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. 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 major 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 prolonged lead time and acceptance testing of our products may affect our revenue recognition, liquidity and cash flow position, and results of our operation.

Due to the highly customized nature of our products which are subject to detailed specification requirements of the customers, our production lead times are inherently lengthy. For instance, aviation and aerospace intelligent manufacturing equipment typically requires a lead time of approximately six months to 30 months, while compact general industrial five-axis machine tools require approximately 1.5 months to three months. Furthermore, the period from pre-acceptance approval and final acceptance approval involves multiple stages, each contributing to the extended timeline: namely (i) organizing shipment, (ii) on-site installation at the customer's site, (iii) on-site commissioning and system calibration and (iv) final acceptance testing. Final acceptance testing is inherently lengthy due to the high technical complexity of our products, which requires among others, (i) operational training with customers, (ii) testing on multiple parameters with the test piece provided by customers and/or (iii) trial production validation, each depend heavily on customer cooperation. The actual time of delivery, installation, inspection and acceptance testing of our products may be delayed for reasons beyond our control, such as unforeseen logistical disruptions. In addition, the final acceptance process may be delayed due to customer readiness and product modification requirements. There is no assurance that our products can be delivered, installed, inspected, tested and accepted according to the expected timeline.

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 prolonged lead time and acceptance process lengthens our revenue cycle. In general, our revenue is recognized when we transfer control of goods to customers (i.e. upon acceptance of product delivery by customers). The longer it takes for our products to be accepted by customer means the longer our revenue cycle is. This is compounded by uncertainties beyond our control, including but are not limited to product types for future orders and customers' readiness to accept delivery. During the Track Record Period, we recorded a relatively long inventory turnover days of 916 days, 849 days, 583 days and 280 days for FY2022, FY2023, FY2024 and 6M2025, respectively. For details, see "Financial Information – Description of Selected Items of the Consolidated Statements of Financial Position – Inventories" in this document. If we are not able to shorten our revenue cycle effectively, our financial condition and results of operations could be materially and adversely affected.

Furthermore, the prolonged lead time and acceptance process also gives rise to liquidity risks. We adopt a milestone-based payment schedule in general. Historically, majority of our revenue during the Track Record Period was generated from customers who are state-owned enterprises (SOEs) such that we in general target to follow a "3-3-3-1" milestone-based payment schedule (i.e. (i) 30% deposit upon execution of contract; (ii) 30% upon pre-acceptance approval; (iii) 30% upon final acceptance approval, and (iv) 10% upon fulfilment of warranty service). It follows that, in addition to long revenue cycle, prolonged lead time and final acceptance as aforementioned would also mean delay in settlement of a significant part of contract sum. For FY2022, FY2023, FY2024 and 6M2025, while our inventory turnover days was 916 days, 849 days, 583 days and 280 days, respectively, our trade payable turnover days for the corresponding year/period were significantly shorter, being 367 days, 347 days, 204 days and 91 days, respectively. Cash flow time lags between receiving payments from our customers and making payments to our suppliers expose us to cash flow pressure and liquidity risks. In particular, the prolonged cash conversion cycle in respect of sales to SOEs, particularly in the aerospace and aviation sectors, is generally longer than that for sales to non-state-owned enterprises. For FY2022, FY2023, FY2024 and 6M2025, our cash conversion cycle in respect of sales to SOEs was 1,131 days, 495 days, 468 days and 561 days, respectively, and our cash conversion cycle in respect of sales to non-state-owned enterprises was 357 days, 1,002 days, 395 days and 96 days, respectively.

There is no assurance that we can manage such risks effectively or at all nor we will be able to maintain sufficient working capital to support our daily operation. If our liquidity position deteriorates, we may need to decelerate the payments to our suppliers to manage the magnitude of such cash flow mismatch, which may subject us to breach of contracts with such suppliers. If any of these events occurs, our reputation, business, results of operations and financial condition may be adversely affected. Please see also "Risk Factors – We recorded net cash used in operating activities for FY2022, FY2023, FY2024 and 6M2025".

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, FY2024 and 6M2025, we incurred R&D expenses of RMB108.4 million, RMB89.9 million, RMB85.9 million and RMB36.5 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 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. In addition, some of our patents and patent applications are, and may in the future be, jointly owned with third parties. If we are unable to obtain an exclusive license to use any such third-party jointly owned intellectual property rights, such joint owners may be able to license or assign their rights to other third parties, including our competitors, and our competitors could market competing solutions or services and/or use the same technologies. We may also need the cooperation of any such joint owners of our intellectual property rights in order to enforce such intellectual property rights against third parties, and we may not be able to achieve such cooperation.

