2022	**FY2023**	**FY2024**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/Profit for the year	(197,314)	(62,340)	6,886
Add:			
Share-based payments expenses	(757)	1,291	6,489
Adjusted net loss/profit (non-IFRS measure)	(198,071)	(61,049)	13,375

KEY COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we primarily generated revenue from (i) the sales of aviation and aerospace intelligent manufacturing equipment, and to a much lesser extent, from (ii) the sales of compact general industrial five-axis machine tools and (iii) provision of repair and maintenance services.

In FY2022, FY2023 and FY2024, our revenue was RMB135.8 million, RMB334.6 million and RMB531.6 million, respectively. The following table sets forth a breakdown of our revenue by product type for the years indicated.

	Year ended 31 December					
	2022		2023		2024	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Aviation and aerospace intelligent manufacturing equipment	132,434	97.5	325,089	97.2	503,434	94.7
Compact general industrial five-axis machine tools	–	–	3,476	1.0	23,839	4.5
Repair and maintenance services	3,335	2.5	6,065	1.8	4,283	0.8
Total	**135,769**	**100.0**	**334,630**	**100.0**	**531,556**	**100.0**

The following table sets forth the sales volume, ASP and price ranges of our products for the years indicated.

	Year ended 31 December								
	2022			2023			2024		
	Sales volume	ASP	Price range	Sales volume	ASP	Price range	Sales volume	ASP	Price range
	(Units)	*(RMB'000)*	*(RMB'000)*	*(Units)*	*(RMB'000)*	*(RMB'000)*	*(Units)*	*(RMB'000)*	*(RMB'000)*
Aviation and aerospace intelligent manufacturing equipment	23	5,758	430 to 38,200	55	5,911	248 to 31,800	50	10,069	250 to 51,300
Compact general industrial five-axis machine tools	–	–	–	3	1,159	973 to 1,400	23	1,036	870 to 1,500

Our revenue increased during the Track Record Period, primarily driven by the increase in revenue from the sales of aviation and aerospace intelligent manufacturing equipment, which accounted for over 90% of our revenue. Since the second half of 2023, we began to record revenue from the sales of compact general industrial five-axis machine tools. The revenue generated from sales of compact general industrial five-axis machine tools increased substantially from FY2023 to FY2024.

Cost of Sales

In FY2022, FY2023 and FY2024, our cost of sales was RMB160.6 million, RMB218.8 million and RMB331.7 million, respectively, representing 118.3%, 65.4% and 62.4% of our revenue for the same years, respectively. Our cost of sales primarily consists of (i) raw materials, primarily including parts and components we use in our production; (ii) labour costs; (iii) overhead costs; and (iv) provisions for warranties. The following table sets forth a breakdown of our cost of sales by nature for the years indicated.

	Year ended 31 December					
	2022		**2023**		**2024**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Raw materials	93,395	81.6	191,353	90.1	285,384	87.4
Labour costs	7,747	6.8	21,272	10.0	21,784	6.7
Overhead costs[Note]	6,352	5.6	18,213	8.6	22,899	7.0
Transportation costs	2,585	2.3	6,950	3.3	7,677	2.4
Depreciation of right-of-use assets	1,711	1.4	5,986	2.8	5,560	1.7
Provisions for warranties	3,380	3.0	8,935	4.2	13,697	4.2
Amounts written off for inventories sold	(811)	(0.7)	(40,422)	(19.0)	(30,614)	(9.4)
Subtotal	114,359	100.0	212,287	100.0	326,387	100.0
Write-down of inventories to net realisable value	46,195		6,532		5,290	
Total	**160,554**		**218,819**		**331,677**	

Note: Overhead costs primarily include depreciations and amortisations of other long-term assets and utilities.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

In FY2022, we recorded gross loss of RMB24.8 million, representing a gross loss margin of 18.3%. In FY2023 and FY2024, we recorded gross profit of RMB115.8 million and RMB199.9 million, respectively, representing gross profit margin of 34.6% and 37.6%, respectively. The following table sets forth a breakdown of our gross profit/loss and gross profit/loss margin by product type for the years indicated.

	Year ended 31 December					
	2022		2023		2024	
	Gross profit/loss *(RMB'000)*	Gross profit/loss margin *(%)*	Gross profit *(RMB'000)*	Gross profit margin *(%)*	Gross profit *(RMB'000)*	Gross profit margin *(%)*
Aviation and aerospace intelligent manufacturing equipment	21,108	15.9	120,799	37.2	196,767	39.1
Compact general industrial five-axis machine tools	–	–	662	19.0	6,118	25.7
Repair and maintenance services	302	9.1	882	14.5	2,284	53.3
Subtotal	**21,410**	**15.8**	**122,343**	**36.6**	**205,169**	**38.6**
Less: impairment losses on inventories	*(46,195)*		*(6,532)*		*(5,290)*	
Total	**(24,785)**	**(18.3)**	**115,811**	**34.6**	**199,879**	**37.6**

Other Income and Gains

In FY2022, FY2023 and FY2024, we recorded other income and gains of RMB30.2 million, RMB25.1 million and RMB10.9 million, respectively. Other income and gains primarily consist of government grants and subsidies, investment income from wealth management products, interest income, gain on customer breach of contract, gain on disposal of investments measured at fair value through profit or loss ("**FVTPL**") and exchange gain. The following table sets forth a breakdown of our other income and gains for the years indicated.

	Year ended 31 December		
	2022	**2023**	**2024**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Other income			
Government grants and subsidies	19,304	22,338	9,338
Investment income	3,565	–	–
Interest income	3,353	2,259	636
Gains			
Gain on customer breach of contract[Note 1]	3,849	–	–
Gain on disposal of investments measured at FVTPL[Note 2]	–	–	367
Exchange gain	74	314	–
Others	47	195	515
Total	**30,192**	**25,106**	**10,856**

Notes:

1. Refers to our gains upon the forfeiture of the deposit paid by a customer upon its decision to terminate the contract

2. Refers to the monetary difference between the consideration of the disposal of Chengdu Yongfeng and the book value of our investment in Chengdu Yongfeng

Government grants and subsidies primarily relate to our R&D activities. They include non-recurring project grants to support and reward our efforts in technological innovation. We receive these grant sums from government agencies. The availability and amounts of these grants and subsidies are subject to the discretions of the relevant government authorities and government policy.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) employee benefit expenses, which primarily include the salaries and benefits for our sales and marketing personnel; (ii) business development expenses for our sales and marketing personnel; (iii) consultation fees, primarily consisting of fees to market research agencies; (iv) travelling expenses; and (v) advertising and promotion expenses. The following table sets forth a breakdown of our selling and marketing expenses for the years indicated:

	Year ended 31 December					
	2022		**2023**		**2024**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Employee benefit expenses	6,109	51.5	15,334	58.9	17,229	61.2
Business development expenses	3,231	27.2	3,930	15.1	2,325	8.3
Consultation fees	1,018	8.6	2,301	8.8	477	1.7
Travelling expenses	664	5.6	1,956	7.5	3,090	11.0
Advertising and promotion expenses	427	3.6	2,064	7.9	3,349	12.0
Others[Note]	418	3.5	437	1.8	1,637	5.8
Total	**11,867**	**100.0**	**26,022**	**100.0**	**28,107**	**100.0**

Note: Others primarily include rental expenses, tender award fees, primarily consisting of fees to bid administrators that are required to be borne by the successful bidder, and conference and meeting expenses, depreciation and amortisation.

In FY2022, FY2023 and FY2024, our selling and marketing expenses were RMB11.9 million, RMB26.0 million and RMB28.1 million, accounting for 8.7%, 7.8% and 5.3% of our revenue for the same years, respectively. The increase in our selling and marketing expenses were primarily attributable to our increase in sales efforts mainly in relation to our compact general industrial five-axis machine tools segment.

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses, which primarily include the salaries and benefits for our administration and management personnel; (ii) depreciation and amortisation; (iii) professional services fees mainly legal and audit fees; (iv) business development expenses of our administration and management personnel; (v) office expenses; and (vi) rental expenses, which primarily consist of the depreciation of right-of-use assets representing our office leases. The following table sets forth a breakdown of our administrative expenses for the years indicated.

	Year ended 31 December					
	2022		**2023**		**2024**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Employee benefit expenses	39,789	63.7	37,678	63.0	40,225	60.1
Depreciation and amortisation	10,669	17.1	9,845	16.4	10,151	15.2
Professional services fees	3,494	5.6	4,731	7.9	6,314	9.4
Business development expenses	2,382	3.8	1,441	2.4	1,816	2.7
Office expenses	1,280	2.0	1,030	1.7	847	1.3
Rental expenses	910	1.5	1,171	2.0	2,328	3.5
Others[Note]	3,957	6.3	3,973	6.6	5,267	7.8
Total	**62,481**	**100.0**	**59,869**	**100.0**	**66,948**	**100.0**

Note: Others primarily include travelling expenses, tax and surcharges, and other administrative expenses.

In FY2022, FY2023 and FY2024, our administrative expenses were RMB62.5 million, RMB59.9 million and RMB66.9 million, accounting for 46.0%, 17.9% and 12.6% of our revenue for the same years, respectively.

Research and Development Expenses

Our R&D expenses primarily consist of (i) employee benefit expenses, which primarily include the salaries and benefits for our R&D personnel; (ii) material costs for our R&D initiatives; (iii) depreciation and amortisation; (iv) travelling expenses; and (v) collaborative R&D costs. The following table sets forth a breakdown of our research and development expenses for the years indicated.

	Year ended 31 December					
	2022		**2023**		**2024**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Employee benefit expenses	71,871	66.4	60,530	67.3	63,971	74.4
Material costs	16,915	15.6	11,289	12.6	3,439	4.0
Depreciation and amortisation	9,099	8.4	9,487	10.6	8,827	10.3
Travelling expenses	4,489	4.1	4,641	5.2	4,187	4.9
Collaborative R&D costs	3,413	3.1	2,308	2.6	5,040	5.9
Others[Note]	2,601	2.4	1,662	1.7	416	0.5
Total	**108,388**	**100.0**	**89,917**	**100.0**	**85,880**	**100.0**

Note: Others primarily include inspection and testing fees, rental expenses and office expenses.

Fair Value Losses on Investments Measured at FVTPL

We recorded fair value losses on investments measured at FVTPL of RMB12.8 million, RMB7.4 million and RMB4.4 million in FY2022, FY2023 and FY2024, respectively, which related to our investments in Chengdu Yongfeng and Zhongtuo Technology.

The fair value losses on investments measured at FVTPL represented the decrease in value of our investment in Chengdu Yongfeng and the investment loss of our additional capital injection in Zhongtuo Technology in the relevant years during the Track Record Period.

Impairment Losses on Financial Assets, Net

We recorded impairment losses on financial assets, net, of RMB386 thousand, RMB8.9 million and RMB4.0 million in FY2022, FY2023 and FY2024, respectively. Such impairment losses for FY2023 and FY2024 primarily represent our individual assessed impairment made for expected credit loss of trade receivables of certain customers in the relevant years.

Other Expenses

Our other expenses primarily include (i) loss on disposal of fixed assets, (ii) donations and (iii) loss on disposal of an associate (i.e. Shanghai Qianzhan). We recorded other expenses of RMB215 thousand, RMB4.6 million and RMB1.4 million in FY2022, FY2023 and FY2024, respectively.

Finance Costs

Our finance costs primarily consist of interest on loans and borrowings and interest on lease liabilities. In FY2022, FY2023 and FY2024, our finance costs was RMB6.2 million, RMB5.3 million and RMB7.0 million, respectively.

Share of Losses of Associates

Our share of losses of associates represents the amount of losses attributable to our Group as a result of our investments in associates, namely Chengdu Chenfei and Shanghai Qianzhan. We disposed of our investment in Shanghai Qianzhan in 2023. For details, please see "History and Corporate Structure – Acquisitions, Merger and Disposal – Disposal of equity interest in Shanghai Qianzhan". In FY2022, FY2023 and FY2024, our share of losses of associates was RMB289 thousand, RMB1.1 million and RMB6.2 million, respectively. For details, see note 16 to the Accountants' Report in Appendix I to this document.

Income Tax Expenses

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate.

Our Company and most of our subsidiaries are located in the PRC. Pursuant to the PRC Corporate Income Tax Law, the tax rate of our PRC subsidiaries was 25% during the Track Record Period. Our Company is qualified as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% during the Track Record Period.

We recorded income tax expenses of RMB9 thousand, RMB71 thousand and nil in FY2022, FY2023 and FY2024 respectively. During the Track Record Period, our effective income tax rate was significantly lower than the statutory tax rate, which was primarily due to the super deductible allowance for research and development expenses. Pursuant to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 200% of research and development costs so incurred as tax deductible expenses when determining assessable profits. For FY2023 and FY2024, we, as a company in machine tool industry, were entitled to claim 220% of our research and development costs. For details, see note 10 to the Accountants' Report in Appendix I to this document.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

FY2024 compared with FY2023

Revenue

Our revenue increased by 58.9% from RMB334.6 million in FY2023 to RMB531.6 million in FY2024, mainly because:

- Our revenue from the sales of aviation and aerospace intelligent manufacturing equipment increased by 54.8% from RMB325.1 million in FY2023 to RMB503.4 million in FY2024, primarily due to increase in sales of horizontal flip-type milling five-axis machine tools and friction stir welding five-axis machine tools to Chengdu Chenfei (a subsidiary of Customer F) and Customer H in FY2024, partially offset by the decrease in sales of aviation and aerospace five-axis machining centers.

- Our revenue from the sales of compact general industrial five-axis machine tools increased by 585.7% from RMB3.5 million in FY2023 to RMB23.8 million in FY2024, primarily due to the increase in sales of compact general industrial five-axis machine tools in line with our strategic expansion in the general industrial sector.

Cost of Sales

Our cost of sales increased by 51.6% from RMB218.8 million in FY2023 to RMB331.7 million in FY2024, which was generally in line with the increase in revenue resulting from our business expansion.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

Our gross profit increased by 72.6% from RMB115.8 million in FY2023 to RMB199.9 million in FY2024, and our gross profit margin increased from 34.6% in FY2023 to 37.6% in FY2024 due to the reasons discussed below.

- Our gross profit from aviation and aerospace intelligent manufacturing equipment (before write-down of inventories) increased by 62.9% from RMB120.8 million in FY2023 to RMB196.8 million in FY2024, primarily due to the increase in revenue for aviation and aerospace intelligent manufacturing equipment. The gross profit margin (before write-down of inventories) slightly increased from 37.2% in FY2023 to 39.1% in FY2024 primarily because of the continuous increase in efficiency in our production process and procurement of raw materials due to enhancement in standardisation of our operations and production technologies, including modification of our product design to facilitate the use of common components.

- Our gross profit from compact general industrial five-axis machine tools (before write-down of inventories) increased by 824% from RMB662 thousand in FY2023 to RMB6.1 million in FY2024, primarily due to the increase in revenue for compact general industrial five-axis machine tools. The gross profit margin (before write-down of inventories) increased from 19.0% in FY2023 to 25.7% in FY2024 primarily due to the reduction in unit cost as a result of better economies of scale from the increase in sales volume.

Other income and gains

Our other income and gains decreased by 56.8% from RMB25.1 million in FY2023 to RMB10.9 million in FY2024. Such decrease was primarily attributable to the decreases in our government grants and subsidies from RMB22.3 million in FY2023, to RMB9.3 million in FY2024 primarily because a majority of the government grant projects were completed in FY2023.

Selling and marketing expenses

Our selling and marketing expenses remained relatively stable at RMB26.0 million and RMB28.1 million in FY2023 and FY2024, respectively.

Administrative expenses

Our administrative expenses increased by 11.7% from RMB59.9 million in FY2023 to RMB66.9 million in FY2024, primarily due to (i) increase in employee benefit expenses of RMB2.5 million mainly for performance-related bonus and share-based payments, and (ii) an increase in professional services fees of RMB1.6 million in relation to our previous A-share listing attempts.

Research and development expenses

Our R&D expenses were RMB89.9 million in FY2023 and RMB85.9 million in FY2024, which remained relatively stable.

Fair value losses on investments measured at FVTPL, net

Our fair value losses on investments measured at FVTPL, net, decreased by 40.6% from RMB7.4 million in FY2023 to RMB4.4 million in FY2024 and such fair value losses in FY2024 represent the change in fair value of our investment in Chengdu Yongfeng as at 30 June 2024.

Impairment losses on financial assets, net

Our impairment losses on financial assets, net, decreased by 55.6% from RMB8.9 million in FY2023 to RMB4.0 million in FY2024, primarily because we made individual assessed impairment for the expected credit loss of trade receivables of only one customer with an amount of RMB4.1 million in FY2024 while we made such impairment of two customers with a total amount of RMB8.1 million in FY2023.

Other expenses

Our other expenses decreased by 70.0% from RMB4.6 million in FY2023 to RMB1.4 million in FY2024, primarily because we recorded a loss of RMB2.0 million on the retirement of a piece of machinery which was no longer functional.

Finance costs

Our finance costs increased by 31.4% from RMB5.3 million in FY2023 to RMB7.0 million in FY2024, primarily due to increase in interest-bearing bank and other financing obtained in FY2024, partially offset by a decrease in interest on lease liabilities.

Share of losses of associates

Our share of losses of associates increased by 458.5% from RMB1.1 million in FY2023 to RMB6.2 million in FY2024, primarily due to the increase in share of loss of Chengdu Chenfei in FY2024.

Loss/Profit for the year

As a result of the foregoing, our loss for the year of RMB62.3 million in FY2023 turned around to a profit for the year of RMB6.9 million in FY2024.

FY2023 compared with FY2022

Revenue

Our revenue increased by 146.5% from RMB135.8 million in FY2022 to RMB334.6 million in FY2023, mainly because:

- Our revenue from the sales of aviation and aerospace intelligent manufacturing equipment increased by 145.5% from RMB132.4 million in FY2022 to RMB325.1 million in FY2023, primarily due to the completion of final acceptance of a contract with a subsidiary of Customer B with a contract value of RMB165.9 million.

- Our revenue from the sales of compact general industrial five-axis machine tools increased from nil in FY2022 to RMB3.5 million in FY2023 as we commenced sales of compact general industrial five-axis machine tools in March 2023.

Cost of sales

Our cost of sales increased by 36.3% from RMB160.6 million in FY2022 to RMB218.8 million in FY2023, primarily due to the increase in raw materials costs of RMB98.0 million and labour costs of RMB13.5 million, primarily attributable to the increase in sales volume of aviation and aerospace intelligent manufacturing equipment and compact general industrial five-axis machine tools. This is partially offset by the decrease in impairment losses on inventories of RMB46.2 million, as we incurred an impairment losses on inventories of RMB36.8 million due to the order adjustment incident with Customer E (one of our top five customers in FY2023) in FY2022. For details, see "– Inventories" below.

Gross profit (/loss) and gross profit (/loss) margin

We recorded gross loss of RMB24.8 million and gross loss margin of 18.3% for FY2022, and turned to gross profit of RMB115.8 million and gross profit margin of 34.6% for FY2023 due to the reasons discussed below.

- Our gross profit from aviation and aerospace intelligent manufacturing equipment (before write-down of inventories) increased by 472.5% from RMB21.1 million in FY2022 to RMB120.8 million in FY2023, primarily due to (i) the increase in revenue for aviation and aerospace intelligent manufacturing equipment for the reasons discussed above, and (ii) the increase in gross profit margin (before write-down of inventories) from 15.9% in FY2022 to 37.2% in FY2023. The increase in gross profit margin was primarily because of the increase in efficiency in our production process and procurement of raw materials due to enhancement in standardisation of our operations and production technologies, including modification of our product design to facilitate the use of common components.

- We recorded gross profit from compact general industrial five-axis machine tools (before write-down of inventories) of RMB662 thousand with a gross profit margin of 19.0% in FY2023.

- We incurred an impairment losses on inventories of RMB36.8 million due to the order adjustment incident with Customer E (one of our top five customers in FY2023) in FY2022. For details, see "– Inventories" below.

Other income and gains

Our other income and gains decreased by 16.8% from RMB30.2 million in FY2022 to RMB25.1 million in FY2023. Such decrease was primarily attributable to (i) the absence of a one-off gain from customer breach of contract; and (ii) the decrease in investment income and interest income, partially offset by the increase in government grants and subsidies from RMB19.3 million in FY2022 to RMB22.3 million in FY2023.

Selling and marketing expenses

Our selling and marketing expenses increased by 119.3% from RMB11.9 million in FY2022 to RMB26.0 million in FY2023, primarily due to (i) the increase in employee benefit expenses of RMB9.2 million as a result of addition of sales personnel for our sales team in FY2023, and (ii) the increase in advertising and promotion expenses of RMB1.6 million as a result of the increase in our advertising and promotional initiatives in FY2023, to support the launch of our compact general industrial five-axis machine tools.

Administrative expenses

Our administrative expenses were RMB62.5 million in FY2022 and RMB59.9 million in FY2023 which remained relatively stable.

Research and development expenses

Our R&D expenses decreased by 17.0% from RMB108.4 million in FY2022 to RMB89.9 million in FY2023, primarily due to the optimization of our R&D workforce in response to the progression of our R&D projects.

Fair value losses on investments measured at FVTPL, net

Our fair value losses on investments measured at FVTPL, net, decreased by 42.4% from RMB12.8 million in FY2022 to RMB7.4 million in FY2023 since we recorded for value losses for our investments in Chengdu Yongfeng and Zhongtuo Technology in FY2022 while such fair value for our investment in Zhongtuo Technology was minimal in FY2023.

Impairment losses on financial assets, net

Our impairment losses on financial assets, net, increased by 2,214.2% from RMB386 thousand in FY2022 to RMB8.9 million in FY2023 since we made individual assessed impairment for the expected credit loss of trade receivables in FY2023 while no such impairment was made in FY2022.

Other expenses

Our other expenses increased by 2,049.3% from RMB215 thousand in FY2022 to RMB4.6 million in FY2023, primarily due to the disposal and write-off of fixed assets of RMB3.1 million, including the disposal and write-off to the amount of RMB2.0 million for a piece of machinery which was no longer functional.

Finance costs

Our finance costs decreased by 14.7% from RMB6.2 million in FY2022 to RMB5.3 million in FY2023, primarily due to the decrease in interest on lease liabilities from RMB5.9 million in 2022 to RMB4.8 million in 2023.

Share of losses of associates

Our share of losses of associates increased by 282% from RMB289 thousand in FY2022 to RMB1.1 million in FY2023, primarily due to the increase in share of loss of Chengdu Chenfei in FY2023.

Loss for the year

As a result of the foregoing, our loss for the year decreased by 68.4% from RMB197.3 million in FY2022 to RMB62.3 million in FY2023.

CURRENT ASSETS AND CURRENT LIABILITIES

Net current assets

The following table sets forth the breakdown of our current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December			As at 31 March
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets				
Inventories	443,459	588,548	486,095	[412,445]
Contract assets	7,436	10,455	24,392	[19,962]
Trade and bills receivables	81,982	97,786	60,010	[73,345]
Prepayments, other receivables and other assets	62,814	74,428	29,041	[54,814]
Investments measured at fair value through profit or loss	18,877	11,619	–	[–]
Restricted cash	17,212	14,222	10,351	[10,605]
Cash and cash equivalents	346,823	148,386	133,538	[98,145]
Total current assets	**978,603**	**945,444**	**743,427**	**[669,316]**
Current liabilities				
Trade and bills payables	193,752	228,429	146,726	[124,250]
Other payables and accruals	72,778	38,969	45,569	[47,599]
Contract liabilities	645,084	573,397	341,779	[226,645]
Interest-bearing bank and other borrowings	7,660	40,111	144,321	[147,894]
Lease liabilities	31,063	32,297	25,811	[28,739]
Tax payable	3	7	–	[–]
Deferred income	3,961	2,102	9,330	[8,856]
Provision	9,709	9,955	17,395	[20,876]
Total current liabilities	**964,010**	**925,267**	**730,931**	**[604,859]**
Net current assets	**14,593**	**20,177**	**12,496**	**[64,457]**

Our Group's net current assets increased from RMB14.6 million as at 31 December 2022 to RMB20.2 million as at 31 December 2023. The increase was primarily due to (i) increase in inventories of RMB145.1 million which was mainly because of the increase in inventories of raw material and work-in-progress to cope with the increased demand from the customers and (ii) decrease in contract liabilities of RMB71.7 million because of the increased fulfilment of our obligations under sales contracts in FY2023, which was partially offset by the decrease in cash and cash equivalents due to the cash outflow from operating activities.

Our Group's net current assets decreased from RMB20.2 million as at 31 December 2023 to RMB12.5 million as at 31 December 2024. The decrease was primarily due to (i) decrease in cash and cash equivalents of RMB14.8 million due to the acquisition of property, plant and equipment; and (ii) increase in short-term interest-bearing bank and other borrowings of RMB104.2 million which were primarily for financing our working capital and construction of our Jiaxing Production Base in FY2024, which was partially offset by the decrease in trade and bills payables of RMB81.7 million which was mainly due to decrease in trade payables to our raw material suppliers.

