OVERVIEW

Who We Are

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

Our Products Portfolio and Applications

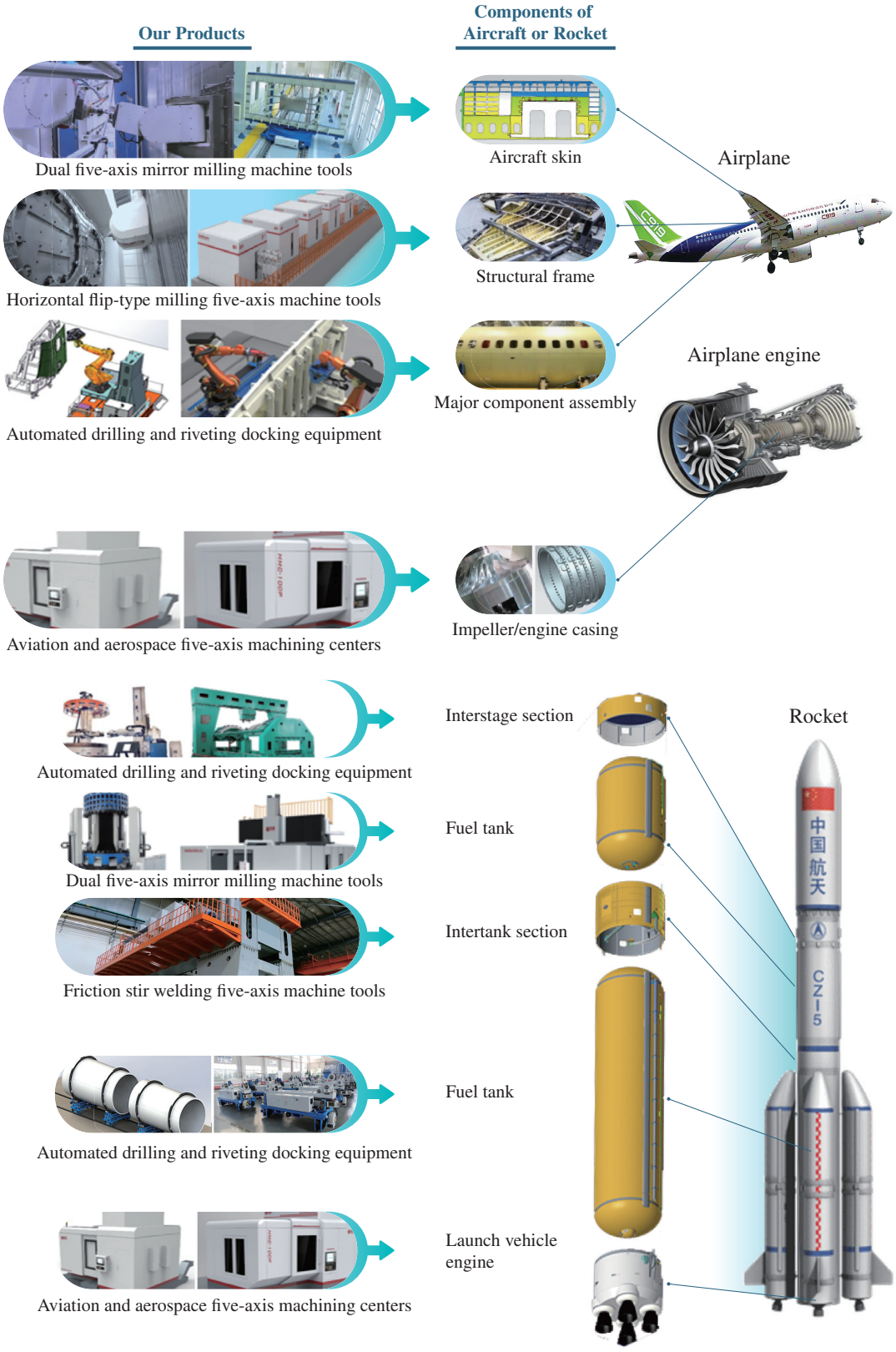
During the Track Record Period, we generated revenue from the sales of (i) aviation and aerospace intelligent manufacturing equipment, (ii) compact general industrial five-axis machine tools, (iii) large-span carbon fiber composite five-axis machine tools as well as (iv) provision of repair and maintenance services. Our products were primarily customised and produced on an order-by-order basis. We started to enhance our offerings by introducing large-span carbon fiber composite five-axis machine tools to the market during 6M2025. Details of our product portfolio are as follows:

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

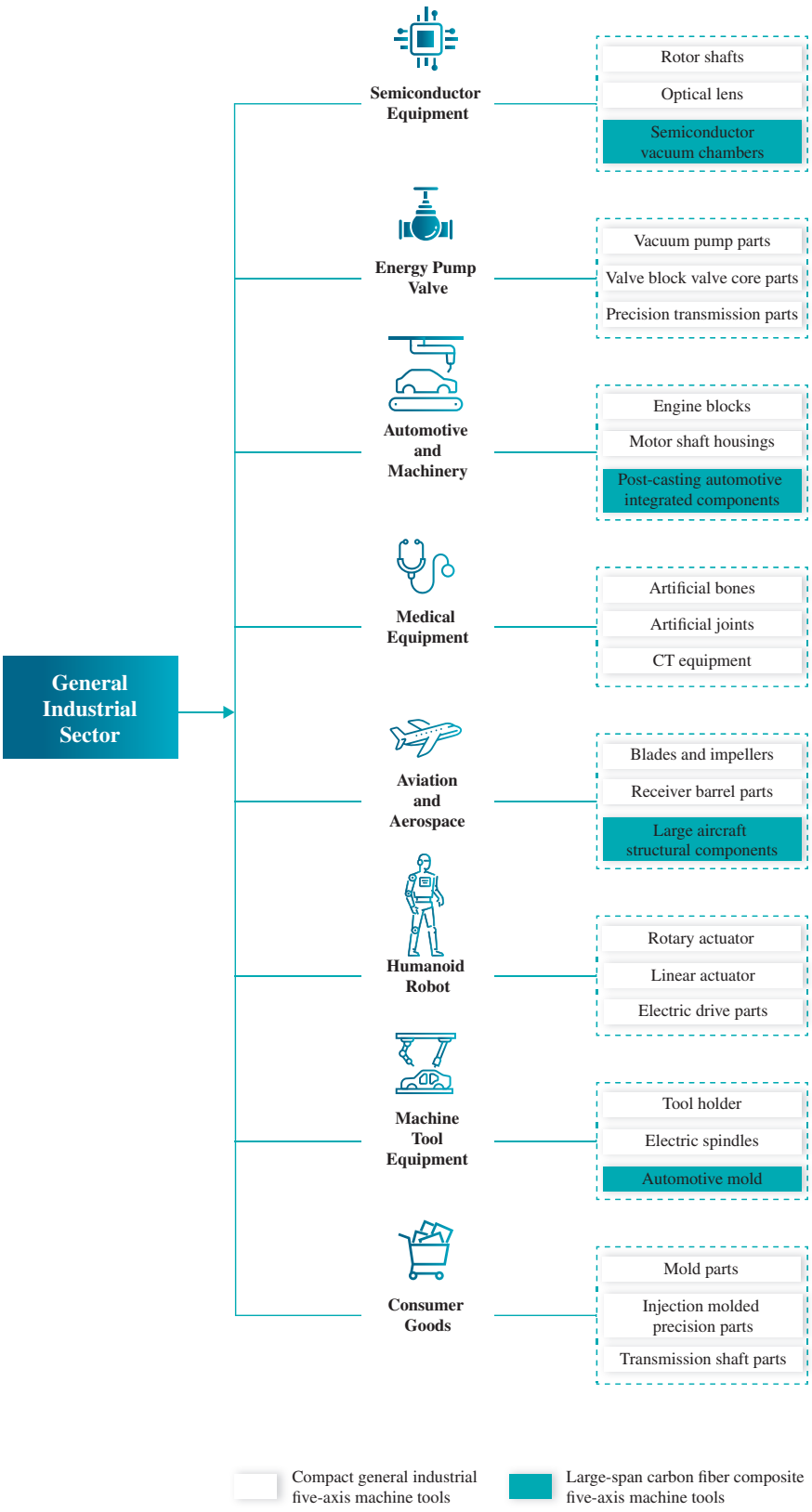
(ii) ***Compact general industrial five-axis machine tools.*** Our compact general industrial five-axis machine tools are versatile five-axis CNC machine tools under three-meter span designed for machining of small-to-medium components in the general industrial sector, which support multiple machining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

(iii) ***Large-span carbon fiber composite five-axis machine tools.*** Our large-span carbon fiber composite five-axis machine tools refer to advanced five-axis CNC machine tools featuring gantry structures with span ranging from three meters to a maximum of 15 meters, designed for machining of massive monolithic components in the general industrial sector. Unlike conventional metal-based machine tools, with the use of carbon fiber composites across all moving parts, our large-span carbon fiber composites five-axis machine tools exhibit the technological advantages of lightweight properties, high-dynamic performance, extended operating range, micron-level accuracy and advanced thermal and vibration control capabilities. They are applied across industries for manufacturing integrated vehicle body parts for automotives, hull structures for shipbuilding, and large structural components in energy applications etc., where demands exist for production and processing of massive and high-precision structures. We first sold five of our large-span carbon fiber composite five-axis machine tools during 6M2025. According to the CIC Report, we are the world's first and only manufacturer that sold the first machine tool which fully applied carbon fiber composite materials across all moving parts.

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



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



Our Proprietary Technologies and Innovation Drivers

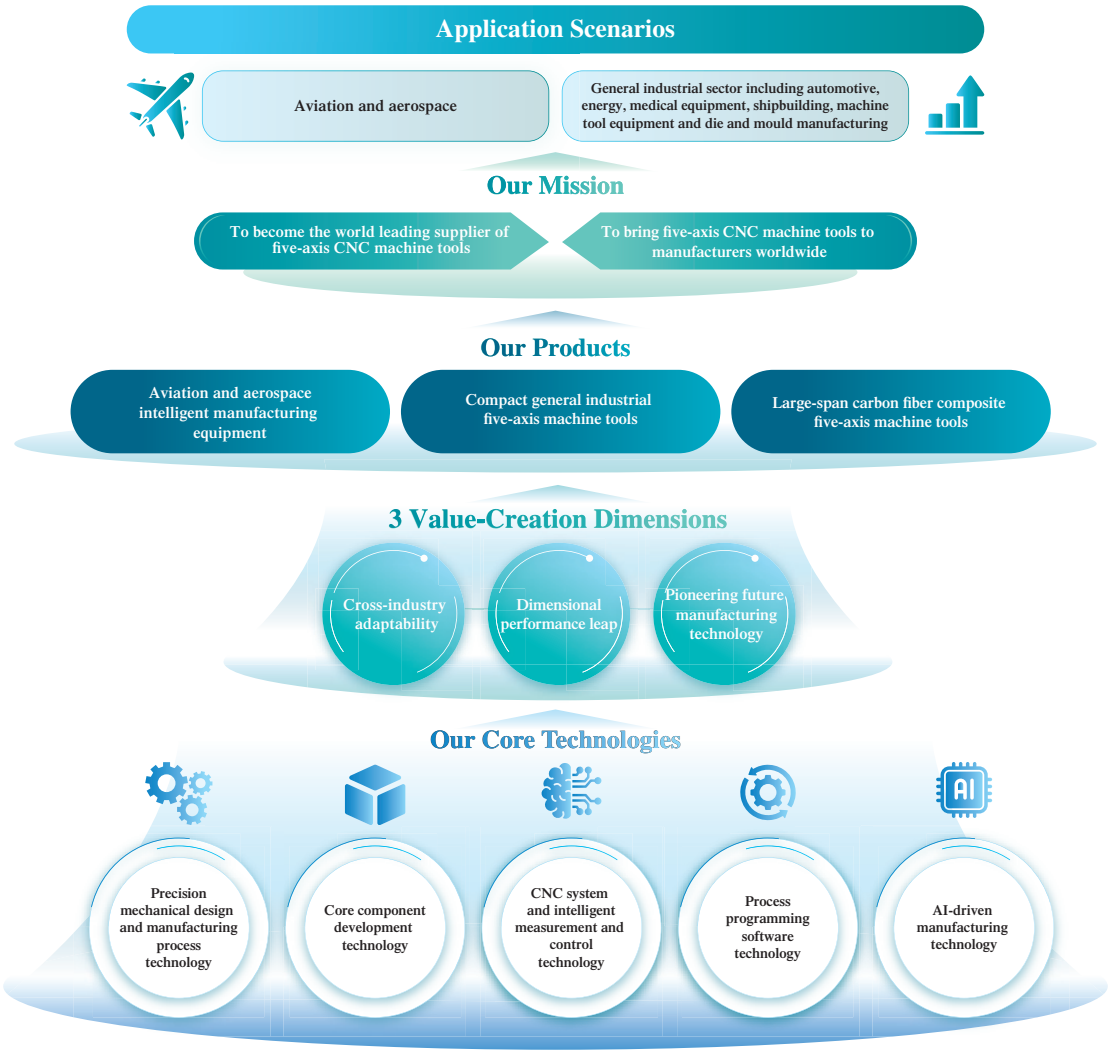
We have built a R&D platform encompassing five core technological pillars: (i) precision mechanical design and manufacturing process technology, (ii) core component development technology, (iii) CNC system and intelligent measurement and control technology, (iv) process programming software technology,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

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

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

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

As at 30 June 2025, our dedicated R&D team comprised 138 employees, representing over 35.8% of our total workforce with around 31.2% holding postgraduate degrees or higher. This multidisciplinary team integrates cross-industry expertise including mechanical systems, control theory, materials engineering, electrical engineering, mechanical and aerospace engineering, digitalization, and software engineering, forming the foundation of our sustained innovation capability.



Our Customer Base

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

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

Our Financial Performance

During the Track Record Period, we experienced strong financial growth, with revenue increasing from RMB135.8 million in FY2022 to RMB334.6 million in FY2023, and further to RMB531.6 million in FY2024, representing a CAGR of 97.9%. We recorded revenue of RMB444.7 million in 6M2025. We have achieved growth across all our product categories, with a notably strong performance in the sales of our aviation and aerospace intelligent manufacturing equipment, which reflects our success in maintaining leadership in our core aviation and aerospace business, while capitalising on expansion opportunities in the general industrial sector. We recorded a gross loss of RMB24.8 million in FY2022, and a gross profit of RMB115.8 million, RMB199.9 million and RMB190.9 million in FY2023, FY2024 and 6M2025, respectively. Our gross loss margin was 18.3% in FY2022, and our gross profit margin was 34.6%, 37.6% and 42.9% in FY2023, FY2024 and 6M2025, respectively. As a result, we turned our net loss of RMB197.3 million and RMB62.3 million in FY2022 and FY2023, respectively, to a net profit of RMB6.9 million and RMB94.2 million in FY2024 and 6M2025, respectively.

OUR COMPETITIVE STRENGTHS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cross-industry adaptability

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

Dimensional leap in performance

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

Pioneering future manufacturing technology

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

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

We have cross-industry customer recognition through diversified market penetration

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

In the aviation and aerospace sector, our products' excellence and technological capabilities have earned recognition from leading manufacturers of aircrafts and space launch vehicles. We also established long-term business relationships with leading aviation and aerospace groups, which allow us to further expand business relationships within their ecosystems, including subsidiaries, joint ventures and supply chain partners. For instance, during the Track Record Period, we served multiple subsidiaries within Customer A, a central state-owned enterprise primarily engaged in aircraft manufacturing, being one of our top five customers in FY2022, FY2023 and FY2024 which accounted for approximately 28.8%, 16.3% and 12.9% of our total revenue during the respective years.

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

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

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

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

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

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

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

OUR STRATEGIES

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

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

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

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

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

Technological advancements through R&D

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

Development of new materials and structural designs

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

Development of AI-powered CNC system

We aim to further invest in AI-powered CNC system to simplify the complex, multi-stage five-axis machining operations. Traditional five-axis machining workflow includes process planning, CAM programming, post-processing, speed optimization and motion control, which requires specialised expertise and creates significant adoption barriers. To transform this paradigm, we plan to develop an intelligent control system which automates the complete manufacturing workflow from part design to production. Building on our proprietary CNC system architecture, deep technical expertise across the machining workflow, and established research in deep reinforcement learning, our solution will integrate specialised manufacturing knowledge databases, advanced AI-driven optimization algorithms, and digital twin simulation environments to streamline operations. This initiative has been recognized by the Shanghai Municipal Commission of Economy and Informatization, which in June 2025, had selected our project for special funding to develop AI-powered CNC system for five-axis machining of complex parts. As we continue to refine and validate our AI-powered CNC system through B2B (business-to-business) applications, we plan to simultaneously extend it to the B2C (business-to-consumers) market through our compact general industrial five-axis machine tools, thereby providing customers with accessible channels to industrial-grade precision machining while cloud-based AI handles technical optimization.

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

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

Development of Intelligent Sensing and Measurement System

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

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

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

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

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

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

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

Expansion of sales and marketing network

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

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

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

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

Strategic acquisitions and investments to enhance core technology and product quality

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

We intend to utilise an aggregate of RMB**[REDACTED]** million for the potential acquisitions and investments, of which RMB**[REDACTED]** million will be paid by the net proceeds from the **[REDACTED]**, representing **[REDACTED]**% of such net proceeds, and the remaining sum of RMB[107.0] million will be financed by our internal resources and/or bank loans. As of the Latest Practicable Date, we had not identified any acquisition and merger targets.

OUR BUSINESS MODEL

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

The operational flow of our major business is as follow:

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

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

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

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

RESEARCH AND DEVELOPMENT

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

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

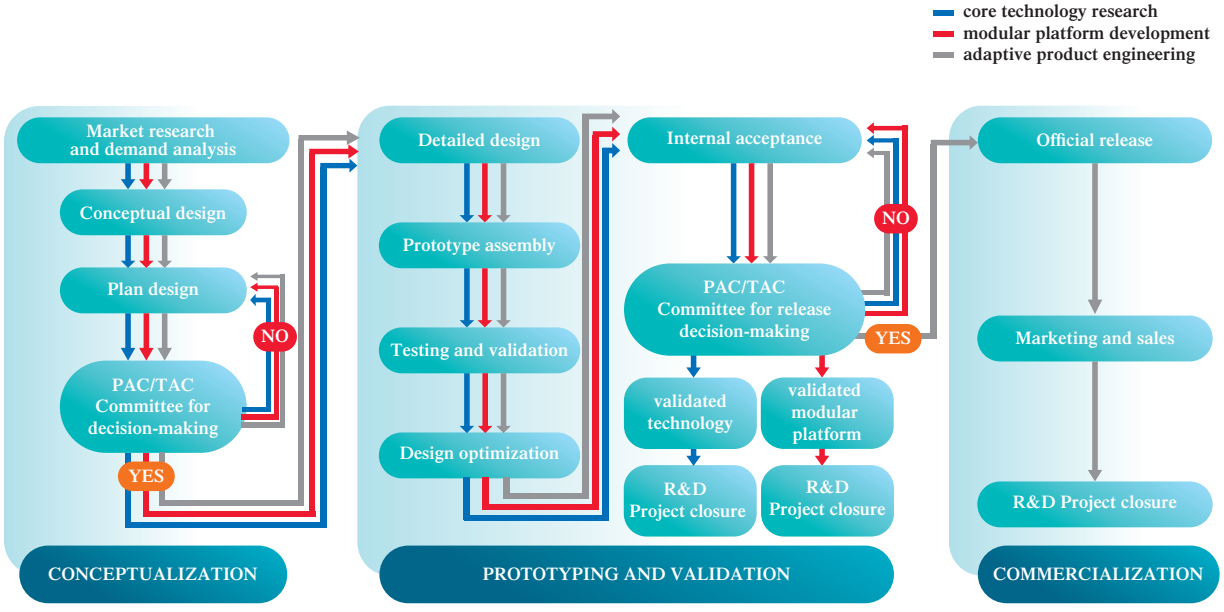
(ii) ***Modular platform development.*** Building on our core technology, we develop a modular technology platform which shares technical architectures with adaptable product configurations, allowing development of new products while maintaining cross-product compatibility.

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

We incurred R&D expenses of RMB108.4 million, RMB89.9 million, RMB85.9 million and RMB36.5 million for FY2022, FY2023, FY2024 and 6M2025, respectively. The decrease in our R&D expenses during the Track Record Period was primarily due to the progression of our R&D projects. For details, see "Financial Information – Key Components of Our Consolidated Statements of Profit or Loss – Research and Development Expenses" in this document. During the Track Record Period, all of our R&D expenses were recognised as expenses in the year/period when such expenses were incurred.