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/period during the Track Record Period accounted for 98.3%, 92.7%, 79.5% and 92.4% of our total revenue in FY2022, FY2023, FY2024 and 6M2025, respectively. Revenue contribution from our largest customer in each year/period during the Track Record Period accounted for 50.5%, 58.4%, 24.4% and 62.5% of our total revenue in FY2022, FY2023, FY2024 and 6M2025, respectively. Also, major contracts we entered into during the Track Record Period came from a limited number of customers. Our major completed and ongoing sales contracts with contract value exceeding RMB50 million during the Track Record Period and up to the Latest Practicable Date came from seven customers only. For details, see "Business – Our Customers" and "Business – Sales" in this document. Our results of operation and financial condition will continue to depend on (i) our ability to continue to obtain sizable 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, FY2024 and 6M2025, raw materials amount to approximately 81.6%, 90.1%, 87.4% and 82.1% 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 not be able 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 be able to manage such risks effectively or at all. While we conduct technical assessments for new orders, such assessments may not reflect practical difficulties that we may face during production, on-site installation, adjustment and testing. Consequently, we may not be able to deliver our products as agreed with our customers in a timely manner or at all. In such events, we may not be able to recognize revenue as expected or recoup our costs incurred for production; we may also be subject to contractual penalty as we fail to deliver as agreed. Any such event may also damage our reputation and adversely affect our business in the future. During the Track Record Period, we were not able to accurately pre-assess the technical requirements of an order by Customer E originally amounted to RMB113 million. As a result, we could not deliver products as initially contemplated which led to an order adjustment that reduced the actual revenue recognized from Customer E to RMB22.0 million, inclusive of the penalty of RMB8.1 million imposed on us for late delivery. For details, see "Financial Information – Description of Selected Items of the Consolidated Statements of Financial Position – Inventories – Order adjustment by Customer E".

Moreover, 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.

Furthermore, 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 and 30 June 2025, our inventories amounted to RMB443.5 million, RMB588.5 million, RMB486.1 million and RMB302.7 million, respectively, representing 45.3%, 62.3%, 65.4% and 47.5% of our total current assets, respectively. As at 31 December 2022, 2023 and 2024 and 30 June 2025, we incurred provision for impairment losses on inventories of RMB107.9 million, RMB74.2 million, RMB48.8 million and RMB41.0 million. For FY2022, FY2023, FY2024 and 6M2025, our inventory turnover days were 916, 849, 583 and 280, 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 ten 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%, 20.0% and 28.6%, 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.

Our results of operations, working capital and cash flow position may be adversely affected if our state-owned enterprise customers delay in processing payment.

During the Track Record Period, approximately RMB64.5 million, RMB288.4 million, RMB286.0 million and RMB130.8 million of our revenue was contributed by state-owned enterprises, which amounted to approximately 47.5%, 86.2%, 53.8% and 29.4% of our total revenue during the respective year/period. State-owned enterprises often impose budgetary freezes at the beginning of their fiscal years, during which payments may be suspended for several months. State-owned enterprises are also subject to longer settlement audit period as the internal approval processes are generally more complicated and require multiple rounds of negotiations with multiple levels of responsible person to determine final settlement. As such, if our state-owned enterprise customers fail to make timely payments, our results of operations and cash flow position would be adversely affected and our working capital would be reduced.

We recorded a net loss in FY2022 and FY2023 and a net profit in FY2024 and 6M2025. 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 and RMB94.2 million for FY2024 and 6M2025, 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, FY2024 and 6M2025.

We recorded net cash used in operating activities of approximately RMB48.6 million, RMB258.1 million, RMB53.9 million and RMB66.8 million in FY2022, FY2023, FY2024 and 6M2025, 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.

We may face competition from six or more axis manufacturing equipment

According to CIC, a few leading suppliers have launched CNC machine tools with six or more simultaneous axes which are better in processing accuracy and flexibility. As technologies advance and costs lower, CNC machine tools with six or more simultaneous axes may become a comparable or substitute of five-axis CNC machine tools. In the event that our products become outdated or we cannot manage and counter potential competition from CNC machine tools with six or more simultaneous axes or other disruptive technologies effectively or at all, our business, financial condition and results of operation will be materially and adversely affected.