Our Group's net current assets increased from RMB12.5 million as at 31 December 2024 to RMB[64.5] million as at 31 March 2025. The increase was primarily due to decrease in contract liabilities of RMB115.1 million because of the further increased fulfillment of our obligations under sales contract in the relevant period in 2025 which was partially offset by the decrease in cash and cash equivalents of RMB35.4 million due to the acquisition of property, plant and equipment in the relevant period in 2025.

Sufficiency of working capital

Our Directors confirm that, after due and careful enquiry and taking into consideration the financial resources presently available to us, including our expected cash flow generated from our operating activities, the estimated **[REDACTED]** from the **[REDACTED]**, unutilised banking facilities and cash and cash equivalents as at 31 March 2025, our Group has sufficient working capital for our present requirements and for the next 12 months commencing from the date of this document.

DESCRIPTION OF SELECTED ITEMS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment consists of machinery, specialised equipment, office equipment and electronic devices, leasehold improvements, construction-in-progress and vehicles. As at 31 December 2022, 2023 and 2024, the carrying value of our property, plant and equipment amounted to RMB39.0 million, RMB33.2 million and RMB71.8 million, respectively.

Our property, plant and equipment slightly decreased from RMB39.0 million as of 31 December 2022 to RMB33.2 million as of 31 December 2023 primarily due to depreciation, but substantially increased to RMB71.8 million as of 31 December 2024 primarily due to the increase in construction-in-progress in relation to the construction of our Jiaxing Production Base in FY2024.

Right-of-Use Assets

Our right-of-use assets primarily include (i) land use rights; and (ii) the plant and buildings we leased for our operations under the lease contracts.

Our right-of-use assets were RMB71.0 million, RMB67.2 million and RMB105.0 million as of 31 December 2022, 2023 and 2024, respectively. The decrease in balance of our right-of-use assets of RMB3.8 million as at 31 December 2023 as compared to 31 December 2022 was primarily due to the depreciation charge to our plant and properties offset by the addition to land-use rights due to the purchase of land for our Jiaxing Production Base. The increase in the balance of our right-of-use assets of RMB37.8 million as at 31 December 2024 as compared to 31 December 2023 was mainly due to the addition to land-use rights due to the acquisition of land for our Zhuanqiao Production Base offset by the depreciation charge to our plant and properties.

Other intangible assets

Our other intangible assets mainly consist of software, patents, licences and technology, which amounted to RMB37.4 million, RMB31.4 million and RMB29.1 million as of 31 December 2022, 2023 and 2024, respectively. The continual decrease in our other intangible assets as of 31 December 2024 compared to 31 December 2022 was primarily due to the amortisation of our other intangible assets.

Investments in Associates

Our investments in associates represent our investments in entities in which we have significant influence. During the Track Record Period, our investments in associates represented our investments in two companies, namely Chengdu Chenfei and Shanghai Qianzhan. As of 31 December 2022, 2023 and 2024, we recorded investments in associates of RMB53.8 million, RMB36.9 million and RMB20.0 million, respectively. The decrease in investments from FY2022 to FY2024 in associates was due to (i) the increase in the share of the associates' losses from RMB0.3 million for FY2022 to RMB6.2 million for FY2024, (ii) the elimination of down-stream sales from nil for FY2022 to RMB10.7 million for FY2024, and (iii) the disposal of our investment in Shanghai Qianzhan in 2023. For details, see note 16 to the Accountants' Report set forth in Appendix I to this document. We disposed of our investment in Shanghai Qianzhan in 2023. For details, see "History and Corporate Structure – Acquisitions, Merger and Disposal – Disposal of equity interest in Shanghai Qianzhan" in this document.

Inventories

We had inventories of RMB443.5 million, RMB588.5 million and RMB486.1 million as of 31 December 2022, 2023 and 2024, respectively. The following table sets forth the details of our inventories as of the dates indicated.

	As of 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	74,636	80,350	76,590
Work in progress	112,631	223,395	129,048
Finished goods	39,113	97,573	65,523
Goods in Transit[1]	325,014	261,479	263,688
	551,394	662,797	534,849
Less: provision for impairment losses on inventories	(107,935)	(74,249)	(48,754)
Total	**443,459**	**588,548**	**486,095**

(1) Refers to finished products which have passed pre-acceptance testing by the customer (if applicable), and are in the process of transit to or assembly at the site of the customer, yet to pass final acceptance. For details, please see "Business – Quality Control – Quality Control in our Operation and Production Processes – Finished product testing".

Our inventories increased from RMB443.5 million as of 31 December 2022 to RMB588.5 million as of 31 December 2023. This was primarily due to the increase in work in progress to cope with increased production demand in relation to the contracts of Customer F (our largest customer in FY2024) and Customer H (one of our top five customers in FY2024). Our inventories then decreased to RMB486.1 million as of 31 December 2024, primarily due to the completion of final acceptance of products delivered to aforesaid customers in FY2024.

Our provision for impairment losses on inventories was RMB107.9 million, RMB74.2 million and RMB48.8 million as of 31 December 2022, 2023 and 2024. The provision for impairment losses on inventories as of 31 December 2022 was primarily due to the write-down of inventories to net realisable value of RMB36.8 million during FY2022 as a result of the one-off impact of an order adjustment incident by Customer E (one of our top five customers in FY2023). The decrease in provision for impairment losses on inventories as of 31 December 2023 and 2024 was primarily due to the subsequent sale of the inventories manufactured for Customer E at lower prices.

In September 2020, we entered into a sales agreement with Customer E for the sale of aviation and aerospace intelligent manufacturing equipment with a total contract value of RMB113 million. In August 2022, we entered into a supplemental agreement with Customer E for cancellation of four five-axis machining centers which reduced the contract value to RMB92.4 million. As a result of the equipment being tailor-made and not being our main area of expertise of five-axis CNC machine tools, we also delayed delivery of four-axis aviation and aerospace intelligent manufacturing equipment to Customer E which resulted in a 10% penalty of the original contract value. We wrote down inventories in relation to the contract of Customer E which resulted in an impairment of inventories of RMB36.8 million in FY2022. In March 2023, we entered into a second supplemental agreement with Customer E to sell only a portion of the aviation and aerospace intelligent manufacturing equipment, consisting of five-axis CNC machine tools, at an adjusted pricing of RMB34.0 million, and adjusted the penalty amount for the delayed delivery which was accounted for as other payable as of 31 December 2022. We paid delayed delivery penalty of RMB8.1 million to Customer E in FY2023. The remainder of the inventories in relation to the contract of Customer E, consisting of four-axis equipment, were subsequently disposed at discounted at prices in 2023 and 2024 which resulted in inventory write-offs in the relevant years. We formulated a procedure for sales contract management, which includes that our production schedule shall align with the delivery timeline as agreed in the sales contract and we shall maintain timely communication with our customers in the event of possible postponed delivery of our products.

The following table sets forth our inventory turnover days for the years indicated.

	Year ended 31 December		
	2022	**2023**	**2024**
Inventory turnover days [(1)]	916	849	583

(1) The inventory turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of inventories (net of provision for impairment losses on inventories) in that year by cost of sales for the corresponding year and then multiplying by the number of days in that year (i.e., 360 days for a given year).

We had relatively long inventory turnover days during the Track Record Period, which is in line with the industry norm for five-axis CNC machine tool industry. Our inventory turnover days decreased from 916 days in FY2022 to 849 days in FY2023 and further decreased to 583 days in FY2024 primarily due to the increase in efficiency in our product delivery to our customers.

The following table sets forth an ageing analysis of our inventories as of the dates indicated:

Inventories aging[Note]

	As of 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	122,448	328,464	138,947
1 to 2 years	205,740	95,649	247,838
2 to 3 years	139,716	99,209	46,621
Over 3 years	83,490	139,475	101,443
	551,394	662,797	534,849
Less: allowance for write-down of inventories	(107,935)	(74,249)	(48,754)
Total	443,459	588,548	486,095

Note: For raw materials, work-in-progress, finished goods and goods in transit that are designated to a sales order, inventory ageing is calculated when costs are first incurred. For raw material not designated to a sales order, inventory ageing is calculated when it is received into stock.

As of 31 March 2025, RMB[105.6] million, or [21.7]%, of our inventories as of 31 December 2024 had been utilised or sold.

Trade and bills receivables

The following table sets forth the details of our trade and bills receivables as of the dates indicated.

	As of 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	71,049	97,659	58,364
Commercial acceptance bills receivable	5,979	6,480	6,998
Bank acceptance notes	7,660	4,875	9,156
	84,688	109,014	74,518
Impairment losses	(2,706)	(11,228)	(14,508)
Net carrying amount	81,982	97,786	60,010

The fluctuation of the balance of trade receivables during the Track Record Period was mainly affected by the payment arrangements and payment schedules of our customers. The increase in our trade receivables from RMB71.0 million as at 31 December 2022 to RMB97.7 million as at 31 December 2023 was in line with increase in our sales. The subsequent decrease in our trade receivables to RMB58.4 million as at 31 December 2024 was primarily because of the increase in number of contracts completed in FY2024 which had a higher proportion of payment before final acceptance.

We seek to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by our senior management. We do not hold any collateral or other credit enhancements over our trade receivable balances. Trade receivables are non-interest-bearing.

The following table sets forth an ageing analysis of our trade receivables based on the date that we have an unconditional right to receive consideration from the customers and net of impairment loss, as of the dates indicated:

	As of 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	44,918	49,128	39,914
1 to 2 years	1,246	24,746	486
2 to 3 years	1,737	–	3,228
3 to 4 years	12,530	59	–
4 to 5 years	7,753	12,300	59
Over 5 years	249	252	252
Total	68,433	86,485	43,939

Except for debtors with credit impairment, we determine the estimated credit losses (ECLs) on those items on a collective basis, grouped by debtors' external credit ratings or industry features, and adjusted for forward-looking factors specific to the economic environment. As part of our credit risk management, except for the debtors' external credit ratings, we consider industry features for our customers in relation to its business operation and historical status of payments. For details, see note 21 to the Accountants' Report set forth in Appendix I to this document.

During the Track Record Period, we recorded impairment loss, net, being recorded in our profit and loss account, of RMB1.7 million, RMB8.6 million and RMB3.3 million for FY2022, FY2023 and FY2024, respectively.

The following table sets forth our trade receivables turnover days for the years indicated.

	Year ended 31 December		
	2022	**2023**	**2024**
Trade receivables turnover days [(1)]	144	97	53

(1) The trade receivables turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade receivables in that year by revenue for the corresponding year and then multiplying by the number of days in that year (i.e., 360 days for a given year).

Our trade receivables turnover days decreased from 144 days in FY2022 to 97 days in FY2023, and further to 53 days in FY2024 mainly because we increased collection efforts for long-ageing receivables.

As of 31 March 2025, RMB[4.9] million, or [11.1]% of our trade receivables as of 31 December 2024 had been settled.

Contract assets

The following table sets forth the details of our contract assets as of the dates indicated.

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets arising from:			
Sales of CNC machine tools	7,585	18,008	38,460
Impairment	(149)	(467)	(1,209)
Total	7,436	17,541	37,251

Our contract assets are initially recognised for revenue earned from the sales of CNC machine tools related to the receipt of the consideration which is conditional on the fulfilment of the warranty service for sales of equipment. Upon the end of the warranty period, the amounts recognised as contract assets are reclassified to trade receivables. Our contract assets were RMB7.4 million, RMB17.5 million and RMB37.3 million as at 31 December 2022, 2023 and 2024, respectively. The changes of our contract assets were generally in line with our increase in revenue during the Track Record Period. For details, see note 22 to the Accountants' Report set forth in Appendix I to this document.

As of 31 March 2025, we reclassified RMB[8.4] million, or [22.5]%, of the outstanding balance of our contract assets to trade receivables as at 31 December 2024 to trade receivables.

Prepayments, other receivables and other assets

Our current portion of prepayments, other receivables and other assets primarily include deposits, prepayments to suppliers, and other tax recoverable. The following table sets forth the details of our prepayments, other receivables and other assets as of the dates indicated.

	As of 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Prepayments for long-term assets	–	747	1,882
Current			
Deposits	8,182	27,246	11,975
Prepayments to suppliers	53,180	32,921	10,784
Other tax recoverable	42	12,810	4,721
Advances to employees	602	833	674
Prepaid expenses	917	822	1,029
Subtotal	62,923	74,632	29,183
Impairment allowance	(109)	(204)	(142)
Total	62,814	75,175	30,923

Our prepayments, other receivables and other assets increased from RMB62.8 million as of 31 December 2022 to RMB75.2 million as of 31 December 2023, primarily due to (1) the increase in deposits as a result of performance bonds arising from the construction of our Jiaxing Production Base of RMB12.0 million, and (2) the increase in other tax recoverable which mainly represented recoverable VAT related to the increase in purchase of materials, in particular, CNC systems. These were partially offset by the decrease in prepayments to suppliers. Our prepayments, other receivables and other assets then decreased to RMB30.9 million as of 31 December 2024, primarily due to (1) the decrease in deposits due to the reduction in the amount of the aforesaid performance bonds according to construction progress of our Jiaxing Production Base; (2) the decrease in prepayments to suppliers; and (3) the decrease in other tax recoverable due to decrease in purchase of materials.

As of 31 March 2025, RMB[4.8] million, or [15.3]%, of our prepaid expenses, other receivables, and other assets (net of impairment losses) as of 31 December 2024 had been settled.

Trade and bills payables

Our trade and bills payables increased from RMB193.8 million as of 31 December 2022 to RMB228.4 million as of 31 December 2023, and subsequently decreased to RMB146.7 million. We increased our procurement activities in FY2023 to cope with production needs for contracts of certain major customers with relatively large contract value which resulted in the relatively higher balance of trade and bills payables as of 31 December 2023.

We normally settle our trade payables within 30 to 120 days upon receipt of the VAT invoice.

The financial liabilities that are part of our supplier finance arrangements included in trade payables are normally settled on 120-day terms. For details of supplier finance arrangement, please refer Note 25 of the Accountant's Report as set out in Appendix I to this document. Dr. Wang has provided a guarantee to the external finance provider of the supplier finance arrangement. Such guarantee provided by Dr. Wang will be released before the **[REDACTED]**.

All financial liabilities that are part of the supplier finance arrangements are included in trade and bills payables in the statement of financial position and within trade payables. The carrying amount of financial liabilities that are part of the supplier finance arrangements amounted to nil, RMB9.0 million and RMB10.3 million as at 31 December 2022, 2023 and 2024.

As of 31 March 2025, RMB[65.8] million, or [44.8]%, of our trade and bills payables as of 31 December 2024 had been settled.

The following table sets forth our trade payables turnover days for the years indicated.

	Year ended 31 December		
	2022	**2023**	**2024**
Trade payables turnover days [(1)]	367	347	204

(1) The trade payables turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade and bills payables in that year by cost of sales for the corresponding year and then multiplying by the number of days in that year (i.e., 360 days for a given year).

Our trade payables turnover days were 367, 347 and 204 days in 2022, 2023 and 2024, respectively, which is primarily due to (i) our faster settlement of trade payables; and (ii) the different stages of product development of our large-span carbon fiber composite five-axis machine tools. For details, please see "– Trade and bills payables" in this section.

The following table sets forth an ageing analysis of our trade payables based on invoice and accrual dates as of the dates indicated.

	As of 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	189,454	224,343	129,205
1 to 2 years	339	2,361	14,721
2 to 3 years	941	305	1,397
3 to 4 years	2,056	481	250
4 to 5 years	464	239	389
Over 5 years	498	700	764
Total	193,752	228,429	146,726

Other payables and accruals

Our other payables and accruals during the Track Record Period primarily consisted of payroll and welfare payable, due to non-controlling shareholders of a subsidiary, collection on behalf of others, other tax payables, rental payables and accrued expenses. The following table sets forth the details of our other payables and accruals as of the dates indicated.

	As of 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payable	24,061	19,621	23,678
Due to non-controlling shareholders of a subsidiary(1)	10,828	11,062	10,771
Other tax payables	25,483	6	2,028
Deposits	1,200	1,400	1,200
Accrued expenses	1,892	5,489	5,618
Others	9,314(2)	1,391	2,274
Total	72,778	38,969	45,569

(1) Refers to principal amounts of EUR1,325,000 due to a non-controlling shareholder of EEW.

(2) Includes penalty for delayed delivery payable to Customer E (one of our top five customers in FY2023) in the amount of RMB8.1 million. For details, please see "– Inventories" in this section.

Our other payables and accruals decreased from RMB72.8 million as of 31 December 2022 to RMB39.0 million as of 31 December 2023, primarily due to (i) the decrease in other tax payables which mainly represented VAT payables related to the increase in purchase from suppliers in FY2023 which sets off our VAT payables; (ii) the decrease in others because of the payment of the delayed delivery penalty to Customer E (one of our top five customers in FY2023) in FY2023; and (iii) the decrease in payroll and welfare payable due to normal fluctuations between different points in time. Our other payables and accruals then increased to RMB45.6 million in FY2024, primarily due to the increase in payable of performance-related bonus.

As of 31 March 2025, RMB[15.8] million, or [34.6]%, of our other payables and accrued expenses as of 31 December 2024 had been settled.

Contract Liabilities

Our contract liabilities represent advances received to deliver products and services. A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognised as revenue when we perform under the contract (i.e., transfers control of the related goods or services to the customer). Our sales contracts typically provide for payment of our products by several instalments, including (i) upfront payment upon execution of contract, (ii) second payment upon pre-acceptance testing approval, (iii) third payment upon final acceptance approval and (iv) final payment upon fulfillment of warranty service. The payment made by our customers is recognised as contract liabilities which will be recognised as revenue after the final acceptance.

We recorded contract liabilities of RMB645.1 million, RMB573.4 million and RMB341.8 million as at 31 December 2022, 2023 and 2024, respectively.

Our contract liabilities decreased from RMB645.1 million as of 31 December 2022 to RMB573.4 million as of 31 December 2023, primarily due to a sum of RMB97.1 million being recognised as revenue from Customer B. Our contract liabilities subsequently decreased to RMB341.8 million as of 31 December 2024 primarily due to a total of RMB252.2 million being recognised as revenue from Chengdu Chenfei (a subsidiary of Customer F), Customer G (one of our top five customers in FY2024) and Customer H (one of our top five customers in FY2024). As of 31 March 2025, RMB[160.0] million, or [46.8]%, of our contract liabilities as of 31 December 2024 was recognised as revenue.

Investments measured at FVTPL

We had investments measured at FVTPL of RMB18.9 million, RMB11.6 million and nil as at 31 December 2022, 2023 and 2024, respectively, representing our unlisted equity investments in Chengdu Yongfeng. Such investment was subject to level 3 fair value measurement. This asset was valued using market approach. For details, please see Note 39 of the Accountant's Report as set out in Appendix I to this document. We disposed of our investment in Chengdu Yongfeng in FY2024. Please see "History and Corporate Structure – Acquisitions, Merger and Disposal – Disposal of equity interest in Chengdu Yongfeng" for reasons of the decrease of our investments measured at FVTPL.

Restricted Cash

Our restricted cash during the Track Record Period were related to deposits demanded to be pledged by banks when we request banks to issue performance guarantees to our customers to guarantee the performance of our contracts and bank acceptance bills to our suppliers to settle our trade payables. Our restricted cash decreased from RMB17.2 million as of 31 December 2022 to RMB14.2 million as of 31 December 2023, and further decreased to RMB10.4 million as of 31 December 2024. The general decrease in the balance of restricted cash during the Track Record Period was primarily because we established the supplier finance arrangements since FY2023 and hence reduced the use of bank acceptance bills. For details of the supplier finance arrangements, please see Note 25 of the Accountant's Report as set out in Appendix I to this document.

Provision

We provide warranties in relation to the sales of CNC machine tools for general repairs of defects occurring during the warranty period. The amount of the provision for the warranties is estimated based on sales and past experience of the level of repairs and maintenance. The estimation basis is reviewed on an ongoing basis and revised where appropriate. Our provision remained stable at RMB9.7 million and RMB10.0 million as of 31 December 2022 and 2023, respectively despite increased in sales due to the amounts utilised during the year, and increased to RMB17.4 million as of 31 December 2024, primarily due to increase in sales. For details, please see Note 30 in the Accountants' Report set out in Appendix I to this document.

Cash and Cash Equivalents

Our cash and cash equivalents decreased from RMB346.8 million as of 31 December 2022 to RMB148.4 million as of 31 December 2023, and further to RMB133.5 million as of 31 December 2024 primarily due to (i) the increase in our investment in intangible assets, property, plant and equipment, and land use rights, and (ii) the changes in our cash used in operating activities; while partially offset by (iii) proceeds we received from our equity financing as well as bank borrowings. For details, see "– Liquidity and Capital Resources – Cash Flows."

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through capital contribution from shareholders, cash generated from operating activities, and banking facilities. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash generated from operating activities, banking facilities and **[REDACTED]** from the **[REDACTED]**.

Cash flows

The following table sets forth a summary of our cash flows for the years indicated:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows used in operating activities	(48,565)	(258,112)	(53,939)
Net cash flows from/(used in) investing activities	86,363	(14,516)	(93,781)
Net cash flows from financing activities	111,081	75,017	132,388
Cash and cash equivalents at beginning of year	198,509	346,823	148,386
Effect of foreign exchange rate changes, net	(565)	(826)	484
Cash and cash equivalents at end of year	**346,823**	**148,386**	**133,538**

Net Cash Flows Used in Operating Activities

In FY2024, we had net cash flows used in operating activities of RMB53.9 million, primarily attributable to of our profit before tax of RMB6.9 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising (a) depreciation of right-of-use assets of RMB15.9 million; (b) warranty provision of RMB13.7 million ; and (c) depreciation of property, plant and equipment of RMB12.5 million, and (ii) changes in working capital, primarily comprising decrease in contract liabilities of RMB231.6 million; partially offset by (a) decrease in inventories of RMB95.1 million and (b) decrease in trade and bills payables of RMB78.2 million.

In FY2023, we had net cash flows used in operating activities of RMB258.1 million, primarily attributable to our loss before tax of RMB62.3 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising (a) depreciation of right-of-use assets of RMB13.7 million and (b) depreciation of property, plant and equipment of RMB12.6 million, and (ii) changes in working capital, primarily comprising (a) increase in inventories of RMB151.3 million and (b) decrease in contract liabilities of RMB71.7 million.

In FY2022, we had net cash flows used in operating activities of RMB48.6 million, primarily attributable to our loss before tax of RMB197.3 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising (a) write-down of inventories to net realisable value of RMB46.2 million; (b) depreciation of right-of-use assets of RMB13.3 million; and (c) fair value losses on investments measured at FVTPL of RMB12.8 million, and (ii) changes in working capital, primarily comprising an increase in contract liabilities of RMB168.3 million, partially offset by (a) increase in inventories of RMB113.9 million and (b) increase in trade and bills receivables of RMB57.2 million.

Net Cash Flows From/(Used in) Investing Activities

In FY2024, we had net cash flows used in investing activities of RMB93.8 million, primarily attributable to purchases of items of property, plant and equipment of RMB51.4 million mainly for our Jiaxing Production Base and addition to land use right of RMB47.6 million in relation to our Zhuanqiao Production Base, partially offset by proceeds from disposal of equity investments at FVTPL in Chengdu Yongfeng of RMB7.6 million.

In FY2023, we had net cash flows used in investing activities of RMB14.5 million, primarily attributable to purchases of items of property, plant and equipment of RMB13.1 million and addition to land use right of RMB8.4 million in relation to our Jiaxing Production Base, partially offset by disposal of Shanghai Qianzhan of RMB5.3 million.

In FY2022, we had net cash flows from investing activities of RMB86.4 million, primarily attributable to proceeds from disposal of wealth management products of RMB123.6 million, partially offset by investments in associates of RMB29.3 million and purchases of equity investments at FVTPL of RMB7.3 million in relation to Zhongtuo Technology.

Net Cash Flows From Financing Activities

In FY2024, we had net cash flows from financing activities of RMB132.4 million, primarily attributable to proceeds from interest-bearing bank and other borrowings of RMB197.2 million, partially offset by repayment of interest-bearing bank and other borrowings of RMB55.0 million and lease payments of RMB31.5 million.

In FY2023, we had net cash flows from financing activities of RMB75.0 million, primarily attributable to proceeds from issue of shares of RMB63.6 million and proceeds from interest-bearing bank and other borrowings of RMB40.0 million, partially offset by lease payments of RMB28.6 million.

In FY2022, we had net cash flows from financing activities of RMB111.1 million, primarily attributable to net proceeds from issue of shares of RMB119.6 million and proceeds from interest-bearing bank and other borrowings of RMB7.5 million, partially offset by lease payments of RMB16.4 million.

INDEBTEDNESS

Our indebtedness during the Track Record Period primarily consisted of interest-bearing bank and other borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated.