R&D Workflow

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



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

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

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

R&D Team and Core Members

As at 30 June 2025, we had a R&D team of 138 employees, representing over 35.8% of our total workforce. Around 31.2% of our R&D personnel hold a master's degree or higher. Our R&D team comprises employees from multiple disciplines including mechanical systems, control theory, materials engineering, electrical engineering, mechanical and aerospace engineering, digitalization, and software engineering. Our R&D team is led by five core members, including Dr. Wang, the chairman of our Board, an executive Director and the general manager of our Company. The following table sets forth the details of our core R&D members:

Core R&D members	Profile
Dr. Wang	Dr. Wang is responsible for product development planning of our Company. Dr. Wang has spearheaded the R&D of various breakthrough equipment, including the dual five-axis mirror milling machine tools, five-axis machining center, and automated drilling and riveting equipment. For details of the biography of Dr. Wang, see "Directors and Senior Management – Executive Directors" in the document.
Mr. Yao Bin	Mr. Yao Bin is our co-technical director, and is responsible for overseeing the R&D of electrical control, CNC systems and mirror milling technology. For details of the biography of Mr. Yao, see "Directors and Senior Management – Executive Directors" in the document.

Core R&D members	Profile
Dr. Zhong Lei	Dr. Zhong Lei is our co-technical director, and is responsible for overseeing the R&D of our Group in respect of mechanical hardware. Dr. Zhong has led the team in the R&D of horizontal flip-type milling five-axis machine tools.
Dr. Chen Hao	Dr. Chen Hao is our co-technical director, and is responsible for the R&D of the five-axis turning-milling machining centers, and our proprietary CNC systems. Dr. Chen has extensive experience in CNC technology research and engaged in the study of five/six-axis motion control algorithms.
Mr. Hu Yehui	Mr. Hu Yehui is our deputy product line director, and is responsible for supervising product development and the R&D of carbon fiber composite material structures and friction stir welding five-axis machine tools.

We also enter into confidentiality, intellectual property and non-competition agreements with our R&D team members. The R&D team members shall not, without our prior written consent, disclose or transfer confidential information such as technical secrets to any third party during and after employment, and all inventions created during employment or using company resources belong exclusively to our Company.

R&D Collaborations

We collaborate with established research and tertiary institutions and our customer to enhance our R&D capabilities. During the Track Record Period, we entered into collaboration agreements with (i) SJTU on the establishment of the "Joint R&D Centre for High-end Equipment and Advanced Process Technology" (高端裝備與先進工藝技術聯合研發中心) (the "**Establishment of Joint R&D Centre with SJTU**"), and (ii) Customer I on the establishment of the "Center of Excellence" (卓越創新中心) (the "**Establishment of COE with Customer I**" collectively, the "**R&D Collaborations**").

The major terms of the aforesaid collaboration agreements are outlined below:

Terms	Establishment of Joint R&D Centre with SJTU	Establishment of COE with Customer I
Term of agreement	From 1 October 2023 to 30 September 2028	From 17 February 2023 to 16 February 2028
Scope of work	SJTU shall organise its researchers to conduct specialised research projects in response to the R&D requirements of the Company.	To jointly research on the production process technology in the aviation and aerospace sector.
Payment of fees	We shall pay an annual collaboration fee of not less than RMB5 million to SJTU.	Both parties shall contribute funds to the COE, with specific amounts to be determined by each individual research agreements.
Ownership of intellectual property rights	The intellectual property rights jointly developed by both parties shall be by both parties. We maintain the exclusive right to commercialise the intellectual property rights.	The intellectual property rights jointly developed by both parties shall be determined on a project basis through mutual agreement. Intellectual property rights jointly developed by both parties are generally co-owned by both parties pursuant to the individual research agreements entered into with Customer I.
Confidentiality	Each party undertakes not to disclose or use any confidential information during the term of the agreement and two years after the termination of agreement.	Each party undertakes not to disclose or use any confidential information during the term of the agreement and after its termination.

Under the Establishment of Joint R&D Center with SJTU, SJTU provided performance testing services for our products, and jointly published several academic papers on measurement technologies. Under the Establishment of COE with Customer I, we had jointly published two machine tool industry standards. As of the Latest Practicable Date, we did not co-own any patents with SJTU and Customer I as a result of our R&D Collaborations, which shall cause any direct or indirect competition issue to our Group. We shall obtain an exclusive license to use any third-party jointly-owned intellectual property rights if we consider the intellectual property rights material to our business and operation in the future.

Ongoing R&D Projects

As of the Latest Practicable Date, we had 30 ongoing R&D projects, among which ten projects are core technology research, nine projects are modular platform development and 11 projects are adaptive product engineering. We expect 17 of these ongoing R&D projects to be completed by the end of 2025. Some of our noteworthy ongoing R&D projects include:

- ***the use of carbon fiber composites.*** As the world's first and only manufacturer that sold the first machine tool which fully applied carbon fiber composite materials across all moving parts, we aim to enhance this proprietary technology to further reduce the mass and thermal expansion of our products. Such technology will be applied across our aviation and aerospace intelligent manufacturing equipment and large-span carbon fiber composite five-axis machine tools.

- ***the development of AI-powered CNC system.*** We aim to further invest in AI-powered CNC system to simplify the multi-stage five-axis machining operations by integrating specialised manufacturing knowledge databases, advanced AI-driven optimization algorithms and digital twin simulation environments.

For details of the aforesaid R&D projects, see "Our Strategies – Technological advancements through R&D" in this document.

R&D Achievements and Recognitions

In recognition of our R&D efforts and results, we received the following major awards and recognitions during the Track Record Period.

Award Year	Awards/Recognitions	Award-winning projects	Awarding Institution/Authority
2023	Shanghai Special Prize for Technology Invention (上海市科技發明獎特等獎)	Aerospace large curved skin/tank bottom dual five-axis mirror milling technology and equipment (航空航太大型曲面蒙皮/箱底雙五軸鏡像銑削技術與裝備)	Shanghai Municipal People's Government
2023	Second Prize of Science and Technology Award (科學技術獎第二獎)	Key technologies and equipment for laser precision cutting of large-scale complex skins (大尺寸複雜蒙皮鐳射精准刻型關鍵技術與裝備)	Aviation Industry Corporation of China, Ltd.

Award Year	Awards/Recognitions	Award-winning projects	Awarding Institution/Authority
2023	Third Prize of National Defense Science and Technology Progress Award (國防科學技術進步獎三等獎)	Key technologies and equipment for laser precision cutting of large-scale complex skins (大尺寸複雜蒙皮鐳射精准刻型關鍵技術與裝備)	Ministry of Industry and Information Technology of the People's Republic of China
2024	Spring Swallow Award of China CNC Machine Tool Exhibition (中國數控機床春燕獎)	HMT-i500 five-axis milling-turning compound machine center (HMT-i500 五軸銑車複合加工中心)	CMTBA
2024	National Little Giant Enterprise (國家專精特新小巨人企業)	–	Ministry of Industry and Information Technology

OUR CORE TECHNOLOGIES

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

Precision mechanical design and manufacturing process technology

Precision mechanical design and manufacturing process technology represents the foundation layer of our portfolio of core technologies. Through structural optimization and specialised machining methods, it ensures our products possess stable machining capability and long-term accuracy retention. Key related technologies are as follows:

Technology	Key features
Dual five-axis mirror milling machine tool design and manufacturing technology (雙五軸鏡像銑機床設計製造技術)	• This technology features a dual horizontal five-axis configuration, where mirrored synchronous motion between the machining-side spindle and support-side measurement support head enhances local rigidity, which enables high-precision mirror milling of large thin-walled parts

Technology	Key features
High-speed carbon fiber composite machine tool design and manufacturing technology (高速碳纖維複材機床設計製造技術)	• This technology employs carbon fiber composite materials for critical structural components such as beams, saddles and rams to maintain both precision and stability during high-speed operation
Large-scale horizonal five-axis machine tool configuration design and manufacturing technology (大型臥式五軸機床構型設計製造技術)	• This technology incorporates a high-torque, high-rigidity AC swivel head and an integrated high-stiffness structural design which enables high-precision five-axis machining of large complex curved surfaces and improved processing efficiency.
Automatic drilling and riveting equipment design and manufacturing technology (自動鑽鉚裝備設計製造技術)	• This technology integrates hole normal vector detection, datum hole alignment, automated hole drilling, fastener feeding, and riveting functions for automatic drilling and riveting operations.
Friction stir welding equipment design and manufacturing technology (攪拌摩擦焊接裝備設計製造技術)	• By incorporating gantry structures and integrated milling-welding-positioning-clamping capability, this technology enables precision welding for aerospace cylindrical section structural parts.

Core component development technology

Core component development technology concentrates on the design and manufacturing of core components including motion mechanisms, power transmission, and positioning systems. Key related technologies are as follows:

Technology	Key features
High-speed, high-precision rotary positioning technology (高速高精度旋轉運動定位技術)	• This technology encompasses rotary transmission design, high-rigidity construction, precision component manufacturing, and accurate assembly verification, which enables both high-speed and high-precision rotational axis movement.
Heavy-duty, high-torque rotary positioning technology (重載大扭矩旋轉運動定位技術)	• This technology employs five-axis flank milling and synchronised grinding techniques to manufacture planar enveloping toroidal worm gears, which enables heavy-load and high-torque transmission of rotating shafts.

Technology	Key features
Multi-function drilling-riveting-measurement spindle technology (鑽-鉚-測多功能複合加工主軸技術)	• This technology integrates multiple functions, including normal-direction measurement, automated drilling and countersinking, visual alignment, automatic fastener feeding and riveting, and real-time quality inspection – into a single compact unit.
Milling-welding composite spindle technology (銑-焊複合加工主軸技術)	• Designed specifically for stir welding processing, this technology combines milling and welding capabilities into a single integrated unit, featuring both retraction and pressure detection functions.
Turning-milling composite spindle technology (車-銑複合加工主軸技術)	• This technology enables machining of complex-shaped components such as blades and tool holders through combining turning and milling operations in a single setup.

CNC system and intelligent measurement and control technology

CNC system and intelligent measurement and control technology forms the intelligent control center of intelligent manufacturing equipment by enabling dynamic optimization and closed-loop error elimination during machining processes. Key related technologies are as follows:

Technology	Key features
Mirror milling high-precision real-time thickness measurement and compensation technology (鏡像銑高精度即時測厚補償加工技術)	• This system integrates real-time thickness measurement with adaptive machining through (i) instantaneous data transmission, (ii) closed-loop thickness control algorithms and (iii) intelligent process compensation to achieve dimensional stability.
Friction stir welding constant pressure/displacement real-time control technology (攪拌焊恒壓力恒位移即時控制技術)	• This technology features a spindle design which maintains consistent forging pressure independent of lateral forces and forward resistance, eliminating frictional interference between the spindle and its housing caused by side loads to achieve high-precision real-time force measurement and stable welding quality.
Automated drilling and riveting normal-direction countersink depth and hole diameter measurement and control technology (自動鑽鉚法向窩深孔徑測控技術)	• This technology incorporates contact-based hole normal vector detection, hole diameter verification, and countersink depth control, which overcome the limitations of conventional drilling methods and improve drilling and riveting accuracy.

Technology	Key features
Five-axis turning-milling CNC system technology (五軸車銑複合數控系統技術)	• The technology integrates multiple machining capabilities including turning, milling, drilling, boring, reaming, threading and tapping operations into a single setup, which enable efficient processing of complex-shaped parts.
Spatial and thermal displacement error measurement and compensation technology (空間與熱位移誤差測量補償技術)	• Through (i) spatial accuracy detection and control systems and (ii) high-precision dual-swivel head spatial accuracy measurement, this integrated system enables spatial positioning accuracy.
Five-axis synchronised dynamic accuracy measurement and optimization technology (五軸聯動動態精度測量優化技術)	• This technology enables precise measurement and compensation optimization of the synchronisation of five-axis machine tools, which enhances motion accuracy of rotary axes.
High-precision spatial measurement and control technology for industrial robots (機器人高空間精度測量與控制技術)	• This technology enables an advanced robot accuracy calibration system based on a rigid-flexible coupling model, enabling improvements in robotic positioning performance.

Process programming software technology

Process programming software technology converts processing requirements into executable equipment instructions through intelligent algorithms. Key related technologies are as follows:

Technology	Key features
Mirror milling process planning software technology (鏡像銑加工測量程式設計軟體與工藝技術)	• This technology enables single-step generation of machine tool path files while incorporating adaptive machining capabilities based on real-time laser-scanned point cloud data of workpiece deformation during milling.
Automated drilling and riveting programming simulation software and process technology (自動鑽鉚程式設計模擬軟體與工藝技術)	• By combining intelligent programming with virtual process validation, the technology aims to enable first-time-right manufacturing for aerospace applications where precision drilling and riveting are critical.

AI-driven manufacturing technology

AI-driven manufacturing technology aims to enable the intelligent automation of complex five-axis machining workflow which used to require specialised expertise across multiple stages. Key related technologies are as follows:

Technology	Key features
AI semantic understanding technology (AI語義理解技術)	• This technology targets to develop an end-to-end framework leveraging knowledge transfer capabilities, which incorporates dynamic validation feedback mechanisms for adaptive error recovery.
Multimodal manufacturing knowledge base architecture (多模態製造知識庫)	• This knowledge base architecture targets to integrate libraries of tooling, fixtures, machine parameters and process knowledge to process scenario inputs which generates optimised machining instruction.
High-fidelity virtual-physical machining simulation technology (高保真虛實融合加工仿真技術)	• This technology targets to leverage real-time toolpath data and part geometry to predict cutting forces with high accuracy during the machining process.
Self-supervised learning technology under multi-physics constraints (多物理場約束下的自監督與強化學習技術)	• This technology targets to enhance process decision-making through unified sequence generation handling multi-level abstraction problems, tiered mechanisms for precision optimization guidance and hybrid training environments ensuring real-world reliability.
Integrated AI-powered CNC system validation technology (AI-CNC系統的整體集成與廣泛適應能力驗證技術)	• This technology targets to replace traditional multi-stage machining workflows with AI-drive direct output.

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, our Group had over 80 registered patents and filed 40 patent applications which were pending approval. Examples of patents held by our Group in relation to our core technologies which we consider to be material to our business include the following:

Precision mechanical manufacturing process technology

	Patent	Place of registration	Patent number
1.	Integrated riveting device and method for large cylindrical segment components (大型筒段構件的整體鉚接裝置及其方法)	The PRC	ZL201210143811.8
2.	The mirror image method for milling and system of covering processing (蒙皮加工的鏡像銑削方法與系統)	The PRC	ZL201710571555.5
3.	Friction stir welding device and method for large-diameter low-rigidity fuel tanks (大直徑低剛度燃料貯箱的攪拌摩擦焊接裝置及焊接方法)	The PRC	ZL201710980343.2
4.	Adhesive bonding structure and method for composite materials (複合材料膠接結構及方法)	The PRC	ZL202211048728.2
5.	Mirror milling device for processing arched ring-shaped thin-walled workpieces (用於拱形環狀薄壁工件加工的鏡像銑削裝置)	The PRC	ZL202310306147.2

Core component development technology

	Patent	Place of registration	Patent number
6.	End effector for high-precision hole making and dimple forming of robot and measuring method (用於機器人高精度制孔與鎪窩的末端執行器及測量方法)	The PRC	ZL201711056976.0
7.	Swivel head device for machining centers suitable for difficult-to-machine materials (適用於難加工材料的加工中心擺頭裝置)	The PRC	ZL202210758225.8
8.	Mill-turn composite electric spindle (車銑複合電主軸)	The PRC	ZL202222569986.7

CNC system and intelligent measurement and control technology

	Patent	Place of registration	Patent number
9.	Measuring and control device and method for upsetting force and advancing resistance in friction stir welding machine tool (一種攪拌摩擦焊機床頂鍛力及前進抗力測控裝置及方法)	The PRC	ZL201410682966.8
10.	Real-time measurement system and method for thin-walled parts (薄壁件實時測量系統及方法)	The PRC	ZL201710736334.9
11.	Contact-based surface panel normal direction measurement and countersink depth compensation device and method (接觸式曲面壁板法向測量與鎪窩深度補償裝置及測量方法)	The PRC	ZL202010202323.4

Progress programming software technology

	Patent	Place of registration	Patent number
12.	Method and device for automatically generating aircraft skin mirror image milling tool path track (飛機蒙皮鏡像銑削刀路軌跡自動生成方法及裝置)	The PRC	ZL201910862189.8

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

OUR PRODUCTS AND SERVICES

Leveraging our core technologies, we have developed a product portfolio comprising (i) aviation and aerospace intelligent manufacturing equipment, (ii) compact general industrial five-axis machine tools and (iii) large-span carbon fiber composite five-axis machine tools, to customers in various downstream industries including the aviation and aerospace sector, and the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing. In addition, we provide repair and maintenance services in meeting different operational requirements of our customers.

Details of our comprehensive product portfolio are as follows:

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

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

(iii) ***Large-span carbon fiber composite five-axis machine tools.*** Our large-span carbon fiber composite five-axis machine tools refer to advanced five-axis CNC machine tools featuring gantry structures with span ranging from three meters to a maximum of 15 meters, designed for machining of massive monolithic components in the general industrial sector. Unlike conventional metal-based machine tools, with the use of carbon fiber composites across all moving parts, our large-span carbon fiber composites five-axis machine tools exhibit the technological advantages of lightweight properties, high-dynamic performance, extended operating range, micron-level accuracy and advanced thermal and vibration control capabilities. They are applied across industries for manufacturing integrated vehicle body parts for automotives, hull structures for shipbuilding, and large structural components in energy applications etc., where demands exist for production and processing of massive and high-precision structures. We first sold five of our large-span carbon fiber composite five-axis machine tools during 6M2025 as the world's first and only manufacturer that sold the first machine tool which fully applied carbon fiber composite materials across all moving parts.

The following table sets forth our revenue by product category during the Track Record Period:

	FY2022		FY2023		FY2024		6M2024		6M2025	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)* (unaudited)	*(%)*	*(RMB'000)*	*(%)*
Aviation and aerospace intelligent manufacturing equipment	132,434	97.5	325,089	97.2	503,434	94.7	309,314	98.2	418,225	94.0
Compact general industrial five-axis machine tools	–	–	3,476	1.0	23,839	4.5	4,335	1.4	7,185	1.6
Large-span carbon fiber composite five-axis machine tools	–	–	–	–	–	–	–	–	19,019	4.3
Repair and maintenance services	3,335	2.5	6,065	1.8	4,283	0.8	1,189	0.4	272	0.1
Total	**135,769**	**100.0**	**334,630**	**100.0**	**531,556**	**100.0**	**314,838**	**100.0**	**444,701**	**100.0**

The following table sets forth our gross profit/(loss) and gross profit/(loss) margin by product category during the Track Record Period:

	FY2022		FY2023		FY2024		6M2024		6M2025	
	Gross profit/(loss) *(RMB'000)*	Gross profit/(loss) margin *(%)*	Gross profit *(RMB'000)*	Gross profit margin *(%)*	Gross profit *(RMB'000)*	Gross profit margin *(%)*	Gross profit *(RMB'000)* (unaudited)	Gross profit margin *(%)*	Gross profit/ (loss) *(RMB'000)*	Gross profit/ (loss) margin *(%)*
Aviation and aerospace intelligent manufacturing equipment	21,108	15.9	120,799	37.2	196,767	39.1	125,924	40.7	196,812	47.1
Compact general industrial five-axis machine tools	–	–	662	19.0	6,118	25.7	1,300	30.0	1,311	18.2
Large-span carbon fiber composite five-axis machine tools	–	–	–	–	–	–	–	–	(1,864)	(9.8)
Repair and maintenance services	302	9.1	882	14.5	2,284	53.3	985	82.8	31	11.5
Subtotal	**21,410**	**15.8**	**122,343**	**36.6**	**205,169**	**38.6**	**128,209**	**40.7**	**196,290**	**44.1**
Less: impairment losses on inventories	*(46,195)*		*(6,532)*		*(5,290)*		*(1,963)*		*(5,388)*	
Total	**(24,785)**	**(18.3)**	**115,811**	**34.6**	**199,879**	**37.6**	**126,246**	**40.1**	**190,902**	**42.9**

We recorded gross loss of RMB24.8 million and gross profit of RMB115.8 million, RMB199.9 million and RMB190.9 million in FY2022, FY2023, FY2024 and 6M2025, respectively. For details of our gross profit/(loss), see "Financial Information – Year to Year Comparison of Results of Operations" in this document.

