

## FINANCIAL INFORMATION

*You should read the following discussion and analysis in conjunction with our audited consolidated financial statements, including the notes thereto included in the Accountants’ Report set out in Appendix I to this document. You should read the entire Accountants’ Report in Appendix I to this document and not rely merely on the information contained in this section. The Accountants’ Report has been prepared in accordance with the IFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.*

*Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed “Forward-looking Statements” and “Risk Factors” in this document.*

## OVERVIEW

We are a 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.

## BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by us in the preparation of our historical financial information throughout the Track Record Period.

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For ordinary shares issued to pre-[REDACTED] investors, pursuant to the termination agreements entered into between our Company and the pre-[REDACTED] Investors in relation to the termination of certain of special rights granted by the Company, including redemption rights and liquidation preferences, which are void ab initio, having taking into account the legal and regulatory framework of our Company’s jurisdiction and the governing law of the supplementary agreements, our Directors considered that it is appropriate to present the pre-[REDACTED] investments as equity throughout the Track Record Period. For details of the financial impacts, see “– Results of Operations – Special Rights of the Pre-[REDACTED] Investors” in this section and note 31 to the Accountants’ Report in Appendix I to this document.

### KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations are affected by a number of general factors, including:

- overall economic growth and conditions in China and globally;
- technological advancement in the industry in which we operate; and
- geopolitical relations.

In addition, our business and results of operations have been and will continue to be affected by company-specific factors, which primarily include the following:

#### **Demand from downstream market and end customers**

Demand for our intelligent manufacturing equipment, comprising primarily five-axis CNC machine tools depend on, among other things, the trends and developments in downstream industries, such as the aviation and aerospace sector, and the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing. According to the CIC report, the market size of China’s five-axis CNC machine tool market has demonstrated robust growth from RMB7.0 billion in 2020 to RMB10.8 billion in 2024. With the ongoing transition of China’s manufacturing sector towards intelligent manufacturing, the market size of China’s five-axis CNC machine tool market is expected to reach RMB27.0 billion in 2029 at a CAGR of 20.1%.

Regarding the trends and developments of the downstream industries, following the rapid expansion of China’s commercial aviation and aerospace industry, the market size of China’s five-axis CNC machine tools in the aviation and aerospace sector increased from RMB2,798.1 million in 2020 to RMB3,836.7 million in 2024, and is expected to further increase to RMB9,273.3 million in 2029 at a CAGR of 19.3%. In the automotive sector, the shift towards electrification and intelligent transformation has driven demand for high-precision machining solutions. The market size of China’s five-axis CNC machine tools in the automotive sector increases from RMB967.3 million in 2020 to RMB1,706.9 million in 2024, and is forecasted to grow at a CAGR of 21.3% to RMB4,482.5 million by 2029.

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### Competitive landscape within our industry

Our financial performance may be affected by the competitive landscape in the global and Chinese five-axis CNC machine tool market. According to the CIC Report, the five-axis CNC machine tool market is highly competitive, with established competitors from Germany and Japan maintaining dominance due to their first-mover advantage and technological leadership. While domestic Chinese enterprises have achieved notable progress in R&D in recent years, they still face challenges in terms of brand recognition, product stability and precision compared to international competitors. Nevertheless, according to the CIC Report, despite the competitive pressure, the aggregate market share of domestic enterprises reached 55.0% in 2024, reflecting China’s accelerating shift towards domestic substitution. This figure is projected to rise further to surpassing 75.0% by 2029, driven by continued technological advancement and growing market confidence in domestic capabilities.

Competitive pressures may impact our revenue growth, gross margins and overall financial performance. To address these challenges, we will continue to focus on utilising our technological capabilities, understanding customer needs and strengthening our market position to sustain growth and enhance profitability.

### Our product mix

Our financial performance is affected by our product mix, as our prices and gross profit margins vary across our product categories. Different products under the same product category also have varying prices and gross profit margins. During the Track Record Period, we primarily derived our revenue from the sale of aviation and aerospace intelligent manufacturing equipment. The gross margins of our aviation and aerospace intelligent manufacturing equipment are generally higher compared to our other product categories, due to the stringent technical requirements. Conversely, our compact general industrial five-axis machine tools generally have a lower gross margin since we are in an early stage of scaling production and have not achieved as many benefits of economies of scale.

### Our R&D capabilities

Our ability to continue R&D activities, develop new technologies, design new products and enhance existing products is critical to our success. We have historically dedicated significant resources towards R&D. For FY2022, FY2023, FY2024 and 6M2025, we incurred R&D expenses of RMB108.4 million, RMB89.9 million, RMB85.9 million and RMB36.5 million. Specifically, the progress of our technology and product development depends largely on our R&D talents. As at 30 June 2025, our R&D team consisted of 138 employees, representing around 35.8% of total employees. As we believe our market success and financial performance will significantly depend on our ability to maintain our technological leadership, we will continue to invest in proprietary technology development and innovation to grow our competitive strengths against our competitors.

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### Government policies supporting our industry

We have and will continue to benefit from favourable government policies supporting the five-axis CNC machine tool industry. According to the CIC Report, the PRC government in recent years has introduced several preferential policies and development plans to encourage the development of China’s five-axis CNC machine tool industry, such as the “the Action Plan for Optimising Standards Regulating Equipment Renewals and Trade-ins of Consumer Goods” (以標準提升牽引設備更新和消費品以舊換新行動方案) which proposed the development and implementation of standards for large-size, high-precision, and high-complexity CNC machine tools. During the Track Record Period, we also received several government grants and subsidies in relation to our R&D efforts, which in turn facilitated our business expansion. However, to the extent that any such favourable government policies were discontinued or reduced in the future, the five-axis CNC machine tool industry and our financial performance and growth prospects may be affected.

### CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgements related to accounting items. The estimates and assumptions we use and the judgements we make in applying our accounting policies have a significant impact on our financial position and operational results. Results may differ from these estimates under different assumptions and conditions.

Our management continually evaluates such estimates, assumptions and judgements based on historical experience and other assumptions which our management believes to be reasonable under the circumstances.

We set forth below accounting policies that we believe involve the most significant estimates, assumptions and judgements used in the preparation of our financial statements. Our material accounting policy information, as well as our key source of estimation uncertainties, which are important for understanding our financial condition and results of operations, are set forth in Notes 2.3 and 3 to the Accountants’ Report in Appendix I to this document.

### Revenue recognition

#### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

*(a) Sales of products*

The Group manufactures and sells CNC machine tools in the market. Revenue from sales of CNC machine tools is recognised at the point in time when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

*(b) Repair and maintenance services*

The performance obligation is satisfied upon the completion of services and payment is generally due upon finalisation of services.

The warranties provided by the Group cannot be purchased by the customers separately. Such warranties are intended to safeguard the customers against existing defects and do not provide any incremental services to the customers.

### **Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sales of CNC machine tools for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

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### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials is calculated by weighted average basis and the other costs are stated at actual cost at the time of acquisition, in the case of work in progress and finished goods, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Machinery	10% to 33%
Office equipment and Electronic devices	20% to 33%
Vehicles	10% to 25%
Specialised equipment	10% to 50%
Leasehold improvements	20% to 71%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### **Share-based payments**

Several employee incentive schemes are operated for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“**equity-settled transactions**”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined based on recent transaction prices, further details of which are given in note 32 to the Accountants’ Report in Appendix I to this document.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

### **Impairment of non-financial assets**

Our Company assessed whether any indication of impairment for all non-financial assets existed at the end of each financial year/period during the Track Record Period in accordance with IAS 36 Impairment of Assets. No impairment indicators were identified as of the respective year/period ends. Although our Company incurred losses in FY2022 and FY2023, operating performance has demonstrated steady growth, which is consistent with management’s expectations.

First, because our Company is still in the early stage of development, R&D investment and market development costs are large, large-scale sales have not yet formed, and the revenue scale cannot cover all cost inputs, which leads to a loss of our Company.

Second, as a high-tech enterprise specializing in aviation and aerospace intelligent manufacturing equipment and process delivery, our Company’s main products must be customized to meet the specific requirements of customers, such as process level improvements and equipment performance indicators. This customization results in a longer production cycle.

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Third, our Company’s primary customers are state-owned enterprises and government departments, which typically require a multi-level review process for bidding. This leads to a prolonged business development cycle. As of 31 December 2022 and 2023, we had project backlog amounting to RMB1,187 million and RMB925 million, respectively. Our utilisation rate was 78.4% and 93.1% in FY2022 and FY2023, respectively. Due to our project backlog and capacity utilization, our Company established Jiaying Top in 2023 to expand our production capacity.

Fourth, various pre-[REDACTED] investors subscribed for our Company’s Shares in FY2022 and FY2023. For details, see the section headed “History and Corporate Structure – Corporate Development and Major Shareholding Changes” in this document. By the end of December 2022 and 2023, the valuation reached RMB500 million and RMB580 million, respectively. The market has shown strong recognition of our Company. From a growth and other perspectives, the valuation of related companies indicates that, despite our Company (as a CGU) reporting losses in FY2022 and FY2023, no impairment indicators were identified as of the respective year/period ends.

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### RESULTS OF OPERATIONS

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

	FY2022 <i>RMB'000</i>	FY2023 <i>RMB'000</i>	FY2024 <i>RMB'000</i>	6M2024 <i>RMB'000</i> (unaudited)	6M2025 <i>RMB'000</i>
<b>Revenue</b>	135,769	334,630	531,556	314,838	444,701
Cost of sales	<u>(160,554)</u>	<u>(218,819)</u>	<u>(331,677)</u>	<u>(188,592)</u>	<u>(253,799)</u>
<b>Gross (loss)/profit</b>	<u>(24,785)</u>	<u>115,811</u>	<u>199,879</u>	<u>126,246</u>	<u>190,902</u>
Other income and gains	30,192	25,106	10,856	690	2,300
Selling and marketing expenses	(11,867)	(26,022)	(28,107)	(13,048)	(16,031)
Administrative expenses	(62,481)	(59,869)	(66,948)	(32,580)	(36,278)
Research and development expenses	(108,388)	(89,917)	(85,880)	(42,149)	(36,496)
Fair value losses on investments measured at fair value through profit or loss	(12,837)	(7,388)	(4,387)	(4,387)	–
Impairment losses on financial assets, net	(386)	(8,933)	(3,963)	(4,236)	(4,337)
Other expenses	(215)	(4,621)	(1,387)	(921)	(740)
Finance costs	(6,249)	(5,331)	(7,006)	(3,103)	(3,866)
Share of losses of associates	<u>(289)</u>	<u>(1,105)</u>	<u>(6,171)</u>	<u>(1,069)</u>	<u>(1,300)</u>
<b>(Loss)/Profit before tax</b>	<u>(197,305)</u>	<u>(62,269)</u>	<u>6,886</u>	<u>25,443</u>	<u>94,154</u>
Income tax expense	<u>(9)</u>	<u>(71)</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>(Loss)/Profit for the year/period</b>	<u><u>(197,314)</u></u>	<u><u>(62,340)</u></u>	<u><u>6,886</u></u>	<u><u>25,443</u></u>	<u><u>94,154</u></u>
(Loss)/Profit attributable to:					
Owners of the parent	(191,572)	(60,523)	8,882	26,491	95,105
Non-controlling interests	<u>(5,742)</u>	<u>(1,817)</u>	<u>(1,996)</u>	<u>(1,048)</u>	<u>(951)</u>
(Loss)/Earnings per share attributable to ordinary equity holders of the parent					
Basic and diluted ( <i>RMB</i> )	<u>(0.57)</u>	<u>(0.18)</u>	<u>0.03</u>	<u>0.08</u>	<u>0.28</u>

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### Non-IFRS Measure

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

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

	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>6M2024</b>	<b>6M2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
<b>(Loss)/Profit for the year/period</b>	(197,314)	(62,340)	6,886	25,443	94,154
Add:					
Share-based payments expenses	(757)	1,291	6,489	3,245	2,410
[REDACTED] expenses	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
<b>Adjusted net (loss)/profit (non-IFRS measure)</b>	<u>(198,071)</u>	<u>(61,049)</u>	<u>13,375</u>	<u>28,688</u>	<u>109,373</u>

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### Special Rights of the Pre-[REDACTED] Investors

Pursuant to the share subscription agreements prior to the Track Record Period and the shareholders’ agreement entered into on 4 May 2022 with various pre-[REDACTED] investors (the “Pre-[REDACTED] Investors”), we granted the Pre-[REDACTED] Investors with special rights which included redemption rights and liquidation preferences rights. No such redemption rights or liquidation preference rights granted by us have been exercised throughout the Track Record Period. No redemption rights of the Pre-[REDACTED] Investors were granted by Mr. Wang Yuhan.