	As at 31 December			As at 31 March
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current				
Interest-bearing bank and other borrowings	7,660	40,111	144,321	[147,894]
Lease liabilities	31,063	32,297	25,811	[28,739]
	38,723	**72,408**	**170,132**	**[176,633]**
Non-current				
Interest-bearing bank and other borrowings	–	–	38,066	[57,863]
Lease liabilities	82,050	58,555	43,522	[40,466]
	82,050	**58,555**	**81,588**	**[98,329]**
Total	**120,773**	**130,963**	**251,720**	**[274,962]**

Interest-bearing bank and other borrowings

We had interest-bearing bank loans of RMB7.7 million, RMB40.1 million, RMB182.4 million and RMB[205.8] million as of 31 December 2022 and 2023 and 2024 and 31 March 2025, respectively. Our total bank loans increased from RMB7.7 million as of 31 December 2022 to RMB40.1 million as of 31 December 2023, and further to RMB182.4 million as of 31 December 2024 mainly for financing our working capital and construction of our Jiaxing Production Base. For details, see Note 28 to the Accountants' Report set forth in Appendix I to this document. As of 31 March 2025, our unutilized banking facilities amounted to RMB[55.5] million. The following table sets forth a breakdown of the repayable period of our bank loans.

	As at 31 December			As at 31 March
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Bank loans repayable				
Within one year	7,660	40,111	144,321	[147,894]
In the second year	–	–	8,000	[14,000]
In the third to fifth years, inclusive	–	–	30,066	[43,863]
Total	7,660	40,111	182,387	[205,757]

The effective interest rate of our interest-bearing bank loans ranged between 2.80% and 4.20% as of 31 December 2022; ranged from 30 to 55 basis points below the Loan Prime Rate as of 31 December 2023; and ranged from 5 to 55 basis points below the Loan Prime Rate for the current portion of bank loans, and from 55 to 75 basis points below the Loan Prime Rate for the non-current portion of bank loans, as of 31 December 2024.

As at 31 December 2024, the Group's borrowings of RMB150.3 million were guaranteed by Dr. Wang; and the Group's borrowings of RMB32.1 million were secured by the Group's land-use right with aggregate carrying amounts of approximately RMB8.1 million and were guaranteed by Dr. Wang. We intend to release the aforementioned guarantees by Dr. Wang prior to the **[REDACTED]**. For details, see "Relationship with Our Controlling Shareholders – Financial Independence" in this document.

Our bank loans contain standard terms, conditions and covenants that are customary for commercial bank loans in China, and may restrict or otherwise adversely affect our operations. These covenants may restrict, among other things, the use of proceeds related to the bank loans, and our ability to engage in change-in-control transactions. Furthermore, some of our bank borrowings are subject to the fulfillment of covenants relating to certain of our financial ratios, as are commonly found in loan arrangements with financial institutions. Our Directors confirmed that we did not experience any difficulty in obtaining bank loans or other borrowings, default in payment of bank loans or other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease liabilities

Our lease liabilities were primarily related to lease contracts for various items of plant and properties used in our operations. Our lease liabilities were RMB113.1 million, RMB90.9 million, RMB69.3 million and RMB69.2 million as of 31 December 2022, 2023 and 2024 and 31 March 2025, respectively. For details, see Note 14(b) to the Accountants' Report set forth in Appendix I to this document.

Save as disclosed above, as of 31 March 2025, being the indebtedness statement date, we had no bank loans or other borrowings, or any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases, guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since 31 March 2025 and up to the Latest Practicable Date.

CAPITAL EXPENDITURE

Our historical capital expenditures primarily included expenditures on (i) property, plant and equipment, and (ii) land use rights. The following table sets forth our capital expenditures for the years indicated.

	FY2022	**FY2023**	**FY2024**
	RMB'000	*RMB'000*	*RMB'000*
Purchases of items of property, plant and equipment	4,195	13,137	51,357
Additions to land use rights	–	8,363	47,555
Additions to other intangible assets	53	540	3,114
Total	4,248	22,040	102,026

CAPITAL COMMITMENT

The following table sets forth our capital commitments as of the dates indicated.

	FY2022	FY2023	FY2024
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Properties, plant and equipment	993	623	2,827

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time during our ordinary course of business and on terms comparable to the terms of transactions with other entities that are not related parties. For details, see Note 36 to the Accountants' Report set forth in Appendix I to this document. Our Directors are of the view that our related party transactions during the Track Record Period were conducted in the ordinary course of business at arm's length with reference to normal commercial terms, and would not distort our track record results or make our historical results not reflective of our future performance.

CONTINGENT LIABILITIES

As at 31 December 2022, 2023 and 2024 and 31 March 2025, we had no material contingent liabilities. We are not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings that involve our Group. If we were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Our Directors confirm that there has been no contingent liabilities of our Group since 31 March 2025 and up to the date of this document.

KEY FINANCIAL RATIOS

	For the year ended 31 December		
	2022	2023	2024
Net profit/loss margin (1)	(145.3%)	(18.6%)	1.3%
Return on equity (2)	(149.7%)	(46.7%)	4.1%
Return on assets (3)	(16.7%)	(5.6%)	0.7%
Interest coverage (4)	(30.6)	(10.7)	2.0

	As at 31 December		
	2022	2023	2024
Current ratio (5)	1.0	1.0	1.0
Quick ratio (6)	0.6	0.4	0.4
Gearing ratio (7)	91.7%	98.1%	148.9%

(1) Net profit/loss margin represents profit/loss for the financial year divided by revenue for the same financial year.

(2) Return on equity represents profit/loss for the financial year divided by total equity as at the end of the financial year.

(3) Return on assets represents profit/loss for the financial year divided by total assets as at the end of the financial year.

(4) Interest coverage represents profit/loss before tax and finance costs divided by finance costs for the financial year.

(5) Current ratio represents total current assets divided by total current liabilities as at the end of the financial year.

(6) Quick ratio represents total current assets less inventories divided by total current liabilities as at the end of the financial year.

(7) Gearing ratio represents total debt, including interest-bearing bank and other borrowings and lease liabilities, divided by total equity as at the end of the financial year.

Net profit/loss margin

We recorded net loss margin of 145.3% in FY2022 and 18.6% in FY2023, primarily as a result of our turnaround from a gross loss margin of 18.3% in FY2022 to a gross profit margin of 34.6% in FY2023. Such turnaround was primarily attributable to the increase in revenue from aviation and aerospace intelligent manufacturing equipment and the decrease in write-down of inventories. The decrease in our net loss margin in FY2023 was also attributable to the decrease in our fair value losses on investments measured at fair value through profit or tax.

We recorded a turnaround to a net profit margin of 1.3% in FY2024, primarily due to (i) the increase in our gross profit margin from 34.6% in FY2023 to 37.6% in FY2024, which was primarily attributable to the increase in revenue for aviation and aerospace intelligent manufacturing equipment and general industrial five-axis machine tools. These were partially offset by the decrease in our other income and gains.

Return on equity

Our return on equity improved from -149.7% in FY2022 to -46.7% in FY2023, which is in line with the decrease in our loss in FY2023. Our return on equity improved to 4.1% in FY2024, primarily due to our turnaround from loss to profit as a result of our increase in gross profit of RMB84.1 million in that year.

Return on assets

Our return on assets improved from -16.7% in FY2022 to -5.6% in FY2023, primarily due to the decrease in our loss in FY2023 as a result of our increase in revenue in that year. Our return on assets improved to 0.7% in FY2024, primarily due to our turnaround from loss to profit as a result of our increase in revenue in that year.

Interest coverage

Our interest coverage improved from -30.6 in FY2022 to -10.7 in FY2023, primarily due to the decrease in our loss in FY2023 as a result of our increase in revenue in that year. Our interest coverage improved to approximately 2.0 in FY2024, primarily due to our turnaround from loss to profit as a result of our increase in revenue in that year.

Current ratio and quick ratio

Our current ratio remained stable at 1.0 throughout the Track Record Period. Our quick ratio decreased from 0.6 as of 31 December 2022, to 0.4 as of 31 December 2023 and 2024, primarily due to the increase in current liabilities resulting from the increases in trade and bills payables and interest-bearing bank and other borrowings.

Gearing ratio

Our gearing ratio increased from 91.7% as of 31 December 2022 to 98.1% as of 31 December 2023, primarily due to the increase in interest-bearing bank borrowings by RMB32.4 million. Our gearing ratio then increased to 148.9% as of 31 December 2024, primarily due to the increase in interest-bearing bank borrowings by RMB142.3 million.

DISCLOSURE ABOUT FINANCIAL RISK

Our principal financial instruments, other than bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for our operations. Our Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations. The main risks arising from our financial instruments are foreign currency risk, credit risk and liquidity risk. For details, see Note 40 to the Accountants' Report included in Appendix I to this document.

OFF-BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements during the Track Record Period and as at the Latest Practicable Date.

EVENTS AFTER THE TRACK RECORD PERIOD

On 15 May 2025, pursuant to our Company's general shareholders meeting resolutions, each of our share with par value of RMB1.00 was split into ten Shares with par value of RMB0.10 each. Upon completion of such share split, the registered capital of our Company, which is RMB34,395,179 is divided into 343,951,790 Shares with par value of RMB0.10 per Share, which were split by all our Company's then Shareholders in proportion to their respective shareholding interests in our Company.

DIVIDEND POLICY

During the Track Record Period, no dividend has been paid or declared by our Company. In future, declaration and payment of any dividends would require the recommendation of the Board and at their discretion and any dividend will be subject to Shareholder's approval, but no dividend shall be declared in excess of the amount recommended by the Board. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future. As of the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

As advised by our PRC Legal Adviser, (i) when distributing each year's after-tax profits, the Company shall set aside 10% of its after-tax profits for the Company's statutory common reserve (except where such reserve has reached 50% of the Company's registered capital); (ii) if the Company's statutory common reserve is not enough to make up for its accumulated losses for the previous year, the current year's profits shall first be used for making up the accumulated losses before the statutory common reserve is set aside according to the method mentioned hereof; and (iii) after the Company has made an allocation to its statutory common reserve from its after-tax profit, subject to a resolution of the shareholders or the general meeting, the Company may make an allocation to a discretionary common reserve from the after-tax profits.

DISTRIBUTABLE RESERVE

As of 31 December 2024, we did not have any distributable reserves.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

[REDACTED]

The total **[REDACTED]** payable by our Company are estimated to be approximately HK$**[REDACTED]** million, representing **[REDACTED]**% of the total **[REDACTED]** from the **[REDACTED]**, based on the assumption that the **[REDACTED]** is HK$**[REDACTED]** per H Share, being the mid-point of the indicative **[REDACTED]** range and that the **[REDACTED]** is not exercised. These **[REDACTED]** mainly comprise legal and other professional fees paid and payable to the professional parties, commissions payable to the **[REDACTED]**, and printing and other expenses for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**. We expect that approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million) of **[REDACTED]** will be charged to our statements of profit or loss and other comprehensive income. We expect that approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million) relating to **[REDACTED]** directly attributable to the issue of shares will be deducted from equity.

The following table sets forth a breakdown of the **[REDACTED]** for the **[REDACTED]** at the **[REDACTED]** of HK$**[REDACTED]** per Share (assuming the **[REDACTED]** is not exercised).

[REDACTED]	**Based on an [REDACTED] of HK$[REDACTED] per Share** *(HK$'000)*
Non-[REDACTED] related expenses	
Legal and audit expenses	**[REDACTED]**
Other expenses	**[REDACTED]**
[REDACTED] related expenses	**[REDACTED]**
Total	**[REDACTED]**

[REDACTED] FINANCIAL INFORMATION

For details, see **[REDACTED]** Financial Information as set forth in Appendix II to this document.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 31 December 2024, and there has been no event since 31 December 2024 that would materially affect the information as set out in the Accountants' Report included in Appendix I to this document.

FUTURE PLANS

For a detailed description of our future plans, see "Business – Our Strategies" in this document.

USE OF [REDACTED]

We estimate that we will receive net proceeds from the **[REDACTED]**, after deducting the **[REDACTED]** fees and expenses payable by us in the **[REDACTED]**, of approximately HK$**[REDACTED]** million (i.e. approximately RMB**[REDACTED]** million), assuming (i) an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the midpoint of the indicative **[REDACTED]** range, and (ii) no exercise of the **[REDACTED]**. In line with our strategies, we intend to use our net proceeds from the **[REDACTED]** for the purposes in the amounts set forth below.

- approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the **[REDACTED]**, will be allocated for R&D advancement. In particular,

  – approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the net proceeds, will be used for the development of new materials and structural designs, of which (i) approximately RMB**[REDACTED]** million will be used for acquiring hardware such as testing and inspection machinery and equipment, and software such as operating systems and design software; and (ii) approximately RMB**[REDACTED]** million will be used for part of the staff costs of additional 22 R&D personnel;

  – approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the net proceeds, will be used for the development of AI-powered CNC system, of which (i) approximately RMB**[REDACTED]** million will be used for acquiring intellectual property rights, hardware such as testing and inspection machinery and equipment, and software such as AI management systems and modelling software; and (ii) approximately RMB**[REDACTED]** million will be used for part of the staff costs of additional 72 R&D personnel;

  – approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the net proceeds, will be used for the development of forward design simulation platform technology for five-axis machine tools, of which (i) approximately RMB**[REDACTED]** million will be used for acquiring hardware such as testing and inspection machinery and equipment, and software such as operating systems and design software; and (ii) approximately RMB**[REDACTED]** million will be used for part of the staff costs of additional 35 R&D personnel;

  – approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the net proceeds, will be used for the development of intelligent sensing and measurement system, of which (i) approximately RMB**[REDACTED]** million will be used for acquisition of hardware such as testing and inspection machinery and equipment, and acquisition of software such as operating systems and design software; and (ii) approximately RMB**[REDACTED]** million will be used for part of the staff costs of additional 31 technical staff;

  For details of our strategies in relation to R&D advancement, see "Business – Our Strategies – Technological advancements through R&D" in this document.

- approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the net proceeds, will be allocated for expansion of sales and marketing network, of which (i) approximately RMB**[REDACTED]** million will be used for establishment of sales channels including building up of overseas sales teams and expansion of customer base; (ii) approximately RMB**[REDACTED]** million will be used for marketing and brand promotion; and (iii) approximately RMB**[REDACTED]** million will be used for localization of sales and marketing efforts and corresponding supporting;

  For details of our strategies in relation to expansion of sales and marketing network, see "Business – Our Strategies – Expansion of sales and marketing network" in this document.

- approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the net proceeds, will be allocated for possible acquisitions and investments. As of the Latest Practicable Date, we had not identified any acquisition or investment or enter into any definitive acquisition or investment agreement;

  For details of our strategies in relation to the strategic acquisitions and investments, see "Business – Our Strategies – Strategic acquisitions and investments to enhance core technology and product quality" in this document.

- approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the net proceeds, will be allocated for partial repayment of interest-bearing bank borrowings of our Group to improve our financial position and liquidity:

Nature of bank loans	Principal amounts	Interest rate	Due date	Purpose of bank loans
Bank working capital loans	90.0 million	2.55% to 3.4%	21 April 2026 to 18 February 2028	Working capital

- approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the net proceeds, will be allocated for working capital and general corporate purposes.

The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the **[REDACTED]** is fixed at a higher or lower level compared to the mid-point of the indicative **[REDACTED]** range or the **[REDACTED]** is exercised.

If the **[REDACTED]** is determined at HK$**[REDACTED]** per **[REDACTED]**, being the high end of the **[REDACTED]** range stated in this document, after deducting the **[REDACTED]** fees and expenses payable by us in respect with the **[REDACTED]**, we will receive net proceeds of approximately HK$**[REDACTED]** million, assuming that the **[REDACTED]** is not exercised.

If the **[REDACTED]** is determined at HK$**[REDACTED]** per **[REDACTED]**, being the low end of the **[REDACTED]** range stated in this document, after deducting the **[REDACTED]** fees and expenses payable by us in connection with the **[REDACTED]**, we will receive net proceeds of approximately HK$**[REDACTED]** million, assuming that the **[REDACTED]** is not exercised.

If the **[REDACTED]** is exercised in full, we will receive the additional net proceeds from approximately HK$**[REDACTED]** million (assuming an Offer Price of HK$**[REDACTED]** per **[REDACTED]**, being the low end of the indicative **[REDACTED]** range) to HK$**[REDACTED]** million (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the high end of the indicative **[REDACTED]** range), after deducting the **[REDACTED]** fees and expenses payable by us in connection with the **[REDACTED]**.

To the extent that the net proceeds of the **[REDACTED]** are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, to the extent permitted by applicable law and regulations, we will only deposit those net proceeds into short-term interest-bearing accounts at licenced commercial banks and/or other authorised financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules. Our Directors consider that the net proceeds from the **[REDACTED]** together with the internal resources of our Group will be sufficient to finance the implementation of our Group's business plans as set out in this section.

[REDACTED]

[REDACTED]

[REDACTED]

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[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI TOP NUMERICAL CONTROL TECHNOLOGY CO., LTD., GUOTAI JUNAN CAPITAL LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED.

Introduction

We report on the historical financial information of Shanghai Top Numerical Control Technology Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-[●] to I-[●], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended **[REDACTED]** December 2022, 2023 and 2024 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at **[REDACTED]** December 2022, 2023 and 2024 and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "**Document**") in connection with the initial **[REDACTED]** of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2022, 2023 and 2024 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-3] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Certified Public Accountants
Hong Kong
[date]

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	2022 RMB'000	2023 RMB'000	2024 RMB'000
REVENUE	5	135,769	334,630	531,556
Cost of sales		(160,554)	(218,819)	(331,677)
Gross (loss)/profit		(24,785)	115,811	199,879
Other income and gains	5	30,192	25,106	10,856
Selling and marketing expenses		(11,867)	(26,022)	(28,107)
Administrative expenses		(62,481)	(59,869)	(66,948)
Research and development expenses		(108,388)	(89,917)	(85,880)
Fair value losses on investments measured at fair value through profit or loss, net		(12,837)	(7,388)	(4,387)
Impairment losses on financial assets, net		(386)	(8,933)	(3,963)
Other expenses		(215)	(4,621)	(1,387)
Finance costs	7	(6,249)	(5,331)	(7,006)
Share of losses of associates	16	(289)	(1,105)	(6,171)
(LOSS)/PROFIT BEFORE TAX	6	(197,305)	(62,269)	6,886
Income tax expense	10	(9)	(71)	–
(LOSS)/PROFIT FOR THE YEAR		(197,314)	(62,340)	6,886
(Loss)/profit attributable to:				
Owners of the parent		(191,572)	(60,523)	8,882
Non-controlling interests		(5,742)	(1,817)	(1,996)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB)	12	(0.57)	(0.18)	0.03

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	(197,314)	(62,340)	6,886
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations	(537)	(798)	478
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	(537)	(798)	478
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(197,851)	(63,138)	7,364
Attributable to:			
Owners of the parent	(192,109)	(61,321)	9,360
Non-controlling interests	(5,742)	(1,817)	(1,996)
	(197,851)	(63,138)	7,364

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	2022 *RMB'000*	2023 *RMB'000*	2024 *RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	13	39,036	33,151	71,803
Right-of-use assets	14	70,954	67,160	104,998
Other intangible assets	15	37,371	31,368	29,097
Investments in associates	16	53,828	36,927	20,020
Contract assets	22	–	7,086	12,859
Prepayments, other receivables and other assets	23	–	747	1,882
Total non-current assets		201,189	176,439	240,659
CURRENT ASSETS				
Inventories	20	443,459	588,548	486,095
Contract assets	22	7,436	10,455	24,392
Trade and bills receivables	21	81,982	97,786	60,010
Prepayments, other receivables and other assets	23	62,814	74,428	29,041
Investments measured at fair value through profit or loss	18	18,877	11,619	–
Restricted cash	24	17,212	14,222	10,351
Cash and cash equivalents	24	346,823	148,386	133,538
Total current assets		978,603	945,444	743,427
CURRENT LIABILITIES				
Trade and bills payables	25	193,752	228,429	146,726
Other payables and accruals	26	72,778	38,969	45,569
Contract liabilities	27	645,084	573,397	341,779
Interest-bearing bank and other borrowings	28	7,660	40,111	144,321
Lease liabilities	14	31,063	32,297	25,811
Tax payable		3	7	–
Deferred income	29	3,961	2,102	9,330
Provision	30	9,709	9,955	17,395
Total current liabilities		964,010	925,267	730,931
NET CURRENT ASSETS		14,593	20,177	12,496
TOTAL ASSETS LESS CURRENT LIABILITIES		215,782	196,616	253,155

	Notes	2022 RMB'000	2023 RMB'000	2024 RMB'000
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	28	–	–	38,066
Lease liabilities	14	82,050	58,555	43,522
Deferred income	29	1,956	4,541	2,511
Total non-current liabilities		84,006	63,096	84,099
Net assets		131,776	133,520	169,056
EQUITY				
Equity attributable to owners of the parent				
Share capital	31	34,013	34,395	34,395
Reserves	33	99,879	103,058	140,590
		133,892	137,453	174,985
Non-controlling interests		(2,116)	(3,933)	(5,929)
Total equity		131,776	133,520	169,056

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent								
	Share capital	**Share premium and other reserve***	**Share -based payment reserve***	**Specific reserve***	**Exchange fluctuation reserve***	**Accumulated losses***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 31	*Note 33*	*Note 32*	*Note 33*					
As at 1 January 2022	33,267	385,565	6,873	6,199	(32)	(224,723)	207,149	3,626	210,775
Loss for the year	–	–	–	–	–	(191,572)	(191,572)	(5,742)	(197,314)
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(537)	–	(537)	–	(537)
Total comprehensive loss for the year	–	–	–	–	(537)	(191,572)	(192,109)	(5,742)	(197,851)
Share-based payments *(note 32)*	–	–	(757)	–	–	–	(757)	–	(757)
Shareholders' capital injection	746	118,863	–	–	–	–	119,609	–	119,609
Appropriation and utilisation of special reserve	–	–	–	823	–	(823)	–	–	–
As at 31 December 2022	34,013	504,428	6,116	7,022	(569)	(417,118)	133,892	(2,116)	131,776

Year ended 31 December 2023

	Attributable to owners of the parent								
	Share capital	**Share premium and other reserve***	**Share-based payment reserve***	**Specific reserve***	**Exchange fluctuation reserve***	**Accumulated losses***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 31	*Note 33*	*Note 32*	*Note 33*					
As at 1 January 2023	34,013	504,428	6,116	7,022	(569)	(417,118)	133,892	(2,116)	131,776
Loss for the year	–	–	–	–	–	(60,523)	(60,523)	(1,817)	(62,340)
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(798)	–	(798)	–	(798)
Total comprehensive loss for the year	–	–	–	–	(798)	(60,523)	(61,321)	(1,817)	(63,138)
Share-based payments *(note 32)*	–	–	1,291	–	–	–	1,291	–	1,291
Shareholders' capital injection	382	63,209	–	–	–	–	63,591	–	63,591
Appropriation and utilisation of special reserve	–	–	–	(552)	–	552	–	–	–
As at 31 December 2023	34,395	567,637	7,407	6,470	(1,367)	(477,089)	137,453	(3,933)	133,520

Year ended 31 December 2024

	Attributable to owners of the parent								
	Share capital	**Share premium and other reserve***	**Share -based payment reserve***	**Specific reserve***	**Exchange fluctuation reserve***	**Accumulated losses***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 31	*Note 33*	*Note 32*	*Note 33*					
As at 1 January 2024	34,395	567,637	7,407	6,470	(1,367)	(477,089)	137,453	(3,933)	133,520
Profit/(loss) for the year	–	–	–	–	–	8,882	8,882	(1,996)	6,886
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	478	–	478	–	478
Total comprehensive income/(loss) for the year	–	–	–	–	478	8,882	9,360	(1,996)	7,364
Share-based payments *(note 32)*	–	–	6,489	–	–	–	6,489	–	6,489
Shareholders' contribution	–	21,683	–	–	–	–	21,683	–	21,683
Appropriation and utilisation of special reserve	–	–	–	(139)	–	139	–	–	–
As at 31 December 2024	34,395	589,320	13,896	6,331	(889)	(468,068)	174,985	(5,929)	169,056

* These reserve accounts represent the total consolidated reserves of RMB99,879,000, RMB103,058,000 and RMB140,590,000 in the consolidated statements of financial position as at 31 December 2022, 2023 and 2024, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2022 *RMB'000*	2023 *RMB'000*	2024 *RMB'000*
CASH FLOWS USED IN OPERATING ACTIVITIES				
(Loss)/profit before tax		(197,305)	(62,269)	6,886
Adjustments for:				
Finance costs	7	6,249	5,331	7,006
Share of losses of associates		289	1,105	6,171
Interest income	5	(3,353)	(2,259)	(636)
Fair value losses on investments measured at fair value through profit or loss	6	12,837	7,388	4,387
Investment income	5	(3,565)	–	–
Loss on disposal of items of property, plant and equipment	6	9	3,543	115
(Gain)/loss on lease term termination	14	(11)	–	2
Gain on disposal of equity investments at fair value through profit or loss	5	–	–	(367)
Loss on disposal of investment in an associate		–	170	–
Impairment loss recognised on financial and other assets, net	6	386	8,933	3,963
Write-down of inventories to net realisable value	6, 20	46,195	6,532	5,290
Foreign exchange (gain)/loss		(74)	(314)	89
Depreciation of property, plant and equipment	6, 13	11,986	12,638	12,452
Amortisation of intangible assets	6, 15	7,057	6,543	5,332
Depreciation of right-of-use assets	6, 14	13,276	13,653	15,851
(Reversal)/charge of share-based compensation costs	6, 32	(757)	1,291	6,489
Warranty provision	6, 30	3,380	8,935	13,697
Amortisation of deferred income		(957)	(1,261)	(415)
Elimination of down-stream sales		–	10,291	10,736
		(104,358)	20,250	97,048