During the Track Record Period, the average selling prices ("**ASP**") of our products varied according to various technical customizations of our customers. For more details of our pricing policy, please see "– Pricing Policy" in this section. The sales of our products are generally not subject to seasonal fluctuations. The table below sets out our sales volume, ASP and price ranges of our products by product category during the Track Record Period:

	FY2022			FY2023			FY2024			6M2024			6M2025		
	Sales volume	ASP	Price range	Sales volume	ASP	Price range	Sales volume	ASP	Price range	Sales volume	ASP	Price range	Sales volume	ASP	Price range
	(Units)	*(RMB'000)*	*(RMB'000)*	*(Units)*	*(RMB'000)*	*(RMB'000)*	*(Units)*	*(RMB'000)*	*(RMB'000)*	*(Units)*	*(RMB'000)*	*(RMB'000)*	*(Units)*	*(RMB'000)*	*(RMB'000)*
Aviation and aerospace intelligent manufacturing equipment	23	5,758	430 to 38,200	55	5,911	248 to 31,800	50	10,069	250 to 51,300	30	10,310	248 to 51,290	30	13,941	2,167 to 27,022
Compact general industrial five-axis machine tools	–	–	–	3	1,159	973 to 1,400	23	1,036	870 to 1,500	4	1,084	973 to 1,292	7	1,027	955 to 1,106
Large-span carbon fiber composite five-axis machine tools	–	–	–	–	–	–	–	–	–	–	–	–	5	3,804	1,887 to 5,223

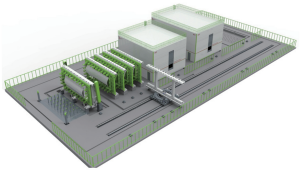
Aviation and aerospace intelligent manufacturing equipment

Our aviation and aerospace intelligent manufacturing equipment include the (i) dual five-axis mirror milling machine tools, (ii) horizontal flip-type milling five-axis machine tools, (iii) friction stir welding five-axis machine tools, (iv) aviation and aerospace five-axis machining centers, (v) automated drilling and riveting docking equipment and (vi) high-precision aviation and aerospace five-axis gantry machine tools. Sales of our aviation and aerospace intelligent manufacturing equipment accounted for approximately 97.5%, 97.2%, 94.7% and 94.0% of our total revenue for FY2022, FY2023, FY2024 and 6M2025, respectively.

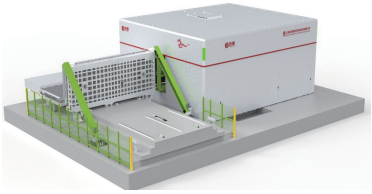
According to the CIC Report, we sold the world's first five-meter vertical dual five-axis mirror milling machine tool for machining of launch tank vehicle domes. According to the same source, our China's first horizontal dual five-axis mirror milling machine tool has enabled environmentally-friendly and high precision mechanical milling of aircraft skin. Such product has been adopted for machining of C919 aircraft skin. Our friction stir welding five-axis machine tool is also China's first machine tool for rocket tanks machining. It is used in manufacturing critical components of multiple series of launch vehicles.

Set forth below are the details of our aviation and aerospace intelligent manufacturing equipment:

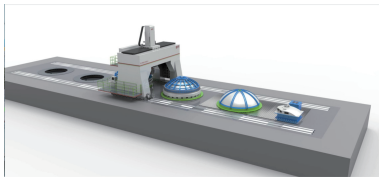
Aviation and aerospace intelligent manufacturing equipment

	Function	Target use scenarios	Core technology applied
Dual five-axis mirror milling machine tools (雙五軸鏡像銑機床)  *Horizontal dual five-axis mirror milling machine tools*	Precision machining of curved components with the use of two synchronised five-axis units operating in mirrored opposition	Machining of large thin-walled aircraft skin	**Precision mechanical manufacturing process technology** • Dual five-axis mirror milling machine tool design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology
 *Vertical dual five-axis mirror milling machine tools*		Machining of launch vehicle fuel tank domes	**CNC system and intelligent measurement and control technology** • Mirror milling high-precision real-time thickness measurement and compensation technology • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

Aviation and aerospace intelligent manufacturing equipment

	Function	Target use scenarios	Core technology applied
Horizontal flip-type milling five-axis machine tools (臥式翻板銑五軸機床) 	Machining of large, complex components through its integrated swivel head and rotary table configuration	Machining of large titanium and aluminum alloy aircraft structural components	**Precision mechanical manufacturing process technology** • Large-scale horizonal five-axis machine tool configuration design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology • High-duty, high-torque rotary positioning technology **CNC system and intelligent measurement and control technology** • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

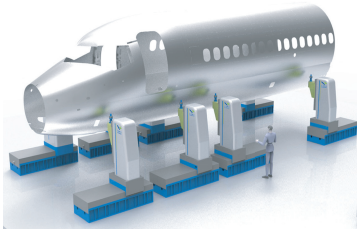
Aviation and aerospace intelligent manufacturing equipment

	Function	Target use scenarios	Core technology applied
Friction stir welding five-axis machine tools (攪拌摩擦焊五軸機床) 	Large, curved surface friction stir welding with a heavy-duty five-axis gantry structure and integrated milling-welding-positioning-fixturing technology	Welding for rocket tanks	**Precision mechanical manufacturing process technology** • Friction stir welding equipment design and manufacturing technology **Core component development technology** • Heavy-duty, high-torque rotary positioning technology • Milling-welding composite spindle technology **CNC system and intelligent measurement and control technology** • Friction stir welding constant pressure/displacement real-time control technology • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

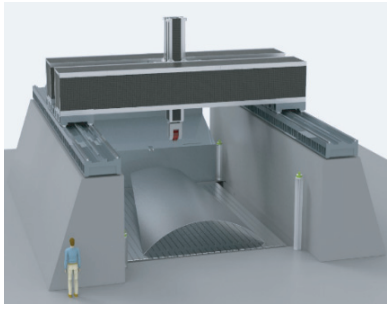
Aviation and aerospace intelligent manufacturing equipment

	Function	Target use scenarios	Core technology applied
Aviation and aerospace five-axis machining center (航空航天五軸加工中心)  *Vertical aviation and aerospace five-axis machining center*	Machining of large complex-feature and complex-curvature components with high-speed and high-precision rotational axis movement	Machining of large titanium and aluminum alloy aircraft structural components	**Core component development technology** • High-speed, high-precision rotary positioning technology **CNC system and intelligent measurement and control technology** • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology
 *Horizontal aviation and aerospace five-axis machining center*		Machining of aero-engine components such as inducer, rocket nozzles, pump/valve housings	

Aviation and aerospace intelligent manufacturing equipment

	Function	Target use scenarios	Core technology applied
Automated drilling and riveting docking equipment (航空航天自動鑽鉚對接裝備)  *Automated drilling and riveting equipment*	Automated drilling and riveting of component which builds upon an end-effector that integrates normal-direction measurement, datum hole detection, automated hole drilling, fastener feeding and riveting functions	Automated drilling, riveting and hole-making for launch vehicle barrel sections and aircraft fuselage segments	**Precision mechanical manufacturing process technology** • Automatic drilling and riveting equipment design and manufacturing technology **Core component development technology** • Multi-function drilling-riveting-measurement spindle technology **CNC system and intelligent measurement and control technology** • Automated drilling and riveting normal-direction countersink depth and hole diameter measurement and control technology • High-precision spatial measurement and control technology for industrial robots
 *Digital docking equipment*	Component alignment and docking using multiple CNC positioners with multi-axis motion control, posture measurement and analysis for assembly sections, and automated spherical joint engagement	Automated alignment and precision docking assembly for aircraft fuselage sections	

Aviation and aerospace intelligent manufacturing equipment

	Function	Target use scenarios	Core technology applied
High-precision aviation and aerospace five-axis gantry machine tools (高精度航空航天五軸龍門機床) 	High-accuracy machining of large-scale, high-geometric workpieces with a double-beam bridge gantry structure and moving parts made of carbon fiber composites	High-precision machining of large aircraft structural components	**Precision mechanical manufacturing process technology** • High-speed carbon fiber composite machine tool design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology **CNC system and intelligent measurement and control technology** • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

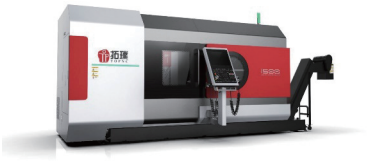
Compact general industrial five-axis machine tools

Our compact general industrial five-axis machine tools comprise the Kunpeng (鯤鵬) series, with nine models across two product categories of (i) five-axis milling-turning machining centers and (ii) horizontal five-axis machining centers. Among which, the five-axis milling-turning machining centers have been introduced to the market and have been generating revenue since 2023. Sales of our compact general industrial five-axis machine tools accounted for 1.0%, 4.5% and 1.6% of our total revenue for FY2023, FY2024 and 6M2025, respectively. We believe compact general industrial five-axis machine tools will represent an increasing proportion of our revenue as we continue to expand our business in the general industrial market including automative, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing.

Our compact general industrial five-axis machine tools incorporate our proprietary CNC system and in-house designed core components, offering cost-performance advantages for our customers. Our five-axis milling-turning machining center combines multiple machining processes including turning, milling, drilling, tapping, and gear cutting operations, which significantly improves production efficiency and operational experience; whereas our horizontal five-axis machining center efficiently process complex components such as impellers, blisks, and multi-surface casings.

Set forth below are the details of our compact general industrial five-axis machine tools:

Compact general industrial five-axis machine tools

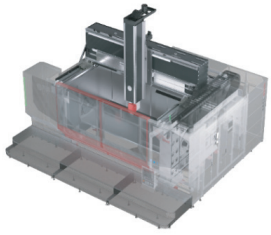
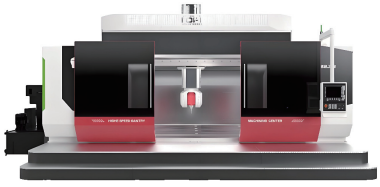
	Function	Target use scenarios	Core technology applied
Five-axis milling-turning machining centers (五軸車銑複合加工中心) 	Machining of small-to-medium complex components with combined milling and turning operations in a single setup	Medical equipment: artificial bones, artificial joints Machine tools: electric spindle components Automotive and machinery: engine blocks, motor shaft housings Semiconductor equipment: rotor shafts	**Core component development technology** • Turning-milling composite spindle technology • High-speed, high-precision rotary positioning technology **CNC system and intelligent measurement and control technology** • Five-axis turning-milling CNC system technology • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology
Horizontal five-axis machining centers (臥式五軸加工中心) 	Machining of complex-feature and complex-curvature components (within 1,000mm work envelope) with high-speed and high-precision rotational axis movement	Machining of complex-shaped components such as pump/valve housings, automotive engine blocks, small-to-medium moulds, and medical devices	**Core component development technology** • High-speed, high-precision rotary positioning technology **CNC system and intelligent measurement and control technology** • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

Large-span carbon fiber composite five-axis machine tools

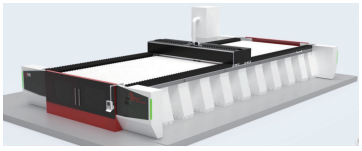
Our large-span carbon fiber composite five-axis machine tools refer to advanced five-axis CNC machine tools which integrate carbon fiber composites with innovative structural designs. Our product portfolio includes the Phantom (幻影) series which comprise three product categories of (i) high-speed five-axis gantry machine tools, (ii) high-precision five-axis gantry machine tools and (iii) large-span five-axis gantry machine tools. With the use of carbon fiber composites across all moving parts, they exhibit the technological advantages of lightweight properties, high-dynamic performance, extended operating range, micron-level accuracy and advanced thermal and vibration control capabilities. During 6M2025, we first sold five of our large-span carbon fiber composite five-axis machine tools. In particular, two were sold to an automotive manufacturer for machining of automotive integrated die cast structural components, two were sold to a state-owned research institute specializing in ship transportation technologies for machining vessels, and one was sold to a specialist in carbon fiber composites for machining vehicle prototypes, wind turbine molds and lost foam molds, with contract value ranging from RMB2 million to RMB12 million. Sales of our large-span carbon fiber composite five-axis machine tools accounted for 4.3% of our total revenue for 6M2025. According to the CIC Report, we are the world's first and only manufacturer that sold the first machine tool which fully applied carbon fiber composite materials across all moving parts.

Set forth below are the details of our large-span carbon fiber composite five-axis machine tools:

Large-span carbon fiber composite five-axis machine tools

	Function	Target use scenarios	Core technology applied
High-speed five-axis gantry machine tools (高速五軸龍門機床)  	High-speed machining of large workpieces with a double-beam bridge gantry structure and moving parts made of carbon fiber composites	High-speed machining of post-casting automotive integrated components	**Precision mechanical manufacturing process technology** • High-speed carbon fiber composite machine tool design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology **CNC system and intelligent measurement and control technology** • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology
High-precision five-axis gantry machine tools (高精度五軸龍門機床) 	High-accuracy machining of large-scale, high-geometric workpieces with a double-beam bridge gantry structure and moving parts made of carbon fiber composites	Machining of semiconductor vacuum chambers and automotive molds	**Precision mechanical manufacturing process technology** • High-speed carbon fiber composite machine tool design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology

Large-span carbon fiber composite five-axis machine tools

	Function	Target use scenarios	Core technology applied
Large-span five-axis gantry machine tools (大尺寸五軸龍門機床) 	Machining of extra-large workpieces with a double-beam bridge gantry structure and moving parts made of carbon fiber composites	Machining of extra-large components which range from 6m to 15m in width	**Precision mechanical manufacturing process technology** • High-speed carbon fiber composite machine tool design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology **CNC system and intelligent measurement and control technology** • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

Repair and maintenance services

We provide repair and maintenance services in meeting different operational requirements of our customers. For FY2022, FY2023, FY2024 and 6M2025, we generated 2.5%, 1.8%, 0.8% and 0.1% of our total revenue from the provision of repair and maintenance services, respectively.

SALES

As at 30 June 2025, our sales team consisted of 73 employees. Our sales team mainly comprise personnel with extensive industry knowledge and prior working experience with enterprises in the intelligent manufacturing equipment industry, and is primarily responsible for frequently communicating with our customers and understanding their feedback on the quality, preferences, improvements and market demand of our products and services. To encourage and incentivize our sales force, we have implemented a compensation structure that includes a fixed component as well as a performance-based component and also set performance targets for our sales team.

Over the years, we have established an extensive customer base across China, with our sales of products within China accounted for over 98% of the Group's revenue for each year/period during the Track Record Period. We primarily sell our products through our dedicated sales team, while complementing this with partnerships with sales representatives as part of our plan to expand our market presence in the general industrial market and introduce our compact general industrial five-axis machine tools to the market. In FY2024 and 6M2025, our sales to the sales representatives amounted to RMB7.1 million and RMB2.0 million, accounting for 1.3% and 0.4% of our total revenue, respectively. We entered into sales contract with the sales representative only after they have identified specific end-users, with such sales contract requiring delivery to the end-users. We sold compact general industrial five-axis machine tools to three and one sales representatives in FY2024 and 6M2025, respectively. While they act as representatives of the end-users, we classify these sales representatives as our customers and sales to them as the sales to our customers. Hence, all our revenue during the Track Record Period was attributable to our direct sales to customers and we consider there is minimal financial impact of partnering with sales representatives to the Group.

During the Track Record Period, we provided products and services to 39, 47, 38 and 20 customers, respectively. Our customers mainly comprise (i) end customers including private enterprises and state-owned enterprises in the aviation and aerospace sector and the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing, and (ii) representatives of end users.

To procure customers such as state-owned enterprises, we actively pursue tendering opportunities identified through strategic marketing initiatives including industry exhibitions and government procurement platforms. Our tender evaluation process involves assessment of factors including (i) financial viability, including material costs, labour requirements and projected margins; (ii) technical and operational feasibility, including engineering specifications, production capacity and resource availability; and (iii) logistical requirements, including delivery timelines and installation schedules.

The table below sets forth a breakdown of our revenue by customer types for the periods indicated:

	FY2022		FY2023		FY2024		6M2024		6M2025	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)* (unaudited)	*(%)*	*(RMB'000)*	*(%)*
Revenue from										
– Private enterprises	70,522	51.9	45,325	13.5	244,566	46.0	48,189	15.3	313,872	70.6
– State-owned enterprises	64,462	47.5	288,422	86.2	285,990	53.8	266,649	84.7	130,829	29.4
– Tertiary institutions	785	0.6	883	0.3	1,000	0.2	–	–	–	–
Total	**135,769**	**100.0**	**334,630**	**100.0**	**531,556**	**100.0**	**314,838**	**100.0**	**444,701**	**100.0**

Since FY2023, the overall proportion of revenue contributed by private enterprises has increased, while the overall proportion of revenue contributed by state-owned enterprises has declined. We expect this trend to continue, as a result of our strategic shift towards private-sector clients, which is expected to reduce our risk exposure to the prolonged payment schedule associated with state-owned enterprises. For details, see "Financial Information – Description of Selected Items of the Consolidated Statements of Financial Position – Inventories – Cashflow cycle during the acceptance process" in this document.

The following table sets forth a breakdown of our revenue secured through tendering and direct negotiations for the periods indicated:

	FY2022		FY2023		FY2024		6M2024		6M2025	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)* (unaudited)	*(%)*	*(RMB'000)*	*(%)*
Revenue from										
– Tendering	54,885	40.4	269,036	80.4	468,770	88.2	291,527	92.6	428,611	96.4
– Direct negotiations	80,884	59.6	65,594	19.6	62,786	11.8	23,311	7.4	16,090	3.6
Total	**135,769**	**100.0**	**334,630**	**100.0**	**531,556**	**100.0**	**314,838**	**100.0**	**444,701**	**100.0**

During the Track Record Period, the number of awarded tenders remained relatively stable at three, five, three and five for FY2022, FY2023, FY2024 and 6M2025, respectively. The following table shows the details of our tendering during the Track Record Period:

	FY2022	FY2023	FY2024	6M2025
Number of tenders submitted	9	22	15	14
Number of tenders awarded	3	5	3	4
Success rate *(Note)*	33.3%	22.7%	20.0%	28.6%

Note: The tender success rate for a particular year/period is calculated based on the number of tenders awarded to the Group (whether awarded in the same year/period or subsequently) divided by the number of tenders submitted during that year/period.

The number of tenders submitted increased from nine in FY2022 to 22 in FY2023 as part of our strategic effort to broaden our project portfolio. However, the success rate decreased from 33.3% in FY2022 to 22.7% in FY2023, primarily due to the inclusion of a wider range of projects, some of which were less aligned with our core technological strengths and competitive positioning. In FY2024, we adopted a more selective approach to tender submissions, reducing the number to 15, as we focused increasingly on the sale of compact general five-axis machine tools which has fewer opportunities in the tendering market. In 6M2025, we submitted 14 tenders, as driven by the increase in market demand from the aviation and aerospace sector. The tender success rate increased to 28.6% in 6M2025 as a result of the improved alignment between submitted tenders and our expertise.

We also enter into sales contracts through direct negotiations with customers without tendering requirements. Our sales team manages initial inquiries and prepare sales contracts detailing product specifications, configurations and pricing. Our sales team then send the sales contracts to potential customers for their review and confirmation. Our sales contract typically includes terms that govern specifications of our products, product fees, payment method and schedule, packaging and logistics requirements, product testing procedure and warranty periods.

Our sales contract typically contains the following salient terms:

Terms	Description
Quality requirements	Our products must comply with the technical specifications mutually agreed in the sales contract and the relevant national standards for mandatory accuracy requirements and testing methods for CNC machine tools.
Delivery and logistics	We shall be responsible for the delivery of products to the customer's designated site, and associated costs including transportation, installation, inspection, acceptance testing and warranty services. These services are covered within the total contract price. Sales contracts with our customers may contain a delay penalty clause that if there is any delay from the agreed deadline, we may be subject to a fine calculated on a daily/weekly basis, with a ceiling of up to 5% to 20% of the total purchase price generally.
Payment structure	Our sales contracts typically provide for payment by several instalments, with payment schedule varying according to the customer type and/or product type. While we generally adopt the following payment schedule, these terms may be subject to variations based on commercial negotiations: – for state-owned enterprises customers, we in general target to follow a "3-3-3-1" payment schedule: (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; – for private-sector customers, we in general target to adopt a "4-4-2" payment schedule: (i) 40% upon execution of contract; (ii) 40% upon pre-acceptance approval; and (iii) 20% upon final acceptance approval; and

Terms	Description
	– for compact general industrial five-axis machine tools, we in general target to adopt a "3-6-1" payment schedule: (i) 30% deposit upon execution of contract; (ii) 60% prior to shipment; and (iii) 10% upon fulfilment of warranty service.
Breach of contract	In the event of delayed delivery, we will incur penalty fees deductible from the contract price. Such penalties will be subject to a predetermined maximum cap.
Product return	In the event any of the products fail to meet the agreed quality, we shall replace or supplement the deficient products. In the event any of the products fundamentally fail to meet the agreed quality, we shall accept full product return, and refund all payments received from the customers.

We formulate a procedure to ensure compliance with the U.S. OFAC Sanctions Programme, that our sales team must conduct OFAC list matching prior to customer due diligence and entering into of sales contract. Furthermore, we formulate a procedure for sales contract management, which includes that our production schedule shall align with the delivery timeline as agreed in the sales contract.