On 29 December 2022, we entered into termination agreements with the Pre-[REDACTED] Investors, agreeing that certain of the special rights, including redemption rights and liquidation preferences rights, have been irrecoverably terminated and shall be void ab initio. For details, see “History and Corporate Structure – Pre-[REDACTED] Investments – Special Rights of the Pre-[REDACTED] Investors” in this document.

Since the termination agreements were entered into 29 December 2022, there was no financial impact on the consolidated statements of financial position as at 31 December 2022, 2023 and 2024 and 30 June 2025. Had the special rights granted by us to the Pre-[REDACTED] Investors been accounted for as financial liabilities measured at present value of the redemption amount prior to entering into the termination agreements, the finance costs associated with the redemption financial liabilities, the net profit for the year, basic and dilutive earning per share would have been:

	<b>2022</b>
	<i>RMB'000</i>
Financial costs associated with the redemption financial liabilities	36,414
Total net loss	233,728
Basic and diluted loss per share	<u>0.68</u>

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### KEY COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

#### Revenue

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

In FY2022, FY2023, FY2024 and 6M2025, our revenue was RMB135.8 million, RMB334.6 million, RMB531.6 million and RMB444.7 million, respectively. The following table sets forth a breakdown of our revenue by product type for the years/periods indicated.

	FY2022		FY2023		FY2024		6M2024		6M2025	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(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
<b>Total</b>	<b>135,769</b>	<b>100.0</b>	<b>334,630</b>	<b>100.0</b>	<b>531,556</b>	<b>100.0</b>	<b>314,838</b>	<b>100.0</b>	<b>444,701</b>	<b>100.0</b>

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The following table sets forth the sales volume, ASP and price ranges of our products for the years/periods indicated.

	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	248-51,290	30	13,941	2,167-27,022
Compact general industrial five-axis machine tools	-	-	-	3	1,159	973 to 1,400	23	1,036	870 to 1,500	4	1,084	973-1,292	7	1,027	955-1,106
Large-span carbon fiber composite five-axis machine tools	-	-	-	-	-	-	-	-	-	-	-	-	5	3,804	1,887-5,223

Our revenue increased during the Track Record Period, primarily driven by the increase in revenue from the sales of aviation and aerospace intelligent manufacturing equipment, which accounted for over 90% of our revenue. Since the second half of 2023, we began to record revenue from the sales of compact general industrial five-axis machine tools. The revenue generated from sales of compact general industrial five-axis machine tools increased substantially from FY2023 to FY2024. In 6M2025, we broadened our offering by introducing our large-span carbon fiber composite five-axis machine tools. Revenue generated from this new type of product accounted for approximately 4.3% of our total revenue for the period.

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### Cost of Sales

In FY2022, FY2023, FY2024 and 6M2025, our cost of sales was RMB160.6 million, RMB218.8 million, RMB331.7 million and RMB253.8 million, respectively, representing 118.3%, 65.4%, 62.4% and 57.1% of our revenue for the same years/periods, respectively. Our cost of sales primarily consists of (i) raw materials, primarily including parts and components we use in our production; (ii) labour costs; (iii) overhead costs; and (iv) provisions for warranties. The following table sets forth a breakdown of our cost of sales by nature for the years/periods indicated.

	FY2022		FY2023		FY2024		6M2024		6M2025	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
							(unaudited)			
Raw materials	93,395	81.6	191,353	90.1	285,384	87.4	170,634	91.4	203,832	82.1
Labour costs	7,747	6.8	21,272	10.0	21,784	6.7	13,982	7.5	16,467	6.5
Overhead costs <sup>Note</sup>	6,352	5.6	18,213	8.6	22,899	7.0	12,453	6.7	16,764	6.7
Transportation costs	2,585	2.3	6,950	3.3	7,677	2.4	4,945	2.6	4,679	1.9
Depreciation of right-of-use assets	1,711	1.4	5,986	2.8	5,560	1.7	3,890	2.1	6,669	2.7
Provisions for warranties	3,380	3.0	8,935	4.2	13,697	4.2	7,847	4.2	11,117	4.5
Amounts written off for inventories sold	(811)	(0.7)	(40,422)	(19.0)	(30,614)	(9.4)	(27,122)	(14.5)	(11,117)	(4.5)
<b>Subtotal</b>	<b>114,359</b>	<b>100.0</b>	<b>212,287</b>	<b>100.0</b>	<b>326,387</b>	<b>100.0</b>	<b>186,629</b>	<b>100.0</b>	<b>248,411</b>	<b>100.0</b>
<i>Write-down of inventories to net realisable value</i>	<u>46,195</u>		<u>6,532</u>		<u>5,290</u>		<u>1,963</u>		<u>5,388</u>	
<b>Total</b>	<b><u>160,554</u></b>		<b><u>218,819</u></b>		<b><u>331,677</u></b>		<b><u>188,592</u></b>		<b><u>253,799</u></b>	

*Note:* Overhead costs primarily include depreciations and amortisations of other long-term assets and utilities.

## FINANCIAL INFORMATION

### Gross Profit/(Loss) and Gross Profit/(Loss) Margin

In FY2022, we recorded gross loss of RMB24.8 million, representing a gross loss margin of 18.3%. In FY2023, FY2024 and 6M2025, we recorded gross profit of RMB115.8 million, RMB199.9 million and RMB190.9 million, respectively, representing gross profit margin of 34.6%, 37.6% and 42.9%, respectively. The following table sets forth a breakdown of our gross profit/(loss) and gross profit/(loss) margin by product type for the years/periods indicated.

	FY2022		FY2023		FY2024		6M2024		6M2025	
	Gross profit/(loss)	Gross profit/(loss) margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit/(loss)	Gross profit/(loss) margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
							(unaudited)			
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
<b>Subtotal</b>	<b>21,410</b>	<b>15.8</b>	<b>122,343</b>	<b>36.6</b>	<b>205,169</b>	<b>38.6</b>	<b>128,209</b>	<b>40.7</b>	<b>196,290</b>	<b>44.1</b>
<i>Less: impairment losses on inventories</i>	<i>(46,195)</i>		<i>(6,532)</i>		<i>(5,290)</i>		<i>(1,963)</i>		<i>(5,388)</i>	
<b>Total</b>	<b><u>(24,785)</u></b>	<b>(18.3)</b>	<b><u>115,811</u></b>	<b>34.6</b>	<b><u>199,879</u></b>	<b>37.6</b>	<b><u>126,246</u></b>	<b>40.1</b>	<b><u>190,902</u></b>	<b><u>42.9</u></b>

## FINANCIAL INFORMATION

### Other Income and Gains

In FY2022, FY2023, FY2024 and 6M2025, we recorded other income and gains of RMB30.2 million, RMB25.1 million, RMB10.9 million and RMB2.3 million, respectively. Other income and gains primarily consist of government grants and subsidies, investment income from wealth management products, interest income, gain on customer breach of contract, gain on disposal of investments measured at fair value through profit or loss (“FVTPL”) and exchange gain. The following table sets forth a breakdown of our other income and gains for the years/periods indicated.

	FY2022	FY2023	FY2024	6M2024	6M2025
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
<b>Other income</b>					
Government grants and subsidies	19,304	22,338	9,338	254	795
Investment income	3,565	–	–	–	–
Interest income	3,353	2,259	636	350	234
<b>Gains</b>					
Gain on customer breach of contract <sup>Note 1</sup>	3,849	–	–	–	–
Gain on disposal of investments measured at FVTPL <sup>Note 2</sup>	–	–	367	–	–
Exchange gain	74	314	–	–	697
Others	47	195	515	86	574
	<u>47</u>	<u>195</u>	<u>515</u>	<u>86</u>	<u>574</u>
<b>Total</b>	<b><u>30,192</u></b>	<b><u>25,106</u></b>	<b><u>10,856</u></b>	<b><u>690</u></b>	<b><u>2,300</u></b>

*Notes:*

1. Refers to our gains upon the forfeiture of the deposit paid by a customer upon its decision to terminate the contract
2. Refers to the monetary difference between the consideration of the disposal of Chengdu Yongfeng and the book value of our investment in Chengdu Yongfeng

Government grants and subsidies primarily relate to our R&D activities. They include non-recurring project grants to support and reward our efforts in technological innovation. We receive these grant sums from government agencies. The availability and amounts of these grants and subsidies are subject to the discretions of the relevant government authorities and government policy. Typically, these government grants and subsidies during the Track Record Period were recognised upon compliance or fulfilment with the attached conditions or contingencies or as one-off grants with no condition or contingencies attached.

## FINANCIAL INFORMATION

### Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) employee benefit expenses, which primarily include the salaries and benefits for our sales and marketing personnel; (ii) business development expenses for our sales and marketing personnel; (iii) consultation fees, primarily consisting of fees to market research agencies; (iv) travelling expenses; and (v) advertising and promotion expenses. The following table sets forth a breakdown of our selling and marketing expenses for the years/periods indicated:

	FY2022		FY2023		FY2024		6M2024		6M2025	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Employee benefit expenses	6,109	51.5	15,334	58.9	17,229	61.2	8,049	61.7	8,954	55.9
Business development expenses	3,231	27.2	3,930	15.1	2,325	8.3	1,494	11.4	1,267	7.9
Consultation fees	1,018	8.6	2,301	8.8	477	1.7	366	2.8	375	2.3
Travelling expenses	664	5.6	1,956	7.5	3,090	11.0	1,104	8.5	1,357	8.5
Advertising and promotion expenses	427	3.6	2,064	7.9	3,349	12.0	1,661	12.7	3,171	19.8
Others <sup>Note</sup>	418	3.5	437	1.8	1,637	5.8	374	2.9	907	5.6
<b>Total</b>	<b>11,867</b>	<b>100.0</b>	<b>26,022</b>	<b>100.0</b>	<b>28,107</b>	<b>100.0</b>	<b>13,048</b>	<b>100.0</b>	<b>16,031</b>	<b>100.0</b>

*Note:* Others primarily include rental expenses, tender award fees, primarily consisting of fees to bid administrators that are required to be borne by the successful bidder, and conference and meeting expenses, depreciation and amortisation.

In FY2022, FY2023, FY2024 and 6M2025, our selling and marketing expenses were RMB11.9 million, RMB26.0 million, RMB28.1 million and RMB16.0 million, accounting for 8.7%, 7.8%, 5.3% and 3.6% of our revenue for the same years/periods, respectively. The increase in our selling and marketing expenses were primarily attributable to our increase in sales efforts mainly in relation to our compact general industrial five-axis machine tools segment.

## FINANCIAL INFORMATION

### Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses, which primarily include the salaries and benefits for our administration and management personnel; (ii) depreciation and amortisation; (iii) professional services fees mainly legal and audit fees; (iv) [REDACTED] expenses; (v) business development expenses of our administration and management personnel; (vi) office expenses; and (vii) rental expenses, which primarily consist of the depreciation of right-of-use assets representing our office leases. The following table sets forth a breakdown of our administrative expenses for the years/periods indicated.