		2022	2023	2024
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
(Increase)/decrease in inventories		(113,893)	(151,319)	95,057
(Increase)/decrease in trade and bills receivables		(57,150)	(31,984)	32,194
(Increase)/decrease in prepayments, other receivables and other assets		(32,978)	(11,685)	45,376
Decrease/(increase) in contract assets		30,890	(10,424)	(20,451)
Increase/(decrease) in trade and bills payables		57,471	36,491	(78,167)
Increase/(decrease) in other payables and accruals		21,091	(33,741)	6,325
Increase/(decrease) in contract liabilities		168,287	(71,686)	(231,619)
Decrease in restricted cash		1,386	2,990	3,872
(Decrease)/increase in deferred income		(11,356)	1,988	5,613
Decrease in provision		(7,947)	(8,689)	(6,257)
Cash used in operations		(48,557)	(257,809)	(51,009)
Interest paid		(2)	(235)	(2,923)
Income tax paid		(6)	(68)	(7)
Net cash flows used in operating activities		(48,565)	(258,112)	(53,939)

	Notes	2022 *RMB'000*	2023 *RMB'000*	2024 *RMB'000*
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Proceeds from disposal of items of property, plant and equipment		–	60	10
Purchases of items of property, plant, equipment		(4,195)	(13,137)	(51,357)
Additions to other intangible assets		(53)	(540)	(3,114)
Additions to land use right		–	(8,363)	(47,555)
Proceeds from disposal of wealth management products		123,565	–	–
Purchases of equity investments at fair value through profit or loss		(7,250)	(130)	–
Proceeds from disposal of equity investments at fair value through profit or loss		–	–	7,599
Investments in associates		(29,329)	–	–
Disposal of an associate		–	5,335	–
Interest received		3,625	2,259	636
Net cash flows from/(used in) investing activities		86,363	(14,516)	(93,781)
CASH FLOWS FROM FINANCING ACTIVITIES				
[REDACTED] from issue of shares		119,609	63,591	–
Advances from non-controlling shareholders		387	–	–
Shareholders' contribution		–	–	21,683
Lease payments		(16,416)	(28,574)	(31,484)
Proceeds from interest-bearing bank and other borrowings		7,501	40,000	197,189
Repayment of interest-bearing bank and other borrowings		–	–	(55,000)
Net cash flows from financing activities		111,081	75,017	132,388

	Notes	2022 RMB'000	2023 RMB'000	2024 RMB'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		148,879	(197,611)	(15,332)
Cash and cash equivalents at beginning of year		198,509	346,823	148,386
Effect of foreign exchange rate changes, net		(565)	(826)	484
Cash and cash equivalents at end of year		346,823	148,386	133,538
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	24	364,035	162,608	143,889
Less: Restricted cash	24	(17,212)	(14,222)	(10,351)
Cash and cash equivalents as stated in the statements of cash flows and statements of financial position		346,823	148,386	133,538

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	2022 *RMB'000*	2023 *RMB'000*	2024 *RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	13	38,209	25,571	25,656
Right-of-use assets	14	70,954	57,964	96,575
Other intangible assets	15	7,165	4,519	5,604
Investments in associates	16	53,828	36,927	20,020
Contract assets	22	–	7,086	12,859
Prepayments, other receivables and other assets	23	–	219	150
Investments in subsidiaries	17	50,000	74,000	84,000
Total non-current assets		220,156	206,286	244,864
CURRENT ASSETS				
Inventories	20	430,615	559,220	461,479
Contract assets	22	7,436	10,455	24,392
Trade and bills receivables	21	81,981	97,253	56,430
Prepayments, other receivables and other assets	23	97,917	109,788	65,964
Investments measured at fair value through profit or loss	18	18,877	11,619	–
Restricted cash		13,580	10,333	6,668
Cash and cash equivalents	24	315,855	145,043	130,973
Total current assets		966,261	943,711	745,906
CURRENT LIABILITIES				
Trade and bills payables	25	192,625	192,189	121,370
Other payables and accruals	26	80,891	97,798	95,828
Contract liabilities	27	631,350	558,983	327,976
Interest-bearing bank and other borrowings		7,660	40,111	144,305
Lease liabilities	14	31,063	31,539	25,619
Deferred income	29	3,961	2,102	9,330
Provision	30	9,709	9,955	17,395
Total current liabilities		957,259	932,677	741,823
NET CURRENT ASSETS		9,002	11,034	4,083
TOTAL ASSETS LESS CURRENT LIABILITIES		229,158	217,320	248,947

	Notes	2022 *RMB'000*	2023 *RMB'000*	2024 *RMB'000*
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings		–	–	6,000
Lease liabilities	14	82,050	58,517	43,522
Deferred income	29	1,956	4,541	2,511
Total non-current liabilities		84,006	63,058	52,033
Net assets		145,152	154,262	196,914
EQUITY				
Share capital	31	34,013	34,395	34,395
Reserves	33	111,139	119,867	162,519
Total equity		145,152	154,262	196,914

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Shanghai Top Numerical Control Technology Co., Ltd. was incorporated as a limited liability company on 18 May 2007. The registered office of the Company is located at No. 888, Guanghua Road, Minhang District, Shanghai, the People's Republic of China (the "PRC"). On 23 November 2016, the Company was converted into a joint stock company with limited liability.

During the Relevant Periods, the Company and its subsidiaries (collectively, the "Group") were involved in the following principal activities:

- research and development, production and sales of Computer Numerical Control ("CNC") machine tools
- provision of repair and maintenance service for CNC machine tools

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of the major subsidiary is set out below:

Name	*Notes*	**Place of incorporation/ registration and business**	**Issued ordinary/ registered share capital**	**Percentage of equity attributable to the Company** %	**Principal activities**
Directly held:					
Top CNC Technology (Jiaxing) Co., Ltd. 拓璞數控技術(嘉興)有限公司	(1)	PRC/ Mainland China	RMB100,000,000	100.00	Manufacturing CNC machine tools

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

Notes:

(1) No audited financial statement has been prepared for this entity since its date of incorporation.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these revised IFRS Accounting Standards, if applicable, when they become effective.

Amendments to IAS 21	Lack of Exchangeability[1]
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[2]
IFRS 18	Presentation and Disclosure in Financial Statements[3]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Annual Improvements to IFRS Accounting Standards - Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below.

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies*, *Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and statement of cash flows and additional disclosure will be included in the financial statements.

The Group has already commenced an assessment of the impact of these new and revised IFRS Accounting Standards, which are relevant to the Group's operations. According to the preliminary assessment made by the directors, except for IFRS 18 which is still under assessment, no significant impact on the financial performance and financial position of the Group is expected when other new and revised IFRS Accounting Standards become effective.

2.3 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Machinery	10% to 33%
Office equipment and electronic devices	20% to 33%
Vehicles	10% to 25%
Specialised equipment	10% to 50%
Leasehold improvements	20% to 71%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each of reporting period.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 5 years, which is mainly determined by reference to the licensed period of the purchased software.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years, which is mainly determined by reference to the period during which such assets are expected to bring economic benefits to the Group.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land use right	50 years
Plant and properties	1.25 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings, machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Trade receivables and bills receivables

Trade receivables and bills receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of accounts receivables is expected in one year or less, they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables and bills receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables and majority of bills receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Certain of bills receivables were held within a business model with the objective of both holding to collect contractual cash flows and selling and were classified as financial assets measured at fair value through other comprehensive income. See Note "impairment of financial assets" for further information about the Group's impairment policies.

Trade payables and bills payables

Trade payables and bills payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables and bills payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of reporting period, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Except for debtors that are credit-impaired are assessed for ECLs individually. Collective assessment is performed by grouping debtors based on external credit ratings and the industry features of debtors.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials is calculated by weighted average basis and other costs are stated at actual cost at the time of acquisition, in the case of work in progress and finished goods, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sales of CNC machine tools for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales and past experience of the level of repairs and maintenances. The warranty-related cost is revised annually.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Sales of CNC machine tools

The Group manufactures and sells CNC machine tools in the market. Revenue from sales of CNC machine tools is recognised at the point in time when control of the products has been transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Repair and maintenance services

The performance obligation is satisfied upon the completion of services and payment is generally due upon finalisation of the services.

The warranties provided by the Group cannot be purchased by the customers separately. Such warranties are intended to safeguard the customers against existing defects and do not provide any incremental services to the customers.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

Several employee incentive schemes are operated for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined based on recent transaction prices, further details of which are given in note 32 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Other employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of an overseas subsidiary are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of an overseas subsidiary which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has tax losses of RMB539,182,000 RMB692,661,000 and RMB758,333,000, respectively, carried forward as at 31 December 2022, 2023 and 2024, respectively. These losses related to the Company and subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The Company and subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

Further details on deferred taxes are disclosed in note 19 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Share-based payments

The Group operates employee incentive schemes for the purpose of providing incentives to the Company's directors and the Group's employees. The restricted shares are subject to a minimum service period of 5 years or until the Company successfully completes an initial public offering and its shares get listed on a stock exchange ("IPO and Listing"), whichever occurs later. Further details are contained in note 32 to the Historical Financial Information.

Provision for expected credit losses on trade receivables, commercial acceptance bills receivable, contract assets and other receivables

The trade receivables, commercial acceptance bills receivable, contract assets and other receivables that are credit-impaired are assessed for ECLs individually. Collective assessment is performed by grouping debtors based on external credit ratings and the industry features of debtors. The information about the ECLs on the Group's receivables and contract assets are disclosed in notes 21 and 22 to the Historical Financial Information.

Estimation of provision for warranty claims

The warranty period is generally 1 to 2 years after the control of goods is transferred to the customers. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trend that might suggest that past information about cost may differ from future claims.

Estimated fair value of investments measured at fair value through profit or loss

The fair value of financial investments that are not traded in an active market, such as unlisted investments measured at fair value is determined using valuation techniques. The Group uses its judgement to select methods and make assumptions that are consistent with the characteristics of the assets considered by market participants in the transactions of related assets. The Group uses the relevant observable inputs as much as possible and uses unobservable input value if the relevant observable inputs cannot be obtained or are not feasible, such as estimation of liquidity adjustments etc. The key assumptions adopted on the valuation methodologies are set out in note 39 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

Management has determined the operating segment based on the information reviewed by the Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment. The chief operating decision maker has been identified as the executive directors of the Company.

For management purposes, the Group is not organised into business units based on their products and services and only has one reportable operating segment. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Almost all the non-current assets of the Group are physically located in Mainland China. The geographical location of customers is based on the location at which the customers operate, and almost all of the revenue of the Group was derived from operations in Mainland China during the Relevant Periods.

Information about major customers

Revenue from the external customers that have contributed over 10% of the total revenue of the Group for the years ended 31 December 2022, 2023 and 2024 were as follows:

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Customer A	68,548	–	–
Customer Group B	39,070	54,498	68,419
Customer Group C[(a)]	24,632	195,355	*
Customer Group D	–	*	129,635
Customer E	–	–	103,415
Customer F	–	–	76,120
Total	132,250	249,853	377,589

* Less than 10% of the Group's revenue

(a) The end user amounting to RMB126,839,000 for the year ended 31 December 2023 is Chengdu Chenfei Zhijiang Technology Co., Ltd. ("**Chengdu Chenfei**"), an associate of the Group

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers	135,769	334,630	531,556

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
Sales of CNC machine tools	132,434	328,565	527,273
Repair and maintenance services	3,335	6,065	4,283
Total	135,769	334,630	531,556

Since almost all of the revenue of the Group was derived from operations in Mainland China during the Relevant Periods, revenue from the overseas markets of the Group is assessed as not material.

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Timing of revenue recognition			
Goods or services transferred at a point in time	135,769	334,630	531,556

(b) Performance obligations

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	107,978	203,048	361,914

Information about the Group's performance obligations is summarised below:

Sales of CNC machine tools and spare parts

The performance obligation is satisfied upon acceptance and the payment terms generally vary from 12 to 24 months after signing of contract.

Repair and maintenance services

The Group provides repair services to customers. Such services are recognised at the point in time as the Group has completed the services.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Amounts expected to be recognised as revenue:			
Within one year	302,092	475,070	515,685
After one year	885,032	449,682	28,290
Total	1,187,124	924,752	543,975

An analysis of other income and gains is as follows:

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Government grants and subsidies	19,304	22,338	9,338
Investment income	3,565	–	–
Interest income	3,353	2,259	636
Total other income	26,222	24,597	9,974
Gains			
Gain on customer's breach of contract	3,849	–	–
Gain on disposal of investments measured at fair value through profit or loss	–	–	367
Exchange gain	74	314	–
Others	47	195	515
Total gains	3,970	509	882
Total	30,192	25,106	10,856

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

		2022	2023	2024
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Cost of goods sold*		102,660	193,065	296,661
Depreciation of property, plant and equipment	13	11,986	12,638	12,452
Depreciation of right-of-use assets	14	13,276	13,653	15,851
Amortisation of other intangible assets	15	7,057	6,543	5,332
Research and development costs*		25,705	19,440	16,316
Lease payments not included in the measurement of lease liabilities	14	2,705	2,471	2,669
Employee benefit expense (including directors' and chief executive's remuneration *(note 8)*):		133,548	139,298	146,759
Wages and salaries		108,376	110,697	112,167
Share-based payment	32	(757)	1,291	6,489
Pension scheme contributions and social welfare		25,929	27,310	28,103
Impairment of financial and other assets, net		386	8,933	3,963
Write-down of inventories to net realisable value	20	46,195	6,532	5,290
Warranty provision	30	3,380	8,935	13,697
Loss on disposal of items of property, plant and equipment		9	3,543	115
Fair value losses on investments measured at fair value through profit or loss		12,837	7,388	4,387

* The depreciation of property, plant and equipment, the depreciation of right-of-use assets and the amortisation of other intangible assets related to manufacturing and research and development for the Relevant Periods are included in "Depreciation of property, plant and equipment", "Depreciation of right-of-use assets" and "Amortisation of other intangible assets", respectively. The labour costs related to manufacturing and research and development for the Relevant Periods are included in "Employee benefit expense".

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Interest on loans and borrowings	356	514	3,519
Interest on lease liabilities	5,893	4,817	3,829
Total interest expense on financial liabilities not at fair value through profit or loss	6,249	5,331	7,348
Less: Interest capitalised	–	–	(342)
Total	6,249	5,331	7,006

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

Directors', chief executive's and supervisors' remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Fees	306	339	360
Other emoluments:			
Salaries, bonuses, allowances and benefits in kind	5,903	4,650	3,731
Performance related bonuses*	711	215	1,777
Share-based payment expenses	172	172	821
Pension scheme contributions	691	588	597
Subtotal	7,477	5,625	6,926
Total	7,783	5,964	7,286

* Certain executive directors of the Company are entitled to bonus payments which are determined by key performance indicators.

During the Relevant Periods, certain directors were granted restricted shares, in respect of their services to the Group, under the restricted share award scheme of the Company, further details of which are set out in note 32 to the Historical Financial Information. The difference between the fair value of the shares granted and the subscription price was recorded in the share-based payment reserve within equity with the corresponding "share-based payment expenses" in profit or loss over the vesting period. The amount of the share-based payment expenses during the Relevant Periods is included in the above directors', chief executive's and supervisors' remuneration disclosures.

The remuneration of each director/supervisor of the Company paid/payable by the Group (including emoluments for services as employees of the group entities prior to becoming the directors/supervisors of the Company) for the Relevant Periods is set out as follows:

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Mr. Zhu Xiangyang (i)	102	43	–
Mr. Tang Limin (i)	102	43	–
Mr. Xu Zhao (ii)	102	–	–
Mr. Huang Jun (iii)	–	43	–
Mr. Yan Endian (iv)	–	70	120
Mr. Liu Zhifeng (iv)	–	70	120
Mr. Feng Hutian (iv)	–	70	120
Total	306	339	360

(i) On 20 June 2017, 31 December 2019 and 22 December 2022, Mr. Zhu Xiangyang and Mr. Tang Limin were appointed and re-appointed as independent non-executive directors of the Company. The terms of office of independent directors, Mr. Zhu Xiangyan and Mr. Tang Limin were 6 years and expired on 26 May 2023.

(ii) On 31 December 2019, Mr. Xu Zhao was appointed as independent non-executive director of the Company. Mr. Xu Zhao resigned on 22 December 2022.

(iii) On 22 December 2022, Mr. Huang Jun was appointed as independent non-executive director of the Company. Mr. Huang Jun resigned on 26 May 2023.

(iv) On 26 May 2023, Mr. Yan Endian, Mr. Liu Zhifeng and Mr. Feng Hutian were appointed as independent non-executive directors of the Company.

(b) The chief executive, executive directors, non-executive directors and supervisors

	Salaries, allowances and benefits in kind	**Performance related bonuses**	**Share-based payment expenses**	**Pension scheme contributions and social welfare**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2022					
Chief executive:					
Mr. Wang Yuhan (i)	1,520	396	46	159	2,121
Executive directors:					
Mr. Li Yuhao (ii)	821	61	–	133	1,015
Mr. Bi Qingzhen (ii)	1,430	51	–	–	1,481
Subtotal	2,251	112	–	133	2,496
Non-executive directors:					
Mr. Li Yonghao (iii)	–	–	–	–	–
Mr. Li Qingfeng (iv)	–	–	–	–	–
Mr. Luo Peng (v)	–	–	–	–	–
Ms. Tang Huan (vi)	–	–	–	–	–
Subtotal	–	–	–	–	–
Supervisors:					
Mr. Liu Chongyi (vii)	–	–	–	–	–
Mr. Zhang Yilian (viii)	828	–	–	133	961
Mr. Song Zhipeng (ix)	514	61	63	133	771
Mr. Zhong Lei (x)	790	142	63	133	1,128
Subtotal	2,132	203	126	399	2,860
Total	5,903	711	172	691	7,477

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2023					
Chief executive:					
Mr. Wang Yuhan (i)	1,646	25	46	159	1,876
Executive directors:					
Mr. Li Yuhao (ii)	849	42	–	143	1,034
Mr. Bi Qingzhen (ii)	832	–	–	–	832
Subtotal	1,681	42	–	143	1,866
Non-executive directors:					
Mr. Li Yonghao (iii)	–	–	–	–	–
Mr. Li Qingfeng (iv)	–	–	–	–	–
Ms. Tang Huan (vi)	–	–	–	–	–
Subtotal	–	–	–	–	–
Supervisors:					
Mr. Liu Chongyi (vii)	–	–	–	–	–
Mr. Song Zhipeng (ix)	523	48	63	143	777
Mr. Zhong Lei (x)	800	100	63	143	1,106
Subtotal	1,323	148	126	286	1,883
Total	4,650	215	172	588	5,625

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2024					
Chief executive:					
Mr. Wang Yuhan (i)	1,566	1,500	537	159	3,762
Executive director:					
Mr. Li Yuhao (ii)	846	–	–	146	992
Mr. Bi Qingzhen (ii)	–	–	–	–	–
Non-executive directors:					
Mr. Li Yonghao (iii)	–	–	–	–	–
Mr. Li Qingfeng (iv)	–	–	–	–	–
Ms. Tang Huan (vi)	–	–	–	–	–
Subtotal	–	–	–	–	–
Supervisors:					
Mr. Liu Chongyi (vii)	–	–	–	–	–
Mr. Song Zhipeng (ix)	520	59	107	146	832
Mr. Zhong Lei (x)	799	218	177	146	1,340
Subtotal	1,319	277	284	292	2,172
Total	3,731	1,777	821	597	6,926

(i) On 31 December 2019 and 22 December 2022, Mr. Wang Yuhan was appointed and re-appointed as the executive director and the chairman of the board of directors of the Group.

(ii) On 31 December 2019 and 22 December 2022, Mr. Li Yuhao and Mr. Bi Qingzhen were appointed and re-appointed as executive directors of the Group. Mr. Bi Qingzhen resigned in April 2025.

(iii) On 18 July 2021 and 22 December 2022, Mr. Li Yonghao was appointed and re-appointed as a non-executive director of the Group.

(iv) On 1 December 2021, Mr. Li Qingfeng was appointed as a non-executive director of the Group.

(v) On 31 December 2019, Mr. Luo Peng was appointed as a non-executive director of the Group. Mr. Luo Peng resigned on 22 December 2022.

(vi) On 12 December 2022, Ms. Tang Huan was appointed as a non-executive director of the Group.

(vii) On 1 December 2021, Mr. Liu Chongyi was appointed as supervisory board chairman of the Group.

(viii) On 31 December 2019, Mr. Zhang Yilian was appointed as a supervisor of the Group. Mr. Zhang Yilian resigned on 26 December 2022.

(ix) On 31 December 2019, Mr. Song Zhipeng was appointed as a supervisor of the Group who had been elected by the employee congress.

(x) On 22 December 2022, Mr. Zhong Lei was appointed as a supervisor of the Group.

There was no arrangement under which a director, the chief executive or a supervisor waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included two directors at 31 December 2022, and two directors and one supervisor at 31 December 2023, and two directors and one supervisor at 31 December 2024, details of whose remuneration are set out in note 8 above.

Details of the remuneration of the remaining three, two and two highest paid employees who are neither a director nor a supervisor of the Company are as follows:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	2,349	1,801	1,821
Performance related bonuses	719	178	414
Share-based payment expenses*	317	–	793
Pension scheme contributions	399	286	292
Total	3,784	2,265	3,320

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees		
	2022	**2023**	**2024**
Nil to HK$1,000,000	–	–	–
HK$1,000,001 to HK$1,500,000	3	2	2
Total	3	2	2

* During the Relevant Periods, certain directors were granted restricted shares, in respect of their services to the Group, under the restricted share award scheme of the Company, further details of which are set out in note 32 to the Historical Financial Information. The difference between the fair value of the shares granted and the subscription price was recorded in the share-based payment reserve within equity with the corresponding "share-based payment expenses" in profit or loss over the vesting period. The amount of the share-based payment expenses during the Relevant Periods is included in the above employees' remuneration disclosures.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Mainland China

The subsidiaries incorporated in Mainland China are subject to tax at the statutory rate of 25% on the taxable profits determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008, except for those subject to preferential tax set out below:

The Company was granted the qualification of High and New Technology Enterprise ("HNTE"). Accordingly, the Company was entitled to a preferential corporate income tax rate of 15% during the Relevant Periods.

Certain subsidiaries of the Group have applied the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy announced by the PRC's State Administration of Taxation. Pursuant to the policy announced by the PRC's State Administration of Taxation, during the period from 1 January 2022 to 31 December 2024, the portion of annual taxable income amount of a Small-Scaled Minimal Profit Corporate which does not exceed RMB1,000,000 shall be computed at a reduced rate of 25% as taxable income amount, and shall be levied at a reduced tax rate of 20%.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	9	71	–
Total tax expense for the year	9	71	–

A reconciliation of the tax expense applicable to loss/profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before tax	(197,305)	(62,269)	6,886
Tax at the statutory tax rate	(49,326)	(15,567)	1,722
Effect of preferential tax rates	23,979	15,772	6,372
Losses attributable to associates	72	276	1,543
Elimination of down-stream sales	–	2,699	3,142
Expenses not deductible for tax	1,310	1,028	867
Super deduction on research and development expenses (a)	(23,170)	(22,572)	(22,252)
Tax losses and deductible temporary differences not recognised	47,144	18,435	8,606
Tax expense at the Group's effective tax rate	9	71	–

(a) Super deductible allowance was for qualified research and development costs. According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 200% of their research and development costs so incurred as tax deductible expenses when determining their assessable profits for the year ended 31 December 2022. For the period from 1 January 2023 to 31 December 2024, machine tool industries are entitled to claim 220% of the Company's research and development costs.

11. DIVIDENDS

No dividends have been paid or declared by the Company during the Relevant Periods.

12. (LOSS)/EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share is based on the loss attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 337,321,000, 340,311,000 and 343,952,000 during the year ended 31 December 2022, 2023 and 2024, respectively in issue, as adjusted to reflect the rights issue during the Relevant Periods and share split after the Relevant Periods (note 42).