Project Backlog

The table below sets forth the movement in the value of backlog of our projects for the periods indicated and up to the Latest Practicable Date:

	FY2022 *(RMB'000)*	FY2023 *(RMB'000)*	FY2024 *(RMB'000)*	6M2025 *(RMB'000)*	From 6M2025 and up to the Latest Practicable Date *(RMB'000)*
Opening value of backlog as at the beginning of the relevant year/period	**1,016,279**	**1,247,109**	**995,558**	**572,789**	**329,464**
Add: Newly secured contract value from new project(s)	439,300	107,547	131,106	218,005	143,102
Add: Variation orders/work instructions	(69,912)	(4,265)	(3,566)	(4,035)	–
Less: Contract value recognized*(Note)*	138,559	354,833	550,309	457,295	40,050
Ending value of backlog as at the end of the relevant year/period	**1,247,109**	**995,558**	**572,789**	**329,464**	**432,516**

Note: The contract value recognized includes the revenue recognized under all contracts in the respective year/period plus taxes and surcharges we paid in the respective year/period, minus the revenue recognized from downstream sales to the Company's associates in the respective year/period.

- The taxes and surcharges during FY2022, FY2023, FY2024, 6M2025 and from 6M2025 up to 26 August 2025 were RMB2.8 million, RMB0.2 million, RMB0.2 million, RMB0.2 million and nil, respectively.

- The revenue recognized from downstream sales to the Company's associates during FY2022, FY2023, FY2024, 6M2025 and from 6M2025 up to 26 August 2025 were nil, RMB20.0 million, RMB18.5 million, RMB12.4 million and nil, respectively.

During FY2022, the backlog value increased from RMB1,016.3 million to RMB1,247.1 million, driven by the addition of high-value contracts secured during the year. During FY2023, the backlog value decreased from RMB1,247.1 million to RMB995.6 million, due to the completion of a large number of projects which offset the newly awarded contracts. During FY2024, the backlog value further decreased to RMB572.8 million, as revenue recognition from completed projects outpaced new contract awards. During 6M2025, the backlog value continued to decrease to RMB329.5 million, reflecting our progress in project execution and the procurement cycle of our customers during this period. From 6M2025 up to the Latest Practicable Date, the backlog increased to RMB433.0 million, primarily because we secured a contract with contract value of RMB129.5 million which were related to the sale of aviation and aerospace intelligent manufacturing equipment. In September 2025, we were awarded two projects following a tender process with Customer I, with an aggregate value of RMB218.0 million. In October 2025, we were also awarded a project following a tender process with a subsidiary of Customer B, with an aggregate value of RMB3.4 million. The contracts for these awarded projects are expected to be executed within FY2025.

Major Sales Contracts during the Track Record Period and up to the Latest Practicable Date

The following table sets forth particulars of 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:

No.	Customer	Date of contract *(dd/mm/yyyy)*	Products/services provided by our Group	Contract value *(RMB'000)*	Date of final acceptance *(dd/mm/yyyy)*	Status of contract; and revenue contributed and gross profit margin during the Track Record Period *(Note 1)* *(RMB'000)*			
						FY2022	FY2023	FY2024	6M2025
1.	Chengdu Yongfeng	29/11/2019	Aviation and aerospace intelligent manufacturing equipment (27 aviation and aerospace five-axis machining centers and two dual five-axis mirror milling machine tools)	200,000	23/11/2022	Completed; revenue: 68,439 *(Note 2)* Gross profit margin: 21.89%	–	–	–
2.	A subsidiary of Customer F	28/5/2021	Aviation and aerospace intelligent manufacturing equipment (12 horizontal flip-type milling five-axis machine tools)	167,500	29/01/2024	Ongoing	Ongoing	Completed; revenue: 128,111 *(Note 3)* Gross profit margin: 57.42%	–
3.	Customer H	18/6/2022	Aviation and aerospace intelligent manufacturing equipment (five dual five-axis mirror milling machine tools)	148,600	28/4/2025	New	Ongoing	Ongoing	Completed; revenue: 131,439 Gross profit margin: 52.92%

No.	Customer	Date of contract *(dd/mm/yyyy)*	Products/services provided by our Group	Contract value *(RMB'000)*	Date of final acceptance *(dd/mm/yyyy)*	Status of contract; and revenue contributed and gross profit margin during the Track Record Period *(Note 1)* *(RMB'000)*			
						FY2022	FY2023	FY2024	6M2025
4.	Customer K	26/8/2025	Aviation and aerospace intelligent manufacturing equipment (three friction stir welding five-axis machine tools)	129,500	N/A			*(Note 4)*	
5.	A subsidiary of Customer F	25/1/2022	Aviation and aerospace intelligent manufacturing equipment (six dual five-axis mirror milling machine tools)	109,730	20/4/2025	New	Ongoing	Ongoing	Completed; revenue: 84,703 *(Note 3)* Gross profit margin: 51.86%
6.	Customer H	18/6/2022	Aviation and aerospace intelligent manufacturing equipment (five dual five-axis mirror milling machine tools)	91,210	20/1/2025	New	Ongoing	Ongoing	Completed; revenue: 80,677 Gross profit margin: 54.05%
7.	Customer H	13/12/2021	Aviation and aerospace intelligent manufacturing equipment (five dual five-axis mirror milling machine tools)	74,220	20/1/2025	Ongoing	Ongoing	Ongoing	Completed; revenue: 65,649 Gross profit margin: 32.20%

No.	Customer	Date of contract *(dd/mm/yyyy)*	Products/services provided by our Group	Contract value *(RMB'000)*	Date of final acceptance *(dd/mm/yyyy)*	Status of contract; and revenue contributed and gross profit margin during the Track Record Period *(Note 1)* *(RMB'000)*		
						FY2022	FY2023	FY2024	6M2025
8.	A subsidiary of Customer B	30/6/2021	Aviation and aerospace intelligent manufacturing equipment (three dual five-axis mirror milling machine tools)	67,280	15/2/2023	Ongoing	Completed; revenue: 51,430 *(Note 3)* Gross profit margin: 61.55%	–	–
9.	Customer I	1/1/2025	Aviation and aerospace intelligent manufacturing equipment (two dual five-axis mirror milling machine tools)	67,260	N/A	–	–	–	New
10.	Customer H	13/12/2021	Aviation and aerospace intelligent manufacturing equipment (five horizontal flip-type milling five-axis machine tools)	65,450	26/11/2024	Ongoing	Ongoing	Completed; revenue: 57,898 Gross profit margin: 28.98%	–
11.	Relevant Customer X	28/12/2021	Aviation and aerospace intelligent manufacturing equipment (one dual five-axis mirror milling machine tool)	57,980	23/2/2024	Ongoing	Ongoing	Completed; revenue: 51,291 Gross profit margin: 55.02%	–

No.	Customer	Date of contract *(dd/mm/yyyy)*	Products/services provided by our Group	Contract value *(RMB'000)*	Date of final acceptance *(dd/mm/yyyy)*	Status of contract; and revenue contributed and gross profit margin during the Track Record Period *(Note 1)* *(RMB'000)*			
						FY2022	FY2023	FY2024	6M2025
12.	A subsidiary of Customer B	30/6/2021	Aviation and aerospace intelligent manufacturing equipment (ten aviation and aerospace five-axis machining centers)	54,500	15/2/2023	Ongoing	Completed; revenue: 41,661 *(Note 3)* Gross profit margin: 38.91%	–	–

Notes:

(1) The difference in contract value and revenue recognised under the contract represents the value-added tax of 13%.

(2) A portion of the products stipulated under the contract were delivered in 2019, 2020 and 2021, with corresponding revenue recognized in each respective year.

(3) The difference in contract value and revenue recognised under the contract represents the value-added tax of 13% plus the elimination of downstream sales to the Company's associates.

(4) The contract was entered into after the Track Record Period.

PRICING POLICY

We normally set a price on a cost-plus basis taking into account a variety of factors, including cost of raw materials, labour costs, research and development costs, complexity of the work, sub-contracting costs, business strategies, market demand, the specification and/or customisations required by our customers and past relationships with the customers.

MARKETING

We strengthen and expand relationships with both existing and potential customers by showcasing the capabilities and advanced applications of our products. Our multifaceted marketing initiatives include participation in industry exhibitions, technical seminars, executing digital marketing campaigns and organising customer site visits. For FY2022, FY2023, FY2024 and 6M2025, our selling and marketing expenses were RMB11.9 million, RMB26.0 million, RMB28.1 million and RMB16.0 million, respectively, representing 8.7%, 7.8%, 5.3% and 3.6% of our revenue for the same years/periods, respectively.

The following table sets forth the details of our marketing activities:

Types	Details
Industry exhibitions	We have been actively participating in various industry exhibitions, including China International Industry Fair (中國國際工業博覽會), China CNC Machine Tool Fair (中國國際機床展會), Zhuzhou Industrial Expo (株洲工業展覽會), where we demonstrate our technical capabilities and engage with industry stakeholders. These industry exhibitions enable us to showcase our products while identifying new business opportunities across industrial sectors.
Social media	As of the Latest Practicable Date, we have established presence on WeChat official account (微信公衆號), WeChat Channel (微信視頻號) and LinkedIn. We regularly publish demonstrative videos and technical content which highlight the applications, operational advantages and real-world implementations of our products.
Technical seminars	We actively participate in technical seminars to demonstrate thought leadership and engage with industry experts. Key events include High-quality Development Forum for Industrial Machine Tools (機床裝備高質量發展論壇), Yangtze Delta Industry Innovation Salon on Digital Design & Manufacturing (數字化設計與製造長三角產業協同創新沙龍) and Metalworking Technology Innovation Forum (金屬加工工藝創新論壇), where we discussed innovations and advancements in intelligent manufacturing equipment.

OUR CUSTOMERS

Overview

Over the years, we have expanded our market presence from the aviation and aerospace sector into the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing. We have in particular cultivated long-standing relationships with key aviation and aerospace customers spanning over a decade. We believe our long-term business relationship with our major customers are mutually beneficial, as these collaborations enable our customers to secure a stable supply of manufacturing solutions tailored to their operational needs and technological requirements, while simultaneously driving our R&D advancements as we respond to their evolving demands for higher-performance products.

Our Top Five Customers

Sales to our top five customers for FY2022, FY2023, FY2024 and 6M2025 amounted to approximately RMB133.4 million, RMB310.3 million, RMB422.7 million and RMB410.4 million, respectively, representing approximately 98.3%, 92.7%, 79.5% and 92.4% of our total revenue for the respective year/period. Sales to our largest customer for FY2022, FY2023, FY2024 and 6M2025 amounted to approximately RMB68.5 million, RMB195.4 million, RMB129.6 million and RMB277.8 million, representing approximately 50.5%, 58.4%, 24.4% and 62.5% of our total revenue, respectively.

The information of each of our top five customers for each year/period during the Track Record Period is set out below:

FY2022

	Customer	Notes	Products/services provided by our Group	Year in which our business relationship commenced	Revenue contribution *(RMB'000)*	Percentage of our total revenue *(%)*
1	Chengdu Yongfeng	*(1)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2018	68,548	50.5
2	Customer A[#]	*(2)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2017	39,070	28.8

	Customer	Notes	Products/services provided by our Group	Year in which our business relationship commenced	Revenue contribution *(RMB'000)*	Percentage of our total revenue *(%)*
3	Customer B#	*(3)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2009	24,632	18.1
4	Customer C	*(4)*	Aviation and aerospace intelligent manufacturing equipment	2019	648	0.5
5	Customer D#	*(5)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2009	518	0.4
	Total				133,416	98.3

The customer is a group consolidating the transaction amounts of entities within such group.

FY2023

	Customer	Notes	Products/services provided by our Group	Year in which our business relationship commenced	Revenue contribution *(RMB'000)*	Percentage of our total revenue *(%)*
1	Customer B#	*(3)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2009	195,355	58.4
2	Customer A#	*(2)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2017	54,498	16.3

	Customer	Notes	Products/services provided by our Group	Year in which our business relationship commenced	Revenue contribution *(RMB'000)*	Percentage of our total revenue *(%)*
3	Customer D#	*(5)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2009	25,680	7.7
4	Customer E	*(6)*	Aviation and aerospace intelligent manufacturing equipment	2020	21,886	6.5
5	Customer F#	*(7)*	Aviation and aerospace intelligent manufacturing equipment	2021	12,869	3.8
	Total				310,288	92.7

The customer is a group consolidating the transaction amounts of entities within such group.

FY2024

	Customer	Notes	Products/services provided by our Group	Year in which our business relationship commenced	Revenue contribution *(RMB'000)*	Percentage of our total revenue *(%)*
1	Customer F#	*(6)*	Aviation and aerospace intelligent manufacturing equipment	2021	129,635	24.4
2	Customer G	*(8)*	Aviation and aerospace intelligent manufacturing equipment	2022	103,415	19.5
3	Customer H	*(9)*	Aviation and aerospace intelligent manufacturing equipment and compact general industrial five-axis machine tools	2021	76,120	14.3

	Customer	Notes	Products/services provided by our Group	Year in which our business relationship commenced	Revenue contribution *(RMB'000)*	Percentage of our total revenue *(%)*
4	Customer A#	*(2)*	Aviation and aerospace intelligent manufacturing equipment	2017	68,419	12.9
5	Customer I	*(10)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2016	45,142	8.4
	Total				422,731	79.5

The customer is a group consolidating the transaction amounts of entities within such group.

6M2025

	Customer	Notes	Products/services provided by our Group	Year in which our business relationship commenced	Revenue contribution *(RMB'000)*	Percentage of our total revenue *(%)*
1	Customer H	*(9)*	Aviation and aerospace intelligent manufacturing equipment	2021	277,765	62.5
2	Customer F#	*(7)*	Aviation and aerospace intelligent manufacturing equipment	2021	84,703	19.1
3	Customer B#	*(5)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2009	24,327	5.5
4	Customer J	*(11)*	Aviation and aerospace intelligent manufacturing equipment	2021	12,206	2.7

	Customer	Notes	Products/services provided by our Group	Year in which our business relationship commenced	Revenue contribution *(RMB'000)*	Percentage of our total revenue *(%)*
5	Customer I	*(10)*	Aviation and aerospace intelligent manufacturing equipment	2016	11,354	2.6
	Total				410,355	92.4

[#] The customer is a group consolidating the transaction amounts of entities within such group.

Notes:

1. Chengdu Yongfeng is a limited liability company established in the PRC in 2013, with a registered capital of RMB56.3 million. It is primarily engaged in the research, production, sales of spacecraft, civil aviation components and aerospace-related systems and provision of metal cutting services. Chengdu Yongfeng was owned by the Company as to 10.7939% before the Chengdu Yongfeng Disposal in November 2024. There was no credit period granted to it and the sales to it was settled by bank transfer. For details, please see "History – Acquisition, Merger and Disposal – Disposal of equity interest in Chengdu Yongfeng" in this document. The revenue recognized from our sales to Chengdu Yongfeng during the Track Record Period was all in FY2022 and were derived from five contracts for the purchase of aviation and aerospace intelligent manufacturing equipment and repair and maintenance services, which were entered into in FY2019 and FY2022, with delivery of all products and services completed in FY2022. Chengdu Yongfeng had not made any further purchases from the Company subsequent to FY2022 which was consistent with its procurement cycle of aviation and aerospace intelligent manufacturing equipment. The prices for the aviation and aerospace intelligent manufacturing equipment sold to Chengdu Yongfeng was determined by the parties through arm's length negotiations. In FY2022, we recorded a revenue of RMB68.5 million from our sale to Chengdu Yongfeng which are primarily derived from the sales of two types of products, namely: (i) the sale of 12 vertical aviation and aerospace five-axis machining centers with a gross profit margin of 17.3%, as compared to the Company's composite gross profit margin of 22.4% for similar products; and (ii) the sale of one dual five-axis mirror milling machine tools with a gross profit margin of 32.5%, as compared to the Company's composite gross profit margin of 45.2% for similar products. The relatively lower gross profit margin from our sales to Chengdu Yongfeng was primarily a result of the nature of the products sold to Chengdu Yongfeng, which were early models at a relatively immature stage and also required high degree of customization, and therefore had a less efficient production process and higher costs for procurement of raw materials. Similar products generally experienced increase in gross profit margin afterwards primarily because of the decrease in raw materials cost due to enhancement in standardisation of our operations and production technologies, including modification of our product design to facilitate the use of common components. Such similar products were delivered to customers in FY2023 or after. Hence, our Directors are of the view that our transactions with Chengdu Yongfeng during the Track Record Period were conducted on normal commercial terms and comparable to the terms of our transactions with other Independent Third Parties.

2. Customer A is a limited liability company established in the PRC in 2008, with a registered capital of RMB64.0 billion. It is a central state-owned enterprise primarily engaged in aircraft manufacturing. During the Track Record Period, we had business relationship with seven of its subsidiaries. We typically granted a credit period of up to 30 days to them and the sales to them were settled by bank transfer.

3. Customer B is a limited liability company established in the PRC in 1999, with a registered capital of RMB20.0 billion. It is a central state-owned enterprise primarily engaged in the research, production, sales of spacecraft and aerospace-related systems. During the Track Record Period, we had business relationship with eight of its subsidiaries. We typically granted a credit period of up to 180 days to them and the sales to them were settled by bank transfer and acceptance bill.

4. Customer C is a vocational and technical college established in the PRC in 1965, with a registered capital of RMB93.2 million. Its scope of operation is to cultivate talents with technical skills for the aviation industry and other industries. There was no credit period granted to it and the sales to it was settled by bank transfer.

5. Customer D is a limited liability company established in the PRC in 1999 with a registered capital of RMB18.7 billion. It is a central state-owned enterprise primarily engaged in R&D and manufacturing of aerospace products and satellite ground application systems. During the Track Record Period, we had business relationship with four of its subsidiaries. We typically granted a credit period of up to 30 days to them and the sales to them were settled by bank transfer.

6. Customer E is established in the PRC in 2008 with a registered capital of approximately RMB306.2 million. It is listed on the Shanghai Stock Exchange and primarily engaged in manufacturing of semiconductor components. We typically granted a credit period of 15 working days to it and the sales to it was settled by bank transfer and acceptance bill.

7. Customer F is a limited liability company established in 2018 with a registered capital of RMB1.0 billion. It is a state-owned enterprise primarily engaged in design and production of construction management. During the Track Record Period, we had business relationship with two of its subsidiaries, including Chengdu Chenfei, which is held as to 14.48% equity interest by and accounted for as an associate of our Company. We became acquainted with Customer F during the development initiative of Sichuan Chengdu Aviation Industrial Park* (四川成都航空產業園) in 2021, during which among others, we had jointly established Chengdu Chenfei to construct a manufacturing facility specializing in the production of aviation and aerospace components.

    - We first commenced business relationship with Customer F when we entered into a sales contract with Chengdu Chenfei in a contract sum of RMB167.5 million for the sale of aviation and aerospace intelligent manufacturing equipment, namely 12 horizontal flip-type milling five-axis machine tools in 2021. Due to the level of technical complexity and customization required for the products, the period from signing of contract to final acceptance took 32 months such that they were delivered to Chengdu Chenfei in FY2024, which led to a significant increase in sales amount to Customer F in FY2024.

    - In FY2022, we entered into a sales contract with Chengdu Chenfei in a contract sum of RMB109.8 million for the sale of aviation and aerospace intelligent manufacturing equipment, namely six horizontal flip-type milling five-axis machine tools. Due to the level of technical complexity and customization required for the products, the period from signing of contract to final acceptance took 38 months such that they were delivered to Chengdu Chenfei in 6M2025.

    - In FY2023, we entered into a sales contract with the other subsidiary of Customer F in a contract sum of RMB14.6 million for the sale of aviation and aerospace intelligent manufacturing equipment, namely three aviation and aerospace five-axis machining centers. Since the products were less technically-complexed, the period from signing of contract to final acceptance took 8 months such that they were delivered to the said subsidiary of Customer F in FY2023.

    We typically granted a credit period of up to 30 days to them, which was consistent with our payment terms for transactions with other customers in general, and the sales to them was settled by bank transfer. Our Directors confirm that all of our transactions with Customer F during the Track Record Period are conducted in our ordinary and usual course of business on normal commercial terms.

8. Customer G is a limited liability company established in 2019 with a registered capital of approximately RMB90.0 million. It is primarily engaged in spacecraft and launch vehicle manufacturing. We typically granted a credit period of up to 30 days to it and the sales to it was settled by bank transfer.

9. Customer H is a limited liability company established in the PRC in 2002 with a registered capital of RMB549.3 million. It is listed on the Shenzhen Stock Exchange and is primarily engaged in the manufacturing of ship and aerospace equipment. We typically granted a credit period of up to 30 days to it and the sales to it was settled by bank transfer.

10. Customer I is a limited liability company established in the PRC in 1982 with a registered capital of approximately RMB8.3 billion. It is a state-owned enterprise primarily engaged in design and production of civil aircraft parts. We typically granted a credit period of up to 60 working days to it and the sales to it was settled by bank transfer.

11. Customer J is a limited liability company established in the PRC in 2019 with a registered capital of approximately RMB33.3 million. It is primarily engaged in provision of intelligent manufacturing solutions to users in the high-end manufacturing industry. We typically granted a credit period of up to 60 days to it and the sales to it was settled by bank transfer.