	FY2022		FY2023		FY2024		6M2024		6M2025	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
							(unaudited)			
Employee benefit expenses	39,789	63.7	37,678	63.0	40,225	60.1	20,056	61.6	15,479	42.7
Depreciation and amortisation	10,669	17.1	9,845	16.4	10,151	15.2	5,357	16.4	4,078	11.2
Professional services fees	3,494	5.6	4,731	7.9	6,314	9.4	1,026	3.1	988	2.7
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Business development expenses	2,382	3.8	1,441	2.4	1,816	2.7	2,525	7.8	452	1.2
Office expenses	1,280	2.0	1,030	1.7	847	1.3	480	1.5	208	0.6
Rental expenses	910	1.5	1,171	2.0	2,328	3.5	891	2.7	610	1.7
Others <sup>Note</sup>	3,957	6.3	3,973	6.6	5,267	7.8	2,245	6.9	1,654	4.6
<b>Total</b>	<b>62,481</b>	<b>100.0</b>	<b>59,869</b>	<b>100.0</b>	<b>66,948</b>	<b>100.0</b>	<b>32,580</b>	<b>100.0</b>	<b>36,278</b>	<b>100.0</b>

*Note:* Others primarily include travelling expenses, tax and surcharges, and other administrative expenses.

In FY2022, FY2023, FY2024 and 6M2025, our administrative expenses were RMB62.5 million, RMB59.9 million, RMB66.9 million and RMB36.3 million, accounting for 46.0%, 17.9%, 12.6% and 8.2% of our revenue for the same years/periods, respectively.

## FINANCIAL INFORMATION

### Research and Development Expenses

Our R&D expenses primarily consist of (i) employee benefit expenses, which primarily include the salaries and benefits for our R&D personnel; (ii) material costs for our R&D initiatives; (iii) depreciation and amortisation; (iv) travelling expenses; and (v) collaborative R&D costs. The following table sets forth a breakdown of our research and development expenses for the years/periods indicated.

	FY2022		FY2023		FY2024		6M2024		6M2025	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Employee benefit expenses	71,871	66.4	60,530	67.3	63,971	74.4	32,145	76.2	27,547	75.4
Material costs	16,915	15.6	11,289	12.6	3,439	4.0	1,723	4.1	2,008	5.5
Depreciation and amortisation	9,099	8.4	9,487	10.6	8,827	10.3	4,577	10.9	4,560	12.5
Travelling expenses	4,489	4.1	4,641	5.2	4,187	4.9	1,898	4.5	1,376	3.8
Collaborative R&D costs	3,413	3.1	2,308	2.6	5,040	5.9	1,250	3.0	92	0.3
Others <sup>Note</sup>	2,601	2.4	1,662	1.7	416	0.5	556	1.3	913	2.5
<b>Total</b>	<b>108,388</b>	<b>100.0</b>	<b>89,917</b>	<b>100.0</b>	<b>85,880</b>	<b>100.0</b>	<b>42,149</b>	<b>100.0</b>	<b>36,496</b>	<b>100.0</b>

*Note:* Others primarily include inspection and testing fees, rental expenses and office expenses.

### Fair Value Losses on Investments Measured at FVTPL

We recorded fair value losses on investments measured at FVTPL of RMB12.8 million, RMB7.4 million, RMB4.4 million and nil in FY2022, FY2023, FY2024 and 6M2025, respectively, which related to our investments in Chengdu Yongfeng and Zhongtuo Technology.

The fair value losses on investments measured at FVTPL represented the decrease in value of our investment in Chengdu Yongfeng and the investment loss of our additional capital injection in Zhongtuo Technology in the relevant years/periods during the Track Record Period.

### Impairment Losses on Financial Assets, Net

We recorded impairment losses on financial assets, net, of RMB386 thousand, RMB8.9 million, RMB4.0 million and RMB4.3 million in FY2022, FY2023, FY2024 and 6M2025, respectively. Such impairment losses for FY2023 and FY2024 primarily represent our individual assessed impairment made for expected credit loss of trade receivables of certain customers in the relevant years/periods.

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## FINANCIAL INFORMATION

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### Other Expenses

Our other expenses primarily include (i) loss on disposal of fixed assets, (ii) donations and (iii) loss on disposal of an associate (i.e. Shanghai Qianzhan). We recorded other expenses of RMB215 thousand, RMB4.6 million, RMB1.4 million and RMB740 thousand in FY2022, FY2023, FY2024 and 6M2025, respectively.

### Finance Costs

Our finance costs primarily consist of interest on loans and borrowings and interest on lease liabilities. In FY2022, FY2023, FY2024 and 6M2025, our finance costs was RMB6.2 million, RMB5.3 million, RMB7.0 million and RMB3.9 million, respectively.

### Share of Losses of Associates

Our share of losses of associates represents the amount of losses attributable to our Group as a result of our investments in associates, namely Chengdu Chenfei and Shanghai Qianzhan. We disposed of our investment in Shanghai Qianzhan in 2023. For details, please see “History and Corporate Structure – Acquisitions, Merger and Disposal – Disposal of equity interest in Shanghai Qianzhan”. In FY2022, FY2023, FY2024 and 6M2025, our share of losses of associates was RMB289 thousand, RMB1.1 million, RMB6.2 million and RMB1.3 million, respectively. For details, see note 16 to the Accountants’ Report in Appendix I to this document.

### Income Tax Expenses

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate.

Our Company and most of our subsidiaries are located in the PRC. Pursuant to the PRC Corporate Income Tax Law, the tax rate of our PRC subsidiaries was 25% during the Track Record Period. Our Company is qualified as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% during the Track Record Period.

We recorded income tax expenses of RMB9 thousand, RMB71 thousand, nil and nil in FY2022, FY2023, FY2024 and 6M2025 respectively. During the Track Record Period, our effective income tax rate was significantly lower than the statutory tax rate, which was primarily due to the super deductible allowance for research and development expenses. Pursuant to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 200% of research and development costs so incurred as tax deductible expenses when determining assessable profits. For FY2023, FY2024 and 6M2025, we, as a company in machine tool industry, were entitled to claim 220% of our research and development costs. For details, see note 10 to the Accountants’ Report in Appendix I to this document.

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## FINANCIAL INFORMATION

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### YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

#### 6M2025 compared with 6M2024

##### Revenue

Our revenue increased by 41.2% from RMB314.8 million in 6M2024 to RMB444.7 million in 6M2025, primarily due to the increase in revenue from the sales of aviation and aerospace intelligent manufacturing equipment.

- Our revenue from the sales of aviation and aerospace intelligent manufacturing equipment increased by 35.2% from RMB309.3 million in 6M2024 to RMB418.2 million in 6M2025, primarily due to recognition of revenue following delivery of products with a high contract value. In particular, we delivered dual five-axis mirror milling machine tools to Customer H, a company listed on the Shenzhen Stock Exchange which is primarily engaged in the manufacturing of ship and aerospace equipment, with a contract sum of RMB165.4 million (VAT inclusive) in January 2025.
- Our revenue from the sales of compact general industrial five-axis machine tools increased by 65.7% from RMB4.3 million in 6M2024 to RMB7.2 million in 6M2025. This growth is primarily driven by our increased marketing efforts, which led to a period-on-period increase of three customers and a corresponding rise in sales volume by three units for this category.
- Our revenue from the sales of large-span carbon fiber composite five-axis machine tools increased from nil in 6M2024 to RMB19.0 million in 6M2025 as we commenced sales of large-span carbon fiber composite five-axis machine tools to our first customer for this product type in March 2025. Unlike conventional metal-based machine tools, our large-span carbon fiber composite five-axis machine tools features carbon fiber composites across all moving parts.
- Our revenue from repair and maintenance services decreased by 77.1% from RMB1.2 million in 6M2024 to RMB272 thousand in 6M2025, primarily due to completion of repair and maintenance service contracts in an aggregate contract sum of RMB1.3 million (VAT inclusive) with Customer I in FY2024 and the absence of new customers in 6M2025 for this category.

##### Cost of sales

Our cost of sales increased by 34.6% from RMB188.6 million in 6M2024 to RMB253.8 million in 6M2025, which is generally in line with our growth in revenue in 6M2025.

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## FINANCIAL INFORMATION

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### Gross profit and gross profit margin

Our gross profit increased by 51.3% from RMB126.2 million in 6M2024 to RMB190.9 million in 6M2025, and our gross profit margin increased from 40.1% in 6M2024 to 42.9% in 6M2025 due to the reasons discussed below.

- Our gross profit from aviation and aerospace intelligent manufacturing equipment (before write-down of inventories) increased by 56.3% from RMB125.9 million in 6M2024 to RMB196.8 million in 6M2025, primarily due to (1) increase in revenue from the sales of aviation and aerospace intelligent manufacturing equipment and (2) increase in gross profit margin for this product type. The gross profit margin (before write-down of inventories) increased from 40.7% in 6M2024 to 47.1% in 6M2025, mainly due to our gradual shift towards incorporating less highly-customized parts in the design of certain aviation and aerospace intelligent manufacturing equipment.
- Our gross profit from compact general industrial five-axis machine tools (before write-down of inventories) remained stable at RMB1.30 million and RMB1.31 million for 6M2024 and 6M2025, respectively. The gross profit margin (before write-down of inventories) decreased from 30.0% in 6M2024 to 18.2% in 6M2025, mainly due to selling of compact general industrial five-axis machine tools at a higher cost but similar selling price compared to that of 6M2024, in 6M2025, to increase our market share in 6M2025. Our number of customers for this product type doubled in 6M2025 as compared with 6M2024.
- We recorded gross loss from large-span carbon fiber composite five-axis machine tools (before write-down of inventories) of RMB1.9 million with a gross loss margin of 9.8%. We commenced the sales of five large-span carbon fiber composite five-axis machine tools in 6M2025 and sold a total of five units for our initial batch of sales. Due to (i) the significant material costs for carbon fiber, especially before strategic supply chain relationships are established, and (ii) the lower pricing that we set for our initial batch of sales, to incentivise its adoption in the market, we recorded a negative gross profit margin for this batch of sales.

### Other income and gains

Our other income and gains increased by 233.3% from RMB690 thousand in 6M2024 to RMB2.3 million in 6M2025. Such increase was primarily attributable to the increase in government grants and subsidies from RMB254 thousand in 6M2024 to RMB795 thousand in 6M2025, and the increase in exchange gain from nil in 6M2024 to RMB697 thousand in 6M2025.

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## FINANCIAL INFORMATION

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### **Selling and marketing expenses**

Our selling and marketing expenses increased by 22.9% from RMB13.0 million in 6M2024 to RMB16.0 million in 6M2025, primarily due to the increase in advertising and promotion expenses from RMB1.7 million in 6M2024 to RMB3.2 million in 6M2025. Such increase was primarily attributable to our participation in a trade fair and exhibition in Beijing in April 2025.

### **Administrative expenses**

Our administrative expenses remained relatively stable at RMB32.6 million and RMB36.3 million in 6M2024 and 6M2025, respectively.

### **Research and development expenses**

Our research and development expenses decreased by 13.4% from RMB42.1 million in 6M2024 to RMB36.5 million in 6M2025, primarily due to the decrease in employee benefit expenses from RMB32.1 million in 6M2024 to RMB27.5 million in 6M2025. Such decrease was mainly attributable to the optimization of our R&D workforce in response to the progression of our R&D projects.

### **Fair value losses on investments measured at FVTPL, net**

Our fair value losses on investments measured at FVTPL, net, decreased by 100% from RMB4.4 million in 6M2024 to nil in 6M2025, since we had exited our investments in Chengdu Yongfeng in 2024, and the fair value of our investments in Zhongtuo Technology remained at nil during 6M2025.