	2022	2023	2024
(Loss)/earning			
(Loss)/earning attributable to ordinary equity holders of the parent *(RMB'000)*	(191,572)	(60,523)	8,882
Shares			
Weighted average number *('000)* of ordinary shares in issue during the year	337,321	340,311	343,952
(Loss)/earning per share			
Basic and diluted *(RMB)*	(0.57)	(0.18)	0.03

The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Machinery	Office equipment and electronic devices	Vehicles	Specialised equipment	Leasehold improve-ments	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	23,919	10,929	3,199	13,761	10,171	5,787	67,766
Accumulated depreciation	(6,770)	(4,651)	(1,757)	(4,401)	(3,642)	–	(21,221)
Net carrying amount	17,149	6,278	1,442	9,360	6,529	5,787	46,545
At 1 January 2022, net of accumulated depreciation	17,149	6,278	1,442	9,360	6,529	5,787	46,545
Additions	3,022	479	640	1,303	–	1,139	6,583
Depreciation provided during the year	(5,113)	(2,445)	(433)	(2,086)	(1,909)	–	(11,986)
Exchange realignment	30	–	3	(1)	–	–	32
Transfers	19	–	–	–	–	(19)	–
Disposal	(2,138)	–	–	–	–	–	(2,138)
At 31 December 2022, net of accumulated depreciation	12,969	4,312	1,652	8,576	4,620	6,907	39,036
At 31 December 2022:							
Cost	23,452	11,420	3,844	15,064	10,171	6,907	70,858
Accumulated depreciation	(10,483)	(7,108)	(2,192)	(6,488)	(5,551)	–	(31,822)
Net carrying amount	12,969	4,312	1,652	8,576	4,620	6,907	39,036

	Machinery	Office equipment and electronic devices	Vehicles	Specialised equipment	Leasehold improve-ments	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023							
At 1 January 2023:							
Cost	23,452	11,420	3,844	15,064	10,171	6,907	70,858
Accumulated depreciation	(10,483)	(7,108)	(2,192)	(6,488)	(5,551)	–	(31,822)
Net carrying amount	12,969	4,312	1,652	8,576	4,620	6,907	39,036
At 1 January 2023, net of accumulated depreciation	12,969	4,312	1,652	8,576	4,620	6,907	39,036
Additions	1,343	878	479	2,529	89	5,314	10,632
Depreciation provided during the year	(5,288)	(2,338)	(478)	(2,295)	(2,239)	–	(12,638)
Exchange realignment	23	2	2	–	–	–	27
Transfers	4,969	–	–	–	1,757	(6,726)	–
Disposal	(1,875)	(22)	(45)	(3)	–	(1,961)	(3,906)
At 31 December 2023, net of accumulated depreciation	12,141	2,832	1,610	8,807	4,227	3,534	33,151
At 31 December 2023:							
Cost	24,210	11,925	4,164	17,585	12,017	3,534	73,435
Accumulated depreciation	(12,069)	(9,093)	(2,554)	(8,778)	(7,790)	–	(40,284)
Net carrying amount	12,141	2,832	1,610	8,807	4,227	3,534	33,151

	Machinery	Office equipment and electronic devices	Vehicles	Specialised equipment	Leasehold improve-ments	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024							
At 1 January 2024:							
Cost	24,210	11,925	4,164	17,585	12,017	3,534	73,435
Accumulated depreciation	(12,069)	(9,093)	(2,554)	(8,778)	(7,790)	–	(40,284)
Net carrying amount	12,141	2,832	1,610	8,807	4,227	3,534	33,151
At 1 January 2024, net of accumulated depreciation	12,141	2,832	1,610	8,807	4,227	3,534	33,151
Additions	8,864	279	318	1,795	44	39,857	51,157
Depreciation provided during the year	(4,767)	(1,908)	(523)	(2,852)	(2,402)	–	(12,452)
Exchange realignment	(6)	(1)	–	–	–	–	(7)
Transfers	39	–	–	–	301	(340)	–
Disposal	(4)	(17)	(21)	(4)	–	–	(46)
At 31 December 2024, net of accumulated depreciation	16,267	1,185	1,384	7,746	2,170	43,051	71,803
At 31 December 2024:							
Cost	32,891	11,868	4,345	19,359	12,362	43,051	123,876
Accumulated depreciation	(16,624)	(10,683)	(2,961)	(11,613)	(10,192)	–	(52,073)
Net carrying amount	16,267	1,185	1,384	7,746	2,170	43,051	71,803

The Company

	Machinery	Office equipment and electronic devices	Vehicles	Specialised equipment	Leasehold improve-ments	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	22,134	10,514	2,703	13,761	10,171	5,787	65,070
Accumulated depreciation	(6,351)	(4,303)	(1,660)	(4,402)	(3,642)	–	(20,358)
Net carrying amount	15,783	6,211	1,043	9,359	6,529	5,787	44,712
At 1 January 2022, net of accumulated depreciation	15,783	6,211	1,043	9,359	6,529	5,787	44,712
Additions	2,996	468	640	1,303	–	1,139	6,546
Depreciation provided during the year	(4,926)	(2,408)	(375)	(2,085)	(1,909)	–	(11,703)
Transfers	19	–	–	–	–	(19)	–
Disposal	(1,346)	–	–	–	–	–	(1,346)
At 31 December 2022, net of accumulated depreciation	12,526	4,271	1,308	8,577	4,620	6,907	38,209
At 31 December 2022:							
Cost	22,613	10,982	3,343	15,064	10,171	6,907	69,080
Accumulated depreciation	(10,087)	(6,711)	(2,035)	(6,487)	(5,551)	–	(30,871)
Net carrying amount	12,526	4,271	1,308	8,577	4,620	6,907	38,209

	Machinery	Office equipment and electronic devices	Vehicles	Specialised equipment	Leasehold improve-ments	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023							
At 1 January 2023:							
Cost	22,613	10,982	3,343	15,064	10,171	6,907	69,080
Accumulated depreciation	(10,087)	(6,711)	(2,035)	(6,487)	(5,551)	–	(30,871)
Net carrying amount	12,526	4,271	1,308	8,577	4,620	6,907	38,209
At 1 January 2023, net of accumulated depreciation	12,526	4,271	1,308	8,577	4,620	6,907	38,209
Additions	814	483	8	324	89	1,321	3,039
Depreciation provided during the year	(5,134)	(2,276)	(405)	(2,221)	(1,938)	–	(11,974)
Transfers	4,969	–	–	–	646	(5,615)	–
Disposal	(1,720)	(19)	–	(3)	–	(1,961)	(3,703)
At 31 December 2023, net of accumulated depreciation	11,455	2,459	911	6,677	3,417	652	25,571
At 31 December 2023:							
Cost	23,111	11,094	3,351	15,380	10,906	652	64,494
Accumulated depreciation	(11,656)	(8,635)	(2,440)	(8,703)	(7,489)	–	(38,923)
Net carrying amount	11,455	2,459	911	6,677	3,417	652	25,571

	Machinery	Office equipment and electronic devices	Vehicles	Specialised equipment	Leasehold improve-ments	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024							
At 1 January 2024:							
Cost	23,111	11,094	3,351	15,380	10,906	652	64,494
Accumulated depreciation	(11,656)	(8,635)	(2,440)	(8,703)	(7,489)	–	(38,923)
Net carrying amount	11,455	2,459	911	6,677	3,417	652	25,571
At 1 January 2024, net of accumulated depreciation	11,455	2,459	911	6,677	3,417	652	25,571
Additions	8,302	208	242	1,384	44	637	10,817
Depreciation provided during the year	(4,452)	(1,755)	(385)	(2,340)	(1,754)	–	(10,686)
Transfers	39	–	–	–	301	(340)	–
Disposal	(4)	(17)	(21)	(4)	–	–	(46)
At 31 December 2024, net of accumulated depreciation	15,340	895	747	5,717	2,008	949	25,656
At 31 December 2024:							
Cost	31,254	10,985	3,458	16,743	11,251	949	74,640
Accumulated depreciation	(15,914)	(10,090)	(2,711)	(11,026)	(9,243)	–	(48,984)
Net carrying amount	15,340	895	747	5,717	2,008	949	25,656

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and properties used in its operations. Leases of plant and properties generally have lease terms between 1.25 and 10 years. Other equipment generally has lease terms of 12 months or less or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

	Land-use right *RMB'000*	Plant and properties *RMB'000*	Total *RMB'000*
As at 1 January 2022	–	84,660	84,660
Additions	–	304	304
Depreciation charge	–	(13,276)	(13,276)
Decrease arising from lease term termination	–	(734)	(734)
As at 31 December 2022 and 1 January 2023	–	70,954	70,954
Additions	8,363	1,496	9,859
Depreciation charge	(71)	(13,582)	(13,653)
As at 31 December 2023 and 1 January 2024	8,292	58,868	67,160
Additions	47,555	6,341	53,896
Depreciation charge	(1,141)	(14,710)	(15,851)
Decrease arising from lease term termination	–	(207)	(207)
As at 31 December 2024	54,706	50,292	104,998

As at 31 December 2022, 2023 and 2024, the Group's land-use right with aggregate carrying amounts of nil, nil and RMB8,121,000, respectively, were pledged to secure interest-bearing bank and other borrowings granted to the Group (note 28).

The Company

	Land-use right *RMB'000*	**Plant and properties** *RMB'000*	**Total** *RMB'000*
As at 1 January 2022	–	84,660	84,660
Additions	–	304	304
Depreciation charge	–	(13,276)	(13,276)
Decrease arising from lease term termination	–	(734)	(734)
As at 31 December 2022 and 1 January 2023	–	70,954	70,954
Depreciation charge	–	(12,990)	(12,990)
As at 31 December 2023 and 1 January 2024	–	57,964	57,964
Additions	47,555	5,484	53,039
Depreciation charge	(970)	(13,287)	(14,257)
Decrease arising from lease term termination	–	(171)	(171)
As at 31 December 2024	46,585	49,990	96,575

(b) Lease liabilities

The carrying amount of lease liabilities (not included under interest-bearing bank and other borrowings) and the movements during the Relevant Periods are as follows:

The Group

	2022 *RMB'000*	**2023** *RMB'000*	**2024** *RMB'000*
Carrying amount at 1 January	124,077	113,113	90,852
New leases	304	1,496	6,341
Accretion of interest recognised during the year	5,893	4,817	3,829
Decrease arising from lease term termination	(745)	–	(205)
Payments	(16,416)	(28,574)	(31,484)
Carrying amount at 31 December	113,113	90,852	69,333
Analysed into:			
Current portion	31,063	32,297	25,811
Non-current portion	82,050	58,555	43,522

The Company

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	124,077	113,113	90,056
New leases	304	–	5,484
Accretion of interest recognised during the year	5,893	4,775	3,782
Decrease arising from lease term termination	(745)	–	(172)
Payments	(16,416)	(27,832)	(30,009)
Carrying amount at 31 December	113,113	90,056	69,141
Analysed into:			
Current portion	31,063	31,539	25,619
Non-current portion	82,050	58,517	43,522

The maturity analysis of lease liabilities is disclosed in note 40.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

The Group

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	5,893	4,817	3,829
Depreciation charge of right-of-use assets	13,276	13,653	15,851
Expenses relating to short-term leases	226	201	196
Expenses relating to leases of low-value assets	2,479	2,270	2,473
(Gain)/loss on a lease term termination	(11)	–	2
Total amount recognised in profit or loss	21,863	20,941	22,351

The Company

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	5,893	4,775	3,782
Depreciation charge of right-of-use assets	13,276	12,990	14,257
Expenses relating to short-term leases	210	181	194
Expenses relating to leases of low-value assets	1,655	1,173	2,099
Gain on a lease term termination	(11)	–	(1)
Total amount recognised in profit or loss	21,023	19,119	20,331

15. OTHER INTANGIBLE ASSETS

The Group

	Software	Patents, licences and technology	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	4,460	39,917	44,377
Additions	53	–	53
Amortisation provided during the year	(1,647)	(5,410)	(7,057)
Exchange realignment	(2)	–	(2)
At 31 December 2022	2,864	34,507	37,371
At 31 December 2022 and at 1 January 2023:			
Cost	11,541	43,805	55,346
Accumulated amortisation and impairment	(8,677)	(9,298)	(17,975)
Net carrying amount	2,864	34,507	37,371
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation and impairment	2,864	34,507	37,371
Additions	540	–	540
Amortisation provided during the year	(1,135)	(5,408)	(6,543)
At 31 December 2023	2,269	29,099	31,368
At 31 December 2023 and at 1 January 2024:			
Cost	12,157	43,805	55,962
Accumulated amortisation and impairment	(9,888)	(14,706)	(24,594)
Net carrying amount	2,269	29,099	31,368
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	2,269	29,099	31,368
Additions	3,139	–	3,139
Disposal	(78)	–	(78)
Amortisation provided during the year	(924)	(4,408)	(5,332)
At 31 December 2024	4,406	24,691	29,097
At 31 December 2024:			
Cost	12,941	43,805	56,746
Accumulated amortisation and impairment	(8,535)	(19,114)	(27,649)
Net carrying amount	4,406	24,691	29,097

The Company

	Software	Patents, licences and technology	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	4,263	6,356	10,619
Additions	53	–	53
Amortisation provided during the year	(1,452)	(2,055)	(3,507)
At 31 December 2022	2,864	4,301	7,165
At 31 December 2022 and at 1 January 2023:			
Cost	10,249	10,243	20,492
Accumulated amortisation	(7,385)	(5,942)	(13,327)
Net carrying amount	2,864	4,301	7,165
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	2,864	4,301	7,165
Additions	539	–	539
Amortisation provided during the year	(1,134)	(2,051)	(3,185)
At 31 December 2023	2,269	2,250	4,519
At 31 December 2023 and at 1 January 2024:			
Cost	10,788	10,243	21,031
Accumulated amortisation	(8,519)	(7,993)	(16,512)
Net carrying amount	2,269	2,250	4,519
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	2,269	2,250	4,519
Additions	3,139	–	3,139
Disposal	(78)	–	(78)
Amortisation provided during the year	(924)	(1,052)	(1,976)
At 31 December 2024	4,406	1,198	5,604
At 31 December 2024:			
Cost	11,630	10,243	21,873
Accumulated amortisation	(7,224)	(9,045)	(16,269)
Net carrying amount	4,406	1,198	5,604

16. INVESTMENTS IN ASSOCIATES

The Group and The Company

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	53,828	47,218	41,047
Elimination of down-stream sales	–	(10,291)	(21,027)
Total	53,828	36,927	20,020

(a) Particulars of the Group's material associate

Name of entity	Country of incorporation/ registration and operations	Proportion of ownership interest At December 31 2022	2023	2024	Principal activity
Chengdu Chenfei Zhijiang Technology Co., Ltd. ("Chengdu Chenfei") 成都辰飛智匠科技有限公司*	PRC/Mainland China	17.01%	14.48%	14.48%	Aerospace components fabrication
Shanghai Qianzhan Innovation Research Institute Co., Ltd. ("Shanghai Qian Zhan") 上海前瞻創新研究院有限公司**	PRC/Mainland China	10.00%	N/A	N/A	Technology development and technical consulting

The above investment is directly held by the Company.

* During the Relevant Periods, Chengdu Chenfei had five directors, one of which was appointed by the Company. Pursuant to the articles of association of Chengdu Chenfei, the Group has significant influence over Chengdu Chenfei. Therefore, Chengdu Chenfei was accounted for as an associate of the Group.

** During the Relevant Periods, Shanghai Qian Zhan had nine directors, one of which was appointed by the Company. Pursuant to the articles of association of Shanghai Qian Zhan, the Group has significant influence over Shanghai Qian Zhan. Therefore, Shanghai Qian Zhan was accounted for as an associate of the Group. In May 2023, the Group disposed its interest in Shanghai Qian Zhan.

(b) The following table illustrates the aggregate financial information of the Group's associates that are considered not individually material for the Relevant Periods:

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Share of the associates' losses for the year	(289)	(1,105)	(6,171)
Share of the associates' total comprehensive loss	(289)	(1,105)	(6,171)
Elimination of down-stream sales	–	(10,291)	(10,736)
Aggregate carrying amount of the Group's investments in the associates	53,828	36,927	20,020

The Group's and the Company's transactions with the associates are disclosed in note 36.

17. INVESTMENTS IN SUBSIDIARIES

The Company

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Investments, at cost	50,954	74,954	84,954
Impairment loss on investment in a subsidiary	(954)	(954)	(954)
Investments in subsidiaries	50,000	74,000	84,000

18. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and The Company

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Unlisted equity investments	18,877	11,619	–

Unlisted equity investments were measured at fair value using significant unobservable inputs (Level 3). The movements in fair value measurements within Level 3 during the years are as follows:

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Unlisted equity investments at fair value through profit or loss at 1 January	24,464	18,877	11,619
Additions	7,250	130	–
Total losses recognised in the statement of profit or loss	(12,837)	(7,388)	(4,387)
Disposal	–	–	(7,232)
Unlisted equity investments at fair value through profit or loss at 31 December	18,877	11,619	–

19. DEFERRED TAX

The Group

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Lease liabilities *RMB'000*	Losses available for offsetting against future taxable profits *RMB'000*	Total *RMB'000*
At 1 January 2022	12,699	2,360	15,059
Deferred tax charged to profit or loss during the year	(2,056)	(1,966)	(4,022)
Gross deferred tax assets at 31 December 2022	10,643	394	11,037
Deferred tax charged to profit or loss during the year	(1,749)	(367)	(2,116)
Gross deferred tax assets at 31 December 2023	8,894	27	8,921
Deferred tax charged/(credited) to profit or loss during the year	(1,348)	1	(1,347)
Gross deferred tax assets at 31 December 2024	7,546	28	7,574

Deferred tax liabilities

	Fair value adjustment arising from financial assets at FVTPL *RMB'000*	Right-of-use assets *RMB'000*	Total *RMB'000*
At 1 January 2022	2,360	12,699	15,059
Deferred tax credited to profit or loss during the year	(1,966)	(2,056)	(4,022)
Gross deferred tax liabilities at 31 December 2022	394	10,643	11,037
Deferred tax credited to profit or loss during the year	(394)	(1,722)	(2,116)
Gross deferred tax liabilities at 31 December 2023	–	8,921	8,921
Deferred tax credited to profit or loss during the year	–	(1,347)	(1,347)
Gross deferred tax liabilities at 31 December 2024	–	7,574	7,574

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	–	–	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	–	–

Deferred tax assets have not been recognised in respect of the following items:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	536,555	692,553	758,223
Deductible temporary differences	212,862	190,655	188,138
Total	749,417	883,208	946,361

The Group has tax losses arising in Mainland China of RMB517,457,000, RMB668,385,000 and RMB733,492,000 as at 31 December 2022, 2023 and 2024, respectively, that will expire in five to ten years for offsetting against future taxable profits.

The Group has tax losses arising in Germany of EUR2,927,000, EUR3,089,000 and EUR3,301,000 as at 31 December 2022, 2023 and 2024, respectively, that are available indefinitely for offsetting against future taxable profits of the company in which the loss arose.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Company

The Company has tax losses arising in Mainland China of RMB502,150,000, RMB652,758,000 and RMB714,387,000 as at 31 December 2022, 2023 and 2024, respectively, that will expire in five to ten years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

20. INVENTORIES

The Group

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	74,636	80,350	76,590
Work in progress	112,631	223,395	129,048
Finished goods	39,113	97,573	65,523
Goods in transit*	325,014	261,479	263,688
	551,394	662,797	534,849
Less: provision for impairment losses on inventories	(107,935)	(74,249)	(48,754)
Total	443,459	588,548	486,095

The Company

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	74,461	70,104	68,062
Work in progress	96,202	201,297	110,880
Finished goods	39,113	96,766	63,961
Goods in transit*	324,977	261,281	263,480
	534,753	629,448	506,383
Less: provision for impairment losses on inventories	(104,138)	(70,228)	(44,904)
Total	430,615	559,220	461,479

* Refers to finished products which have passed pre-acceptance testing by the customer, and are in the process of transit to or assembly at the site of the customer, yet to pass final acceptance.

Inventories are expected to be completed within the normal operating cycle, recovered after more than one year from the end of the Relevant Periods.

The movements in provision

The Group

	2022 *RMB'000*	2023 *RMB'000*	2024 *RMB'000*
Carrying amount at 1 January	62,380	107,935	74,249
Impairment losses recognised *(note 6)*	46,195	6,532	5,290
Amounts written off for inventories sold	(811)	(40,442)	(30,614)
Exchange realignment	171	224	(171)
Carrying amount at 31 December	107,935	74,249	48,754

The Company

	2022 *RMB'000*	2023 *RMB'000*	2024 *RMB'000*
Carrying amount at 1 January	58,754	104,138	70,228
Impairment losses recognised	46,195	6,532	5,290
Amounts written off for inventories sold	(811)	(40,442)	(30,614)
Carrying amount at 31 December	104,138	70,228	44,904

21. TRADE AND BILLS RECEIVABLES

The Group

	2022 *RMB'000*	2023 *RMB'000*	2024 *RMB'000*
Trade receivables (i)	71,049	97,659	58,364
Commercial acceptance bills receivable (ii)	5,979	6,480	6,998
Bank acceptance notes (iii)	7,660	4,875	9,156
	84,688	109,014	74,518
Impairment losses	(2,706)	(11,228)	(14,508)
Net carrying amount	81,982	97,786	60,010

The Group's trading terms with its customers are mainly based on payment as scheduled. The Group's credit terms vary among different customers. Credit term is negotiated and agreed with each customer. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

(i) An ageing analysis of the Group's trade receivables, based on the date that the Group has an unconditional right to receive consideration from the customers and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	44,918	49,128	39,914
1 to 2 years	1,246	24,746	486
2 to 3 years	1,737	–	3,228
3 to 4 years	12,530	59	–
4 to 5 years	7,753	12,300	59
Over 5 years	249	252	252
Total	68,433	86,485	43,939

The movements in the impairment losses on trade receivables are as follows:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	916	2,616	11,174
Impairment losses, net	1,700	8,558	3,251
At end of year	2,616	11,174	14,425

Except for debtors with credit impairment, the Group determines the ECLs on those items on a collective basis, grouped by debtors' credit ratings which derived from external or industry features, and adjusted for forward-looking factors specific to the economic environment.

As part of the Group's credit risk management, except for the debtors' external credit ratings, the Group considers industry features for its customers in relation to its business operation and historical status of payments. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis within lifetime ECL (not credit-impaired) as at 31 December 2022, 2023 and 2024.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

			2022			2023			2024
	Average credit loss rate	**Gross carrying amount**	**Expected credit losses**	**Average credit loss rate**	**Gross carrying amount**	**Expected credit losses**	**Average credit loss rate**	**Gross carrying amount**	**Expected credit losses**
		RMB'000	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*
Individual assessment	–	–	–	100.00%	8,355	8,355	100.00%	12,942	12,942
Collective approach									
External credit ratings:									
Baa1–B3	–	–	–	–	–	–	1.68%	20,390	342
Industry:									
Aerospace & defense	2.68%	47,741	1,281	3.03%	47,466	1,439	2.20%	6,605	145
Other industries	5.73%	23,308	1,335	3.30%	41,838	1,380	3.15%	18,427	996
Total		71,049	2,616		97,659	11,174		58,364	14,425

(ii) An ageing analysis of the Group's commercial acceptance bills receivable, based on the date of receipt of the bills and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	5,889	6,426	6,915

The movements in the impairment losses on commercial acceptance bills receivable are as follows:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	10	90	54
Impairment losses, net	80	(36)	29
At end of year	90	54	83

The Group's bills receivable aged within six months and were not past due.

(iii) Bank acceptance bills receivable are considered as having very low credit risk and the loss allowance is assessed to be minimal.

The Company

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables (i)	71,048	97,098	57,826
Commercial acceptance bills receivable (ii)	5,979	6,480	6,998
Bank acceptance notes	7,660	4,875	6,062
	84,687	108,453	70,886
Impairment losses	(2,706)	(11,200)	(14,456)
Net carrying amount	81,981	97,253	56,430

(i) An ageing analysis of the Company's trade receivables, based on the date that the Company has an unconditional right to receive consideration from the customers and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	44,918	48,595	39,914
1 to 2 years	1,245	24,746	–
2 to 3 years	1,737	–	3,228
3 to 4 years	12,530	59	–
4 to 5 years	7,753	12,300	59
Over 5 years	249	252	252
Total	68,432	85,952	43,453

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	916	2,616	11,146
Impairment losses, net	1,700	8,530	3,227
At end of year	2,616	11,146	14,373

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

	2022			2023			2024		
	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carryinga mount	Expected credit losses
		RMB'000	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*
Individual assessment	–	–	–	100.00%	8,355	8,355	100.00%	12,942	12,942
Collective approach									
External credit ratings:									
Baa1–B3	–	–	–	–	–	–	1.68%	20,390	342
Industry:									
Aerospace & defense	2.68%	47,741	1,281	3.03%	47,466	1,439	2.20%	6,605	145
Other industries	5.73%	23,307	1,335	3.28%	41,277	1,352	5.28%	17,889	944
Total		71,048	2,616		97,098	11,146		57,826	14,373

(ii) An ageing analysis of the Company's commercial acceptance bills receivable, based on the date of receipt of the bills and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	5,889	6,426	6,915

The movements in the loss allowance for impairment of commercial acceptance bills receivable are as follows:

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	10	90	54
Impairment losses, net	80	(36)	29
At end of year	90	54	83

22. CONTRACT ASSETS

The Group and the Company

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets arising from:			
Sales of CNC machine tools	7,585	18,008	38,460
Impairment	(149)	(467)	(1,209)
Total	7,436	17,541	37,251

Contract liabilities from related parties are disclosed in note 36.

Contract assets are initially recognised for revenue earned from the sales of CNC machine tools related to the receipt of the consideration which is conditional on the fulfilment of the warranty service for sales of equipment. Upon the end of the warranty period, the amounts recognised as contract assets are reclassified to trade receivables.