Chengdu Chenfei was established on 18 January 2021. Upon its establishment, our Company subscribed for the registered capital of Chengdu Chenfei in the amount of RMB65,175,000 with a paid-in capital amount of RMB48,881,300. Pursuant to its articles of association, the board of directors of Chengdu Chenfei consists of five directors and one of which is appointed by our Company. Pursuant to its articles of association, resolutions of the board of directors must be passed by a simple majority or a two-thirds supermajority, depending on the nature of the resolutions. Therefore, our PRC Legal Advisor is of the view that we would not, by virtue of appointing one out of five directors, have significant control on the decision-making of Chengdu Chenfei.

Since the establishment of Chengdu Chenfei and as at the Latest Practicable Date, we held 14.48% equity interest in Chengdu Chenfei. Chengdu Chenfei was accounted for as an associate of our Company. The shareholding structure of Chengdu Chenfei is as follows:

Shareholders	**Percentage of equity interest** *(approximate)*
Chengdu Xindu Xiangcheng Construction Investment Co., Ltd. (成都市新都香城建設投資有限公司) ("**Chengdu Xiangcheng**") *(Note 1)*	55.5556%
Our Company	14.4833%
Zhonghe Venture Capital Management Co., Ltd. (眾合創業投資管理有限公司) ("**Zhonghe VC**") *(Note 2)*	14.4444%
Shanghai Binghuan Enterprise Management Partnership (Limited Partnership) (上海秉洹企業管理合夥企業 (有限合夥)) ("**Shanghai Binghuan**") *(Note 3)*	4.4444%
Fengrun Intelligent Equipment Co., Ltd. (風潤智能裝備股份有限公司) ("**Fengrun Intelligent Equipment**") *(Note 2)*	2.2222%
Chengdu Yongfeng *(Note 4)*	2.2222%
Ningbo Baosi Energy Equipment Co., Ltd. (寧波鮑斯能源裝備股份有限公司) ("**Ningbo Baosi**") *(Note 5)*	2.2222%
Taizheng Intelligent Equipment (Yunnan) Group Co., Ltd. (台正智能設備(雲南)集團有限公司) ("**Taizheng Intelligent Equipment**") *(Note 6)*	2.2222%
Wuhan Huazhong Numerical Control Co., Ltd. (武漢華中數控股份有限公司) ("**Wuhan Huazhong**") *(Note 7)*	2.1833%
Total	100%

Notes:

1. The sole shareholder of Chengdu Xiangcheng is Customer F, and the ultimate beneficial owner of which is the District State-owned Assets Supervision and Administration Commission of Chengdu Xindu Municipal Government (成都市新都區國有資產監督管理局).

2. The ultimate controlling shareholder of both Zhonghe VC and Fengrun Intelligent Equipment is Nie Xinyong (聶新勇). As of the Latest Practicable Date, Nie Xinyong (聶新勇) is a limited partner of Shanghai Yirun, holding approximately 65.9% partnership interest therein. Since Shanghai Yirun is deemed to be interested in the 27,465,430 Shares held by Shanghai Yiding Investment LP, therefore, by virtue of SFO, Nie Xinyong (聶新勇) is also deemed to be interested in the 27,465,430 Shares held by Shanghai Yiding Investment LP. For details, see "History and Corporate Structure – Pre-**[REDACTED]** Investments" and "Substantial Shareholders" in this document.

3. The general partner of Shanghai Binghuan is Xu Ruihong (徐瑞宏) who also owns 70% of its partnership interest.

4. The ultimate controlling shareholder of Chengdu Yongfeng is Liu Gang (劉鋼), who is also the former general manager and former director and a former shareholder of Shanghai Top and our Company. For details, see "History and Corporate Structure – Corporate Development and Major Shareholding Changes – (2) Early Capital Increases and equity transfers" in this document. Our Company held 10.8% equity interest in Chengdu Yongfeng before its disposal in December 2024. For details, see "History and Corporate Structure – Acquisition, Merger and Disposal – Disposal of equity interest in Chengdu Yongfeng" in this document. Chengdu Yongfeng is one of the five largest customer of our Company during the Track Record Period.

5. The ultimate controlling shareholder of Ningbo Baosi is Chen Jinyue (陳金岳).

6. The ultimate controlling shareholder of Taizheng Intelligent Equipment is Li Zhi (黎志).

7. The ultimate controlling shareholder of Wuhan Huazhong is Yan Zhi (閻志).

Save as disclosed above, all the shareholders and their respective ultimate beneficial owners of Chengdu Chenfei are Independent Third Parties.

As mentioned above, in FY2022, we entered into a sales contract with Chengdu Chenfei in a contract sum of RMB109.8 million for the sale of aviation and aerospace intelligent manufacturing equipment. Chengdu Chenfei carried out this procurement through an open tender process. The launch of the tender process was approved unanimously at a shareholders' meeting of Chengdu Chenfei. A professional service provider then administered the tender process, and notified Chengdu Chenfei that we were selected as the successful bidder. The contract and payment terms with us were finally approved by all five directors, including the director appointed by our Company, in a resolution of the board of directors of Chengdu Chenfei.

According to the Company Law of the People's Republic of China (中華人民共和國公司法), when the board of directors of a company makes a resolution on a matter with which a director is connected, the vote of that director shall not be counted in the total number of votes. As advised by our PRC Legal Advisor, not counting the vote by the director appointed by our Company, the resolution was nonetheless approved by four of the directors, which constitutes a valid majority, and therefore the resolution of the board of directors of Chengdu Chenfei approving the contract and payment terms with us was valid.

Save as disclosed above, all of our top five customers in each year/period during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, to the best of our knowledge, none of our Directors, their associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our top five customers.

Top Five Customers Concentration

During the Track Record Period, we had a concentration of top five customers. The revenue contribution of our top five customers represented 98.3%, 92.7%, 79.5% and 92.4% of our revenue during the Track Record Period respectively. Sales of aviation and aerospace intelligent manufacturing equipment have been our principal business through which we have accumulated substantial expertise and industry know-how. Our Directors consider that our customer concentration is a result of our strategic decision in establishing business relationship with leading and sizable aviation and aerospace groups with a considerable number of subsidiaries within the same group. Accordingly, on a consolidated basis, a few customers may have already contributed a significant portion of our revenue, especially, given that the domestic aviation and aerospace sector is still at the early stage of development where the industry is concentrated dominated by a limited number of players.

Notwithstanding the foregoing, given that (i) we are a pioneer in developing various China's first products for the aviation and aerospace sector and there are a limited number of industry players, (ii) we have been able to procure different combinations of top five customers for each year/period during the Track Record Period, and (iii) our strength lies in our localization of industrial machine tools through co-development with our customers, our Directors are of the view that the concentration of customers during Track Record Period did not materially impinge on our sustainability.

OUR SUPPLIERS

Overview

The principal raw materials procured by us are parts and components for our production which mainly comprise control systems, structural components such as machine tool beds and machine tool accessories, and mechanical components such as controllers, rotary axes and spindles. We design CNC system for our compact general industrial five-axis machine tools by procuring hardware such as servo motors and servo drives from our suppliers, while developing core software functionalities in-house. While our purchased and proprietary CNC system deliver identical machining precision and capabilities, we leverage purchased CNC system for broader model compatibility, especially when requested by our customers to use specific external CNC systems and stipulated in the terms of our contracts; and we adopt our proprietary CNC system in our compact general industrial five-axis machine tools to maximize cost-performance ratio. For details of the advantages of our proprietary CNC system, please see "– Our Competitive Strengths – Our robust in-house R&D capabilities and technological innovation drives market leadership and new market expansion – Dimensional leap in performance" in this section.

We generally purchase raw materials from local suppliers in the PRC. Our suppliers primarily consist of (i) providers of parts and components and (ii) manufacturing partners who provide manufacturing services to produce parts and components based on our proprietary design. We carefully select our suppliers in order to ensure availability and quality of our raw materials by implementing stringent quality control measures. For more details of our quality control measures, please see "– Quality Control – Procurement" in this section.

The prices of our raw materials fluctuate due to a variety of factors, including supply and demand dynamics, our ability to negotiate prices with suppliers and others. We usually work with multiple suppliers to reduce risks associated with procurement. During the Track Record Period, we did not experience any significant shortage of supply of principal raw materials, and the principal raw materials provided by our suppliers did not have any significant quality issues.

Providers of Parts and Components

Upon receiving the supplies, we retain the right to reject or return based on the results of our inspection. We typically obtain quotations from at least two suppliers, in order to ensure supply stability and optimal procurement cost control.

We normally enter into framework agreements with our providers of parts and components which set out the general terms and conditions of cooperation. There are no minimum purchase obligations under the framework agreements. We make separate purchase orders pursuant to the framework agreements and negotiate prices and volumes before each purchase order. We make the payment as set forth in the purchase order, and the supplier is typically responsible for the delivery of the parts and components. Prior to entering into business relationships with such providers of parts and components, we evaluate a variety of factors, including their product quality, qualification, reputation, pricing and overall services. We perform thorough due diligence on our suppliers, request samples before making purchase orders and regularly monitor and review their performance.

Manufacturing Partners

During the Track Record Period, we also engaged manufacturing partners to produce parts and components based on our proprietary designs. We maintain frequent and open communication with our manufacturing partners on project-related matters, particularly on the progress of work and project requirements. There was no material delay by our manufacturing partners during the Track Record Period.

Our Top Five Suppliers

Purchases from our top five suppliers amounted to RMB71.5 million, RMB117.6 million, RMB60.9 million and RMB16.9 million, representing approximately 31.9%, 35.6%, 32.5% and 35.0% of our total purchase for FY2022, FY2023, FY2024 and 6M2025, respectively. Purchases from our largest suppliers amounted to RMB21.8 million, RMB48.4 million, RMB23.1 million and RMB5.2 million, representing 9.7%, 14.6%, 12.3% and 10.8% of our total purchase for FY2022, FY2023, FY2024 and 6M2025, respectively.

The information of each of our top five suppliers for each year/period during the Track Record Period is set out below:

FY2022

	Supplier	Notes	Products/services procured by our Group	Year in which our business relationship commenced	Purchase amount *(RMB'000)*	Percentage of our total purchase amount *(%)*
1	Shanghai Anyu Electromechanical Equipment Co., Ltd.* (上海安馭機電設備有限公司)	*(1)*	CNC system	2016	21,835	9.7
2	Shanghai Jinjia Automation Technology Co., Ltd.* (上海津甲自動化科技有限公司)	*(2)*	Structural and mechanical components	2014	16,855	7.5
3	LIBERTY LIFT Solution Shandong OILFIELD Equipment Manufacturing Co., Ltd. (山東力博利夫石油設備製造有限公司)	*(3)*	Structural and mechanical components, manufacturing services	2018	13,091	5.9
4	Giant Precision Machinery (Kunshan) Co., Ltd.* (蓋特精工機械(昆山)有限公司)	*(4)*	Structural and mechanical components	2019	12,161	5.4
5	Shanghai Gongzhixia Precision Machinery Co., Ltd. (上海弓之下精密機械有限公司)	*(5)*	Structural and mechanical components	2013	7,535	3.4
	Total				71,477	31.9

FY2023

	Supplier	Notes	Products/services procured by our Group	Year in which our business relationship commenced	Purchase amount *(RMB'000)*	Percentage of our total purchase amount *(%)*
1	Shanghai Anyu Electromechanical Equipment Co., Ltd.* (上海安馭機電設備有限公司)	*(1)*	CNC system	2016	48,380	14.6
2	Shanghai Jinjia Automation Technology Co., Ltd.* (上海津甲自動化科技有限公司)	*(2)*	Structural and mechanical components and CNC system	2014	26,512	8.0
3	Chongqing Maixintu Precision Machinery Co., Ltd.* (重慶麥新途精密機械有限公司)	*(6)*	Structural and mechanical components, manufacturing services	2017	17,722	5.4
4	Giant Precision Machinery (Kunshan) Co., Ltd.* (蓋特精工機械(昆山)有限公司)	*(3)*	Structural and mechanical components, manufacturing services	2018	15,867	4.8
5	Shanghai Shide Machinery Equipment Co., Ltd.* (上海誓德機械設備有限公司)	*(7)*	Structural and mechanical components, manufacturing services	2013	9,121	2.8
	Total				117,602	35.6

FY2024

	Supplier	Notes	Products/services procured by our Group	Year in which our business relationship commenced	Purchase amount *(RMB'000)*	Percentage of our total purchase amount *(%)*
1	Shanghai Anyu Electromechanical Equipment Co., Ltd.* (上海安馭機電設備有限公司)	*(1)*	CNC system	2016	23,123	12.3
2	Shanghai Jinjia Automation Technology Co., Ltd.* (上海津甲自動化科技有限公司)	*(2)*	Mechanical components and CNC system	2014	12,524	6.7
3	Giant Precision Machinery (Kunshan) Co., Ltd.* (蓋特精工機械(昆山)有限公司)	*(3)*	Structural and mechanical components, manufacturing services	2018	9,377	5.0
4	Shanghai Hejian Electrical Assembly Equipment Co., Ltd. (上海和建電器成套設備有限公司)	*(9)*	Structural and mechanical components	2014	8,486	4.5
5	Nantong Yisheng Machinery Co., Ltd.* (南通易昇機械有限公司)	*(8)*	Structural and mechanical components	2023	7,428	4.0
	Total				60,938	32.5

6M2025

	Supplier	Notes	Products/services procured by our Group	Year in which our business relationship commenced	Purchase amount *(RMB'000)*	Percentage of our total purchase amount *(%)*
1	Shanghai Anyu Electromechanical Equipment Co., Ltd.* (上海安馭機電設備有限公司)	*(1)*	Mechanical components and CNC system	2016	5,222	10.8
2	Shanghai Jinjia Automation Technology Co., Ltd.* (上海津甲自動化科技有限公司)	*(2)*	Mechanical components and CNC system	2014	3,831	7.9
3	Shanghai Huamei Machinery Co., Ltd.* (上海華魅機械有限公司)	*(10)*	Structural and mechanical components	2018	2,758	5.7
4	Guangzhou Haozhi Industrial Co., Ltd.* (廣州市昊志機電股份有限公司)	*(11)*	Technical components	2021	2,571	5.3
5	Harbin Geling Technology Co., Ltd.* (哈爾濱格領科技有限公司)	*(12)*	Structural and mechanical components	2025	2,566	5.3
Total					16,948	35.0

Notes:

1. Shanghai Anyu Electromechanical Equipment Co., Ltd.* (上海安馭機電設備有限公司) is a limited liability company established in the PRC in 2011, with a registered capital of RMB15 million. It is primarily engaged in the sale of computer hardware and software and electromechanical equipment accessories. Generally, we were granted a credit period of up to 30 days and we settled payment by bank transfer and bank acceptance note.

2. Shanghai Jinjia Automation Technology Co., Ltd.* (上海津甲自動化科技有限公司) is a limited liability company established in the PRC in 2013, with a registered capital of RMB9 million. It is primarily engaged in the sale of mechanical equipment and mechanical parts. We were typically granted a credit period of 90 to 120 days and we settled payment by bank acceptance note.

3. LIBERTY LIFT Solution Shandong OILFIELD Equipment Manufacturing Co., Ltd. (山東力博利夫石油設備製造有限公司) is a limited liability company established in the PRC in 2016, with a registered capital of RMB7.9 million. It is primarily engaged in production and sales of equipment and accessories for oil drilling and production, and electromechanical equipment accessories. We were generally granted a credit period of 30 days and we settled payment by bank transfer.

4. Giant Precision Machinery (Kunshan) Co., Ltd.* (蓋特精工機械(昆山)有限公司) is a limited liability company established in the PRC in 2012, with a registered capital of RMB10.5 million. It is primarily engaged in the provision of material services and sale of mechanical parts. We were granted a credit period of 60 days and we generally settled payment by bank transfer and bank acceptance note.

5. Shanghai Gongzhixia Precision Machinery Co., Ltd. (上海弓之下精密機械有限公司) is a limited liability company established in the PRC in 2008, with a registered capital of RMB5 million. It is primarily engaged in the sale of mechanical equipment and mechanical parts. We were typically granted a credit period of 120 days and we settled payment by bank transfer.

6. Chongqing Maixintu Precision Machinery Co., Ltd.* (重慶麥新途精密機械有限公司) is a limited liability company established in the PRC in 2017, with a registered capital of RMB5 million. It is primarily engaged in the R&D, production and sales of CNC machine tools and parts. We settled via 100% advance payment by bank transfer.

7. Shanghai Shide Machinery Equipment Co., Ltd.* (上海誓德機械設備有限公司) is a limited liability company established in the PRC in 2013, with a registered capital of RMB8 million. It is primarily engaged in the manufacturing and processing of electromechanical equipment. We were typically granted a credit period of 60 days and we settled payment by bank transfer and bank acceptance note.

8. Nantong Yisheng Machinery Co., Ltd.* (南通易昇機械有限公司) is a limited liability company established in the PRC in 2019, with a registered capital of RMB10 million. It is primarily engaged in R&D, manufacturing and sales of mechanical equipment. We were typically granted a credit period of 60 days and we settled payment by bank transfer and bank acceptance note.

9. Shanghai Hejian Electrical Assembly Equipment Co., Ltd.* (上海和建電器成套設備有限公司) is a limited liability company established in the PRC in 2008, with a registered capital of RMB0.5 million. It is primarily engaged in R&D, manufacturing and sales of mechanical equipment. We were typically granted a credit period of 120 days and we settled payment by bank transfer and bank acceptance note.

10. Shanghai Huamei Machinery Co., Ltd.* (上海華魅機械有限公司) is a limited liability company established in the PRC in 2016, with a registered capital of RMB1.0 million. It is primarily engaged in sales of mechanical equipment. We were typically granted a credit period of 60 days and we settled payment by bank transfer and acceptance note.

11. Guangzhou Haozhi Industrial Co., Ltd.* (廣州市昊志機電股份有限公司) is a limited liability company established in the PRC in 2006, with a registered capital of RMB306.1 million. It is primarily engaged in R&D, manufacturing and sales of mechanical equipment and mechanical parts. We were typically granted a credit period of 30 days and we settled payment by bank transfer and acceptance note.

12. Harbin Geling Technology Co., Ltd.* (哈爾濱格領科技有限公司) is a limited liability company established in the PRC in 2019, with a registered capital of RMB104.9 million. It is primarily engaged in the R&D, manufacturing and sales of mechanical equipment and mechanical parts. We were typically granted a credit period of 60 days and we settled payment by bank transfer and acceptance note.

All of our top five suppliers in each year/period during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, to the best of our knowledge, none of our Directors, their associates or any of our Shareholders (who or which to the knowledge of the Directors owned in each year/period during the Track Record Period more than 5% of our issued share capital) had any interest in any of our top five suppliers.

Overlapping of Major Customers and Suppliers

During the Track Record Period, we had overlapping major customers and suppliers (the "**Overlapping Customer(s) and Supplier(s)**"), which are (i) three of our major customers, namely Chengdu Yongfeng (our largest customer in FY2022), Customer A (one of our top five customers during the Track Record Period) and Customer H (one of our top five customers in FY2024 and our largest customer in 6M2025); and (ii) one of our major suppliers, namely Chongqing Maixintu Precision Machinery Co., Ltd.* (重慶麥新途精密機械有限公司) ("**Chongqing Maixintu**") (one of our top five suppliers in FY2023). The following sets forth sales and purchase amount of the Overlapping Customers and Suppliers during the Track Record Period:

Overlapping Customer and Supplier	Year/Period	Revenue contribution *(RMB'000)*	Approximate percentage of our total revenue *(%)*	Gross profit *(RMB'000)*	Purchase amount *(RMB'000)*	Approximate percentage of our total purchase *(%)*
Major Customer						
Chengdu Yongfeng	FY2022	68,548	50.5	15,003	57	0.03
	FY2023	–	–	–	2,439	0.7
	FY2024	–	–	–	364	0.2
	6M2025	–	–	–	–	–
Customer A	FY2022	39,070*(Note 1)*	28.8	2,162	–	–
	FY2023	54,498*(Note 1)*	16.3	11,688	–	–
	FY2024	68,420*(Note 1)*	12.9	29,646	646	0.3
	6M2025	–	–	–	33	0.07
Customer H	FY2022	–	–	–	–	–
	FY2023	–	–	–	–	–
	FY2024	76,122	14.3	23,813	–	–
	6M2025	277,765	62.5	134,299	10*(Note 2)*	0.02
Major Supplier						
Chongqing Maixintu	FY2022	–	–	–	2,355	1.1
	FY2023	–	–	–	17,722	5.4
	FY2024	78	0.01	78	–	–
	6M2025	–	–	–	134	0.3

Notes:

(1) For the avoidance of doubt, the revenue contribution represents the amount from all relevant subsidiaries of Customer A as discussed above.

(2) For the avoidance of doubt, the purchase amount represents the amount from the subsidiary of Customer H.