### **Impairment losses on financial assets, net**

Our impairment losses on financial assets, net, remained relatively stable at RMB4.2 million in 6M2024 and RMB4.3 million in 6M2025.

### **Other expenses**

Our other expenses remained relatively stable at RMB921 thousand in 6M2024 and RMB740 thousand in 6M2025.

### **Finance costs**

Our finance costs increased by 24.6% from RMB3.1 million in 6M2024 to RMB3.9 million in 6M2025, primarily due to increase in utilization of bank borrowings.

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## FINANCIAL INFORMATION

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### Profit for the period

As a result of the foregoing, our profit for the period of RMB25.4 million in 6M2024 increased to a profit for the period of RMB94.2 million in 6M2025.

### FY2024 compared with FY2023

#### Revenue

Our revenue increased by 58.9% from RMB334.6 million in FY2023 to RMB531.6 million in FY2024, mainly because:

- Our revenue from the sales of aviation and aerospace intelligent manufacturing equipment increased by 54.8% from RMB325.1 million in FY2023 to RMB503.4 million in FY2024, primarily due to sales of horizontal flip-type milling five-axis machine tools and increase in sales of friction stir welding five-axis machine tools to Chengdu Chenfei (a subsidiary of Customer F) and Customer H in FY2024, partially offset by the decrease in sales of aviation and aerospace five-axis machining centers. We did not sell any horizontal flip-type milling five-axis machine tools in FY2023. However, in FY2024, sales of these tools accounted for 36.9% of our total revenue generated from this product type.
- Our revenue from the sales of compact general industrial five-axis machine tools increased by 585.7% from RMB3.5 million in FY2023 to RMB23.8 million in FY2024, primarily due to the increase in sales of compact general industrial five-axis machine tools in line with our strategic expansion in the general industrial sector. Notably, there is a significant increase in number of customers in FY2024 as compared with FY2023. Two of our new customers collectively contributed 37.9% of our total sales for this product type in FY2024 one of whom was representative of end-users engaging in the sale of electromechanical equipment including five-axis CNC machine tools.

#### Cost of Sales

Our cost of sales increased by 51.6% from RMB218.8 million in FY2023 to RMB331.7 million in FY2024, which was generally in line with the increase in revenue resulting from our business expansion.

Nonetheless, certain items in our cost of sales did not increase at the same rate as the increase in revenue. Our labour costs only increased by 2.4% from RMB21.3 million in FY2023 to RMB21.8 million in FY2024, which was attributable to the fact that our labour costs had been relatively high in FY2023. For comparison purposes, our labour costs as a percentage of cost of sales was 10.0% and 6.7% in FY2023 and FY2024, respectively.

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## FINANCIAL INFORMATION

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Our labour costs were relatively high in FY2023, primarily attributable to non-recurring labour costs, including: (i) RMB3.8 million of labour costs from the order adjustment incident with Customer E, with corresponding revenue of RMB23.8 million. For details, see “– Inventories – Order Adjustment by Customer E”; and (ii) RMB2.5 million of labour costs for repair and maintenance services from EEW, where no such revenue was generated in FY2024 as it ceased to provide the relevant services from a cost-benefit perspective. Additionally, as a result of the customised nature of our products, the proportion of labour costs to cost of sales varies across different projects. The difference in mix of products between financial years also contributed to the lower rate of increase in labour costs in FY2024.

### **Gross Profit/(Loss) and Gross Profit/(Loss) Margin**

Our gross profit increased by 72.6% from RMB115.8 million in FY2023 to RMB199.9 million in FY2024, and our gross profit margin increased from 34.6% in FY2023 to 37.6% in FY2024 due to the reasons discussed below.

- Our gross profit from aviation and aerospace intelligent manufacturing equipment (before write-down of inventories) increased by 62.9% from RMB120.8 million in FY2023 to RMB196.8 million in FY2024, primarily due to (1) the increase in revenue for aviation and aerospace intelligent manufacturing equipment; and (2) our improved gross profit margin for this product type. The gross profit margin (before write-down of inventories) slightly increased from 37.2% in FY2023 to 39.1% in FY2024 primarily because of the continuous increase in efficiency in our production process and procurement of raw materials due to enhancement in standardisation of our operations and production technologies, including modification of our product design to facilitate the use of common components. In addition, we sold horizontal flip-type milling five-axis machine tools in FY2024, which were not sold in FY2023, with a relatively high gross profit margin of 48.6%. Sales of these machine tools accounted for 36.9% of our total revenue generated from this product type in FY2024.
- Our gross profit from compact general industrial five-axis machine tools (before write-down of inventories) increased by 824% from RMB662 thousand in FY2023 to RMB6.1 million in FY2024, primarily due to the increase in revenue for compact general industrial five-axis machine tools. The gross profit margin (before write-down of inventories) increased from 19.0% in FY2023 to 25.7% in FY2024 primarily due to the reduction in unit cost as a result of better economies of scale from the increase in sales volume. Furthermore, we sold compact general industrial five-axis machine tools to Customer H in FY2024 at high gross profit margin of 50.3% following successful negotiations. Customer H, who had not purchased this product type from us previously in FY2023, contributed 24.7% of our total gross profit generated from this product type in FY2024.

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## FINANCIAL INFORMATION

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### **Other income and gains**

Our other income and gains decreased by 56.8% from RMB25.1 million in FY2023 to RMB10.9 million in FY2024. Such decrease was primarily attributable to the decreases in our government grants and subsidies from RMB22.3 million in FY2023, to RMB9.3 million in FY2024 primarily because a majority of the government grant projects were completed in FY2023.

### **Selling and marketing expenses**

Our selling and marketing expenses remained relatively stable at RMB26.0 million and RMB28.1 million in FY2023 and FY2024, respectively.

### **Administrative expenses**

Our administrative expenses increased by 11.8% from RMB59.9 million in FY2023 to RMB66.9 million in FY2024, primarily due to (i) increase in employee benefit expenses of RMB2.5 million mainly for performance-related bonus and share-based payments, and (ii) an increase in professional services fees of RMB1.6 million in relation to our previous A-share listing attempts.

### **Research and development expenses**

Our R&D expenses were RMB89.9 million in FY2023 and RMB85.9 million in FY2024, which remained relatively stable.

### **Fair value losses on investments measured at FVTPL, net**

Our fair value losses on investments measured at FVTPL, net, decreased by 40.6% from RMB7.4 million in FY2023 to RMB4.4 million in FY2024 and such fair value losses in FY2024 represent the change in fair value of our investment in Chengdu Yongfeng as at 30 June 2024.

### **Impairment losses on financial assets, net**

Our impairment losses on financial assets, net, decreased by 55.6% from RMB8.9 million in FY2023 to RMB4.0 million in FY2024, primarily because we made individual assessed impairment for the expected credit loss of trade receivables of only one customer with an amount of RMB4.1 million in FY2024 while we made such impairment of two customers with a total amount of RMB8.1 million in FY2023. For details, see “– FY2023 compared with FY2022 – Impairment losses on financial assets, net” in this section. The decrease in impairment losses on financial assets, net, was also partly attributable to the increased recovery of previously impaired receivables. Trade receivables we recovered during FY2024 included RMB0.9 million from Customer D, RMB1.7 million from Customer A and a total of RMB1.9 million from Customer B.

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### Other expenses

Our other expenses decreased by 70.0% from RMB4.6 million in FY2023 to RMB1.4 million in FY2024, primarily because we recorded a loss of RMB2.0 million on the retirement of a piece of machinery which was no longer functional.

### Finance costs

Our finance costs increased by 31.4% from RMB5.3 million in FY2023 to RMB7.0 million in FY2024, primarily due to increase in interest-bearing bank and other financing obtained in FY2024, partially offset by a decrease in interest on lease liabilities.

### Share of losses of associates

Our share of losses of associates increased by 458.5% from RMB1.1 million in FY2023 to RMB6.2 million in FY2024, primarily due to the increase in share of loss of Chengdu Chenfei in FY2024.

### (Loss)/Profit for the year

As a result of the foregoing, our loss for the year of RMB62.3 million in FY2023 turned around to a profit for the year of RMB6.9 million in FY2024.

### FY2023 compared with FY2022

#### Revenue

Our revenue increased by 146.5% from RMB135.8 million in FY2022 to RMB334.6 million in FY2023, mainly because:

- Our revenue from the sales of aviation and aerospace intelligent manufacturing equipment increased by 145.5% from RMB132.4 million in FY2022 to RMB325.1 million in FY2023, primarily due to the completion of final acceptance of a contract with a subsidiary of Customer B with a contract value of RMB165.9 million. Pursuant to the contract, we have delivered various products to the subsidiary of Customer B, including dual five-axis mirror milling machine tool, horizontal flip-type milling five-axis machine tool, drilling and riveting docking equipment and stir welding machine tool.
- Our revenue from the sales of compact general industrial five-axis machine tools increased from nil in FY2022 to RMB3.5 million in FY2023 as we commenced sales of compact general industrial five-axis machine tools in March 2023.

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### Cost of sales

Our cost of sales increased by 36.3% from RMB160.6 million in FY2022 to RMB218.8 million in FY2023, primarily due to the increase in raw materials costs of RMB98.0 million and labour costs of RMB13.5 million, primarily attributable to the increase in sales volume of aviation and aerospace intelligent manufacturing equipment and compact general industrial five-axis machine tools. This is partially offset by the decrease in impairment losses on inventories of RMB46.2 million, as we incurred an impairment losses on inventories of RMB36.8 million due to the order adjustment incident with Customer E (one of our top five customers in FY2023) in FY2022. For details, see “– Inventories” below.

### Gross profit (/loss) and gross profit (/loss) margin

We recorded gross loss of RMB24.8 million and gross loss margin of 18.3% for FY2022, and turned to gross profit of RMB115.8 million and gross profit margin of 34.6% for FY2023 due to the reasons discussed below.

- Our gross profit from aviation and aerospace intelligent manufacturing equipment (before write-down of inventories) increased by 472.5% from RMB21.1 million in FY2022 to RMB120.8 million in FY2023, primarily due to (i) the increase in revenue for aviation and aerospace intelligent manufacturing equipment for the reasons discussed above, and (ii) the increase in gross profit margin (before write-down of inventories) from 15.9% in FY2022 to 37.2% in FY2023. The increase in gross profit margin was primarily because of the increase in efficiency in our production process and procurement of raw materials due to enhancement in standardisation of our operations and production technologies, including modification of our product design to facilitate the use of common components. In particular, the gross profit margin of our dual five-axis mirror milling machine tools, which accounted for 36.8% of total sales for this product type in FY2023, increased significantly from 32.5% to 54.6%. Additionally, the gross profit margin of our horizontal flip-type five-axis milling machine tools, which represented more than one-third of total sales for this product type in both FY2022 and FY2023, improved from 17.0% to 24.0%.
- We recorded gross profit from compact general industrial five-axis machine tools (before write-down of inventories) of RMB662 thousand with a gross profit margin of 19.0% in FY2023. Our compact general industrial five-axis machine tools had a low gross profit margin in FY2023. This was primarily due to the fact that we had only begun sales of this product type to three customers during the year, resulting in higher per-unit costs associated with initial production and limited economies of scale.
- We incurred an impairment losses on inventories of RMB36.8 million due to the order adjustment incident with Customer E (one of our top five customers in FY2023) in FY2022. For details, see “– Inventories” below.

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### Other income and gains

Our other income and gains decreased by 16.8% from RMB30.2 million in FY2022 to RMB25.1 million in FY2023. Such decrease was primarily attributable to (i) the absence of a one-off gain from customer breach of contract; and (ii) the decrease in investment income and interest income, partially offset by the increase in government grants and subsidies from RMB19.3 million in FY2022 to RMB22.3 million in FY2023.