The expected timing of recovery or settlement for contract assets as at the end of each of the Relevant Periods is as follows:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	7,436	10,454	24,393
After one year	–	7,087	12,858
Total	7,436	17,541	37,251

The movements in the loss allowance for impairment of contract assets are as follows:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	1,500	149	467
Impairment losses, net *(note 6)*	(1,351)	318	742
Total	149	467	1,209

Except for debtors with credit-impaired, the Group determines the ECLs on those items on a collective basis, grouped by debtors' credit ratings which derived from external or industry features, and adjusted for forward-looking factors specific to the economic environment.

As part of the Group's credit risk management, except for the debtors' external credit ratings, the Group considers industry features for its customers in relation to its business operation and historical status of payments. The following table provides information about the exposure to credit risk for contract assets which are assessed on a collective basis within lifetime ECL (not credit-impaired) as at 31 December 2022, 2023 and 2024.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2022			2023			2024		
	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*
Collective approach									
External credit ratings:									
Baa1–B3	–	–	–	1.10%	3,900	43	2.21%	2,848	63
Industry:									
Aerospace & defense	1.83%	7,120	130	1.38%	3,839	53	1.67%	11,406	190
Other manufacturing industries	4.09%	465	19	3.61%	10,269	371	3.95%	24,206	956
Total		7,585	149		18,008	467		38,460	1,209

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Prepayments for long-term assets	–	747	1,882
Current:			
Deposits	8,182	27,246	11,975
Prepayments to suppliers	53,180	32,921	10,784
Other tax recoverable	42	12,810	4,721
Advances to employees	602	833	674
Prepaid expenses	917	822	1,029
Subtotal	62,923	74,632	29,183
Impairment allowance	(109)	(204)	(142)
Total	62,814	75,175	30,923

The balances are unsecured, non-interest-bearing and have no fixed terms of repayment.

The Group performs impairment assessment under the ECL model on other receivables and deposits, which are subject to impairment assessment under IFRS 9. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Company

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Prepayments for long-term assets	–	219	150
Current:			
Deposits	8,182	27,005	11,482
Prepayments to suppliers	53,180	31,477	9,750
Other tax recoverable	–	11,417	–
Advances to employees	597	833	673
Prepaid expenses	356	447	767
Due from subsidiaries	35,711	38,801	43,402
Subtotal	98,026	109,980	66,074
Impairment allowance	(109)	(192)	(110)
Total	97,917	110,007	66,114

24. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Group

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	364,035	162,608	143,889
Less: Restricted cash:			
Pledged for letters of performance guarantee	(8,361)	(6,393)	(9,057)
Pledged for bank acceptance bills	(8,851)	(7,829)	(1,294)
Cash and cash equivalents	346,823	148,386	133,538

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents			
Denominated in RMB	346,628	148,018	133,532
Denominated in EUR	195	368	6
Total	346,823	148,386	133,538
Restricted cash denominated in RMB	17,212	14,222	10,351

The Company

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents			
Denominated in RMB	315,855	145,043	130,973

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2022, 2023 and 2024, the Group and the Company have assessed the credit risk of cash and cash equivalents and restricted cash to be minimal as they were placed in reputable financial institutions.

25. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date and accrual date, is as follows:

The Group

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	189,454	224,343	129,205
1 to 2 years	339	2,361	14,721
2 to 3 years	941	305	1,397
3 to 4 years	2,056	481	250
4 to 5 years	464	239	389
Over 5 years	498	700	764
Total	193,752	228,429	146,726

The trade payables are non-interest-bearing and are normally settled within 30 to 120 days upon receipt of the VAT invoice.

The financial liabilities that are part of the Group's supplier finance arrangements included in trade payables are normally settled on 120-day terms.

The Group has established supplier finance arrangements that are offered to some of the Group's key suppliers in Mainland China. Participation in the arrangements is at the suppliers' own discretion. Suppliers that participate in the supplier finance arrangements will receive early payments or payments at the original due dates on invoices sent to the Group from the Group's external finance provider. If suppliers choose to receive early payments, they pay a fee to the finance provider. In order for the finance provider to pay the invoices, the goods must have been received or supplied and the invoices must have been approved by the Group. Payments to suppliers ahead of or at the invoice due date are processed by the finance provider and, in all cases, the Group settles the original invoice by paying the finance provider in line with the original invoice maturity date or at a later date as agreed with the finance provider. Payment terms with suppliers have not been renegotiated in conjunction with the arrangements. Mr. Wang Yuhan provides a guarantee to the finance provider.

All financial liabilities that are part of the supplier finance arrangements are included in trade and bills payables in the statement of financial position and within trade payables.

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of financial liabilities that are part of the supplier finance arrangements included in:			
Trade and bills payables	–	9,000	10,262
Of which suppliers have received payments	–	8,870	10,113

For financial liabilities that are part of the supplier finance arrangements included in trade and bills payables, there were no significant non-cash changes in the carrying amounts of these financial liabilities.

The Company

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	188,327	189,038	110,758
1 to 2 years	339	1,426	8,707
2 to 3 years	941	305	502
3 to 4 years	2,056	481	250
4 to 5 years	464	239	389
Over 5 years	498	700	764
Total	192,625	192,189	121,370

26. OTHER PAYABLES AND ACCRUALS

The Group

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payable	24,061	19,621	23,678
Due to non-controlling shareholders of a subsidiary	10,828	11,062	10,771
Other tax payables	25,483	6	2,028
Deposits	1,200	1,400	1,200
Accrued expenses	1,892	5,489	5,618
Others	9,314	1,391	2,274
Total	72,778	38,969	45,569

Except for the principal amounts of EUR1,325,000 due to a non-controlling shareholder of a subsidiary that bears interest at rates of 1% to 2.5%, other payables and accruals are non-interest-bearing, unsecured and payable on demand.

The Company

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payable	23,806	19,244	23,218
Other tax payables	25,423	–	2,028
Deposits	1,200	1,200	1,200
Accrued expenses	1,148	5,145	5,292
Due to subsidiaries	20,000	70,845	61,858
Others	9,314	1,364	2,232
Total	80,891	97,798	95,828

Other payables are non-interest-bearing, unsecured and repayable on demand.

27. CONTRACT LIABILITIES

The Group

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
CNC machine tools	645,084	573,397	341,779

The Company

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
CNC machine tools	631,350	558,983	327,976

Contract liabilities from related parties are disclosed in note 36.

Contract liabilities represented advances received to deliver products and services.

Contract liabilities are expected to be recognized as revenue within normal operating cycle.

28. INTEREST-BEARING BANK BORROWINGS

The Group

	2022		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Current			
Bank loans – secured	2.80~4.20	2023	7,660

	2023		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Current			
Bank loans – secured	LRP-55BP~LRP-30BP	2024	40,111

	2024		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Current			
Bank loans – secured	LRP-55BP~LRP-5BP	2025	140,299
Current portion of long-term bank loans			4,022
Total – current			144,321
Non-current			
Bank loans – secured	LRP-75BP~LRP-55BP	2026-2029	42,088
Less: Current portion of long-term bank loans			(4,022)
Total – non-current			38,066
Total			182,387

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans repayable:			
Within one year	7,660	40,111	144,321
In the second year	–	–	8,000
In the third to fifth years, inclusive	–	–	30,066
Total	7,660	40,111	182,387

As at 31 December 2022, the Group's borrowings of RMB7,660,000 were secured by bank acceptance notes.

As at 31 December 2022, 2023 and 2024, the Group's borrowings of nil, RMB40,111,000 and RMB150,305,000 were guaranteed by Mr. Wang Yuhan.

As at 31 December 2024, the Group's borrowings of RMB32,082,000 were secured by the Group's land use right with an aggregate carrying amount of approximately RMB8,121,000, and were guaranteed by Mr. Wang Yuhan.

29. DEFERRED INCOME

The Group and the Company

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Government grants			
Asset-related grants (a)	756	341	161
Reimbursement of future expenses (b)	1,200	4,200	2,350
Subtotal	1,956	4,541	2,511
Current:			
Government grants			
Asset-related grants (a)	1,261	415	180
Reimbursement of future expenses (b)	2,700	1,687	9,150
Subtotal	3,961	2,102	9,330
Total	5,917	6,643	11,841

(a) Asset-related grants

The asset-related grants were the subsidies received from the government in relation to the Group's property, plant and equipment.

(b) Reimbursement of future expenses

Government grants as reimbursement of future expenses were subsidies received in relation to the Group's future research and development activities.

30. PROVISION

The Group and the Company

	Warranties
	RMB'000
At 1 January 2022	14,276
Additional provision *(note 6)*	3,380
Amounts utilised during the year	(7,947)
At 31 December 2022 and 1 January 2023	9,709
Additional provision *(note 6)*	8,935
Amounts utilised during the year	(8,689)
At 31 December 2023 and 1 January 2024	9,955
Additional provision *(note 6)*	13,697
Amounts utilised during the year	(6,257)
At 31 December 2024	17,395

The amount of the provision for the warranties is estimated based on sales and past experience of the level of repairs and maintenances. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

31. SHARE CAPITAL

The Group and the Company

Shares

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid:			
Share capital	34,013	34,395	34,395

Pursuant to the shareholders' resolution dated 12 March 2022, shareholders of the Company agreed to increase the registered capital from RMB33,266,625 to RMB34,013,292 (34,013,292 shares with a nominal value of RMB1.00 each).

Pursuant to the shareholders' resolution dated 5 December 2023, shareholders of the Company agreed to increase the registered capital from RMB34,013,292 to RMB34,395,179 (34,395,179 shares with a nominal value of RMB1.00 each).

A summary of movements in the Company's share capital is as follows:

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	33,267	34,013	34,395
Shareholders' capital injection	746	382	–
At 31 December	34,013	34,395	34,395

32. SHARE-BASED PAYMENTS

To provide incentives and rewards to eligible participants who contribute to the Group's operations, the actual controller of the Company, Mr. Wang Yuhan, designed and established an employee shareholding platform for the Company to operate a restricted share award scheme (the "Scheme"). Eligible participants of the Scheme, including members of senior management, mid-level managers and other employees of the Group, were determined by the board and approved by shareholders' meeting. The actual controller of the Company acted as the general partner of the platform was obliged to repurchase the shares of the resigned eligible participants and then reallocate these shares to other eligible participants.

On 22 November 2018, 420,000 shares were granted to eligible participants through the employee shareholding platform of the Schemes. Pursuant to the shareholders' resolution dated 20 December 2018, shareholders of the Company agreed to convert the share premium to share capital. After this conversion, the original 420,000 shares increased to 662,461 shares. These shares were granted at a subscription price of RMB6.78 per share The grant date fair value of the shares of the Scheme was RMB29.22 per share which were determined based on investors' recent capital injection price.

On 29 December 2023, the Company granted 299,680 shares to eligible participants at a subscription price of RMB80.00 per share. The grant date fair value of the shares of the Scheme was RMB90.00 per share which was determined based on investors' recent capital injection price.

The shares held by the employee shareholding platform of the Scheme will be vested at service periods of 5 years or IPO and Listing, whichever occurs later.

Movements in the number of awarded shares granted and the respective weighted average grant date fair values were as follows:

	2022		2023		2024	
	Weighted average grant date fair value	**Number of shares**	**Weighted average grant date fair value**	**Number of shares**	**Weighted average grant date fair value**	**Number of shares**
	RMB		*RMB*		*RMB*	
At 1 January	29.22	572,553	29.22	372,245	56.72	662,461
Granted during the year	–	–	90.00	299,680	–	–
Forfeited during the year	29.22	(200,308)	29.22	(9,464)	–	–
At 31 December	29.22	372,245	56.72	662,461	56.72	662,461

Share-based payment expenses relating to employees recognised for the Relevant Periods are as follows:

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Administrative expenses	853	822	2,877
Research and development expenses	(1,713)	216	3,235
Selling expenses	35	167	194
Cost of sales	68	86	183
Total	(757)	1,291	6,489

33. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information.

(i) Share premium and other reserve

The share premium and other reserve of the Group mainly represents the premium in issuing shares and the premium in acquisition of non-controlling interest.

(ii) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

(iii) Share-based payment reserve

The share-based payment reserve represents the equity-settled share awards as set out in note 32 to the Historical Financial Information.

(iv) Specific reserve

Pursuant to the relevant PRC regulations, the Group is required to transfer production and maintenance funds at fixed rates based on relevant bases to a specific reserve account. The production and maintenance funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of production and maintenance funds utilised would be transferred from the specific reserve account to accumulated losses.

The Company

	Share premium and other reserve	Share-based payment reserve	Specific reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021 and 1 January 2022	385,805	6,873	6,199	(222,942)	175,935
Total comprehensive loss for the year	–	–	–	(182,902)	(182,902)
Share-based payments	–	(757)	–	–	(757)
Shareholders' capital injection	118,863	–	–	–	118,863
Appropriation and utilisation of specific reserve	–	–	823	(823)	–
As at 31 December 2022 and 1 January 2023	504,668	6,116	7,022	(406,667)	111,139
Total comprehensive loss for the year	–	–	–	(55,772)	(55,772)
Share-based payments	–	1,291	–	–	1,291
Shareholders' capital injection	63,209	–	–	–	63,209
Appropriation and utilisation of specific reserve	–	–	(552)	552	–
As at 31 December 2023 and 1 January 2024	567,877	7,407	6,470	(461,887)	119,867
Total comprehensive income for the year	–	–	–	14,480	14,480
Share-based payments	–	6,489	–	–	6,489
Shareholders' contribution	21,683	–	–	–	21,683
Appropriation and utilisation of specific reserve	–	–	(451)	451	–
As at 31 December 2024	589,560	13,896	6,019	(446,956)	162,519

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2022, 2023 and 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB304,000, RMB1,496,000 and RMB6,341,000, respectively, in respect of lease arrangements for plant and properties.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Lease liabilities	Amount due to non-controlling shareholders	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	–	124,077	10,172	134,249
Changes from financing cash flows	7,501	(16,416)	222	(8,693)
Exchange fluctuation	–	–	282	282
New leases	–	304	–	304
Interest expense	159	5,893	152	6,204
Lease term termination	–	(745)	–	(745)
At 31 December 2022	7,660	113,113	10,828	131,601
Changes from financing cash flows	32,112	(28,574)	(534)	3,004
Exchange fluctuation	–	–	604	604
New leases	–	1,496	–	1,496
Interest expense	339	4,817	164	5,320
At 31 December 2023	40,111	90,852	11,062	142,025
Changes from financing cash flows	138,896	(31,484)	–	107,412
Exchange fluctuation	–	–	(457)	(457)
New leases	–	6,341	–	6,341
Interest expense	3,380	3,829	166	7,375
Lease term termination	–	(205)	–	(205)
At 31 December 2024	182,387	69,333	10,771	262,491

(c) Total cash outflow for leases

The total cash outflow for leases included in the statements of cash flows is as follows:

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	8,598	7,288	6,498
Within financing activities	23,109	26,524	32,087
Total	31,707	33,812	38,585

35. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Properties, plant and equipment	993	623	2,827

36. RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties:

The Group

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
An associate:			
Sales of goods or services Chengdu Chenfei	–	*	129,635

These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

* CNC machine tools sales to Chengdu Chenfei were ordered by a third-party (mentioned as Customer Group C in note 4) amounting to RMB126,839,000 for the year ended 31 December 2023.

(b) Outstanding balances with related parties:

The Group

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
An associate:			
Contract liabilities:			
Chengdu Chenfei*	127,177	168,992	20,299
Contract assets:			
Chengdu Chenfei	–	–	8,375

(c) Other transactions with related parties:

The Group

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Guarantees provided by a related party:			
Mr. Wang Yuhan	–	49,111	192,649

(d) Compensation of key management personnel of the Group

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Fees	306	339	360
Salaries, bonuses, allowances and benefits in kind	5,903	4,650	3,731
Performance related bonuses	711	215	1,777
Share-based payments	172	172	821
Pension scheme contributions	691	588	597
Total compensation paid to key management personnel	7,783	5,964	7,286

Further details of directors', the chief executive's and supervisors' emoluments are included in note 8 to Historical Financial Information.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

The Group

Financial assets

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost			
Trade and bills receivables	81,482	92,911	55,958
Financial assets included in prepayments, other receivables and other assets	8,073	27,042	11,833
Restricted cash	17,212	14,222	10,351
Cash and cash equivalents	346,823	148,386	133,538
Subtotal	453,590	282,561	211,680
Financial assets at fair value through profit or loss			
Investments measured at fair value through profit or loss	18,877	11,619	–
Financial assets at fair value through other comprehensive income			
Bills receivables	500	4,875	4,052
Total	472,967	299,055	215,732

Financial liabilities

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost			
Trade and bills payables	193,752	228,429	146,726
Financial liabilities included in other payables and accruals	20,133	12,462	11,971
Lease liabilities	113,113	90,852	69,333
Interest-bearing bank and other borrowings	7,660	40,111	182,387
Total	334,658	371,854	410,417

38. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with carrying amounts of nil, nil and RMB3,094,000 as at 31 December 2022, 2023 and 2024, respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amounts of the trade payables settled by the Endorsed Bills during the Relevant Periods to which the suppliers have recourse were nil, nil and RMB3,094,000 as at 31 December 2022, 2023 and 2024, respectively.

Transferred financial assets that are derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of nil, nil and RMB6,974,000 as at 31 December 2022, 2023 and 2024, respectively. The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the "Continuing Involvement"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the Relevant Periods, the Group has not recognized any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the years or cumulatively. The endorsement has been made evenly throughout the years.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, lease liabilities and short-term interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of unlisted investments measured at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to book ("P/B") multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022, 2023 and 2024:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Financial assets				
Investments measured at fair value through profit or loss				
Unlisted equity investments	Market approach	Discount for lack of marketability ("DLOM")	31 December 2022: 29.37%	1% increase or decrease in DLOM would result in decrease or increase in fair value by RMB267,000
			31 December 2023: 16.07%	1% increase or decrease in DLOM would result in decrease or increase in fair value by RMB138,000

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

The Group and the Company

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Significant observable inputs (Level 2)			
Financial assets at fair value through other comprehensive income	500	4,875	4,052
Significant observable inputs (Level 3)			
Investments measured at fair value through profit or loss	18,877	11,619	–

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

As the Group's major businesses are in Mainland China, the majority of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group was not exposed to material foreign currency risk during the Relevant Periods.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without specific verification procedures.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on debtors' external credit ratings and industry features, and year-end staging classification.

As at 31 December 2022

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	84,688	84,688
Contract assets*	–	–	–	7,585	7,585
Financial assets included in prepayments, other receivables and other assets					
– Normal**	8,182	–	–	–	8,182
Restricted cash					
– Not yet past due	17,212	–	–	–	17,212
Cash and cash equivalents					
– Not yet past due	346,823	–	–	–	346,823
Total	372,217	–	–	92,273	464,490

As at 31 December 2023

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	109,014	109,014
Contract assets*	–	–	–	18,008	18,008
Financial assets included in prepayments, other receivables and other assets					
– Normal**	27,246	–	–	–	27,246
Restricted cash					
– Not yet past due	14,222	–	–	–	14,222
Cash and cash equivalents					
– Not yet past due	148,386	–	–	–	148,386
Total	189,854	–	–	127,022	316,876

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	74,518	74,518
Contract assets*	–	–	–	38,460	38,460
Financial assets included in prepayments, other receivables and other assets					
– Normal**	11,975	–	–	–	11,975
Restricted cash					
– Not yet past due	10,351	–	–	–	10,351
Cash and cash equivalents					
– Not yet past due	133,538	–	–	–	133,538
Total	155,864	–	–	112,978	268,842

* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 and note 22.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022						
Interest-bearing bank and other borrowings	7,660	–	–	–	–	7,660
Lease liabilities	37,195	27,140	17,542	28,727	18,673	129,277
Trade and bills payables	193,752	–	–	–	–	193,752
Financial liabilities included in other payables	20,133	–	–	–	–	20,133
Total	258,740	27,140	17,542	28,727	18,673	350,822

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023						
Interest-bearing bank and other borrowings	40,932	–	–	–	–	40,932
Lease liabilities	36,103	17,580	14,364	29,266	3,770	101,083
Trade and bills payables	228,429	–	–	–	–	228,429
Financial liabilities included in other payables	12,462	–	–	–	–	12,462
Total	317,926	17,580	14,364	29,266	3,770	382,906

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024						
Interest-bearing bank and other borrowings	147,565	9,253	7,937	23,813	–	188,568
Lease liabilities	26,166	14,364	14,364	18,673	–	73,567
Trade and bills payables	146,726	–	–	–	–	146,726
Financial liabilities included in other payables	11,971	–	–	–	–	11,971
Total	332,428	23,617	22,301	42,486	–	420,832

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank and other borrowings, trade and bills payables, other payables and accruals and lease liabilities, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	193,752	228,429	146,726
Other payables and accruals	72,778	38,969	45,569
Interest-bearing bank and other borrowings	7,660	40,111	182,387
Lease liabilities	113,113	90,852	69,333
Less: Cash and cash equivalents	(346,823)	(148,386)	(133,538)
Net debt	40,480	249,975	310,477
Equity attributable to owners of the parent	133,892	137,453	174,985
Capital and net debt	174,372	387,428	485,462
Gearing ratio	23%	65%	64%

41. EVENTS AFTER THE RELEVANT PERIODS

On 15 May 2025, pursuant to the Company's general shareholders meeting resolutions, each of our Share with par value of RMB1.00 was split into ten Shares with par value of RMB0.10 each. Upon completion of such share split on 2025, the registered capital of the Company, which is RMB34,395,179 is divided into 343,951,790 Shares with par value of RMB0.10 per Share, which were split by all the Company's then Shareholders in proportion to their respective shareholding interests in the Company.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2024.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

SUMMARY OF ARTICLES OF ASSOCIATION

This appendix contains a summary of the main provision of the Articles of Association of our Company adopted on 15 May 2025, which will take effect from the date of the **[REDACTED]** of H Shares on the Stock Exchange. The main purpose of this appendix is to provide potential investors with an overview of the Articles of Association of our Company, so it may not contain all the information that is important to potential investors.

SHARES AND REGISTERED CAPITAL

The Company shall issue shares under the principles of openness, fairness and impartiality and shares of the same class shall carry the equal rights. Shares of the same class issued at the same time shall be issued under the same condition and at the same price. Shares subscribed by any entity or individual shall be paid for at the same consideration.

INCREASE AND REDUCTION OF CAPITAL AND REPURCHASE OF SHARES

Increase of Capital

The Company may, based on its operating and development needs, increase its capital in the following ways pursuant to the requirements of laws and regulations and subject to the resolutions separately passed at the general meetings:

(i) by public offering of shares;

(ii) by non-public offering of shares;

(iii) by allotting bonus shares to its existing shareholders;

(iv) by converting common reserve fund into share capital;

(v) by any other means which is stipulated by law and administrative regulations, the Listing Rules, other regulatory rules of the stock exchange where the Company is listed, and other methods approved by the CSRC or other relevant national regulatory authorities.

Reduction of Capital

The Company may reduce its registered capital in accordance with the provisions of the Articles of Association. The Company shall reduce its registered capital in accordance with the PRC Company Law, the Listing Rules and other relevant regulations as well as the procedures stipulated in the Articles of Association.

The Company shall inform its creditors of the reduction in capital within ten (10) days and make public announcements in newspapers within thirty (30) days after the resolution approving the reduction has been adopted. The creditors shall, within thirty (30) days since the date of receiving a written notice or within forty five (45) days since the date of the public announcement for those who have not received a written notice, be entitled to require the Company to pay off its debts in full or to provide a corresponding guarantee.

The registered capital of the Company following the reduction of capital shall not fall below the minimum statutory requirement.

Repurchase of Shares

The Company shall not repurchase its shares in accordance with the laws and regulations, the Articles of Association and the relevant provisions of the securities regulatory authorities of the place where the Company's shares are listed, except in the following circumstance:

(i) to reduce its registered capital;

(ii) to merge with another company that holds the shares;

(iii) to utilize shares in the employee share ownership plans or share incentive plans;

(iv) to acquire the shares upon request by shareholders who vote against any resolution adopted at the general meeting on the merger or division of the Company;

(v) to use the shares in the conversion of the convertible corporate bonds issued by the Company;

(vi) necessary for the Company to protect its value and the shareholders' equity.

Where the Company repurchases its shares under the circumstances set out in items (i) and (ii) of the preceding paragraph, it shall be subject to the resolution of the general meeting. where the Company repurchases its shares under the circumstances set out in items (iii), (v) and (vi) of the preceding paragraph, it shall be subject to the resolution of the Board meeting attended by more than two-thirds (2/3) of the directors in accordance with the provisions of the Articles of Association or the authorization of the general meeting.

The shares repurchased by the Company in accordance with the paragraph 1 shall be processed in the following ways: for the circumstance in item (i), such shares shall be canceled in ten days after the date of repurchase. for the circumstance in item (ii) or (iv), such shares shall be transferred or canceled in six months. for the circumstance in item (iii), (v) or (vi), the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred to employees or canceled in three years.

TRANSFER OF SHARES

Shares issued by the Company prior to its public offering shall not be transferred within one (1) year as of the date on which the shares are listed and traded in a stock exchange.