For FY2022, we provided aviation and aerospace intelligent manufacturing equipment and repair and maintenance services to Chengdu Yongfeng which is primarily engaged in the production and sales of spacecraft, civil aviation components and aerospace-related systems and provision of metal cutting services, for its production of civil aviation components. For each year/period during the Track Record Period, we procured tooling platforms from Chengdu Yongfeng for the production of aviation and aerospace intelligent manufacturing equipment which will be sold to our other customers.

During the Track Record Period, we provided aviation and aerospace intelligent manufacturing equipment to Customer A for its production of aircraft. For FY2024, we procured processing materials for our production from Customer A, which is primarily engaged in manufacturing of aircraft, automotive and large-scale equipment, and sale of tooling and fixtures.

For FY2022 and FY2023, we procured structural and mechanical components from Chongqing Maixintu, which is primarily engaged in R&D and sales of CNC machine tools and parts. For FY2024, Chongqing Maixintu purchased repair and maintenance services from us for the production of their own machine tools.

For FY2024 and 6M2025, we sold aviation and aerospace intelligent manufacturing equipment to Customer H, which is primarily engaged in the manufacturing of ship and aviation and aerospace equipment. For 6M2025, we procured structural components from a subsidiary of Customer H for the production of aviation and aerospace intelligent manufacturing equipment which will be sold to our other customers.

All of our sales to and purchases from the Overlapping Customers and Suppliers were conducted in the ordinary course of business under normal commercial terms and in arm's length basis.

PRODUCTION

Our Production Workflow

We adopt a stringent production process where we have production handbooks setting out details and explanatory notes for our production process. We will review our production handbooks from time to time to ensure the accuracy of and to make appropriate adjustments to our production process. It is also our policy to carry out quality control throughout our entire production process as we are committed to providing high quality products to our customers. Please also see "– Quality control" in this section for details.

Our production lead times vary according to the technical complexity of each product. For aviation and aerospace intelligent manufacturing equipment, their production lead times range from approximately six months to 30 months, while compact general industrial five-axis machine tools require approximately 1.5 months to three months. The principal steps of our production workflow are set forth below:

- **Production preparation.** The production planning team confirm all production procedures and conduct pre-production system checks.

- **Component procurement and preparation.** Once the production procedures are confirmed, our procurement team source principal parts and components from our suppliers. For critical components such as rotary axes and electric spindles, we design the components in-house then engage manufacturing partners to manufacture them according to our dimensional and performance requirements. For CNC systems for our compact general industrial five-axis machine tools, we procure hardware such as servo motors and servo drives from our suppliers, while developing core software functionalities in-house.

- **Component assembly.** We assemble parts and components including guide rails, roller screws and other machined parts which are procured from suppliers and manufacturing partners onto our key machine tool modules. These include the transmission systems (X/Y/Z-axes) assembly, rotary axis assembly and electrical cabinet assembly. Each module is assembled according to our technical specifications to ensure proper functionality.

- **Precision final assembly and testing.** In the final assembly stage, we integrate all modules with micro-level precision which form our products. After internal testing, our finished products undergo further testing with our customers which includes the pre-acceptance phase and the final acceptance phase.

Given the lengthy process from commencement of our production to completion, the potential of disagreement on the technical specification, quality of our products and timetable between our customers and our Company would naturally increase as time goes by. We have on-going discussion and follow-ups with our customers in respect of the progress of contract completion. During the Track Record Period, we have experienced delay in completion against the agreed deadline with our customers, leading to one incident of a delayed delivery penalty of RMB8.1 million to Customer E in FY2023. For details, see "Financial Information – Inventory" in this document. Save for the aforesaid incident, we did not receive any claim for penalty or termination of contract from customers which resulted in any material adverse impact on our business operations and financial conditions during the Track Record Period.

Our Production Facilities

As of the Latest Practicable Date, we had three production bases in total, of which two were in operation and one has commenced construction in October 2025. The following table sets forth their details:

	Name	**Aggregate gross floor area** *(sq.m.)*	**Main functions/current status as at the Latest Practicable Date**
1.	Minhang Production Base	15,319.26	Production of (i) aviation and aerospace intelligent manufacturing equipment, (ii) compact general industrial five-axis machine tools and (iii) large-span carbon fiber composite five-axis machine tools.
2.	Jiaxing Production Base	35,842.84	Production of compact general industrial five-axis machine tools, which commenced operation in May 2025.
3.	Zhuanqiao Production Base	24,243.61 *(planned)*	Planned production of (i) aviation and aerospace intelligent manufacturing equipment which are of larger scale and (ii) large-span carbon fiber composite five-axis machine tools. It has commenced construction in October 2025.

We plan to consolidate majority of the production of aviation and aerospace intelligent manufacturing equipment which are of larger scale and large-span carbon fiber composite five-axis machine tools which require more extensive assembly areas to the new Zhuanqiao Production Base while our Jiaxing Production Base shall focus on production of compact general individual five-axis machine tools and our Jiaxing Production Base shall focus on production of compact general industrial five-axis machine tools and our Minhang Production Base shall continue with our production of all three product categories. We believe the production separation allows for optimised production workflows, enabling specialised production environments tailored to each product category's unique requirements. For details, see "– Our Strategies – Expansion and optimization of production capacity to capture the growing market demand" in this section.

Utilisation Rates

The following table sets forth the utilisation rates of our Minhang Production Base during the Track Record Period:

	Designed Area of Production[1] *(sq.m.)*	**Actual Area Occupied for Production[2]** *(sq.m.)*	**Utilisation Rate[3]**
FY2022	4,916	3,853	78.4%
FY2023	4,916	4,577	93.1%
FY2024	4,916	3,901	79.4%
6M2025	4,916	2,393	48.7%

Notes:

(1) Our production operations mainly involve assembly of parts and components and depends on the availability of working space in our production base. The maximum production capacity of our Minhang Production Base refers to the designed area of production of the different production sections of our Minhang Production Base in square meters.

During the Track Record Period, we primarily sold customized products produced on an order-by-order basis. These products require variable workspace configurations, making it impossible to standardize production into units/hour metrics. The products also have significant variations in technical specifications, resulting in highly differentiated production cycles and acceptance processes for each order. Moreover, the required workspace size differs for different products and at different stages of production. As such, it is not practical or meaningful to take into account other parameters, such as the length of the production period, when calculating production capacity.

(2) Actual size and duration of occupation of production area vary according to size and production cycle of product, which in turn depends on technical complexity of product. For details of our production workflow, please see "Production – Our production workflow" above. As such, the actual area occupied for production is defined by the actual area occupied for production of a particular month with the highest utilised area for production in the relevant year/period.

(3) The utilisation rate, which are for illustration purposes only, of each year/period is calculated based on the actual area occupied for production and the designed area of production of the Minhang Production Base for the relevant year/period. The fluctuation of utilisation rate was affected by the production cycles of the various products during the Track Record Period. For instance, our utilisation rate decreased in 6M2025 since a significant amount of our projects which were not yet completed during that period of time, particularly those with contracts signed in the second half of 2024 or early 2025, were in the component procurement and preparation stage, and had not commenced the component assembly stage. For details of our production cycle, please see "Production – Our production workflow" above.

Our Major Production Machinery and Equipment

Our major production machinery and equipment mainly comprise assembly and inspection machinery and equipment for assembling of various parts and components for the manufacturing of our products. Set out below a summary of our self-owned major production machinery and equipment:

- Laser interferometer (激光干涉儀), which uses laser technology to measure linear positioning accuracy, angular errors, straightness and flatness of machine tools.

- laser tracker (激光跟蹤儀), which uses 3D spatial positioning for calibrating and verifying the geometric accuracy of machine tools.

- Ballbar system (球杆儀), which tests dynamic accuracy of machine tools by analysing circular motion errors during rapid movements.

- Height gauge (高度儀), which measures the vertical dimension of objects.

- Three-dimensional coordinate measuring machine (三坐標測量機), which are used for geometric accuracy and tolerance testing of raw materials.

Our major production machinery and equipment generally have useful lives of 36 months to 120 months. We conduct regular inspection of our production machinery and equipment, and have in place maintenance systems for our production machinery and equipment. Maintenance is carried out by our repair staff and we would engage external repair team when necessary. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material or prolonged interruption to our production processes due to machinery or equipment failure.

QUALITY CONTROL

We believe that quality standards are crucial to our success. Therefore, we have put in place a quality control system to ensure that the quality of our products meet the expectations of our customers. We have implemented a strict quality control system, which has been accredited with various quality management certifications, including ISO 9001 and have a dedicated quality control team to oversee our quality control system.

Quality Control in our Operation and Production Processes

We adopt the following major quality control procedures in our operation and production processes:

Procurement

We maintain a list of approved suppliers, which is subject to annual review to ensure compliance with our quality standards. It is our policy to make procurement exclusively from the approved suppliers. In addition, we conduct routine inspections on raw materials procured from our suppliers before they are used in the production process. These inspections ensure that the materials meet both our specifications and the required quality standards. In the event that any substandard or defective materials are detected, we promptly return them to the relevant suppliers for replacement.

In-process quality testing

We perform in-process quality testing at various stages of the production process, including key control points and assembly processes, to ensure the highest standards of product quality. This in-process quality testing allows us to identify and rectify defects early, ensuring that any issues are resolved before the product progresses to the next stage of production.

Finished product testing

Upon passing internal quality testing, we notify customers to conduct finished product testing, comprising two phases of (i) the pre-acceptance phase and (ii) the final acceptance phase. For our compact general industrial five-axis machine tools, pre-acceptance testing is generally not required. They are shipped to customers' sites for a single on-site acceptance testing. For our aviation and aerospace intelligent manufacturing equipment and large-span carbon fiber composite five-axis machine tools, we invite customer to conduct sample runs to jointly evaluate the key operational and technical parameters. We provide complete quality certification documentation and testing reports for customer review. Only after successful pre-acceptance testing and receipt of the customer's signed approval do we proceed with delivery to the customer's site. For the final acceptance phase, we prepare a final acceptance outline that is similarly reviewed and approved by the customer. This is followed by comprehensive performance testing conducted at the customer's facility. The process formally concludes when the customer confirms all contractual specifications have been met, as documented through a mutually signed installation delivery confirmation.

During the Track Record Period and up to the Latest Practicable Date, there was one incident of order adjustment that materially and adversely affected our business. For details, please see "Financial Information – Description of Selected Items of the Consolidated Statements of Financial Position – Inventories" in this document. We normally provide warranties of one to two years as stated in our contracts with customers. Our warranty policy is usually limited to defects or failure of products that do not satisfy product specification or fall short of the quality standards agreed with our customers.

As at 31 December 2022, 2023 and 2024 and 30 June 2025, our warranty provision amounted to RMB9.7 million, RMB10.0 million, RMB17.4 million and RMB23.4 million, respectively.

LOGISTICS AND INVENTORY MANAGEMENT

Logistics and Warehouses

We leverage on our own warehouses for storing finished products, semi-finished products, and raw materials, and we engage third-party logistics service providers for delivery services. Finished products that have passed pre-acceptance testing are delivered by the logistics service providers from our warehouses to locations specified by our customer.

Inventory Management

Our inventories include raw materials, work-in-progress, finished goods and goods-in-transit. Our principal raw materials are parts and components we use in our production which include control systems, structural components such as machine tool beds and machine tool accessories and mechanical components such as controllers, rotary axes and spindles. We generally arrange procurement with our suppliers after entering into relevant contracts and confirming product specifications with our customers. Therefore, we are generally not exposed to significant over-stocking risk.

As at 31 December 2022, 2023 and 2024 and 30 June 2025, our inventory balances (net of provision for impairment loss) amounted to approximately RMB443.5 million, RMB588.5 million, RMB486.1 million and RMB302.7 million of inventories, respectively. During the Track Record Period, the inventory turnover days was approximately 916 days, 849 days, 583 days and 280 days for FY2022, FY2023, FY2024 and 6M2025, respectively.

INFORMATION SYSTEM

We believe that well-implemented information systems are critical in improving our efficiency in administering and operating our business. We have maintained comprehensive information systems which integrate the internal and external management information across various aspects of our business operations.

Our ERP system enables us to manage our procurement, sales, inventory and financial analysis and reporting, which in turn, has allowed us to manage and optimise our business process and to improve our operation performance. In future, we will continue to enhance our information systems that enable us to obtain and process information and data on an expedited basis, support our decision-making, increase our production efficiency, all of which will in turn help us to improve our cooperation with our customers and suppliers and increase our revenue and profitability.

EMPLOYEES

As at 30 June 2025, we had a total of 384 employees in the PRC and one employee in Germany. The number of our employees classified by function is as follows:

Function	Number of employees	% of total
Operation and production	121	31.4
R&D	138	35.8
Sales and marketing	73	19.0
Administration and management[(Note)]	53	13.8
Total	385	100.0

Note:

Included one employee in Germany who was responsible for finance and accounting. This allowed EEW to maintain its basic and essential operations, which could enable the possible expansion of our sales and marketing network in Germany in the future.

Recruitment and Remuneration Policy

We recruit our employees based on a variety of factors, including but not limited to their industry experience, qualifications, educational background and our operational needs. We recruit talents with high standards and through various methods, including campus recruitment, online recruitment and internal referrals, to meet our diverse talent demands.

We offer competitive remuneration packages to our employees, which are generally based on their qualifications, industry experience, position and performance. We conduct regular performance evaluations and reward well-performing employees with bonuses and promotions, fostering a culture of recognition and growth.

Training

We are committed to investing in continuous training programmes to enhance the professional knowledge, management skills, and technical expertise of our employees. Our training initiatives include regular and tailor-made internal and external programmes, designed to keep our workforce updated with the latest industry standards and best practices relevant to their roles. In addition, we provide comprehensive pre-employment inducting training and orientation programmes for our new hires to ensure a smooth transition into the Company. We also organise various cultural activities to help employees gain a deeper understanding of our corporate values and organisational culture, fostering a sense of belonging and alignment with our mission.

Employee Relationship

We have established labour unions for our employees. We believe that we have maintained a good relationship and expect to maintain an amicable relationship in the future with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material labour disputes, work stoppages or labour strikes that led to disruptions in our operations.

Social Security Plans

As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including pension, medical insurance, maternity insurance, work-related injury insurance, unemployment insurance and housing provident fund. As advised by our PRC Legal Advisor, we were in compliance with applicable laws and regulations related to social insurance and housing provident funds in all material aspects during the Track Record Period based on the confirmation from the relevant competent authorities.

Labour Dispatch

In addition to direct employment, during the Track Record Period, we engaged dispatched employees to meet our need in daily business operations. As at 31 December 2022, 2023 and 2024 and 30 June 2025, (i) our Company engaged 43, 50, nil and nil dispatched employees, which accounted for 9.4%, 10.5%, nil and nil of its total number of employees; and (ii) Jiaxing Top engaged nil, five, nil and nil dispatched employees, which accounted for nil, 19.2%, nil and nil of its total number of employees, respectively. In general, according to the labour dispatch agreements, (i) we are responsible for paying wages to the dispatched staff; (ii) the employment agents are responsible for arranging for their insurance and other welfare conditions as required by the applicable PRC laws and regulations; and (iii) we shall provide training materials related to occupational health and safety to the dispatched staff.

According to the Interim Provisions on Labour Dispatch (《劳務派遣暫行規定》), the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers). Accordingly, our Company (for FY2023) and Jiaxing Top (for FY2023) utilised and engaged dispatched staff which had exceeded the above 10% limit. Such non-compliance happened due to inadequate legal knowledge and/or inadvertent oversight of the relevant legal requirements. As advised by our PRC Legal Advisors, labour authorities may require rectification within a prescribed period; for failure to do so, a fine of RMB5,000 to RMB10,000 per non-compliant dispatched worker exceeding the regulatory threshold may be imposed. The maximum aggregate potential penalties on the Group for exceeding the threshold of dispatched contract workers is RMB980,000. Our Company and Jiaxing Top have ceased such non-compliance and during the Track Record Period and up to the Latest Practicable Date, our Company and Jiaxing Top have not received any notice of rectification from the labour administrative departments nor there is any pecuniary penalty imposed on our Company and Jiaxing Top in relation to the said non-compliance.

To ensure future compliance, we increase the number of direct engaged employees, and have adopted internal policies to require our human resources department to maintain a staff list in identifying the dispatched staff and our own staff and calculate the ratio of dispatched staff to the total number of workers. In addition, the designated staff is required to calculate the ratio before each engagement of dispatched staff, to ensure the potential engagement would not exceed 10% of the total number of its workers. Furthermore, the staff list (with the ratio of the dispatched staff) is required to submit to department heads of production department, finance department and human resources department to review on a monthly basis.

Since our Company and Jiaxing Top have not received any notice of rectification from the labour administrative department and our Company and Jiaxing Top have taken steps to reduce its number of dispatched staff to below the regulatory limit under the Interim Provisions on Labour Dispatch, our PRC Legal Advisor is of the view that (i) the risk of our Company and Jiaxing Top being subject to administrative penalties is remote; (ii) the business operations of our Company and Jiaxing Top will not be subject to material legal risk as a result of the non-compliance and (iii) it will not pose any material impact on our Group's operation and production.

INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by laws and regulations in the PRC, which are generally consistent with industry practice and provides adequate protection for our assets and operations. However, we may be exposed to other claims or liabilities beyond our insurance coverage. For details, see "Risk Factors – Risks Relating to Our Business – Our insurance coverage may not cover all losses which could have a material and adverse effect on our business, financial conditions and results of operations" in this document. As of the Latest Practicable Date, we did not have any material outstanding insurance claims in relation to our business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

ESG Governance

We are committed to abiding by numerous national, municipal and local laws and regulations in relation to environmental protection, labour management, health and safety, business ethics, etc. At the same time, we are in the process of establishing ESG policies in accordance with Appendix C2 of the Listing Rules, which would cover, among others, (i) ESG policies and performance, (ii) ESG strategy, and (iii) ESG risk management and monitoring.

Our Board is the highest responsible and decision-making body for our Group's ESG-related management and issues, and bears ultimate obligation for our Group's ESG targets, initiatives, and strategy.

For the sake of fulfilling our obligations as a responsible member of the society, we are dedicated to promoting environmental protection, social responsibility, and best corporate governance practices. Therefore, we have integrated ESG matters into corporate management and operations and we are committed to complying with the ESG reporting requirements upon **[REDACTED]**.

We attach importance to ESG risk identification and strive to implement risk mitigation measures. We have identified climate-related risks and opportunities, and carried out corresponding mitigating measures, relevant details please refer to section "Response to Climate Change".

ESG Goals

We focus on areas such as business ethics, employee responsibility, sustainable supply chain, environmental responsibility and community engagement, and we intend to put our efforts in the following directions and goals:

(i) Business ethics: we are committed to preventing corruption incidents from occurring through an effective business ethics management system including policies and procedures, whistle-blowing mechanisms, and regular anti-corruption training for all employees.

(ii) Environmental responsibility: we will continuously strive to improve our resource utilisation efficiency, reduce our own carbon emissions, and increase the proportion of resource recycling. We have set quantitiative environmental goals, as detailed in the "Environmental Management Goals" section below.

(iii) Employee responsibility: we value our employee as valuable assets of the Group and are committed to protecting their rights, such as protecting their safety and health, providing competitive salaries, offering a well-rounded welfare system, and increasing employee engagement and satisfaction.

(iv) Sustainable supply chain: we strive to build a sustainable supply chain with our suppliers. To realise this, we continue to optimise our supply chain management system and require suppliers to fulfil their ESG responsibilities in aspects of labour management, environmental protection, privacy protection, business ethics, occupational health and safety, etc.

(v) Community engagement: we are committed to continuously increasing public welfare investment and striving to make our own contributions to society.

Materiality Assessment

To understand the scope and long-term impact of different ESG issues on our operation, long-term development, and to continuously improve the ESG management and related information disclosure of our Group, we conduct materiality assessment based on the consideration of our business status quo, industry trends, national macro-environment, and regular communication with our stakeholders. As a result, we have identified material ESG issues for our Group and prioritise them in the implementation of our sustainability values and goals.

Business ethics

Our Group has long placed great emphasis on the construction of anti-corruption management, regarding it as a crucial cornerstone for the healthy, stable, and sustainable development of the enterprise. Our Group has incorporated anti-corruption related clauses into important documents such as the "Supplier Code of Business Conduct" (《供應商商業行為規範》), comprehensively infiltrating the anti-corruption concept into every aspect of corporate operations and employees' daily work.

Through multi-channel publicity and education, all employees can understand the significant meaning of anti-corruption work for the development of the enterprise, creating a strong anti-corruption culture atmosphere within the enterprise and forming a good situation where everyone participates and abides by the rules.

During the Track Record Period, we ensured compliance with all relevant PRC laws and regulations.

Environmental responsibility

As a technology enterprise that provides high-end equipment technology services, our environmental impact during operation is relatively minimal. Nevertheless, we are well aware that there is an increasing emphasis on environmental protection in today's society. Therefore, we strictly comply with the environmental laws and regulations of the PRC and implement environmental protection measures.

Environmental Management Goals

China is committed to enhancing its national contributions through the implementation of more rigorous policies and measures, with the aspiration of reaching carbon peak before 2030 and achieving carbon neutrality by 2060. In response, our Group has established a series of goals, aiming to align with government targets while simultaneously enhancing market competitiveness and strengthening brand image.