### Selling and marketing expenses

Our selling and marketing expenses increased by 119.3% from RMB11.9 million in FY2022 to RMB26.0 million in FY2023, primarily due to (i) the increase in employee benefit expenses of RMB9.2 million as a result of addition of sales personnel for our sales team in FY2023, and (ii) the increase in advertising and promotion expenses of RMB1.6 million as a result of the increase in our advertising and promotional initiatives in FY2023, to support the launch of our compact general industrial five-axis machine tools.

### Administrative expenses

Our administrative expenses were RMB62.5 million in FY2022 and RMB59.9 million in FY2023 which remained relatively stable.

### Research and development expenses

Our R&D expenses decreased by 17.0% from RMB108.4 million in FY2022 to RMB89.9 million in FY2023, primarily due to the optimization of our R&D workforce in response to the progression of our R&D projects.

### Fair value losses on investments measured at FVTPL, net

Our fair value losses on investments measured at FVTPL, net, decreased by 42.4% from RMB12.8 million in FY2022 to RMB7.4 million in FY2023 since we recorded for value losses for our investments in Chengdu Yongfeng and Zhongtuo Technology in FY2022 while such fair value for our investment in Zhongtuo Technology was minimal in FY2023.

### Impairment losses on financial assets, net

Our impairment losses on financial assets, net, increased by 2,214.2% from RMB386 thousand in FY2022 to RMB8.9 million in FY2023 since we made individual assessed impairment for the expected credit loss of two trade receivables in FY2023, including RMB0.9 million for aviation and aerospace intelligent manufacturing equipment and RMB7.2 million for compact general industrial five-axis machine tools. Following our impairment policy, we assessed at the end of the financial year that the credit risks on these trade receivables had increased and the reasonable expectation of recovery was low. Consequently, we made full provision on these trade receivables; whereas in FY2022, we had not made any individual assessed impairment of trade receivables.

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### **Other expenses**

Our other expenses increased by 2,049.3% from RMB215 thousand in FY2022 to RMB4.6 million in FY2023, primarily due to the disposal and write-off of fixed assets of RMB3.1 million, including the disposal and write-off to the amount of RMB2.0 million for a piece of machinery which was no longer functional.

### **Finance costs**

Our finance costs decreased by 14.7% from RMB6.2 million in FY2022 to RMB5.3 million in FY2023, primarily due to the decrease in interest on lease liabilities from RMB5.9 million in 2022 to RMB4.8 million in 2023.

### **Share of losses of associates**

Our share of losses of associates increased by 282% from RMB289 thousand in FY2022 to RMB1.1 million in FY2023, primarily due to the increase in share of loss of Chengdu Chenfei in FY2023.

### **Loss for the year**

As a result of the foregoing, our loss for the year decreased by 68.4% from RMB197.3 million in FY2022 to RMB62.3 million in FY2023.

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### CURRENT ASSETS AND CURRENT LIABILITIES

#### Net current assets

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

	As at 31 December			As at	As at
	2022	2023	2024	30 June 2025	31 October 2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
<b>Current assets</b>					
Inventories	443,459	588,548	486,095	302,711	320,073
Contract assets	7,436	10,455	24,392	14,151	23,103
Trade and bills receivables	81,982	97,786	60,010	157,734	164,420
Prepayments, other receivables and other assets	62,814	74,428	29,041	40,573	56,745
Investments measured at fair value through profit or loss	18,877	11,619	–	–	–
Restricted cash	17,212	14,222	10,351	11,192	8,164
Cash and cash equivalents	346,823	148,386	133,538	111,463	96,451
<b>Total current assets</b>	<b>978,603</b>	<b>945,444</b>	<b>743,427</b>	<b>637,824</b>	<b>668,956</b>
<b>Current liabilities</b>					
Trade and bills payables	193,752	228,429	146,726	109,894	83,955
Other payables and accruals	72,778	38,969	45,569	58,055	40,266
Contract liabilities	645,084	573,397	341,779	90,293	174,139
Interest-bearing bank and other borrowings	7,660	40,111	144,321	194,206	176,183
Lease liabilities	31,063	32,297	25,811	23,803	16,473
Tax payable	3	7	–	–	–
Deferred income	3,961	2,102	9,330	10,938	11,391
Provision	9,709	9,955	17,395	23,374	20,777
<b>Total current liabilities</b>	<b>964,010</b>	<b>925,267</b>	<b>730,931</b>	<b>510,563</b>	<b>523,184</b>
<b>Net current assets</b>	<b>14,593</b>	<b>20,177</b>	<b>12,496</b>	<b>127,261</b>	<b>145,772</b>

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

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

Our Group’s net current assets increased from RMB12.5 million as at 31 December 2024 to RMB127.3 million as at 30 June 2025. The increase was primarily due to (i) decrease in contract liabilities of RMB251.5 million and (ii) increase in trade and bills receivables of RMB97.8 million due to the further increase of fulfilment of our obligations under sales contract in the relevant period in 2025 which was partially offset by the decrease in inventories of RMB183.4 million and increase in bank borrowings of RMB49.9 million.

Our Group’s net current assets increased from RMB127.3 million as at 30 June 2025 to RMB145.8 million as at 31 October 2025. The increase was primarily due to (i) decrease in trade and bills payables of RMB25.9 million; (ii) decrease in interest-bearing bank and other borrowings of RMB18.0 million; (iii) decrease in other payables and accruals of RMB17.8 million; and (iv) increase in inventories of RMB17.4 million, which was partially offset by the increase in contract liabilities of RMB83.8 million.

### **Sufficiency of working capital**

Our Directors confirm that, after due and careful enquiry and taking into consideration the financial resources presently available to us, including our expected cash flow generated from our operating activities, the estimated net proceeds from the [REDACTED], unutilised banking facilities and cash and cash equivalents as at 31 October 2025, our Group has sufficient working capital for our present requirements and for the next 12 months commencing from the date of this document.

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### DESCRIPTION OF SELECTED ITEMS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Property, Plant and Equipment

Our property, plant and equipment consists of machinery, specialised equipment, office equipment and electronic devices, leasehold improvements, construction-in-progress and vehicles. As at 31 December 2022, 2023 and 2024 and 30 June 2025, the carrying value of our property, plant and equipment amounted to RMB39.0 million, RMB33.2 million, RMB71.8 million and RMB88.8 million, respectively.

Our property, plant and equipment slightly decreased from RMB39.0 million as at 31 December 2022 to RMB33.2 million as at 31 December 2023 primarily due to depreciation, but substantially increased to RMB71.8 million as at 31 December 2024 primarily due to the increase in construction-in-progress in relation to the construction of our Jiaxing Production Base in FY2024. It then increased to RMB88.8 million as at 30 June 2025 primarily due to the increase in buildings in relation to our Jiaxing Production Base in 6M2025.

#### Right-of-Use Assets

Our right-of-use assets primarily include (i) land use rights; and (ii) the plant and buildings we leased for our operations under the lease contracts.

Our right-of-use assets were RMB71.0 million, RMB67.2 million, RMB105.0 million and RMB97.5 million as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively. The decrease in balance of our right-of-use assets of RMB3.8 million as at 31 December 2023 as compared to 31 December 2022 was primarily due to the depreciation charge to our plant and properties offset by the addition to land-use rights due to the purchase of land for our Jiaxing Production Base. The increase in the balance of our right-of-use assets of RMB37.8 million as at 31 December 2024 as compared to 31 December 2023 was mainly due to the addition to land-use rights due to the acquisition of land for our Zhuanqiao Production Base offset by the depreciation charge to our plant and properties. The decrease in the balance of our right-of-use assets of RMB7.5 million as at 30 June 2025 compared to 31 December 2024 was primarily due to the depreciation charge to our plant and properties.

#### Other intangible assets

Our other intangible assets mainly consist of software, patents, licences and technology, which amounted to RMB37.4 million, RMB31.4 million, RMB29.1 million and RMB28.2 million as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively. The continual decrease in our other intangible assets was primarily due to the amortisation of our other intangible assets.

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### Investments in Associates

Our investments in associates represent our investments in entities in which we have significant influence. During the Track Record Period, our investments in associates represented our investments in two companies, namely Chengdu Chenfei and Shanghai Qianzhan. As at 31 December 2022, 2023 and 2024 and 30 June 2025, we recorded investments in associates of RMB53.8 million, RMB36.9 million, RMB20.0 million and RMB12.3 million, respectively. The decrease in investments from FY2022 to 6M2025 in associates was due to (i) the increase in the share of the associates’ losses from RMB0.3 million for FY2022 to RMB6.2 million for FY2024, (ii) the elimination of down-stream sales from nil for FY2022 to RMB10.7 million for FY2024, and (iii) the disposal of our investment in Shanghai Qianzhan in 2023. For details, see note 16 to the Accountants’ Report set forth in Appendix I to this document. We disposed of our investment in Shanghai Qianzhan in 2023. For details, see “History and Corporate Structure – Acquisitions, Merger and Disposal – Disposal of equity interest in Shanghai Qianzhan” in this document.

### Inventories

We had inventories of RMB443.5 million, RMB588.5 million, RMB486.1 million and RMB302.7 million as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively. The following table sets forth the details of our inventories as at the dates indicated.

	As at 31 December			As at
	2022	2023	2024	30 June
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Raw materials	74,636	80,350	76,590	78,391
Work in progress	112,631	223,395	129,048	153,777
Finished goods	39,113	97,573	65,523	67,219
Goods in Transit <sup>(1)</sup>	325,014	261,479	263,688	44,278
	<u>551,394</u>	<u>662,797</u>	<u>534,849</u>	<u>343,665</u>
Less: provision for impairment losses on inventories	<u>(107,935)</u>	<u>(74,249)</u>	<u>(48,754)</u>	<u>(40,954)</u>
<b>Total</b>	<b><u>443,459</u></b>	<b><u>588,548</u></b>	<b><u>486,095</u></b>	<b><u>302,711</u></b>

<sup>(1)</sup> Refers to finished products which have passed pre-acceptance testing by the customer or internal testing when pre-acceptance testing by the customer is not required, and are in the process of transit to or assembly at the site of the customer, yet to pass final acceptance. For details, please see “Business – Quality Control – Quality Control in our Operation and Production Processes – Finished product testing”.

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Our inventories increased from RMB443.5 million as at 31 December 2022 to RMB588.5 million as at 31 December 2023. This was primarily due to the increase in work in progress to cope with increased production demand in relation to the contracts of Customer F (our largest customer in FY2024) and Customer H (one of our top five customers in FY2024). Our inventories then decreased to RMB486.1 million as at 31 December 2024, primarily due to the completion of final acceptance of products delivered to aforesaid customers in FY2024. Our inventories decreased to RMB302.7 million as at 30 June 2025, primarily due to the decrease in goods in transit by RMB219.4 million due to the completion of final acceptance of products delivered. In particular, we completed the final acceptance of dual five-axis mirror milling machine tools to Customer H with a contract sum of RMB165.4 million (VAT inclusive) in January 2025.

Our provision for impairment losses on inventories was RMB107.9 million, RMB74.2 million, RMB48.8 million and RMB41.0 million as at 31 December 2022, 2023 and 2024 and 30 June 2025. The provision for impairment losses on inventories as at 31 December 2022 was primarily due to the write-down of inventories to net realisable value of RMB36.8 million during FY2022 as a result of the one-off impact of an order adjustment incident by Customer E (one of our top five customers in FY2023). The decrease in provision for impairment losses on inventories as at 31 December 2023 and 2024 and 30 June 2025 was primarily due to the subsequent sale of the inventories manufactured for Customer E at lower prices.