The Directors and senior management of the Company shall regularly declare the number of shares held by them and the relevant changes. The number of shares transferred each year during their term of office shall not exceed 25% of the total number of shares in the same class of the Company held by them. The shares of the Company held by them shall not be transferred within one (1) year as of the listing date of the shares of the Company. The shares of the Company held by them shall not be transferred within six months after their departure. Where the rules of the stock exchange where the Company's shares are listed have other provisions on the transfer of shares, such provisions shall also be complied with.

The Company shall not accept its own shares as collateral.

RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

Shareholders

The Company shall establish a register of shareholders with the information provided by the securities registration authority. The register of shareholders shall be sufficient evidence of the holding of the shares of the Company by the shareholders. A shareholder shall enjoy the rights and assume the obligations attached to the class of shares held. Shareholders holding the same class of shares shall be entitled to the same rights and assume equal obligations.

Rights and Obligations of Shareholders

Shareholders of the Company shall entitle the following rights:

(i) to the Company for dividends and other forms of profit distribution according to the proportion of shares they hold;

(ii) to request, convene, hold, participate or authorize proxies to attend shareholders' general meeting, speak at the meeting and to exercise voting rights according to the proportion of shares they hold;

(iii) to supervise the business operations of the Company and to make suggestions or inquiries;

(iv) to transfer, give or pledge the shares held by them in accordance with the laws and regulations, and the Articles of Association;

(v) to inspect or make copies of Articles of Association, all of the register of shareholders, stubs of corporate bonds, minutes of shareholders' general meetings, resolutions of the Board meetings, financial and accounting reports. Shareholders who satisfy the prescribed criteria may also inspect the Company's accounting books and accounting vouchers;

(vi) to participate in the distribution of the remaining property of the Company according to the proportion of shares they hold when the Company is terminated or liquidated;

(vii) to require the Company to buy back its shares in the event that shareholders objecting to resolutions of the general meeting concerning merger or division of the Company;

(viii) other rights set out in laws and regulations, the Listing Rules and the Articles of Association.

A shareholder requesting for inspection of information or access to materials according to the Articles of Association shall produce to the Company written documents evidencing the class and number of shares that the shareholder holds. The Company shall provide such information and materials as requested by the shareholder after confirming the identity of the shareholder.

Shareholders of the Company shall assume the following obligations:

(i) to abide by the laws and regulations and the Articles of Association;

(ii) to make a capital contribution according to the shares they subscribe for and the capital contribution method;

(iii) not to withdraw shares unless otherwise provided by laws and regulations;

(iv) not to abuse their shareholders' rights to harm the Company's or other shareholders' interests. not to abuse the Company's legal person status or the shareholders' limited liability to harm the interests of the Company's creditors;

(v) other obligations to be assumed by the Shareholders according to the laws and regulations, the Listing Rules, other regulatory rules of the stock exchange where the Company is listed, and the Articles of Association.

If a shareholder abuses his/her shareholder rights and causes a loss to the Company or other shareholders, he or she shall be held liable for damages in accordance with laws. If a shareholder abuses the independent legal person status of the Company or the limited liability of shareholders in order to evade debts and thereby seriously damages the interests of the Company's creditors, he or she shall assume joint and several liability for the Company's debts.

SHAREHOLDERS' GENERAL MEETING

General rules for the Shareholders' General Meeting

The general meeting acts as the supreme authority of the Company which, according to laws, exercises the following functions and power:

(i) to elect and replace the directors assumed by non-representatives of the employees and decide on matters relating to the remuneration of the directors;

(ii) to review and approve the reports of the Board of Directors;

(iii) to review and approve the Company's profit distribution plans and loss recovery plans;

(iv) to decide on the increase or reduction of the Company's registered capital;

(v) to decide on the issue of bonds by the Company;

(vi) to decide on merger, division, dissolution, liquidation of the Company, or changes in the form of the Company;

(vii) to amend these Articles of Association;

(viii) to decide on the engagement or dismissal of the accounting firms of the Company;

(ix) to review and approve the security-related matters stipulated in Article 47;

(x) to review the matters of purchase and/or sale by the Company within one year of significant assets exceeding 30% of the latest audited total assets of the Company;

(xi) to review and approve the change of the use of the raised funds;

(xii) to review share incentive plans and employee stock ownership plans;

(xiii) to consider and decide on other matters that are required to be resolved by the general meeting pursuant to laws, administrative regulations, departmental rules, the Listing Rules, or the Articles of Association.

The Shareholders' Meeting may, by resolution, delegate authority to the Board of Directors to adopt resolutions regarding the issuance of corporate bonds.

The Company shall convene an extraordinary general meeting within two (2) months in any of the following cases:

(i) when the number of Directors is less than the number prescribed by the PRC Company Law or less than two-thirds (2/3) of the amount required by these Articles of Association;

(ii) when the Company's uncovered losses amount to one-third (1/3) of the total paid-up share capital;

(iii) when shareholders, individually or collectively, holding more than ten percent (10%) of the voting shares of the Company request;

(iv) when the Board of Directors deems it's necessary;

(v) when the Audit Committee deems it's necessary;

(vi) Other circumstances as stipulated by laws, regulations, the Listing Rules, other regulatory rules of the stock exchange where the Company is listed or these Articles of Association.

The Convening of the General Meeting

With the approval of a majority of all Independent non-executive Directors, the Independent non-executive Directors shall have the right to propose to the Board of Directors the convening of an extraordinary general meeting. In response to a proposal by an Independent non-executive Directors to convene an extraordinary general meeting, the Board of Directors shall, in accordance with the laws and regulations, the Listing Rules, other regulatory rules of the stock exchange where the Company is listed and these Articles of Association, provide written feedback within ten (10) days after receiving the proposal to agree or disagree with the convening of the extraordinary general meeting. If the Board of Directors agrees to convene an extraordinary general meeting, it will issue a notice of the convening of the general meeting within five (5) days after making a resolution of the Board of Directors.

The Audit Committee has the right to propose to the Board of Directors to convene an extraordinary general meeting, and shall make such proposal in writing. The Board of Directors shall, in accordance with the laws and regulations, the Listing Rules, other regulatory rules of the stock exchange where the Company is listed and these Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of an extraordinary general meeting within ten (10) days after receiving the proposal.

Shareholders who individually or collectively hold more than ten percent (10%) of the shares of the Company may sign written requests to the Board of Directors for the convening of an extraordinary general meeting. The Board of Directors shall, in accordance with the laws and regulations, the Listing Rules, other regulatory rules of the stock exchange where the Company is listed and these Articles of Association, provide written feedback within ten (10) days after receiving the request, whether it agrees or does not agree to convene an extraordinary general meeting.

If the Board of Directors agrees to convene an extraordinary general meeting, it shall, within five (5) days after making a resolution of the Board of Directors, issue a notice to convene the general meeting, and any changes to the original request in the notice shall be subject to the consent of the shareholders concerned.

If the Board of Directors does not agree to convene an extraordinary general meeting, or does not provide feedback within ten (10) days after receiving the request, shareholders, individually or collectively, holding more than ten (10) percent of the shares of the Company shall have the right to propose to the Audit Committee the convening of an extraordinary general meeting, and shall submit their request in writing to the Audit Committee.

If the Audit Committee agrees to convene an extraordinary general meeting, it shall, within five (5) days after receiving the request, issue a notice convening the general meeting, and any changes to the original proposal in the notice shall be subject to the consent of the shareholders concerned.

If the Audit Committee fails to issue a notice of a general meeting within the prescribed period, it shall be deemed not to convene and preside over the general meeting. Shareholders who individually or collectively hold more than ten percent (10%) of the shares of the Company for more than ninety (90) consecutive days may convene and preside over the general meeting on their own. The shareholding of the convening shareholder shall not be less than ten percent (10%) before the announcement of the resolution of the general meeting.

Notices of the Shareholders' General Meeting

The convener shall notify all shareholders of the time, place and matters to be considered at the meeting at least twenty-one (21) calendar days prior to the annual general meeting, and shall notify all shareholders of the time, place and matters to be considered at the meeting fifteen (15) calendar days prior to the extraordinary general meeting.

The notice of the general meeting shall meet the following requirements:

(i) the time, venue and duration of the meeting;

(ii) subject matters and proposals submitted for consideration and approval at the meeting;

(iii) it shall be clearly stated that all holders of ordinary shares are entitled to attend general meetings, and may appoint a proxy in writing to attend and vote at the meeting on their behalf. Such proxy need not be a shareholder of the Company;

(iv) the equity registration date of the shareholders who are entitled to attend on the general meetings;

(v) name(s) and telephone number(s) of the standing contact person(s) for the affairs of meetings;

(vi) the time and procedures for voting via the internet or by other means;

(vii) the requirements stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's stock is listed, and this Articles of Association.

Resolutions at the General Meeting

The resolutions of a general meeting are classified into ordinary resolutions and special resolutions.

Ordinary resolutions of the general meeting shall be adopted by more than half (1/2) of the voting rights held by the shareholders (including shareholders' proxies) present at the general meeting.

Special resolutions of the general meeting shall be adopted by more than two-thirds (2/3) of the voting rights held by the shareholders (including shareholders' proxies) present at the general meeting.

The following matters shall be resolved by way of ordinary resolution of the general meeting:

(i) work reports of the Board of Directors;

(ii) proposals formulated by the Board of Directors for distribution of profits or loss recovery plans;

(iii) appointment and removal of directors of the Board of Directors, and their remuneration and method of payment of their remuneration;

(iv) engagement or dismissal of the accounting firms of the Company;

(v) all matters required to be approved by a general meeting other than those required to be approved by way of special resolution under any laws, regulations, Listing Rules, regulatory rules of the place where the shares of the Company are listed or these Articles of Association.

The following matters shall be resolved by way of special resolution of the general meeting:

(i) the increase or reduction of the registered capital by the Company.

(ii) the merger, spin-off, division, dissolution, or liquidation of the Company.

(iii) the amendment to these Articles of Association.

(iv) the amount of purchase and the sale of major assets or the guarantee by the Company within one year exceeds 30% of the latest audited total assets of the Company.

(v) the share incentive plans.

(vi) other matters which the laws, regulations, securities regulatory rules of the place where the shares of the Company are listed or these Articles of Association require to be adopted by special resolutions.

Shareholders (including shareholders' proxies), may exercise voting rights in the amount of the voting shares they represent and each share shall have one vote. In the exercise of voting rights, a shareholder (including a shareholder proxy) entitled to two or more votes may exercise such votes separately and is not obligated to cast all votes uniformly for the same resolution (whether as affirmative, negative, or abstaining votes).

Shares held by the Company do not carry any voting rights and shall not be counted in the total number of voting shares represented by shareholders present at a general meeting.

When a connected transaction is considered at a general meeting, the connected shareholders and their close associates shall abstain from voting, and the number of voting shares represented by them shall not be counted in the total number of valid votes.

DIRECTORS AND THE BOARD OF DIRECTORS

Directors

Non-Employee Representative Directors shall be elected or replaced at the general meeting for a term of three (3) years and may be re-elected upon the expiration of the term. Employee representative director shall be elected or replaced at the employee representatives meeting for a term of three (3) years and may be re-elected upon the expiration of the term.

The general manager or other senior management members may concurrently serve as Directors, provided that the total number of Directors who concurrently serve as general manager or other senior management members and Directors who are employee representatives shall not exceed half (1/2) of the total number of Directors of the Company.

Board of Directors

The Directors of the Company are divided into executive Directors, non-executive Directors and independent non-executive Directors. The number of independent non-executive Directors shall represent at least one-third (1/3) of the members of the Board of Directors. At least one independent non-executive director must possess appropriate professional qualifications or accounting or related financial management expertise, and at least one independent non-executive director must ordinarily reside in Hong Kong.

The Company shall have a Board of Directors, which shall consist of eight (8) Directors and shall have one (1) chairman of the Board.

The Board of Directors of the Company shall include one director who is a representative of the employees. The employee representative director shall be elected democratically by the employees of the Company through the employees' congress, general meeting of employees, or other forms of democratic election.

The Board of Directors shall exercises the following functions and powers:

(i) to convene general meetings and report on its work to the general meetings;

(ii) to implement the resolutions of the general meeting;

(iii) to determine the business operation plans and investment plans of the Company;

(iv) to formulate the profit distribution plans and loss recovery plans of the Company;

(v) to formulate proposals for the increase or reduction of the Company's registered capital, the issuance of bonds or other securities of the Company and listing of shares of the Company;

(vi) to formulate plans for material acquisitions, purchase of shares of the Company or merger, division, dissolution, liquidation or change of corporate form of the Company;

(vii) within the scope of authorization granted by the general meeting, to decide on matters such as the Company's external investments, acquisition or disposal of assets, asset pledges, provision of external guarantees, entrusted wealth management, and connected transactions;

(viii) to determinate the setup of the Company's internal management organizations;

(ix) to decide on the appointment or dismissal of the Company's general manager, secretary to the Board of Directors and other senior management members, and to decide on matters over the remunerations and rewards or punishments thereof. And to decide on the appointment or dismissal of the Company's deputy general manager, chief financial officer and other senior management as well as their remunerations and rewards or punishments according to the nomination of the general manager;

(x) to formulate the basic management policies of the Company;

(xi) to formulate the amendment to the Articles of Association;

(xii) to manage the information disclosure of the Company;

(xiii) to advice the general meeting to engage or replace the accounting firm that provides audits for the Company;

(xiv) to listen to the work report of the manager of the Company and inspect the work of the manager;

(xv) other functions and powers conferred by laws and regulations, the Listing Rules of the place where the Company's shares are listed and these Articles of Association.

The chairman of the Board shall exercise the following functions and powers:

(i) to preside over general meetings and to convene and preside over meetings of the Board;

(ii) to supervise and inspect the implementation of the resolutions of the Board;

(iii) to propose the convening of an extraordinary meeting of the Board;

(iv) to sign important documents of the Board and other documents that should be signed by the legal representative of the company;

(v) To exercise the powers of the legal representative;

(vi) in the event of force majeure emergency such as the occurrence of a major natural disaster, to exercise special disposal authority over the affairs of the Company in accordance with the provisions of the law and the interests of the Company, and to report to the Board and the general meeting of shareholders of the Company afterwards;

(vii) other functions and powers conferred by the Board.

The Board of Directors shall convene at least four meetings each year, approximately once every quarter, and such meetings shall be convened by the chairman of the Board. The notice of a regular Board meeting shall be sent to all Directors at least fourteen (14) days before the date of the meeting.

Shareholders representing more than one tenth of all voting rights, more than one thirds of all directors or the Audit Committee may propose the holding of an extraordinary meeting of the Board. The chairman of the Board shall, within 10 days of receipt of such proposal, convene and preside over the meeting of the Board of Directors.

The notice of an extraordinary meeting of the Board shall be given to all directors at least 3 days prior to the meeting.

Voting at Board meetings is conducted by open ballot, with each Director having one vote. Resolutions of the Board of Directors shall be passed by more than half of all Directors.

AUDIT COMMITTEE

The Board of Directors shall set up an Audit Committee, and set up other relevant special committees such as Nominating, Compensation and Evaluation Committees as needed, which shall perform their duties in accordance with this Articles of Association and the Board of Directors' authorization. The Audit Committee shall exercises the following powers:

(i) review the financial condition, examine its financial information, assess the truthfulness, completeness, and accuracy of financial data, and inspect the implementation and effectiveness of internal monitoring systems.

(ii) take the lead in communicating and overseeing external audits, supervising internal audits, evaluating and refining the company's internal control system, and making relevant recommendations.

(iii) conduct risk assessments of major investment projects underway in the company.

(iv) monitor the conduct of directors and senior management in performing their duties, and recommend the removal of those who violate laws, administrative regulations, the articles of association, or shareholders' meeting resolutions.

(v) demand that directors and senior management correct actions that harm the company's interests.

(vi) propose the convening of extraordinary shareholders' meetings, and convene and chair shareholders' meetings if the board of directors fails to do so.

(vii) submit proposals to shareholders' meetings.

(viii) initiate litigation against directors and senior management as stipulated in Article 189 of the Company Law.

(ix) other powers as specified in this Articles of Association.

All members of the special committees are directors. All members of the Audit Committee must be non-executive or independent non-executive directors, with independent non-executive directors making up more than half of its members. At least one member must be an independent non-executive director with the appropriate professional qualifications as defined by the Hong Kong Listing Rules, or with expertise in accounting or related financial management.

GENERAL MANAGER

The Company shall have one (1) general manager, who shall be appointed or dismissed by the Board of Directors.

The Company shall have several deputy general managers who shall be appointed or dismissed by the Board of Directors upon nomination by the general manager.

The general manager shall be directly accountable to the Board of Directors and exercise the following functions and powers:

(i) to be in charge of the operation and management of the Company, to organize and implement the resolutions of the Board of Directors, and to report on his/her work to the Board of Directors;

(ii) to organize and implement the Company's annual business plan and investment plan.

(iii) to draft the plan for establishment of the Company's internal management organization.

(iv) to draft the Company's basic management policies.

(v) to formulate the detailed rules and regulations of the Company.

(vi) to request the Board of Directors to appoint or dismiss deputy general manager and chief financial officer of the Company.

(vii) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors.

(viii) to draft the Company's employee compensation, benefits, rewards and penalties, and to decide on the employment and dismissal of the Company's employees.

(ix) to propose the convening of an extraordinary meeting of the Board of Directors.

(x) to draft the Company's development plan, major investment projects, and annual production and business plans.

(xi) to draft the Company's post-tax profit distribution plans, loss recovery plans, and plans for using the Company's assets as collateral for financing.

(xii) to approve the various expense expenditures in the daily operation and management of the Company;

(xiii) to draft proposals for increasing or decreasing the Company's registered capital and issuing corporate bonds;

(xiv) other functions and powers conferred by the Articles of Association and the Board of Directors.

SECRETARY TO THE BOARD

The Company shall have one (1) Board secretary. The Board secretary shall be a senior management member of the Company.

The Company shall have a secretary to the Board of Directors, whose responsibilities include preparing general meetings and Board meetings of the Company, maintaining documents and managing shareholder information of the Company, and handling the information disclosure of the Company.

The secretary to the Board of Directors shall comply with relevant provisions of the laws and regulations, departmental rules, other regulatory rules of the stock exchange where the Company is listed and these Articles of Association.

BORROWING POWER

The Articles of Association do not contain any specific provision regarding the manner in which the Directors may exercise the right to borrow money or the manner in which such a right is given provided that the Board of Directors shall be entitled to formulate proposals for the Company to issue bonds and to list its shares, and that such bond issues must be approved by the shareholders by a special resolution at the shareholders' general meeting.

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall formulate its own financial and accounting systems in accordance with the laws, regulations, securities regulatory rules of the stock exchange where the Company is listed and the requirements of relevant state departments.

The Company shall submit, disclose, and/or deliver to shareholders its annual reports, interim reports, preliminary results announcements, and other financial disclosure documents in accordance with the Listing Rules and other regulatory rules.

PROFIT DISTRIBUTION

The Company shall implement a continuous and stable profit distribution policy. The profit distribution of the Company shall emphasize providing reasonable investment returns to investors. The objective of the cash dividend policy is to achieve steadily increasing dividends.

A reasonable portion of the Company's profits shall be distributed, provided that adequate funds are reserved to meet its operational needs and future development.

The Company may implement interim cash dividends.

Form of profit distribution: the Company may distribute profits in the form of cash, shares or a combination of cash and shares. If the conditions for cash dividends are satisfied, priority shall be given to cash dividends for profit distribution.

The Company is not required to distribute profits if:

(i) the audit report on it for the most recent year is either a non-unqualified opinion or an unqualified opinion with a significant uncertainty paragraph relating to going concern;

(ii) the asset-liability ratio at the end of the most recent fiscal year is higher than 70%;

(iii) the operating cash flow is negative in the most recent fiscal year;

(iv) any other circumstances that the Company deems inappropriate for distribution occurs.

INTERNAL AUDIT

The Company implements an internal audit system and has established the internal audit department with full-time auditors to conduct internal audit and supervision on the Company's financial revenues and expenditures and economic activities.

The internal audit system of the Company and the duties of the auditors shall be implemented upon approval by the Board. The person in charge of audit shall be accountable and report to the Board.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company may be dissolved for any of the following reasons:

(i) the term of business operation prescribed in the Articles of Association expires or any other circumstance for dissolution prescribed in the Articles of Association occurs.

(ii) the general meeting resolves to dissolve the Company.

(iii) dissolution is required due to merger or division of the Company.

(iv) the Company is revoked of its business license, ordered to close down or annulled according to law due to violation of laws and regulations.

(v) there is severe difficulty in the operation and management of the Company, and the continued existence of the Company will have material prejudice to the interests of its shareholders and there is no other way to resolve, shareholders who hold an aggregate of over ten percent (10%) of the whole voting rights can make a petition to the people's court to dissolve the Company.

Where any of the circumstances prescribed in items (i) or (ii) occurs, and has not distributed its assets to shareholders, the Company may continue to exist by amending these Articles of Association.

If the Company is dissolved under items (i), (ii), (iv), and (v), a liquidation committee shall be established within fifteen (15) days from the occurrence of the cause for dissolution, and liquidation shall commence accordingly. The liquidation committee shall be composed of the directors, unless otherwise provided in these Articles of Association or a resolution of the shareholders' general meeting appoints other persons.

If the liquidation committee is not established within the prescribed period, or fails to carry out liquidation after being established, interested parties may apply to the people's court to designate relevant personnel to form a liquidation committee and proceed with the liquidation.

The liquidation committee shall notify the creditors within ten (10) days from the date of its establishment, and shall make a public announcement within sixty (60) days via newspapers or the National Enterprise Credit Information Publicity System. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the notice, or within forty-five (45) days from the date of the public announcement if no notice is received.

If, after verifying the Company's assets and preparing a balance sheet and an asset register, the liquidation committee determines that the Company's assets are insufficient to satisfy its debts, it shall, in accordance with applicable laws, apply to the people's court for bankruptcy liquidation.

Upon acceptance of the application by the court, the liquidation committee shall transfer the liquidation matters to the liquidator appointed by the court.

Following the completion of the liquidation, the liquidation committee shall prepare a liquidation report, which shall be submitted to the shareholders' general meeting or the people's court for confirmation, and filed with the Company registration authority for application of deregistration.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association under any of the following circumstances:

(i) after the PRC Company Law or relevant laws and regulations are amended, the provisions of the Articles of Association are in conflict with the provisions of the amended ones.

(ii) there has been a change to the Company, resulting in inconsistency with the contents in the Articles of Association.

(iii) the general meeting decides to amend the Articles of Association.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation of our Company

Our Company was established as a limited liability company under the laws of the PRC on 18 May 2007 and was converted into a joint stock company with limited liability on 23 November 2016. Our head office and principal place of business in the PRC is at No. 888, Guanghua Road, Minhang District, Shanghai, the PRC.

We have established a place of business in Hong Kong at Room 1917, 19/F, Lee Garden One, 33 Hysan Road, Causeway Bay, Hong Kong, and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on [●] 2025. Mr. Yau Tsz Lun (游子麟), our joint company secretary, is the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong under Part 16 of the Companies Ordinance. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. An overview of the relevant aspects of laws and regulations of the PRC is set out in "Regulatory Overview" in this document. A summary of our Articles of Association is set out in Appendix III to this document.

B. Changes in the Share Capital of our Company

The following changes in the share capital of our Company took place during the two years immediately preceding the date of this document:

(a) Pursuant to a capital increase agreement dated 7 December 2023 entered into between our Company and China Post Life Insurance Co., Ltd. (中郵人壽保險股份有限公司), Beijing Yuanjing Investment Fund Center (Limited Partnership) (北京遠京投資基金中心(有限合夥)) and Beijing JGC Chuanghui Equity Investment Center (Limited Partnership) (北京京國創創輝股權投資中心(有限合夥)), the total issued share capital of our Company was increased from RMB33,788,605 to RMB34,395,179, where new registered capital of our Company in the total amount of RMB381,887 were issued to the aforesaid subscribers.

(b) On 15 May 2025, our general shareholders' meeting passed resolutions approving, among others, the Share split, pursuant to which each of our Share with par value of RMB1.00 was split into ten Shares with par value of RMB0.10 each. Upon completion of such Share split on 15 May 2025, the registered capital of our Company, which is RMB34,395,179, is divided into 343,951,790 Shares with par value of RMB0.10 per Share, which were subscribed by all our then Shareholders in proportion to their respective equity interests in our Company.

(c) Immediately following the completion of the **[REDACTED]** and the Conversion of the Domestic Shares into H Shares, assuming that the **[REDACTED]** is not exercised, our registered share capital will be increased to RMB**[REDACTED]**, divided into **[REDACTED]** Domestic Shares and **[REDACTED]** H Shares, fully paid up or credited as fully paid up, representing approximately **[REDACTED]**% and approximately **[REDACTED]**% of our enlarged share capital, respectively.

(d) Immediately following the completion of the **[REDACTED]** and the Conversion of Domestic Shares into H Shares, assuming that the **[REDACTED]** is fully exercised, our registered share capital will be increased to RMB**[REDACTED]**, divided into **[REDACTED]** Domestic Shares and **[REDACTED]** H Shares, fully paid up or credited as fully paid up, representing approximately **[REDACTED]**% and approximately **[REDACTED]**% of our enlarged share capital, respectively.

For details, see "History and Corporate Structure" in this document. Save as disclosed above, there has been no alteration in the share capital within two years immediately preceding the date of this document.