By integrating sustainable development into our core strategy, we not only position ourselves to better address future environmental challenges but also contribute to realising long-term social and economic benefits within the overarching vision of carbon neutrality.

Aspect	Our Goals
Greenhouse Gas Emissions	Reduce greenhouse gas emissions intensity by 5% by 2030, with 2024 as the base year.
Energy Management	Reduce energy consumption intensity by 5% by 2030, with 2024 as the base year.
Water Resource Management	Reduce water consumption intensity by 5% by 2030, with 2024 as the base year.
Waste Management	Reduce hazardous waste intensity by 5% by 2030, with 2024 as the base year. Reduce non-hazardous waste intensity by 5% by 2030, with 2024 as the base year.

To achieve the above goals, the Group has formulated environmental protection policies, including "Energy Conservation and Consumption Reduction Management Regulations" (《節能降耗管理規定》) and "Vehicle Carbon Emission Management Measures" (《車輛碳排放管理舉措》). These policies provide a series of environmental guidelines for employees and corporate operations. The Group is committed to integrating environmental management into daily operations to minimise environmental impact.

Response to climate change

Our Group is acutely aware that climate change poses a complex challenge. We recognise that it may significantly impact society and our daily operations. Our Group may encounter financial losses and non-financial setbacks due to environmental and climate-related risks. Identifying both current and potential risks to our business and proactively managing and responding to them is vital for our sustainable development. These risks mainly include:

(i) Physical risks: Stemming from the physical impacts of climate change, acute events like floods, typhoons, and droughts, or chronic changes such as long-term temperature increases and sea-level rise, can disrupt our supply chain and damage our manufacturing facilities.

(ii) Transition risks: Associated with regulatory, market, and reputational changes, these may require our Group to allocate more resources for climate change mitigation and adaptation. Stricter regulations and market trends towards sustainability may prompt us to upgrade manufacturing processes and innovate to maintain competitiveness and reputation.

To better address the climate risks, our Group has issued the *" Extreme Weather Emergency Plan" (《極端天氣應急預案》)* and the *"Work Arrangements Under Special Weather Condition"(《特殊天氣工作安排規定》)*. These contingency plans clarify the responsibilities of different departments in extreme weather conditions, detailing warning levels, response measures, emergency procedures, support measures, and training requirements, and listing corresponding management measures to ensure employee safety.

Set forth below is a summary of the climate-related risks we have identified, their actual or potential impacts, and the mitigating measures we have taken or plan to take:

Climate-related risk	**Time impact**	**Actual or potential impact**	**Mitigating measures**
Extreme weather like floods and typhoons disrupting the supply chain, affecting the production.	Short-term (1–3 years)	Can cause production interruption, increase production costs, delay order deliveries, reduce customer satisfaction, and thus impact revenue.	Build a diversified supply chain system and establish partnerships with multiple suppliers. Strengthen communication and collaboration with suppliers to jointly address extreme weather risks.

Climate-related risk	Time impact	Actual or potential impact	Mitigating measures
Regulators imposing strengthened disclosure requirements on carbon emissions accounting, green manufacturing standards, etc.,	Short-term (1–3 years)	Causing risks such as regulatory penalties and damage to reputation if fail to meet the requirements.	Establish a professional environmental data management team responsible for accurate accounting and collation of carbon emissions and other data. Regularly invite external experts to guide and review the company's disclosure work.
Customer demanding products with lower energy consumption and higher environmental performance.	Medium-term (4–9 years)	May lead to order losses, a decline in market share, and damage to the company's brand image and reputation within the industry.	Increase investment in green manufacturing technology research and development, optimise product design, and improve product energy efficiency. Establish a customer demand tracking mechanism to promptly understand market demands for green products.

Climate-related risk	Time impact	Actual or potential impact	Mitigating measures
Stricter climate policies raise the threshold for green manufacturing in the industry, such as increasing energy consumption standards and limiting total carbon emissions.	Medium-term (4–9 years)	May need to invest a large amount of capital to upgrade production equipment and optimise production processes to meet the requirements, increasing operating costs.	Plan ahead for green manufacturing technology and actively participate in the formulation of industry green manufacturing standards. Give priority to suppliers that use renewable energy and have energy-efficient equipment.
Global and domestic carbon neutrality goals drive the industry towards in-depth green transformation, and customers' demands for full-life-cycle green manufacturing services are increasing.	Long term (10 years or more)	May raise operating costs due to higher R&D input. May also lose market competitiveness if fail to keep up with the industry's green transformation pace.	Formulate a long-term green development plan. Increase the introduction and cultivation of green manufacturing talents to promote the company's continuous innovation.

Air pollutant management

Our Group's emissions of air pollutants mainly come from business vehicle use, with nitrogen oxides (NOx), sulphur oxides (SOx), and particulate matter (PM) being the primary contaminants. To mitigate these emissions, our Group ban high-emission vehicles like diesel trucks with National IV or lower standards. We also promote new energy vehicles with incentives such as green channels, preferential parking, and free new energy charging stations. All vehicles, whether from outside or within our group, must go through a declaration and review process to ensure they meet emission standards.

The table below demonstrates a breakdown of our air pollutant emission generated from business vehicles record during the Track Record Period:

Air pollutant emission[(Note 1)]	**Unit**	**Year ended 31 December**			**Half year ended 30 June**
		2022	**2023**	**2024**	**2025**
Nitrogen oxides (NOx)	kg	14.63	19.27	17.99	9.61
Sulphur oxides (SOx)	kg	0.12	0.16	0.15	0.08
Particulate matter (PM)	kg	1.24	1.63	1.53	0.82

Note:

1. In 2022, Shanghai experienced an approximately three-month epidemic lockdown, resulting in less use of company vehicles for our Group.

Waste management

We ensure all waste treatment activities fully comply with PRC laws and regulations, guaranteeing safe and compliant handling throughout the process.

In our operations, the hazardous waste generated by our Group mainly includes used emulsion liquids and their packaging, as well as waste rags. These hazardous substances have the potential to cause harm to the environment and human health if not managed appropriately. We manage these hazardous wastes properly and regularly engage professional third-party organisations to dispose them, ensuring that the entire process does not cause harm to the environment.

As for non-hazardous waste, it mainly consists of ordinary office waste and harmless waste materials generated during production. We have signed contract with a qualified waste material recycling company to recycle and process materials such as wood, paper, and plastic from our waste, in order to promote circular economy.

The table below sets forth a breakdown of the amount of waste generated during the Track Record Period:

		Year ended 31 December			Half year ended 30 June
Waste generation	**Unit**	**2022**	**2023**	**2024**	**2025**
Hazardous waste	tonne	8.74	8.45	6.17	8.16
Intensity of hazardous waste	tonne/million RMB of revenue	0.06	0.03	0.01	0.02
Non-hazardous waste	tonne	95.47	102.82	110.16	58.75
Intensity of non-hazardous waste	tonne/million RMB of revenue	0.70	0.31	0.21	0.13

Use of resources

As a high-tech enterprise, we obtain our resources from standard sources. In terms of energy, the main energy consumption in our operations include the gasoline and diesel used by company-owned vehicles. Regarding electricity, it powers our operations. For water resources, we rely on the municipal water supply. This water is used in multiple aspects of our company, including the daily operations of manufacturing facilities, maintaining the hygiene of our premises, and meeting the needs of our employees in office buildings and canteens. Overall, our business activities have a relatively minor impact on these resources.

Our Group strictly abides by all relevant PRC laws and regulations regarding resource management. We are committed to enhancing resource-use efficiency through continuous optimisation to minimise any potential negative environmental effects. We place great importance on energy conservation and consumption reduction. Internally, we have implemented a series of resource-saving rules. For example, we have set temperature limits for office air conditioners to avoid excessive energy use. In our manufacturing facilities, we require regular equipment maintenance to ensure optimal energy-efficiency. We also encourage employees to reuse water when possible and report water leaks in faucets, pipes, or toilets immediately when noticing them. Through these efforts, we aim to continuously reduce our resource usage and contribute to a more sustainable future.

The Integrated Project of the Production, R&D and Operation Headquarters for High-end CNC Equipment in the Aerospace Industry under construction by the Group incorporates energy conservation concepts in various aspects such as building design, electricity usage, water supply and drainage, and renewable energy utilisation. As evaluated by the *Shanghai Energy Efficiency Centre (上海市能效中心)*, the project will only have a minor impact on the regional energy consumption increment control target. The project will be completed in 2027.

The table below sets forth a breakdown of our energy and resource consumption during the Track Record Period:

Energy and resources consumption	Unit	Year ended 31 December 2022	2023	2024	Half year ended 30 June 2025
Gasoline consumption	litre	7,390.00	10,160.00	9,140.00	4,835.00
Diesel consumption	litre	680.00	840.00	840.00	450.00
Direct energy consumption *(Note 1)*	MWh	78.23	106.58	96.74	51.23
Direct energy consumption intensity	MWh/million RMB of revenue	0.58	0.32	0.18	0.12
Electricity consumption *(Note 2)*	MWh	1,299.14	1,805.46	2,201.58	838.88
Electricity consumption intensity	MWh/million RMB of revenue	9.57	5.40	4.14	1.89
Water consumption	tonne	4,580.00	5,171.00	4,476.00	1,559.00
Water consumption intensity	tonne/million RMB of revenue	33.73	15.45	8.42	3.51

Notes:

1. Including gasoline and diesel consumption by self-owned vehicles.

2. In 2022, Shanghai experienced an approximately three-month epidemic lockdown, resulting in low electricity consumption for our Group.

Greenhouse gas emissions

Our Group is highly attentive to greenhouse gas (GHG) emissions and is determined to find effective ways to reduce carbon emissions. We have put in place multiple relevant measures to minimise GHG emissions.

We have formulated and followed the *"Vehicle Carbon Emission Management Measures" (《車輛碳排放管理舉措》)*, to restrict high emission vehicles and encourage the use of new energy vehicles. We have also established the *"Energy Conservation and Consumption Reduction Management Regulations" (《節能降耗管理規定》),* which implemented a series of energy-saving measures. For example, it specifies temperature setting requirements for summer and winter, and air-conditioners should not be turned on when there is no one in the room. Also, for lighting, employees are encouraged to use natural light when possible, and the last person leaving a work area needs to turn off the lights. Furthermore, personal computers are set to auto-screen-off, and devices like projectors and displays should be turned off after use.

In addition, we are actively promoting the transition to renewable energy to advance the process of carbon reduction. Our group has partnered with a new energy company to install photovoltaic power generation facilities on the rooftop of the company's factory, which will be put into operation from 2025.

The table below sets forth our GHG emissions during the Track Record Period:

GHG emission	Unit	Year ended 31 December 2022	2023	2024	Half year ended 30 June 2025
Scope 1 Greenhouse Gas direct emission[(Note 1)]	tonne CO_2e	24.78	31.85	29.41	15.43
Scope 2 Greenhouse Gas indirect emission[(Note 2)]	tonne CO_2e	723.36	1,005.28	1,225.84	467.09
Scope 3 other Greenhouse Gas indirect emission[(Note 3)]	tonne CO_2e	1.77	2.00	1.73	0.60
Total Greenhouse Gas Emissions	tonne CO_2e	749.91	1,039.13	1,256.98	483.12
Total Greenhouse Gas Emissions Intensity	tonne CO_2e/million RMB of revenue	5.52	3.11	2.36	1.09

Notes:

1. Scope 1 direct emission includes the GHG emissions from our self-owned business vehicles and usage of refrigerant. Emissions factors refer to the "HKEx - How to prepare an ESG Report Reporting Appendix 2: Reporting Guidance on Environmental KPIs"

2. Scope 2 indirect emission primarily includes the GHG emissions from our usage of purchased electricity. The emission factor is referred from the database of IEA and Chinese average emission factor of the national power grid. In 2022, Shanghai experienced an approximately two-month epidemic lockdown, resulting in low scope 2 GHG emissions for our Group.

3. Scope 3 other indirect emission includes the GHG emissions from electricity for the treatment of water and wastewater.

Employee Responsibility

Employees are an important asset to our group, and their growth significantly contributes to the group's development. Guided by our people-oriented philosophy, we are dedicated to offering employees fair and just opportunities, a healthy and safe working environment, and a democratic and harmonious corporate atmosphere.

Employment

We are subject to various PRC laws and regulations on compensation, dismissal, equal opportunities, diversity, and anti-discrimination. We sign labour contracts with our employees to safeguard their legitimate rights and interests and ensure the legal compliance of the dismissal process. We adhere to the principle of diversified employment, implement the talent diversification development strategy, respect and tolerate the differences among employees in all aspects. We ensure that factors such as skin colour, nationality, gender, age, ethnicity, marital status, religious belief, and household registration do not influence the hiring, treatment, or promotion of employees. This approach creates a working environment that fosters mutual respect, understanding, and integration for employees from different cultural backgrounds. In addition, we actively support the employment of people with disabilities and provide them with suitable jobs based on their ability and needs.

We attach great importance to safeguarding employees' rights and interests. In strict accordance with relevant regulations, we explicitly prohibit the employment of child labour and forced labour. All of our employees are required to be at least 18 years old. In addition, we exercise strict management over employees' overtime work. We encourage employees to strike an optimal work-life balance, believing that this not only benefits their personal well-being but also enhances overall work efficiency and job satisfaction.

We comprehensively consider factors such as market level, job value, employee performance and skill level to determine employee salaries and bonuses, and strive to provide employees with competitive remuneration packages:

(i) Basic salary.

(ii) Performance bonus.

(iii) Annual bonus.

(iv) Other performance incentive bonuses.

(v) Salaries in cash or non-cash form for short-and long-term incentives.

(vi) Welfare: vacations and insurance.

The table below sets forth a composition of our total workforce during the Track Record Period:

	Year ended 31 December			Half year ended 30 June
Employment Indicators	**2022**	**2023**	**2024**	**2025**
By Gender				
Male	366	377	368	319
Female	66	76	69	66
By Employment Type				
Full-time	425	445	429	376
Part-time	7	8	8	9
By Age Group				
Under 30 years old	67	77	67	66
30–50 years old	319	333	329	287
Over 50 years old	46	43	41	32
By Geographical Region				
Mainland China	419	448	436	384
Others	13	5	1	1
Total	**432**	**453**	**437**	**385**
Employee Turnover Rate	**2022**	**2023**	**2024**	**2025**
By Gender				
Male	37%	30%	40%	22%
Female	18%	3%	12%	18%
By Employment Type				
Full-time	33%	26%	36%	22%
Part-time	83%	0%	0%	0%
By Age Group				
Under 30 years old	51%	7%	40%	55%
30–50 years old	34%	32%	38%	16%
Over 50 years old	10%	9%	5%	8%
By Geographical Region				
Mainland China	33%	24%	35%	22%
Others	56%	89%	133%	0%
Total	**34%**	**26%**	**36%**	**21%**

Occupational Health and safety

Occupational health and safety (hereinafter referred to as "**OHS**") holds a top-priority position in our corporate operations. We are strictly compliant with a wide range of PRC laws and regulations governing labour, safety, and work-related incidents. We are committed to creating a caring and dynamic work environment, placing the physical and mental well-being of our employees at the forefront. To safeguard everyone's physical health, we regularly arrange comprehensive health check-up services. Given the nature of our business, our workplaces primarily include offices and warehouses. To ensure a safe working environment and enhance OHS awareness across our Group, we have implemented a series of measures:

(i) Implement rigorous safety guidelines on warehouse fire safety, equipment operation, cargo and personnel.

(ii) Conduct monthly safety inspections of the warehouse and maintenance of fire protection facilities to ensure that our equipment is safe for use.

(iii) Carry out regular emergency drills to ensure that all of our employees are equipped with the necessary awareness and technical skills.

(iv) Develop the "Comprehensive Emergency Plan for Work Safety Accidents" to systematically improve our safety management system and enhance our ability to handle work safety accidents.

(v) Equip first-aid toolkit box to help employees cope with sudden physical discomfort.

(vi) Conduct special safety training for employees annually to enhance their safety awareness.

During the Track Record Period, we did not have any material non-compliance issues and accidents with regard to occupational health and safety. Our health and safety data for the Track Record Period are listed out below:

	Year ended 31 December			Half year ended 30 June
	2022	**2023**	**2024**	**2025**
Number of work-related fatalities (person)	0	0	0*(Note 1)*	0
Number of work-related injuries*(Note 2)*	2	2	6	0
Lost days due to work-related injury (day)*(Note 3)*	38	111	211	0

Notes:

1. In 2024, an employee of our Group suffered from a fatal incident. It was an unexpected accident happened during a business trip which he sustained a slip-and-fall accident during meal service. As advised by our PRC legal adviser, since the Shanghai Minhang District Human Resources and Social Security Bureau has recognized the fatality as work-related, and our Group has duly contributed to the work-related injury insurance scheme for the employee in accordance with applicable laws, compensation for such fatality shall be borne by the work-related injury insurance. Consequently, our Group bore no liability for this incident. Based on the above advice from our PRC legal adviser, our Directors are of the view, and the Joint Sponsors concur, that our Company was not liable for this incident. Out of humanitarian considerations, our Group has provided compensatory support to the employee's family. Following the incident, our Group has implemented quarterly training sessions for employees which include modules addressing safety protocols and risk awareness for business travel.

2. According to the national standard of "Disability Level of Occupational Injury and Occupational Diseases in Labour Capacity Appraisal" 《劳動能力鑒定職業工傷與職業病致殘等級》, all the appraisals of the work-related injuries during the Track Record Period were at level 9 or 10, indicating minor injury situations. These work-related injuries have not caused any claims for personal or property damage.

3. The cumulative number of working days lost by all employees.

Development and Training

We attach great importance to the career development and growth of talents and formulated the Training Management System (《公司培訓制度》) and New Employee Training Management System (《新員工培訓管理制度》).

Quality training is an important means to achieve staff development. We have implemented clear regulations on training plans, training types, training implementation and impact evaluation, and developed a comprehensive training plan every year, covering various topics such as leadership training, professional and technical personnel development, communication ability improvement as well as project management ability strengthening. Post-training evaluations are conducted through written tests, hands-on assessments, or oral defences to measure employee learning outcomes. Our diversified and multi-level training system can fully stimulate the potential of employees and improve their professional abilities.

Supply Chain Management

We have developed a series of internal policies for supply chain management and established an evaluation and assessment mechanism that covers the entire lifecycle of suppliers. We mandate that suppliers and outsourcers furnish relevant qualifications and certifications, such as business licences and production and operation licences. Besides, we give preference to suppliers who demonstrate good ESG management and practices such as capabilities of good customer services, production capacity, clothing process control, quality control, and their obtaining of ESG-related certifications such as ISO 9001 (Quality Management System Certification). When introducing new suppliers, after passing the on-site assessment and review, they can only be officially recognised as regular suppliers after a trial period. In case of any quality issues, they will be immediately rejected. Besides, all brand applications and supplier introductions must be approved by the Quality Director.

Community Engagement

We are committed to contributing to the public welfare and sharing our corporate social responsibility. We continue to devote ourselves to public welfare, and during the Track Record Period, we have invested RMB330,000 in total. To promote the core values of our corporate culture, as of 2024, we have made cumulative donations of RMB200,000 to the *Shanghai Minhang District Society for Promotion of the Guangcai Programme* (*上海市閔行區光彩事業促進會*), mainly supporting public welfare projects such as educational assistance for students and assistance to the elderly. In September 2023, we also donated RMB100,000 to the *Love Rescue, Warmth for Thousands of Families project* (*愛心救助，情暖萬家項目*) through the *Shanghai Charity Foundation* (*上海市慈善基金會*). We will spare no effort in giving back to the community and contributing to the building of a harmonious and sustainable society.

PROPERTIES

We occupy certain properties in China and overseas primarily as our production facilities, offices and staff dormitories. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as at 30 June 2025, none of our properties has a carrying amount of 15% or more of our consolidated total assets.

Owned Properties

As at the Latest Practicable Date, we owned two parcels of land with a total site area of approximately 49,807.71 sq.m. located in China. We use the two parcels of land for construction of our Jiaxing Production Base and Zhuanqiao Production Base.

Leased Properties

As of the Latest Practicable Date, we leased ten properties from Independent Third Parties with an aggregate gross floor area of approximately 22,583.18 sq.m. including 15,319.26 sq.m. for our Minhang Production Base in the PRC, which had been used mainly as our production facilities, office and staff dormitory.

As of the Latest Practicable Date, we also leased one property from Independent Third Party with an aggregated gross floor area of approximately 280.45 sq. m. in Germany, which had been used as (i) a warehouse of approximately 224.24 sq.m. for temporary storage of fixed assets, primarily consisting of spare IT equipment, and (ii) an office of approximately 56.21 sq.m. for our employee in Germany. The office may also, in the future, enable the possible expansion of our sales and marketing network in Germany.