### *Order adjustment by Customer E*

#### *Original Sales Agreement*

In September 2020, following an assessment of Customer E’s machining requirements, the Company proposed and subsequently entered into a sales agreement (the “**Original Sales Agreement**”) with Customer E for the sale of (i) nine five-axis aviation and aerospace intelligent manufacturing equipment (which included (a) four high-precision aviation and aerospace five-axis gantry machine tools and (b) five aviation and aerospace five-axis machining centers), (ii) 11 four-axis aviation and aerospace intelligent manufacturing equipment and (iii) ancillary machine tool accessories, with a total contract value of RMB113 million (VAT inclusive). Customer E was the end-user of the products under the Original Sales Agreement. The products were intended to be a turnkey project for processing two different types of aerospace cylindrical section (“**Type A**” and “**Type B**”, respectively).

The Original Sales Agreement stipulated delivery of a portion of the products by July 2021, and the remainder by September 2021. However as at December 2021, four four-axis aviation and aerospace intelligent manufacturing equipment with carrying value of RMB11.0 million remained unaccepted (the “**Delayed Acceptance**”). The Delayed Acceptance was primarily because we failed to accurately pre-assess the technical requirements of such four-axis aviation and aerospace intelligent manufacturing equipment required prior to entering into the Original Sales Agreement, especially given four-axis aviation and aerospace intelligent manufacturing equipment is not within our expertise. Four-axis aviation and aerospace intelligent manufacturing equipment consists of one rotary axis, while five-axis aviation and aerospace

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intelligent manufacturing equipment consists of two rotary axes. As their structure and movement angles differ, their uses also differ. For instance, only five-axis aviation and aerospace intelligent manufacturing equipment is suitable for use on processing certain curved surfaces. Therefore, such expertise that we possessed on five-axis aviation and aerospace intelligent manufacturing equipment was not fully applicable to four-axis equipment. Furthermore, while the engineering of a standard four-axis aviation and aerospace intelligent manufacturing equipment is less complex than that of a five-axis aviation and aerospace intelligent manufacturing equipment, the four-axis aviation and aerospace intelligent manufacturing equipment developed for Customer E was highly-customized as its design was tailored to the specific machining requirements and geometric characteristics of the machined parts of Customer E. Consequently, we do not possess the expertise in this specific four-axis configuration as we do in our core five-axis aviation and aerospace intelligent manufacturing equipment which was developed for wide market applicability.

In the Original Sales Agreement, we had explicitly defined technical specifications and material requirements. However, since Type A parts were novel parts, we failed to accurately predict the performance of our products in terms of level of part deformation (which is a technical specification) at the time of accepting the order. Thus, although a large number of final acceptance tests were conducted at Customer E's site, our products were still unable to meet Customer E's required level of part deformation. In other words, an unexpectedly high quantity of parts produced by equipment we sold were deformed and defective. Given that products we sold were intended to be a turnkey project (i.e. we are obligated to provide machines and equipment which are ready for Customer E's use of producing Type A and Type B parts), Customer E refused to accept such products.

### *1st Supplemental Agreement*

While Customer E was contractually entitled to terminate the Original Sales Agreement due to the Delayed Acceptance, and although our four-axis aviation and aerospace intelligent manufacturing equipment had not been able to pass customer's acceptance for producing Type A parts, in light of the significant time and effort both parties had already been made on testing and adjusting the four-axis aviation and aerospace intelligent manufacturing equipment, Customer E agreed to continue to purchase a portion of the remaining products under the Original Sales Agreement for the processing of Type B parts as contemplated at the time of entering the Original Sales Agreement. For the processing of Type B parts, it would still require the 11 four-axis aviation and aerospace intelligent manufacturing equipment but fewer five-axis aviation and aerospace intelligent manufacturing equipment. Out of all the five-axis aviation and aerospace intelligent manufacturing equipment contracted for under the Original Sales Agreement, four of them were more highly customised for the turnkey project of processing Type A parts. The remainder were less customised, such that they could be used for a wider range of purposes, including the processing of Type B parts. Accordingly, for the processing of Type B parts, the parties agreed to enter into a supplemental agreement in August 2022 (the "**1st Supplemental Agreement**"), which provided for (i) cancellation of the four highly customised five-axis aviation and aerospace intelligent manufacturing equipment, thereby reduced the contract value to RMB92.4 million (VAT inclusive), and (ii) a penalty of RMB11.3 million representing 10% of the contract value as stipulated in the liquidated damages clause of the Original Sales Agreement, due to the Delayed Acceptance.

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### *2nd Supplemental Agreement*

In FY2022, the 11 four-axis aviation and aerospace intelligent manufacturing equipment under the 1st Supplemental Agreement were still unable to meet the technical specifications required by Customer E after extended adjustment and testing. Following negotiations with Customer E who indicated its intent to cancel the purchase order for 11 four-axis aviation and aerospace intelligent manufacturing equipment, the Company further wrote down the relevant inventories of RMB36.8 million after considering the net realizable value of remaining inventories.

Following further negotiations between the Company and Customer E, in March 2023 the parties agreed to further amend the terms of the 1st Supplemental Agreement through entering into of the second supplemental agreement (the “**2nd Supplemental Agreement**”) in a mutual effort to mitigate further loss in light of the significant time and effort made by both parties on this project. Key terms of the 2nd Supplemental Agreement included, (i) cancellation of 11 four-axis aviation and aerospace intelligent manufacturing equipment and adjustment of the quantities of the ancillary machine tool accessories, reducing the contract value to RMB34.0 million (VAT inclusive); and (ii) a revised penalty of RMB8.1 million for the Delayed Acceptance, to be deducted from the price of the remaining products to be sold to Customer E. The revised penalty represented 10% of the difference in contract value between the Original Sales Agreement and the 2nd Supplemental Agreement as stipulated in the liquidated damages clause, plus an additional penalty of RMB0.2 million due to the Delayed Acceptance under the 1st Supplemental Agreement.

The 2nd Supplemental Agreement did not include any further cancellation of five-axis aviation and aerospace intelligent manufacturing equipment. This was primarily because, as mentioned above, the remaining five-axis aviation and aerospace intelligent manufacturing equipment could be used for a wider range of purposes, and would therefore be useful in other projects of Customer E. They were delivered to and accepted by Customer E.

### *Financial Impact of the Order Adjustment of Customer E*

The remaining inventories under the Original Sales Agreement (“**Remaining Inventories**”) were subsequently sold to four other customers in FY2023, FY2024 and 6M2025.

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The table below set out financial impact on the Group of the order adjustment of Customer E during the Track Record Period:

	FY2022	FY2023	FY2024	6M2025
	<i>(RMB' million)</i>			
<b>Revenue from</b>				
– Customer E	–	22.0	–	–
– Sale of Remaining Inventories to other customers	–	1.8	0.5	2.2
<b>Cost of sales</b>				
– Customer E				
– Cost of sales	–	38.1	–	–
– Impairment	36.8	(19.1)	–	–
– Other customers who purchased the Remaining Inventories				
– Cost of sales	–	15.9	4.5	5.3
– Impairment	–	(14.3)	(4.0)	(4.2)
<b>Gross profit from</b>				
– Customer E	(36.8)	3.0	–	–
– Other customers who purchased the Remaining Inventories	–	0.2	0.03	1.1

The table below sets forth the provision for impairment loss resulting from the order adjustment by Customer E during the Track Record Period:

	As at 31 December			As at
	2022	2023	2024	30 June
	<i>(RMB' million)</i>	<i>(RMB' million)</i>	<i>(RMB' million)</i>	<i>(RMB' million)</i>
Carrying amount at 1 January	18.7	55.5	22.1	18.1
Impairment losses recognised	36.8	–	–	–
Amounts written off for inventories sold	–	(33.4)	(4.0)	(4.2)
Carrying amount at the end of year/period	<u>55.5</u>	<u>22.1</u>	<u>18.1</u>	<u>13.9</u>

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Save for the transactions under the Original Sales Agreement, the 1st Supplemental Agreement and the 2nd Supplemental Agreement, the Group had no other transaction with Customer E during the Track Record Period and up to the Latest Practicable Date. The Group had no outstanding contractual obligations to Customer E as at the Latest Practicable Date.

The order adjustment incident by Customer E was an one-off incident, as it was primarily due to the failure to accurately pre-assess technical specifications of customer, resulting in unexpected complex and time-consuming processing in order to fulfil the customer's requirements. In light of this incident, we have adopted internal control measures including: (i) ensure all technical specifications and material requirements are explicitly defined and mutually agreed upon with customers prior to order confirmation; (ii) conduct rigorous technical capability assessment to ensure alignment between project specification and the Company's technical competencies; (iii) maintain timely communication with our customers in the event of possible postponed delivery of our products; (iv) more prudent scheduling of delivery timeline through joint planning with customers and cross-functional departments; and (v) negotiate with customers for extensions to delivery timeline, if necessary, and formalize such extensions through contractual amendments. Except for the penalty payable under the 2nd Supplement Agreement, we were not subject to other penalty due to delayed acceptance during the Track Record Period and up to the Latest Practicable Date. Hence, the Directors are of the view that the Group's internal control measures are specific and sufficient to prevent recurrence of similar events.

### *Underlying reasons for long inventory turnover days*

Our long inventory turnover days was primarily attributable to our production cycle and acceptance process of our products:

Due to the highly customized nature of our products which are subject to detailed specification requirements of the customers, our production lead times are aligned with the complexity of the work. For instance, the aviation and aerospace intelligent manufacturing equipment, our primarily product which accounted for over 90% of our revenue during the Track Record Period, typically requires a production period of approximately six months to 30 months.

The period from pre-acceptance approval and final acceptance approval involves multiple stages, each contributing to the extended timeline: (i) **pre-acceptance testing**, where testing on parameters of the product shall be conducted at our production base (expected to range from 3–8 days in general) (if applicable); (ii) **organizing shipment**, where after the pre-acceptance approval, the product shall be disassembled, packed and shipped from our production base to the customer's site (expected to range from 5–30 days in general); (iii) **on-site installation** at the customer's site (expected to range from 7–75 days in general); (iv) **on-site commissioning and system calibration**, which include full functional testing and parameter adjustments (expected to range from 2–32 days in general); and (v) **final acceptance testing**. Final acceptance testing is inherently lengthy due to the high technical complexity of our products, which requires among others, (i) operational training with customers, (ii) testing on multiple parameters with the test piece provided by customers and/or (iii) trial production validation, each depend heavily on

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customer cooperation. While the product shall be delivered to the customer's site after pre-acceptance testing, the customer shall not be able to use the product until it has passed final acceptance testing, as it is not ready for immediate use while going through the installation, commissioning and system calibration processes as mentioned above. Additionally, since these processes are carried out by our own on-site personnel, we monitor and prevent the customer from using the product until it has passed final acceptance testing. Furthermore, our CNC systems are equipped with a lock function which is activated prior to delivery. The lock function prevents any use of the products by customers until they are unlocked by our personnel upon completion of all procedures required for final acceptance. During the Track Record Period, it took an average of 286 days to complete final acceptance testing after on-site commissioning and system calibration. As advised by CIC, such a prolonged period of final acceptance testing is generally in line with the industry norm, since the technology involved is complex and relatively new in the China market which is in the exploratory phase and our products generally have designed useful lives of seven to ten years such that they do not face the risk of technological obsolescence during the acceptance process.

### *Inventory turnover days*

The following table sets forth our inventory turnover days for the years/periods indicated.

	Year ended 31 December			Six months ended
	2022	2023	2024	30 June 2025
Inventory turnover days <sup>(1)</sup>	<u>916</u>	<u>849</u>	<u>583</u>	<u>280</u>

<sup>(1)</sup> The inventory turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of inventories (net of provision for impairment losses on inventories) in that year/period by cost of sales for the corresponding year/period and then multiplying by the number of days in that year/period (i.e., 360 days for a given year and 180 days for a six-month period).