C. Resolutions Passed by Our Shareholders' General Meeting in relation to the [REDACTED]

At the shareholders' general meeting held on 15 May 2025 the following resolutions, among others, were duly passed:

(a) the issuance by our Company of the H Shares of nominal value of RMB0.1 each and such H Shares being **[REDACTED]** on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued shall not be more than 20% of the total issued share capital of our Company as enlarged by the **[REDACTED]**, and the grant to the **[REDACTED]** (or their representatives) of **[REDACTED]** of not more than 15% of the number of H Shares issued pursuant to the **[REDACTED]**;

(c) subject to the completion of the **[REDACTED]**, the adoption of the Articles of Association which shall become effective on the **[REDACTED]**, and authorization to the Board to amend the Articles of Association for the purpose of the Company's **[REDACTED]**; and

(d) authorization of the Board to handle all matters relating to, among other things, the **[REDACTED]**, the issue and **[REDACTED]** of the H Shares.

D. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, see "Appendix III – Summary of Articles of Association" in this document.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:

(a) the share transfer agreement dated 5 July 2023 entered into between Huzhou Muzhizun Management Consulting Partnership (Limited Partnership) (湖州沐之尊管理諮詢合夥企業(有限合夥)) (now known as Rizhao Muzhizun Management Consulting Partnership (Limited Partnership)日照沐之尊管理諮詢合夥企業(有限合夥)) ("**Rizhao Muzhizun LP**"), Mr. Liu Gang (劉鋼) ("**Mr. Liu**") and our Company in respect of transfer of 170,066 Shares at a consideration of RMB23 million;

(b) the share transfer agreement dated 23 September 2023 entered into between Jiaxing Hongyang Huafu Jingqi Equity Investment Partnership (Limited Partnership) (嘉興泓陽華馥景祺股權投資合夥企業(有限合夥)), Mr. Liu and our Company in respect of transfer of 215,984 Shares at a consideration of RMB31.75 million;

(c) the share transfer agreement dated 19 September 2023 entered into between Qingdao Zhongjunqunxin Venture Capital Fund Partnership (Limited Partnership) (青島中駿群新創業投資基金合夥企業(有限合夥)) ("**Qingdao ZJQX VC LP**"), Ms. Chen Juzhuang (陳菊莊) ("**Ms. Chen**") and our Company in respect of transfer of 34,950 Shares at a consideration of approximately RMB5.6 million;

(d) the share transfer agreement dated 19 September 2023 entered into between Qingdao ZJQX VC LP, Shanghai Furen Investment Group Co Ltd (上海福人投資集團有限公司) and our Company in respect of transfer of 76,923 Shares at a consideration of approximately RMB12.2 million;

(e) the share transfer agreement dated 19 September 2023 entered into between Qingdao ZJQX VC LP, Mr. Xu Jie (徐傑) ("**Mr. Xu**") and our Company in respect of transfer of 50,779 Shares at a consideration of approximately RMB8.1 million;

(f) the share transfer agreement dated 19 September 2023 entered into between Qingdao ZJQX VC LP, Ms. Yang Jinglan (楊京蘭) and our Company in respect of transfer of 76,923 Shares at a consideration of approximately RMB12.2 million;

(g) the share transfer agreement dated 25 October 2023 entered into between Tianjin Haisheng Fuyuan Investment Management Partnership (Limited Partnership) (天津海盛富遠投資管理合夥企業(有限合夥)), Shanghai Yiding Investment LP and our Company in respect of transfer of 47,241 Shares at a consideration of RMB7.5 million;

(h) the capital increase agreement dated 7 December 2023 entered into between our Company and China Post Life Insurance Co., Ltd. (中郵人壽保險股份有限公司), Beijing Yuanjing Investment Fund Center (Limited Partnership) (北京遠京投資基金中心(有限合夥)) and Beijing JGC Chuanghui Equity Investment Center (Limited Partnership) (北京京國創創輝股權投資中心(有限合夥)), in respect of subscription for new registered capital of our Company in the total amount of RMB381,887, for a total consideration of RMB65.12 million;

(i) the share transfer agreement dated 13 December 2023 entered into between China Post Life Insurance Co., Ltd. (中郵人壽保險股份有限公司), Shanghai Yiding Investment LP and our Company in respect of transfer 429,940 Shares at a consideration of RMB65 million;

(j) the share transfer agreement dated 29 December 2023 entered into between Jiaxing Zhiyou Venture Capital Partnership (Limited Partnership) (嘉興祉猷創業投資合夥企業(有限合夥)) ("**Jiaxing Zhiyou VC LP**"), Mr. Xu and our Company in respect of transfer of 35,779 Shares at a consideration of approximately RMB5.5 million;

(k) the share transfer agreement dated 29 December 2023 entered into between Jiaxing Zhiyou VC LP, Guangzhou Huangpu Digital Economy Industry Investment Fund Partnership (Limited Partnership) (廣州黃埔數字經濟產業投資基金合夥企業(有限合夥)) and our Company in respect of transfer of 35,896 Shares at a consideration of approximately RMB5.5 million;

(l) the share transfer agreement dated 29 December 2023 entered into between Xuchang Digital Economy Equity Investment Fund Partnership (Limited Partnership) (許昌數字經濟股權投資基金合夥企業(有限合夥)) ("**Xuchang Digital Economy Investment LP**"), Changzhou Yongyuan Venture Capital Investment Partnership (Limited Partnership) (常州永元創業投資合夥企業(有限合夥)) and our Company in respect of transfer of 76,475 Shares at a consideration of approximately RMB11.7 million;

(m) the share transfer agreement dated 29 December 2023 entered into between Xuchang Digital Economy Investment LP, Jiaxing Yongzhong Equity Investment Partnership (Limited Partnership) (嘉興永忠股權投資合夥企業(有限合夥)) and our Company in respect of transfer of 76,475 Shares at a consideration of approximately RMB11.7 million;

(n) the share transfer agreement dated 2 April 2025 entered into between Jiangsu Jianyin Investment Co., Ltd. (江蘇建銀投資有限公司), Mr. Liu and our Company in respect of transfer of 160,001 Shares at approximately RMB20.9 million;

(o) the share transfer agreement dated 2 April 2025 entered into between Tianjin Winfund Specialized No. 3 Venture Capital Partnership (Limited Partnership)(天津元藩專精三號創業投資合夥企業有限合夥)), Mr. Liu and our Company in respect of transfer of 72,747 Shares at approximately RMB9.5 million; and

(p) the **[REDACTED]**.

B. Our Intellectual Property Rights

As of the Latest Practicable Date, our Company has registered, or has applied for the registration of the following intellectual property rights which were material to our Group's business.

Trademarks

As of the Latest Practicable Date, we have registered the following trademarks in the PRC which we considered to be material to our business:

No.	Trademark	Place of registration	Class	Registration number	Trademark owner	Trademark expiry date
1	拓璞	PRC	7	11548395	Our Company	6 March 2034
2	topnc	PRC	7	11548408	Our Company	6 March 2034
3	topnc	PRC	9	33990295	Our Company	13 June 2029
4	topnc	PRC	12	34013133	Our Company	13 June 2029
5	topnc	PRC	35	33991083	Our Company	13 June 2029
6	topnc	PRC	37	34003302	Our Company	13 June 2029
7	topnc	PRC	40	34011749	Our Company	13 June 2029
8	topnc	PRC	41	33990803	Our Company	13 June 2029

No.	Trademark	Place of registration	Class	Registration number	Trademark owner	Trademark expiry date
9	topnc	PRC	42	33994457	Our Company	13 June 2029
10		PRC	9	34001103	Our Company	13 June 2029
11		PRC	12	33991053	Our Company	13 June 2029
12		PRC	35	33994961	Our Company	13 June 2029
13		PRC	37	33990757	Our Company	13 June 2029
14		PRC	40	33996592	Our Company	13 June 2029
15		PRC	41	33991562	Our Company	13 June 2029
16		PRC	42	33996643	Our Company	13 June 2029
17		PRC	7	7922913	Our Company	13 February 2029
18	拓璞 TOPNC	PRC	7	34000525	Our Company	20 June 2029
19	拓璞 TOPNC	PRC	9	33993484	Our Company	13 September 2029
20	拓璞	PRC	37	33996058	Our Company	27 September 2029
21	拓璞	PRC	40	33998549	Our Company	27 September 2029
22	拓璞	PRC	41	33990795	Our Company	27 September 2029

No.	Trademark	Place of registration	Class	Registration number	Trademark owner	Trademark expiry date
23	拓璞	PRC	42	34004764	Our Company	27 September 2029
24	拓璞	PRC	12	40139850	Our Company	20 March 2030
25	拓璞	PRC	41	40283798	Our Company	27 March 2030
26	拓璞	PRC	37	40296457	Our Company	27 March 2030
27	拓璞	PRC	40	40299653	Our Company	27 March 2030
28	拓璞	PRC	35	40129289	Our Company	27 May 2030
29	拓璞	PRC	42	40293288	Our Company	27 August 2030
30	拓璞	PRC	9	40125027	Our Company	20 September 2030

Patent

As of the Latest Practicable Date, we have registered the following patents which we considered to be material to our business:

No.	Patent description	Place of registration	Patent no.	Patent type	Patent owner	Patent application date	Patent expiry date
1.	Integrated Riveting Device and Method for Large Cylindrical Segment Components (大型筒段構件的整體鉚接裝置及其方法)	The PRC	ZL201210143811.8	Invention	Our Company	10 May 2012	9 May 2032
2.	End Effector for High-Precision Hole Making and Dimple Forming of Robot and Measuring Method (用於機器人高精度制孔與鍃窩的末端執行器及測量方法)	The PRC	ZL201711056976.0	Invention	Our Company	27 October 2017	26 October 2037
3.	Method and device for automatically generating aircraft skin mirror image milling tool path track (飛機蒙皮鏡像銑削刀路軌跡自動生成方法及裝置)	The PRC	ZL201910862189.8	Invention	Our Company	12 September 2019	11 September 2039
4.	Contact-Based Surface Panel Normal Direction Measurement and Countersink Depth Compensation Device and Method (接觸式曲面壁板法向測量與鍃窩深度補償裝置及測量方法)	The PRC	ZL202010202323.4	Invention	Our Company	20 March 2020	19 March 2040
5.	Adhesive Bonding Structure and Method for Composite Materials (複合材料膠接結構及方法)	The PRC	ZL202211048728.2	Invention	Our Company	30 August 2022	29 August 2042

No.	Patent description	Place of registration	Patent no.	Patent type	Patent owner	Patent application date	Patent expiry date
6.	Mirror Milling Device for Processing Arched Ring-Shaped Thin-Walled Workpieces (用於拱形環狀薄壁工件加工的鏡像銑削裝置)	The PRC	ZL202310306147.2	Invention	Our Company	24 March 2023	23 March 2043
7.	Mill-Turn Composite Electric Spindle (車銑複合電主軸)	The PRC	ZL202222569986.7	Utility Model	Our Company	27 September 2022	26 September 2032
8.	Swivel Head Device for Machining Centers Suitable for Difficult-to-Machine Materials (適用於難加工材料的加工中心擺頭裝置)	The PRC	202210758225.8	Invention	Our Company	10 December 2024	9 October 2044
9.	Measuring and Control Device and Method for Upsetting Force and Advancing Resistance in Friction Stir Welding Machine Tool (一種攪拌摩擦焊機床頂鍛力及前進抗力測控裝置及方法)	The PRC	ZL201410682966.8	Invention	Our Company, Capital Aerospace, SJTU	24 November 2014	23 November 2034
10.	The mirror image method for milling and system of covering processing (蒙皮加工的鏡像銑削方法與系統)	The PRC	ZL201710571555.5	Invention	Our Company, SJTU	13 July 2017	12 July 2037
11.	Real-Time Measurement System and Method for Thin-Walled Parts (薄壁件實時測量系統及方法)	The PRC	ZL201710736334.9	Invention	Our Company, SJTU	24 August 2017	23 August 2037

No.	Patent description	Place of registration	Patent no.	Patent type	Patent owner	Patent application date	Patent expiry date
12.	Friction Stir Welding Device and Method for Large-Diameter Low-Rigidity Fuel Tanks (大直徑低剛度燃料貯箱的攪拌摩擦焊接裝置及焊接方法)	The PRC	ZL201710980343.2	Invention	Our Company, Capital Aerospace	19 October 2017	18 October 2037

As of the Latest Practicable Date, we have filed the following patent applications which are pending, published and material to our business:

No.	Patent description	Place of application	Application no.	Application type	Name of applicant	Patent application date
1.	Mill-Turn Composite Electric Spindle (車銑複合電主軸)	The PRC	202211181082.5	Invention	Our Company	27 September 2022
2.	Dual-Fork AB Swivel Head Dual-Arm Structure with W-Axis and Dual-Fork AB Swivel Head (具有W軸的雙叉AB擺頭雙臂結構及雙叉AB擺頭)	The PRC	202211253427.3	Invention	Our Company	13 October 2022
3.	Real-Time Tracking Measurement and Closed-Loop Control Method and System for End-Point Dynamic Accuracy of Machine Tools (機床末端動態精度實時跟蹤測量與閉環控制方法及系統)	The PRC	202310057134.6	Invention	Our Company	13 January 2023

No.	Patent description	Place of application	Application no.	Application type	Name of applicant	Patent application date
4.	Box Frame Structure Composed of Composite Panels and Metal Frames and Its Manufacturing Method (複合材料板和金屬框架組成的盒體框架結構及生產方法)	The PRC	202410739838.6	Invention	Our Company	7 June 2024
5.	Spatial Positioning Thermal Error Compensation Method for CNC Machine Tools and Five-Axis Machines (數控機床空間定位熱誤差補償方法及五軸機床)	The PRC	202411222425.7	Invention	Our Company	2 September 2024
6.	Mirror Milling Device and Machining Method for Arched Annular Thin-Walled Workpieces	The United States	PCT/CN2023/119578	Invention	Our Company	24 April 2024
7.	Box Frame Structure Based on Segmented Composite Panels and Its Manufacturing Method	The United States	PCT/CN2024/103824	Invention	Our Company	5 July 2024

Domain name

As of the Latest Practicable Date, we have registered the following domain name which we considered to be material to our business:

No.	Domain Name	Name of Registered Proprietor	Validity Period
1.	topnc.com.cn	Our Company	From 5 July 2007 to 5 July 2025

Copyright

As of the Latest Practicable Date, we have registered the following copyrights which we considered to be material to our business:

No.	Name of Copyright	Place of Registration	Registration No.	Owner	Registration Date
1	TOP Dragon (TOP龍)	PRC	00666239	Our Company	15 November 2018
2	Flying Dragon on the Sky (飛龍在天)	PRC	00666238	Our Company	15 November 2018

Software copyright

As of the Latest Practicable Date, we have registered the following software copyrights which we considered to be material to our business:

No.	Software description	Registration no.	Copyright owner	Registration date
1.	Open CNC System V1.0 (開放式數控系統 V1.0)	2012SR043660	Top Software	26 May 2012
2.	Top Multi-Axis Motion Controller Software V1.0 (拓璞多軸運動控制器軟件V1.0)	2014SR012537	Top Software	27 January 2014
3.	Top Automated Drilling and Riveting Process Software V2.0 (拓璞自動鑽鉚工藝軟件 V2.0)	2014SR106400	Top Software	28 July 2014
4.	Top Constant Pressure Control Software V1.0 (拓璞恒壓力控制軟件V1.0)	2019SR0374930	Top Software	23 April 2019
5.	Top Dual Five-Axis Mirror Milling Surface Machining Path Planning Software V1.0 (拓璞雙五軸鏡像銑曲面加工路徑規劃軟件 V1.0)	2019SR0473333	Top Software	16 May 2019
6.	Post-Processing Software for Mirror Milling Equipment V7.7 (適用於鏡像銑削的設備後置程序處理軟件V7.7)	2019SR1449058	Our Company	30 December 2019

No.	Software description	Registration no.	Copyright owner	Registration date
7.	Measurement Reconstruction, Surface Profile Precision Matching and Adaptive Machining Software for Low-Rigidity Aircraft Skins V1.0 (弱剛性蒙皮測量重構、曲面輪廓精度匹配與自適應加工軟件V1.0)	2019SR1454513	Our Company	30 December 2019
8.	Top Machining Process Data Analysis Software for Mirror Milling V1.0 (拓璞適用於鏡像銑削的加工過程數據分析軟件V1.0)	2020SR0650348	Our Company	18 June 2020
9.	RDS300/RDS210 Robot Offline Programming Process Software for Automatic Drilling Systems V1.0 (RDS300/RDS210機器人自動制孔系統離線編程工藝軟件V1.0)	2023SR0316218	Our Company	13 March 2023
10.	Top Upper Computer Software for Composite Skin Cone Segment Automatic Drilling and Riveting System V1.0 (拓璞複合材料蒙皮錐體艙段自動鑽鉚系統上位機軟件V1.0)	2023SR0391569	Our Company	24 March 2023
11.	Top Upper Computer Software for Five-Axis Mill-Turn CNC System V1.0 (拓璞五軸車銑複合數控系統上位機軟件V1.0)	2023SR1176356	Our Company	28 September 2023
12.	Spatial Error Compensation Software for High Spatial Positioning Accuracy Machine Tools V2.0 (高空間定位精度機床空間誤差補償軟件V2.0)	2024SR1948575	Our Company	2 December 2024

3. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SUBSTANTIAL SHAREHOLDERS

A. Particulars of Service Contracts

Each of our Directors has entered into a service contract or a letter of appointment with our Company. Each service contract is for an initial term of three years. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of the Directors has or is proposed to enter into a service contract or a letter of appointment with any member of our Group, other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

B. Remuneration of Directors and Supervisors

The aggregate amounts of remuneration (including salaries, bonuses, allowances and benefits in kind, share-based payments, performance-related bonuses and pension scheme contributions) paid to our Directors and Supervisors for the year ended 31 December 2022, 2023 and 2024 were approximately RMB7.8 million, RMB6.0 million and RMB7.3 million respectively. None of our Directors or Supervisors had waived any remuneration during the same period. Save as disclosed above, no other payments have been made or are payable in respect of the three years ended 31 December 2024 by any member of our Group to any of our Directors or Supervisors.

During the Track Record Period, no remuneration was paid to our Directors or Supervisors as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors, or our Supervisors for the Track Record Period for the loss of office as director or supervisor of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors and Supervisors for the year ending 31 December 2025 to be approximately RMB6.0 million.

Agency Fees or commissions paid or payable

Save as disclosed in "**[REDACTED]**" in this document, no commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of our Company or any of our subsidiaries have been granted within two years immediately preceding the issue of this document.

4. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of Directors

Save as disclosed below, immediately following the completion of the **[REDACTED]** and the Conversion of Domestic Shares into H Shares (assuming that the **[REDACTED]** is not exercised), none of our Directors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules to be notified to our Company, once the H Shares are **[REDACTED]** on the Stock Exchange.

Name of Director	Our Company/ associated company	Capacity/ Nature of interest	Number of Domestic Shares *(Note 1)*	Approximate percentage of shareholding in the total issued share capital of our Company %	Number of Shares *(Note 1)*	Description of Shares	Approximate percentage of shareholding in our Domestic Shares/H Shares (as appropriate) %	Approximate percentage of shareholding in the total issued share capital of our Company %
Dr. Wang	Our Company	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
					[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**
		Interest in controlled corporation *(Note 2)*	**[REDACTED]**	**[REDACTED]**	0	Domestic Shares	**[REDACTED]**	**[REDACTED]**
					[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**
Mr. Li YH	Our Company	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	Domestic Shares	**[REDACTED]**	**[REDACTED]**
					[REDACTED]	H Shares	**[REDACTED]**	**[REDACTED]**

Notes:

1. All interests are long positions.

2. As of the Latest Practicable Date, Dr. Wang is the general partner of Tuoxian Technology. Under the SFO, Dr. Wang is deemed to be interested in the entire Shares held by Tuoxian Technology.

Up to the Latest Practicable Date, none of the Directors or their respective spouses and children under 18 years of age had been granted by our Company or had exercised any rights to subscribe for shares or debentures of our Company or any of its associated corporations.

B. Substantial Shareholders

Save as disclosed below and in "Substantial Shareholders" in this document, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares and underlying Shares of our Company, which following the completion of the **[REDACTED]**, would fall to be disclosed to our Company under the provisions of Divisions 2 an 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company or any member of our Group.

C. Disclaimers

Save as disclosed in this document:

(a) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our H Shares are **[REDACTED]**;

(b) none of our Directors, Supervisors or any of the experts referred to under paragraph headed "– E. Other Information – 8. Qualification of experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group;

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) taking no account of any Shares which may be taken up under the **[REDACTED]**, so far as is known to our Directors or chief executive of our Company, no person (not being a Director or chief executive of our Company) who will, immediately following the completion of the **[REDACTED]**, have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Company or its subsidiaries.

B. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any outstanding material litigation or arbitration which may have material and adverse effect on the **[REDACTED]** and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

C. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the **[REDACTED]** for the **[REDACTED]** of, and permission to deal in, our H Shares. Each of the Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will be paid by our Company a total fee of US$780,000 to act as the sponsors in connection with the **[REDACTED]**.

D. Compliance Advisor

Our Company has appointed Guotai Junan Capital Limited as the compliance advisor upon the **[REDACTED]** in compliance with Rule 3A.19 of the Listing Rules.

E. Preliminary Expenses

We have not incurred any material preliminary expenses.

F. Promoters

For details, see "History and Corporate Structure – Corporate Development and Major Shareholding Changes" in this document.

Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this document.

G. Qualification of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this document, are as follows:

Name	Qualification
Guotai Junan Capital Limited	Licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO
CCB International Capital Limited	Licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

Name	Qualification
Ernst & Young	Certified public accountants; Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Holman Fenwick Willan LLP	International Sanctions Legal Advisor
Jingtian & Gongcheng	Company's PRC Legal Advisor
China Insights Industry Consultancy Limited	Industry consultant

H. Consents of Experts

Each of the experts named in paragraph G of this Appendix has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

Save as disclosed in this document, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe.

I. Taxation of Holders of H Shares

Dealings in H Shares registered on our Company's H Shares register of members will be subject to Hong Kong stamp duty, the current rate charged on each purchaser and seller is 0.10% ofthe consideration or, if higher, the value of the H Shares being sold or transferred. Intending holders of H Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in H Shares. It is emphasised that none of our Company, Directors or the other parties involved in the **[REDACTED]** can accept responsibility for any tax effect on, or liabilities of, holders of H Shares resulting from their subscription for, purchase, holding or disposal of or dealing in H Shares.

J. No Material and Adverse Change

Our Directors confirm that there has been no material and adverse change in the financial or trading position of our Group since 31 December 2024 (being the date to which the latest audited consolidated financial statements of our Group were prepared), except as otherwise disclosed in this document.

K. Binding Effect

This document shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

L. Related Party Transactions

Our Group entered into certain related party transactions within the two years immediately preceding the date of this document as mentioned in Note 36 of the Accountants' Report as set forth in Appendix I to this document.

M. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, see "Summary of Articles of Association" as set forth in Appendix III to this document.

N. Miscellaneous

Save as disclosed in this document:

(a) within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Group is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Group; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;

(b) there are no founder, management or deferred shares or any debentures in our Group;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) no part of the equity and debt securities of our Company, if any, is currently listed on or dealt in on any other stock exchange or trading system nor is any listing or permission to list on any stock exchange other than the Stock Exchange is currently being or agreed to be sought;

(f) there is no arrangement under which future dividends are waived or agreed to be waived;

(g) none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(h) all necessary arrangements have been made to enable the H shares to be admitted into **[REDACTED]** for clearing and settlement.

O. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were: (a) the written consents referred to in "Appendix IV – Statutory and General Information – 5. Other Information – H. Consents of Experts" in this document; and (b) copies of each of the material contracts referred to "Appendix IV – Statutory and General Information – 2. Further Information about our Business – 1. Summary of our Material Contracts" in this document.

2. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **https://www.topnc.com.cn** during a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report of our Group from Ernst & Young, the text of which is set out in Appendix I;

(c) the report on the unaudited **[REDACTED]** financial information of our Group from Ernst & Young, the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements our Company for the three financial years ended 31 December 2022, 2023 and 2024;

(e) the PRC legal opinion issued by Jingtian & Gongcheng, our legal advisor on PRC law in respect of certain general corporate matters of our Group and the property interests of our Group;

(f) the legal opinion issued by Holman Fenwick Willan LLP in respect of certain international sanctions matters;

(g) the industry report issued by China Insights Industry Consultancy Limited, our industry research consultant, from which information in "Industry Overview" in this document is extracted;

(h) the PRC Company Law, the PRC Securities Law and the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies together with their unofficial English translations;

(i) the written consents referred to in "Appendix IV – Statutory and General Information – 5. Other Information – H. Consents of Experts" in this document;

(j) the material contracts referred to in "Appendix IV – Statutory and General Information – 2. Further Information about our Business – 1. Summary of our Material Contracts" in this document; and

(k) the service contracts and letters of appointment with our Directors referred to in "Appendix IV – Statutory and General information – 3. Further information about our Directors, Chief Executives and Substantial Shareholders – A. Particulars of Service Contracts" in this document.