Lease Registration and Filing

As of the Latest Practicable Date, five leased properties in the PRC with an aggregate floor area of 1,391.94 sq.m. used as our staff dormitories had not been registered and filed with the relevant real estate administration bureaus in the PRC. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in us being required to vacate the leased properties. However, the relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 on each lease agreement that is not registered and filed, and therefore a maximum penalty of RMB50,000 in aggregate. Based on the number of these properties and the cities where they are located, we believe the likelihood that we will be punished due to failure to register and file all the relevant lease agreements at the same time is remote. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any administrative penalties imposed by the competent authorities for failing to complete the registration and filing of the lease agreements. Upon expiry of these lease agreements, we will assess the legal risk when renewing the relevant lease agreements. Having considered the foregoing, our Directors believe that the non-registration of leases described above will not, individually or in the aggregate, materially affect our business and results of operation, on the grounds that: (i) the limited number of leased properties involved; (ii) the likelihood that we will be punished due to the registration and filing is remote; and (iii) there are alternative properties at comparable rental rates on the market.

LICENCES, PERMITS AND CERTIFICATES

As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had obtained all licences, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in the PRC, and such licences, permits, approvals and certificates remained in full effect. We are required to renew such licences, permits, approvals and certificates from time to time. As advised by our PRC Legal Advisor, we do not expect any legal obstacles in such renewals so long as we meet the applicable requirements and conditions set by the relevant government agencies and adhere to procedures set forth in the relevant laws and regulations.

LEGAL AND COMPLIANCE

Legal Proceedings

We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business. As of the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings pending or threatened against our Company or any of the Directors which could have a material and adverse effect on our financial condition or results of operations. During the Track Record Period and up to the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings against our Company or any of the Directors which had caused a material and adverse effect on our business, results of operations or financial condition.

Non-compliance

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed below, there were no material breaches or violations of the laws or regulations applicable to us that would have a material adverse impact on our business, results of operation and financial conditions taken as a whole, and we have complied with all applicable laws and regulations in the relevant jurisdictions where we operate in all material respects during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practical Date, EEW, a direct non-wholly owned subsidiary of our Company incorporated under the laws of Germany, had no material operations. As at the Latest Practicable Date, EEW employed one employee responsible for finance and accounting and leased one property in Germany which was used as a warehouse and an office. We had engaged our legal advisers as to German laws to review the compliance in relation to the operations of EEW. Based on the opinion of our legal advisers as to German laws, during the Track Record Period, the Directors confirm that EEW complied with applicable laws and regulations in material aspects in Germany.

Incorrect customs declaration

Details of incident

In March 2022, a third party freight agent appointed by us in relation to an import of carbon fiber fabric in the amount of EUR135,000 has mistakenly submitted customs declaration with an incorrect commodity classification code with an applicable duty rate of 10%. Upon review, the Shanghai Pudong International Airport Customs (the "**Shanghai Pudong Customs**") determined the correct classification should have been an applicable duty rate of 17%, and therefore an underpaid tax amount of RMB84,559.64.

Reasons

To the best knowledge of our Directors, responsible staff of the third party freight agent had mistakenly filled in the customs declaration with an incorrect classification due to the inadvertent mistake.

Legal consequences

According to the Administrative Penalty Discretion Benchmark of the People's Republic of China Customs (No. 1) (《中華人民共和國海關行政處罰裁量基準(一)》), the administrative penalty imposed for the aforesaid incident should be a fine in the amount of 60% or more but less than 100% of the underpaid tax. The Shanghai Pudong Customs imposed on our Group an administrative penalty of RMB51,000 for the aforesaid incident.

Remedial actions and potential impact on the Group

We have fully settled the administrative penalty for the aforesaid incident and taken remedial actions to enhance our internal policies in this regard. According to the Administrative Penalty Law of the People's Republic of China (《中華人民共和國行政處罰法》), no entity shall be imposed administrative penalty for more than once for the same illegal act. Furthermore, we have adopted internal policies to enhance our customs declaration procedures, and all relevant information even if is filled in by third party freight agent shall be reviewed and checked by our responsible staff before declaration. We will also continue to provide adequate training to our staff in relation to compliance requirement and appropriate working procedure.

Based on the advice of the PRC Legal Advisors, our Directors are of the view that the aforesaid incident will not have a material adverse impact on our business operations or financial condition. Furthermore, our Directors confirm that our Group's enhanced internal policies is sufficient for the purpose of avoidance of occurrence of similar non-compliance incident and ensuring ongoing material compliance with the relevant laws and regulations.

Business activities with the certain suppliers and customers subject to International Sanctions

The Relevant Sanctions Authorities, in particular the U.S. and the U.K. governments, have imposed International Sanctions programmes that are applicable to designated persons/entities and export control restrictions which are applicable to certain customers and suppliers.

We have engaged Holman Fenwick Willan LLP, our legal advisors as to International Sanctions to review our compliance with International Sanctions and evaluate our sanctions risks. During the Track Record Period, we sold products to certain customers (the "**Relevant Customers**") and purchased/acquired supplies/products from certain supplier (the "**Relevant Suppliers**") (Relevant Customers and Relevant Suppliers together as the "**Relevant Parties**") which are either (i) placed on the list of Specially Designated Nationals and Blocked Person (the "**SDN List**") maintained by the Office of Foreign Assets Control (the "**OFAC**") or subject to asset freeze under The Russia (Sanctions)(EU Exit) Regulations 2019 (the "**UK Regulation**") subsequent to our sales or procurement; or (ii) subject to export control under the Export Administration Regulations (the "**EAR**") which the Group did not exceed the relevant *de minimis* level of U.S.-origin product. During the Track Record Period, our Group did not conduct (i) any sales or procurement with any entities placed on the SDN list and subject to the UK Regulation at the relevant time; or (ii) any sales which exceed the relevant *de minimis* level of U.S.-origin product under the relevant EAR; and our International Sanctions Legal Advisor did not consider that our Group's businesses with the Relevant Suppliers and the Relevant Customers during the Track Record Period would have implicated any material sanction risks. For illustration purposes, in relation to FY2022, FY2023, 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.

Economic sanctions

The U.S. sanctions include list-based sanctions that prohibit U.S. persons to have any dealings with or facilitate dealings with parties designated on the SDN List maintained by the OFAC. U.S. persons are not permitted to have any dealings whatsoever with or facilitate dealings with parties designated on the SDN List unless authorised by the OFAC. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the U.S.

The UK Regulation similarly prohibits persons with a UK nexus from dealing with funds or economic resources owned, held or controlled by a designated person under the regulation.

During the Track Record Period, we purchased certain products from certain Relevant Suppliers prior to such entities were listed on the SDN List or subject to asset freeze under the UK Regulation, such business transactions are as follows:

- Supplier X is a supplier based in the PRC which mainly supplied control panels, electrical and data cables, systems and accessories, it has been placed on the SDN List on 30 October 2024 without mention of any retrospective effect; the Group has not conducted any business transactions with or involved in any payments, products or services to or from such supplier since October 2022 and will not conduct any business transactions with or involve in any payments, products or services to or from such supplier in the future, the aggregate purchases from Supplier X during the Track Record Period amounted to approximately RMB2.3 million; our Directors confirm that there has been no material operational or financial impact since the Group ceased its business transactions with Supplier X;

- Supplier Y is a supplier based in the PRC which mainly supplied milling and cutting tools, it has been placed on the SDN List on 15 January 2025 without mention of any retrospective effect; the Group has not conducted any business transactions with or involved in any payments, products or services to or from such supplier since 6 January 2025 and will not conduct any business transactions with or involve in any payments, products or services to or from such supplier in the future, the aggregate purchases from Supplier Y during the Track Record Period amounted to approximately RMB15,000; our Directors confirm that there has been no material operational or financial impact since the Group ceased its business transactions with Supplier Y; and

- Supplier Z is a supplier based in the PRC which mainly supplied control panels, electrical and data cables, connector modules and accessories, it has been included to be subject to asset freeze under the UK Regulation on 24 February 2025 with effect from 9 April 2025; the Group has not conducted any business transactions with or involved in any payments, products or services to or from such supplier since 25 November 2023 and will not conduct any business transactions with or involve in any payments, products or services to or from such supplier in the future, the aggregate purchases from Supplier Z during the Track Record Period amounted to RMB0.7 million; our Directors confirm that there has been no material operational or financial impact since the Group ceased its business transactions with Supplier Z.

The Relevant Suppliers were listed on the SDN List or were subject to asset freeze under the UK Regulation in accordance with the relevant effective dates and without any mention of retrospective effect subsequent to our procurement. On the basis that (i) our Group has not conducted any business transactions with each of the Relevant Suppliers since it was listed as sanctioned entities by the Relevant Sanctions Authorities of the U.S. or the U.K.; (ii) our Group was not involved in any payment, products and services to or from each of the Relevant Suppliers since it was placed on the SDN List or subject to asset freeze under the U.K. Regulation; and (iii) since the relevant effective date or the date which the Relevant Suppliers have been placed on the SDN List or subject to asset freeze under the U.K. Regulation, our Group has not ordered and will not order any further supplies or accept any orders from the Relevant Suppliers, the International Sanctions Legal Advisor does not consider our Group's business with the Relevant Suppliers during the Track Record Period would have implicated any material sanction risks.

Export control

Customer I, Relevant Customer X, Relevant Customer Y and Relevant Customer Z ("**EAR Customers**") were included in the "military end user" (the "**MEU**") list in December 2020 as set out in Supplement No. 7 to Part 744 of the EAR, being regulations issued by the Bureau of Industry and Security (the "**BIS**") of the U.S. Department of Commerce relating to the control of certain exports, re-exports, and other activities, which the U.S. considers "represent an unacceptable risk" of using or diverting goods for military end use or to military end users in China, Russia, or Venezuela. To the extent any of our Group's products sold to such EAR Customers fall within the scope of Supplement No. 2 to Part 744 of the EAR, and are transported through the U.S., or incorporated above-threshold U.S.-origin product, they are subject to the EAR, and our Group would be prohibited from providing such goods to the EAR Customers. During the Track Record Period, our sales to Customer I, Relevant Customer X, Relevant Customer Y and Relevant Customer Z amounted to approximately RMB56.50 million, RMB51.29 million, RMB19.86 million, and RMB7.96 million respectively, none of such products were sold in the U.S. or exported from the U.S. directly.

Our Group's sales of computerised, numerical control systems and products aggregated to an amount of approximately RMB135.61 million to the EAR Customers during the Track Record Period. We were advised by the International Sanctions Legal Advisor that our products are not intended for military usages and no goods involved in the sale of products of our Group includes more than the 25% applicable *de minimis* amount of U.S.-origin products, parts, commodities, software or technology under the EAR (being less than 6% by value involves U.S.-origin products of the highest level products), therefore, our products sold to EAR Customers during the Track Record Period were not items that are restricted for MEUs as described in Supplement No. 2 to part 744 of the EAR. In addition, there was no nexus with the U.S. as neither our Company nor any of its subsidiaries, affiliates, agents, directors, officers, or employees engaged in the business transactions or financial dealings relating to the EAR Customers that directly or indirectly involve or benefit a person or entity were a U.S. person. The U.S.-origin products involved in our products for the EAR Customers include a significant portion of materials without significant technology such as lubrication, tubes and pumps; and other general technology products (including a projector and general mechanical parts for robotics).

With respect to the one-time report requirement relating to *De Minimis Rule*, Supplement No. 2 to Part 744 of the EAR provides that such requirement is only relevant to U.S.-origin technology, and such U.S.-origin product is only considered "incorporated" into a non-U.S. made product if it is (a) essential to the functioning of the relevant product; (b) customarily included in sales of the relevant product; and (c) reexported with the relevant product. As advised by the International Sanctions Legal Advisor, the Group is not required to file the one-time report, as (i) such requirement is only relevant to U.S.-origin technology, whereas a significant portion of the U.S.-origin products used in the relevant Group's products subject to the EAR were materials without significant technology; and (ii) the relevant Group's products subject to the EAR should not be considered as incorporated with U.S.-origin technology, since such U.S.-origin products (1) were not essential to the functioning of the Group's products; (2) were not customarily included in the sale of the Group's products; (3) were common and replaceable parts or materials for the Group's products that have alternatives produced in places outside the U.S.; and (4) were not innovative cutting-edge technology products.

Based on the abovementioned factors, the International Sanctions Legal Advisor considers that the sale of the Group's products should not have implicated breaches of the EAR or would have implicated any export control risks. During the Track Record Period, our procurement from Relevant Customer X amounted to approximately RMB0.7 million, the International Sanctions Legal Advisor considers that the EAR prohibit the provision of certain goods to or intended for use by MEUs, to the extent Relevant Customer X as an MEU provides goods to the Group as a supplier, this supplier relationship does not fall within the scope of prohibition. Consequently, as our business transactions with the EAR Customers during the Track Record Period did not implicate any export control risks and we have implemented internal control measures concerning EAR Customers and other customers and suppliers concerning International Sanctions ("**Internal Control Measures for Sanctions**"), we shall continue our business transactions with the EAR Customers in the future by strictly adhering to the Internal Control Measures for Sanctions. For details of the Internal Control Measures for Sanctions, please refer to the section headed "Business – Internal control and risk management – International Sanctions risk management".

Analysis conclusion

Our International Sanctions Legal Advisor has advised us that, based on the review to assess the sanctions risk, as well as the factors set out below, our Group's business dealings with our counterparties, including customers and suppliers, during the Track Record Period and up to the Latest Practicable Date did not constitute Primary Sanctioned Activities or Secondary Sanctionable Activities, as:

- neither of our Company nor any of our subsidiaries was listed as a sanctioned target administered by the Relevant Sanctions Authorities;

- none of our substantial shareholders are located in the Relevant Sanctions Jurisdictions or countries subject to comprehensive sanctions, or was listed as a sanctioned target administered by the Relevant Sanctions Authorities;

- none of any of our counterparties, including customers and suppliers, was listed as a sanctioned target administered by the Relevant Sanctions Authorities at the relevant times; and

- our Group has not conducted any further business transactions with each of the Relevant Suppliers after they were listed as a sanctioned target administered by the Relevant Sanctions Authorities of the U.S. or the U.K.

Furthermore, our International Sanctions Legal Advisor has advised us that, no goods involved in the sale of the products of the Group in respect of the Relevant Customers that incorporated more than the applicable *de minimis* amount of U.S. origin components under the EAR, and the sale of the products of the Group would not implicate breaches of the EAR.

In summary, our International Sanctions Legal Advisor has advised us that the business activities of our Group during the Track Record Period did not result in and are not subject to any material International Sanctions risk relating to the Relevant Persons under the International Sanctions programmes.

Our International Sanctions Legal Advisor is of the view that the involvement by the **[REDACTED]** Committee, the **[REDACTED]** and its related group companies, our Company's investors and shareholders, the Joint Sponsors and the **[REDACTED]** in the **[REDACTED]** should not implicate any applicable International Sanctions risk on them.

While we will cease all business dealing with the Relevant Suppliers being on the SDN List or subject to asset freeze under the U.K. Regulation, we do not intend to increase the levels of our business dealings with the EAR Customers, the Relevant Customers or Relevant Suppliers which are subject to export control or listed on other International Sanctions programmes as of the Latest Practicable Date. We shall continue and maintain our compliance with International Sanctions laws and regulations by strictly following our internal control measures, and to cease business activities with the relevant sanctioned customers and suppliers, if and when required.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Board is responsible for the overall effectiveness of our risk management and establishing our internal control system and reviewing its effectiveness. We have established and we maintain risk management and internal control systems consisting of policies and procedures that are appropriate for our business operations, and we are dedicated to continuously improving and implementing these systems to ensure our policies and implementation are effective and sufficient.

In preparation for the **[REDACTED]**, we have engaged an independent third-party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of our internal controls over financial reporting in March 2025 (the "**Internal Control Review**"). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, (5) monitoring, (6) financial reporting procedures, (7) sales and receivables management, (8) procurement and payables management, (9) production and cost management, (10) inventory management, (11) human resources and payroll management, (12) banking, monetary funds and cash management, (13) investment and financing management, (14) expense management, (15) fixed assets management, (16) tax management, (17) R&D and intangible assets management, (18) insurance management, (19) information systems management and (20) contract management process. The Internal Control Consultant performed the follow-up reviews in May 2025 to review the status of the management actions taken by us to address the findings of the Internal Control Review (the "**Follow-up Review**"). The Internal Control Consultant did not have any further recommendation in the Follow-up Review. The Internal Control Review and the Follow-up Review were conducted based on information provided by our Group and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Having considered the report prepared by our Internal Control Consultant, the Directors confirmed that all of the major recommendations provided by the Internal Control Consultant have been followed and corrective actions were taken accordingly to address our internal control deficiencies and weaknesses. Our Directors are of the view that our enhanced internal control measures are adequate and effective to ensure compliance with relevant laws and regulations going forward.

Financial Reporting Risk Management

Our finance department is responsible for overseeing the financial reporting risk management of our Group. We have in place a series of accounting policies in connection with our financial reporting risk management, such as financial report management policies, budget management policies, financial statements preparation policies and financial department and staff management policies. We have various procedures in place to implement accounting policies, and our financial department reviews our management accounts based on such procedures. We also provide regular training to our financial department staff to ensure that they understand our accounting policies.

Data Privacy and Security Risk Management

We have formulated IT security-related policies and management procedures in order to establish clear procedures in relation to IT-related aspects of our operations such as the operation and maintenance of our information system, personal information security management and network and database management.

We also collect certain types of operational data from our customers under the applicable laws and regulations. We believe that appropriate collection, storage and protection of data is critical to our success. As such, we have implemented relevant internal procedures and policies to ensure our IT infrastructure is secure enough to protect the data and avoid unauthorised leakage or loss of such data. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material system failure in our IT infrastructure, or any material leakage or loss of end user data.

Our IT department is responsible for ensuring the security of our IT infrastructure and our data compliance joint work group is responsible for ensuring that the collection and protection of end user data are in compliance with our internal rules and the applicable laws and regulations.

Human resource risk management

We invest in continuing education and training programmes, including regular and tailor-made internal and external training, for our employees in different departments. Through these trainings arranged by our human resources department, we ensure that skill sets of our employees are updated constantly. We maintain strict standard in recruiting to ensure that the quality of the new hires and we conduct periodic performance reviews for all our employees.

We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, confidentiality, work ethics, fraud prevention mechanism, negligence and corruption.

We also have in place an anti-corruption policy to safeguard against any corruption within our Company. The policy explains potential corruption conducts and our anti-corruption measures. Our internal reporting channel is kept open and available for our staff to report any corruption acts on an anonymous basis. Our business, finance, legal and internal control departments are responsible for overseeing the implementation of the anti-corruption policy and investigating the reported incidents in order to take appropriate measures.

International Sanctions Risk Management

Since the International Sanctions review conducted by the International Sanctions Legal Advisor, we have implemented and will continue to implement the following internal controls and risk management measures related to International Sanctions compliance:

- establish a system related to International Sanctions compliance management, and standardise the processes such as the business risk assessment and review, education and training, consultation and reporting, investigation and supervision, and file management;

- prior to engaging in business activities, evaluate International Sanctions risks through:

  - conducting the first round of know your client due diligence by the relevant business departments on customers, suppliers, business partners and other counterparties, including reviewing background information, such as identity, business nature, ownership structure, geographic location and related parties, and setting up corresponding internal profile records;

  - performing on-boarding screening and on-going monitoring on an as needed basis to check the counterparties against various lists of restricted parties and countries maintained by the U.S., the E.U., the U.K., the U.N. and Australia, including, without limitation, any government, individual or entity that is the subject of any International Sanctions of which the lists are publicly available; and

  - performing review and continuously monitor the products we purchase and sell to EAR Customers and the relevant U.S.-origin technology involved, and when necessary seek advice from legal advisors, to ensure that such sales would be in full compliance of the relevant export control regulations (including the one-time report requirement and the calculation of the 25% applicable *de minimis* amount of U.S.-origin products, part, commodities, software or technology by value procured directly from U.S. or U.S. owned entities); and

  - support and protect employee reporting of potential International Sanctions compliance risks, and conduct relevant investigations if required.

IMPACT OF THE COVID-19 PANDEMIC

Since late 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. In view of the outbreak of COVID-19, we temporarily suspended our Minhang Production Base in FY2022 on a few occasions. COVID-19 had also hindered the timely on-site acceptance of our products and prolonged the payment cycle. For instance, we had delayed the final acceptance testing of our products with several customers in FY2022 due to the social distancing, lock-down and travel restrictions in regions such as Xi'an, Chengdu, Shenyang etc.

Since June 2022, our operation has fully resumed to normal after the impact from the COVID-19 pandemic had eased. Given that our operation has resumed to normal and we were able to maintain the stability of our revenue and gross profit margin under the impact of COVID-19 pandemic, (i) our Directors are of the view that the COVID-19 pandemic did not materially and adversely impacted the operations or financial conditions of our Group during the Track Record Period; and (ii) our Directors do not expect that the COVID-19 pandemic will have further adverse impact on our Group's business and financial performance.