As advised by CIC, the inventory turnover days of the Group are generally in line with the industry norm, with an industry range of approximately 500 days to 900 days.

Our inventory turnover days decreased from 916 days in FY2022 to 849 days in FY2023, 583 days in FY2024 and 280 days in 6M2025. The decrease in our inventory days was primarily due to the increase in efficiency in our product delivery to our customers as a result of the followings:

- (i) we had further improved our production lead time through accumulating experience in the production of our aviation and aerospace intelligent manufacturing equipment;

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- (ii) the launch of our compact general industrial five-axis machine tools had introduced more efficient production cycle, with a production lead time of 1.5 months to three months as compared to the extended cycles required for our aviation and aerospace intelligent manufacturing equipment; and the acceptance process of our compact general industrial five-axis machine tools is also improved due to its reduced technical complexity; and
- (iii) we implemented enhanced procurement and inventory management practices. By phasing purchase orders according to material lead times and matching component deliveries with assembly schedules, we achieved reductions in inventory holding periods while maintaining production efficiency.

Additionally, the decrease in our inventory turnover days in 6M2025 was due in part to the decrease in our inventories as a result of the completion of final acceptance of products delivered. As disclosed above in this section, we completed the final acceptance of dual five-axis mirror milling machine tools to Customer H with a contract sum of RMB165.4 million (VAT inclusive) in January 2025.

### *Cashflow cycle during the acceptance process*

The Company adopted a milestone-based payment schedule, which varied according to the customer type and/or product type, and may be subject to variations based on commercial negotiations. As such, the Company receives partial payment before final acceptance which to a certain extent alleviates the cashflow pressure. Historically majority of our revenue during the Track Record Period was generated from customers who are state-owned enterprises (SOEs) in the aviation and aerospace sector, which we in general target to follow a “3-3-3-1” (i.e. (i) 30% deposit upon execution of contract; (ii) 30% upon pre-acceptance approval, which typically follows 10 months after the payment of deposit; (iii) 30% upon final acceptance approval, which typically follows eight months after the pre-acceptance payment and (iv) 10% upon fulfilment of warranty service, which is normally paid 12 months after final acceptance) or similar milestone-based payment schedule that a significant proportion of contract sum was paid at final acceptance stage. SOEs often impose budgetary freezes at the beginning of their fiscal years, during which payments may be suspended for several months. During the Track Record Period, the Company has improved payment terms due to its (i) expansion to private-sector customers and (ii) launch of compact general industrial five-axis machine tools:

- the Company in general target to adopt a “4-4-2” milestone-based payment schedule for private-sector customers: (i) 40% deposit upon execution of contract; (ii) 40% upon pre-acceptance approval which typically follows 10 months after the payment of deposit; and (iii) 20% upon final acceptance approval, which typically follows eight months after the pre-acceptance payment; and

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- the Company in general target to adopt a "3-6-1" milestone-based payment schedule for compact general industrial five-axis machine tools: (i) 30% deposit upon execution of contract; (ii) 60% prior to shipment which typically follows two months after the payment of deposit; and (iii) 10% upon fulfilment of warranty service, which is normally paid 12 months after shipment.

As advised by CIC, the milestone-based payment schedule is commonly used in five-axis CNC machine tools industry, particularly for customized, application-specific or technologically advanced machine tools, in the aviation and aerospace sector, as the phased payments can align the progressive deliverables (e.g. from design, prototype to final acceptance) under the high-value, multi-year contracts.

During the Track Record Period, our trade receivables turnover days decreased from 144 days in FY2022 to 97 days in FY2023, 53 days in FY2024 and 46 days in 6M2025. For details, see "– Trade and bills receivables" below.

### *Solutions to mitigate the risks associated with the cashflow cycle*

To mitigate the risks associated with the cashflow cycle, our Group will implement the following measures;

- (i) require advanced payment prior to final acceptance approval if delays in final acceptance approval are not attributable to the Company;
- (ii) provide trial production validation as an after-sale service rather than a prerequisite in final acceptance testing;
- (iii) more prudent scheduling of final acceptance timelines in collaboration with customers to ensure smooth on-site installation and final acceptance testing; and
- (iv) establish collection task forces which comprises cross-functional personnel from the product development, operations and sales team to resolve project-specific issue and accelerate outstanding payments.

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The following table sets forth an ageing analysis of our inventories as of the dates indicated:

### Inventories ageing<sup>Note</sup>

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025 RMB'000
Within 1 year	122,448	328,464	138,947	91,262
1 to 2 years	205,740	95,649	247,838	120,241
2 to 3 years	139,716	99,209	46,621	46,352
Over 3 years	83,490	139,475	101,443	85,810
	<u>551,394</u>	<u>662,797</u>	<u>534,849</u>	<u>343,665</u>
Less: allowance for write-down of inventories	<u>(107,935)</u>	<u>(74,249)</u>	<u>(48,754)</u>	<u>(40,954)</u>
Total	<u><u>443,459</u></u>	<u><u>588,548</u></u>	<u><u>486,095</u></u>	<u><u>302,711</u></u>

*Note:* For raw materials, work-in-progress, finished goods and goods in transit that are designated to a sales order, inventory ageing is calculated when costs are first incurred. For raw material not designated to a sales order, inventory ageing is calculated when it is received into stock.

Inventories are stated at the lower of cost and net realisable value. As at 31 December 2022, 2023, 2024 and as at 30 June 2025, our inventories aged over one year amounted to RMB428.9 million, RMB334.3 million, RMB395.9 million and RMB252.4 million, respectively.

Our Directors consider that we have made sufficient impairment provision for our inventories for the following reasons: (i) we review the condition of our inventories and make provision for slow-moving inventory items on a regular basis; (ii) we assess impairment to inventories according to IAS 2 timely during the Track Record Period, and make provisions to write down our inventories to the net realizable value, which is the expected selling price with reference to contract price less any estimated costs to be incurred to completion and disposal; and (iii) our relatively long inventory turnover days is in line with the industry norm.

As of 31 October 2025, RMB[36.1] million, or [11.9]%, of our inventories as at 30 June 2025 had been utilised or sold, based on the production and delivery schedule.

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### Trade and bills receivables

The following table sets forth the details of our trade and bills receivables as of the dates indicated.

	As at 31 December			As at
	2022	2023	2024	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	71,049	97,659	58,364	168,407
Commercial acceptance bills receivable	5,979	6,480	6,998	1,111
Bank acceptance notes	7,660	4,875	9,156	7,657
	<u>84,688</u>	<u>109,014</u>	<u>74,518</u>	<u>177,175</u>
Impairment losses	<u>(2,706)</u>	<u>(11,228)</u>	<u>(14,508)</u>	<u>(19,441)</u>
<b>Net carrying amount</b>	<u><u>81,982</u></u>	<u><u>97,786</u></u>	<u><u>60,010</u></u>	<u><u>157,734</u></u>

The fluctuation of the balance of trade receivables during the Track Record Period was mainly affected by the payment arrangements and payment schedules of our customers. The increase in our trade receivables from RMB71.0 million as at 31 December 2022 to RMB97.7 million as at 31 December 2023 was in line with increase in our sales. The subsequent decrease in our trade receivables to RMB58.4 million as at 31 December 2024 was primarily because of the increase in number of contracts completed in FY2024 which had a higher proportion of payment before final acceptance. The increase in our trade receivables to RMB168.4 million as at 30 June 2025 was generally in line with the increase in our sales.

We seek to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by our senior management. We do not hold any collateral or other credit enhancements over our trade receivable balances. Trade receivables are non-interest-bearing.

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The following table sets forth an ageing analysis of our trade receivables based on the date that we have an unconditional right to receive consideration from the customers and net of impairment loss, as of the dates indicated:

	As at 31 December			As at 30
	2022	2023	2024	June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	44,918	49,128	39,914	131,073
1 to 2 years	1,246	24,746	486	16,707
2 to 3 years	1,737	–	3,228	338
3 to 4 years	12,530	59	–	859
4 to 5 years	7,753	12,300	59	–
Over 5 years	249	252	252	–
<b>Total</b>	<b>68,433</b>	<b>86,485</b>	<b>43,939</b>	<b>148,977</b>

Except for debtors with credit impairment, we determine the estimated credit losses (ECLs) on those items on a collective basis, grouped by debtors’ external credit ratings or industry features, and adjusted for forward-looking factors specific to the economic environment. As part of our credit risk management, except for the debtors’ external credit ratings, we consider industry features for our customers in relation to its business operation and historical status of payments. For details, see note 21 to the Accountants’ Report set forth in Appendix I to this document.

During the Track Record Period, we recorded impairment loss, net, being recorded in our profit and loss account, of RMB1.7 million, RMB8.6 million, RMB3.3 million and RMB5.0 million for FY2022, FY2023, FY2024 and 6M2025, respectively.

The following table sets forth our trade receivables turnover days for the years/periods indicated.

	Year ended 31 December			Six months
	2022	2023	2024	ended
				30 June
			2025	
Trade receivables turnover days <sup>(1)</sup>	144	97	53	44

<sup>(1)</sup> The trade receivables turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade receivables in that year/period by revenue for the corresponding year/period and then multiplying by the number of days in that year/period (i.e., 360 days for a given year and 180 days for a six-month period).

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Our trade receivables turnover days decreased from 144 days in FY2022 to 97 days in FY2023, 53 days in FY2024 and 44 days in 6M2025 mainly because we increased collection efforts for long-ageing receivables.

As at 31 October 2025, RMB[7.6] million, or [4.8]%, of our trade receivables as at 30 June 2025 had been settled.

### Contract assets

The following table sets forth the details of our contract assets as at the dates indicated.

	<b>As at 31 December</b>			<b>As at</b>
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>30 June</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets arising from:				
Sales of CNC machine tools	7,585	18,008	38,460	22,322
Impairment	(149)	(467)	(1,209)	(606)
	7,436	17,541	37,251	21,716
<b>Total</b>	<b>7,436</b>	<b>17,541</b>	<b>37,251</b>	<b>21,716</b>

Our contract assets are initially recognised for revenue earned from the sales of CNC machine tools related to the receipt of the consideration which is conditional on the fulfilment of the warranty service for sales of equipment. Upon the end of the warranty period, the amounts recognised as contract assets are reclassified to trade receivables. Our contract assets were RMB7.4 million, RMB17.5 million, RMB37.3 million and RMB21.7 million as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively. The increase in our contract assets from FY2022 to FY2024 were generally in line with our increase in revenue. The decrease in contract assets as at 30 June 2025 as compared to that as at 31 December 2024 was primarily due to gradual shift of customer payment structure for some of our customers, in which all contract amount payable shall be settled upon completion of final acceptance. For details, see note 22 to the Accountants’ Report set forth in Appendix I to this document.

As at 31 October 2025, we reclassified RMB[0.8] million, or [3.8]%, of the outstanding balance of our contract assets as at 30 June 2025 to trade receivables.

Our Directors considered that we have made sufficient impairment provision for trade receivables and contract assets during the Track Record Period and we did not identify any material recoverability issue, primarily because (i) we did not experience any significant impediment in collecting trade receivables from our customers during the Track Record Period; (ii) the majority of our revenue during the Track Record Period came from customers being state-owned enterprises, which have demonstrated good historical repayment record; and (iii) we have implemented measures in chasing payments for overdue balance and assessed the

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repayment schedules of customers by having communications with them and we were not aware of circumstances which might cause any material recoverability issues in relation to these trade receivables.

Furthermore, we have gradually improved our payment terms during the Track Record Period by adopting more front-loaded payment schedules, such as the “4-4-2” model for private-sector customers and the “3-6-1” model for compact general industrial five-axis machine tools. These enhanced payment structures shall reduce the accumulation of contract assets in the future. For details, see “– Inventories – Description of Selected Items of the Consolidated Statements of Financial Position – Cashflow cycle during the acceptance process” in this section.