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 and RMB23.4 million as at 31 December 2022, 2023 and 2024 and 30 June 2025, 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, FY2024 and 6M2025, we are entitled to claim 220% of our research and development costs. We recorded income tax expenses of RMB9 thousand, RMB71 thousand, nil and nil in FY2022, FY2023, FY2024 and 6M2025, 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, FY2024 and 6M2025, we recognised government grants and subsidies of RMB19.3 million, RMB22.3 million, RMB9.3 million and RMB795 thousand, 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, RMB37.3 million and RMB21.7 million as at 31 December 2022, 2023 and 2024 and 30 June 2025, 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 and 30 June 2025, our trade receivables (net of impairment loss) was RMB68.4 million, RMB86.5 million, RMB43.9 million and RMB149.0 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, RMB4.4 million and nil in FY2022, FY2023, FY2024 and 6M2025, 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. 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 AND OTHER REGULATIONS

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, FY2024 and 6M2025, (i) our procurement from the Relevant Suppliers amounted to approximately RMB2.95 million, RMB0.07 million, RMB0.65 million and RMB0.04 million, representing approximately 1.84%, 0.03%, 0.20% and 0.02% of our total cost of sales, respectively; and (ii) our total revenue derived from the Relevant Customers was approximately nil, RMB19.89 million, RMB104.40 million and RMB11.35 million, respectively, representing approximately nil, 5.94%, 19.64% and 2.55% 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.

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".

We and our H Shares may be adversely affected by any investment restrictions that may be imposed on us or our H Shares

The Outbound Investment Rule imposed investment prohibition and notification requirements on U.S. Persons for investments in entities associated with China, Hong Kong and Macau that engage in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems, such entities are defined as "**Covered Foreign Persons**." Under the Outbound Investment Rule, U.S. persons are prohibited from making, or required to notify for, investments in Covered Foreign Persons through certain acquisitions of equity interests, debt financing, joint ventures, and investments as a limited partner in a non-U.S. person pooled investment fund, which are defined as "**Covered Transactions**". The Outbound Investment Rule excludes some investments from the scope of Covered Transactions, including those in publicly traded securities.

As advised by the International Sanctions Legal Adviser, engaged by us in connection with the foregoing matters, we do not believe we are a Covered Foreign Person under the Outbound Investment Rule, because we do not engage in a "covered activity" (as defined in the Outbound Investment Rule) or otherwise meet the definition of Covered Foreign Persons provided in the Outbound Investment Rule. Covered Foreign Persons relating to microelectronics includes Chinese companies that design, fabricate, or package integrated circuits. As the Group does not design, fabricate, or package integrated circuits, but purchases parts with integrated circuits from our suppliers, its business activities do not fall under microelectronics "covered activities". Covered Foreign Persons relating to AI system includes Chinese companies that design AI system for military, government intelligence or mass-surveillance usage, or intended to be used for or the control of robotic systems. As the AI system developed and being developed by the Group does not involve real environments, virtual environments or abstract perceptions into models, its business activities do not fall under AI "covered activities". However, there is no assurance that the U.S. Department of the Treasury will take the same view as ours.

As the Outbound Investment Rule is aimed at exerting greater control over U.S. direct and indirect investments in China (including Hong Kong and Macau) and may introduce new hurdles or tighten requirements for cross-border investments, collaborations and funding opportunities of China-based issuers, including us, any legal development of such rules or similar regulations may limit our ability to engage in certain sectors; they may also limit our ability to raise capital from U.S. and other countries if we engage in the business or development of certain sector or technologies.

If prior to our H Shares being publicly traded, we were to be deemed a Covered Foreign Person or acquisition of our H Shares becomes a Covered Transaction, U.S. persons would be prohibited from making such acquisition or be required to make a notification pursuant to the Outbound Investment Rule. In addition, the Outbound Investment Rule could still limit our ability to raise capital or future funding from U.S. investors after the **[REDACTED]** as the relevant laws, regulations, and policies continue to develop. We cannot rule out the possibility of being deemed as a Covered Foreign Person in the future due to different views taken by the U.S. Department of the Treasury, potential amendments to the Outbound Investment Rule or the introduction of similar regulations. If our ability to raise capital from U.S. Investors is significantly and negatively affected, it could be detrimental to our business, financial condition and prospects. In such circumstances, the value of our H Shares may be significantly and adversely affected.

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 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.

We may be required to comply with the filing procedures of the CSRC within a specific time limit as required by the Trial Measures in connection with future capital raising activities. If 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.

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, all of the Group's businesses 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. 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 **[REDACTED]**, 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]** and issuing 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.