### Prepayments, other receivables and other assets

Our current portion of prepayments, other receivables and other assets primarily include deposits, prepayments to suppliers, and other tax recoverable. The following table sets forth the details of our prepayments, other receivables and other assets as at the dates indicated.

	As at 31 December			As at
	2022	2023	2024	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current</b>				
Prepayments for long-term assets	–	747	1,882	1,732
<b>Current</b>				
Deposits	8,182	27,246	11,975	13,592
Prepayments to suppliers	53,180	32,921	10,784	12,314
Other tax recoverable	42	12,810	4,721	10,353
Advances to employees	602	833	674	1,258
Prepaid expenses	917	822	1,029	1,846
[REDACTED] fees	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal	62,923	74,632	29,183	40,729
Impairment allowance	(109)	(204)	(142)	(156)
Total	62,814	75,175	30,923	42,305

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Our prepayments, other receivables and other assets increased from RMB62.8 million as at 31 December 2022 to RMB75.2 million as at 31 December 2023, primarily due to (1) the increase in deposits as a result of performance bonds arising from the construction of our Jiaxing Production Base of RMB12.0 million, and (2) the increase in other tax recoverable which mainly represented recoverable VAT related to the increase in purchase of materials, in particular, CNC systems. These were partially offset by the decrease in prepayments to suppliers. Our prepayments, other receivables and other assets then decreased to RMB30.9 million as at 31 December 2024, primarily due to (1) the decrease in deposits due to the reduction in the amount of the aforesaid performance bonds according to construction progress of our Jiaxing Production Base; (2) the decrease in prepayments to suppliers; and (3) the decrease in other tax recoverable due to decrease in purchase of materials. Our prepayments, other receivables and other assets then increased to RMB42.3 million as at 30 June 2025, primarily due to the increase in other tax recoverable of RMB5.6 million. This was mainly attributable to that the amount of input VAT generated from purchase of raw materials by us exceeded the amount of output VAT generated from sales of our products.

As at 31 October 2025, RMB27.9 million, or 66.0%, of our prepaid expenses, other receivables, and other assets (net of impairment losses) as at 30 June 2025 had been settled.

### **Trade and bills payables**

Our trade and bills payables increased from RMB193.8 million as at 31 December 2022 to RMB228.4 million as at 31 December 2023. We increased our procurement activities in FY2023 to cope with production needs for contracts of certain major customers with relatively large contract value which resulted in the relatively higher balance of trade and bills payables as at 31 December 2023. It subsequently decreased to RMB146.7 million as at 31 December 2024, and further decreased to RMB109.9 million as at 30 June 2025. Such decrease was primarily due to the decrease in procurement activities based on our project schedule.

We normally settle our trade payables within 30 to 120 days upon receipt of the VAT invoice.

The financial liabilities that are part of our supplier finance arrangements included in trade payables are normally settled on 120-day terms. For details of supplier finance arrangement, please refer Note 25 of the Accountant’s Report as set out in Appendix I to this document. Dr. Wang has provided a guarantee to the external finance provider of the supplier finance arrangement. Such guarantee provided by Dr. Wang will be released before the [REDACTED].

All financial liabilities that are part of the supplier finance arrangements are included in trade and bills payables in the statement of financial position and within trade payables. The carrying amount of financial liabilities that are part of the supplier finance arrangements amounted to nil, RMB9.0 million, RMB10.3 million and nil as at 31 December 2022, 2023 and 2024 and 30 June 2025.

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As at 31 October 2025, RMB[59.7] million, or [54.4]%, of our trade and bills payables as at 30 June 2025 had been settled.

The following table sets forth our trade payables turnover days for the years/periods indicated.

	<b>Year ended 31 December</b>			<b>Six months ended 30 June 2025</b>
	<b>2022</b>	<b>2023</b>	<b>2024</b>	
				<b>2025</b>
Trade payables turnover days <sup>(1)</sup>	<u>367</u>	<u>347</u>	<u>204</u>	<u>91</u>

<sup>(1)</sup> The trade payables turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade and bills payables in that year/period by cost of sales for the corresponding year/period and then multiplying by the number of days in that year/period (i.e., 360 days for a given year and 180 days for a six-month period).

Our trade payables turnover days were 367, 347, 204 and 91 days in FY2022, FY2023, FY2024 and 6M2025, respectively, which is primarily due to (i) our faster settlement of trade payables; (ii) the progression of product development of our large-span carbon fiber composite five-axis machine tools; and (iii) decrease in procurement activities based on our project schedule. For details, please see “– Trade and bills payables” in this section.

Our trade payables (i.e. within 30 to 120 days) turnover days in FY2022 to FY2024 were longer than the normal terms agreed with suppliers due to our established supplier relationships which enable us to use payment instruments such as six-month bank acceptances and one-year letters of credit.

The following table sets forth an ageing analysis of our trade payables based on invoice and accrual dates as at the dates indicated.

	<b>As at 31 December</b>			<b>As at 30 June 2025</b>
	<b>2022</b>	<b>2023</b>	<b>2024</b>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	189,454	224,343	129,205	94,204
1 to 2 years	339	2,361	14,721	12,808
2 to 3 years	941	305	1,397	1,352
3 to 4 years	2,056	481	250	587
4 to 5 years	464	239	389	350
Over 5 years	<u>498</u>	<u>700</u>	<u>764</u>	<u>593</u>
Total	<u>193,752</u>	<u>228,429</u>	<u>146,726</u>	<u>109,894</u>

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### Other payables and accruals

Our other payables and accruals during the Track Record Period primarily consisted of payroll and welfare payable, due to non-controlling shareholders of a subsidiary, collection on behalf of others, other tax payables, rental payables and accrued expenses. The following table sets forth the details of our other payables and accruals as at the dates indicated.

	As at 31 December			As at
	2022	2023	2024	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payroll and welfare payable	24,061	19,621	23,678	14,361
Due to non-controlling shareholders of a subsidiary <sup>(1)</sup>	10,828	11,062	10,771	12,070
Other tax payables	25,483	6	2,028	5,033
Deposits	1,200	1,400	1,200	7,900
Accrued expenses	1,892	5,489	5,618	16,640
Others	9,314 <sup>(2)</sup>	1,391	2,274	2,051
<b>Total</b>	<b>72,778</b>	<b>38,969</b>	<b>45,569</b>	<b>58,055</b>

<sup>(1)</sup> Refers to principal amounts of EUR1,325,000 due to a non-controlling shareholder of EEW. The relevant shareholder granted such loans through entering into loan contracts with EEW in the time surrounding its initial acquisition of shares in EEW, which was prior to the Track Record Period.

<sup>(2)</sup> Includes penalty for delayed delivery payable to Customer E (one of our top five customers in FY2023) in the amount of RMB8.1 million. For details, please see “– Inventories” in this section.

Our other payables and accruals decreased from RMB72.8 million as at 31 December 2022 to RMB39.0 million as at 31 December 2023, primarily due to (i) the decrease in other tax payables which mainly represented VAT payables related to the increase in purchase from suppliers in FY2023 which sets off our VAT payables; (ii) the decrease in others because of the payment of the delayed delivery penalty to Customer E (one of our top five customers in FY2023) in FY2023; and (iii) the decrease in payroll and welfare payable due to normal fluctuations between different points in time. Our other payables and accruals then increased to RMB45.6 million in FY2024, primarily due to the increase in payable of performance-related bonus. Our other payables and accruals subsequently increased to RMB58.1 million in 6M2025, primarily due to (i) the increase in accrued expenses which mainly represented our [REDACTED] related expenses incurred but not yet paid; and (ii) the increase in deposits, which mainly represented tender deposits paid during the contractor tendering process for our Minhang Production Base project.

As at 31 October 2025, RMB21.1 million, or 36.4%, of our other payables and accrued expenses as at 30 June 2025 had been settled.

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### Contract Liabilities

Our contract liabilities represent advances received to deliver products and services. A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognised as revenue when we perform under the contract (i.e., transfers control of the related goods or services to the customer). Our sales contracts typically provide for payment of our products by several instalments, including (i) upfront payment upon execution of contract, (ii) second payment upon pre-acceptance testing approval, (iii) third payment upon final acceptance approval and (iv) final payment upon fulfillment of warranty service. The payment made by our customers is recognised as contract liabilities which will be recognised as revenue after the final acceptance.

We recorded contract liabilities of RMB645.1 million, RMB573.4 million, RMB341.8 million and RMB90.3 million as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively.

Our contract liabilities decreased from RMB645.1 million as of 31 December 2022 to RMB573.4 million as at 31 December 2023, primarily due to a sum of RMB97.1 million being recognised as revenue from Customer B. Our contract liabilities subsequently decreased to RMB341.8 million as at 31 December 2024 primarily due to a total of RMB252.2 million being recognised as revenue from Chengdu Chenfei (a subsidiary of Customer F), Customer G (one of our top five customers in FY2024) and Customer H (one of our top five customers in FY2024). Our contract liabilities further decreased to RMB90.3 million as at 30 June 2025 primarily due to a total of RMB375.0 million being recognised as revenue from Chengdu Chenfei (a subsidiary of Customer F) and Customer H (one of our top five customers in 6M2025). As at 31 October 2025, RMB[17.3] million, or [19.1]%, of our contract liabilities as at 30 June 2025 was recognised as revenue.

### Investments measured at FVTPL

We had investments measured at FVTPL of RMB18.9 million, RMB11.6 million, nil and nil as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively, representing our unlisted equity investments in Chengdu Yongfeng. Such investment was subject to level 3 fair value measurement. This asset was valued using market approach. For details, please see Note 39 of the Accountant’s Report as set out in Appendix I to this document. We disposed of our investment in Chengdu Yongfeng in FY2024. Please see “History and Corporate Structure – Acquisitions, Merger and Disposal – Disposal of equity interest in Chengdu Yongfeng” for reasons of the decrease of our investments measured at FVTPL.

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### Restricted Cash

Our restricted cash during the Track Record Period were related to deposits demanded to be pledged by banks when we request banks to issue performance guarantees to our customers to guarantee the performance of our contracts and bank acceptance bills to our suppliers to settle our trade payables. Our restricted cash decreased from RMB17.2 million as at 31 December 2022 to RMB14.2 million as at 31 December 2023 and RMB10.4 million as at 31 December 2024. The general decrease in the balance of restricted cash was primarily because we established the supplier finance arrangements since FY2023 and hence reduced the use of bank acceptance bills. For details of the supplier finance arrangements, please see Note 25 of the Accountant’s Report as set out in Appendix I to this document. Our restricted cash slightly increased to RMB11.2 million as at 30 June 2025 as we requested bank to issue performance guarantees of RMB8.2 million to Customer H pursuant to the sales contract. Hence, we paid RMB3.0 million deposit to the bank.

### Provision

We provide warranties in relation to the sales of CNC machine tools for general repairs of defects occurring during the warranty period. The amount of the provision for the warranties is estimated based on sales and past experience of the level of repairs and maintenance. The estimation basis is reviewed on an ongoing basis and revised where appropriate. Our provision remained stable at RMB9.7 million and RMB10.0 million as at 31 December 2022 and 2023, respectively despite increased in sales due to the amounts utilised during the year/period, and increased to RMB17.4 million as at 31 December 2024 and RMB23.4 million as at 30 June 2025, primarily due to increase in sales. For details, please see Note 30 in the Accountants’ Report set out in Appendix I to this document.

### Cash and Cash Equivalents

Our cash and cash equivalents decreased from RMB346.8 million as at 31 December 2022 to RMB148.4 million as at 31 December 2023, RMB133.5 million as at 31 December 2024 and RMB111.5 million as at 30 June 2025 primarily due to (i) the increase in our investment in intangible assets, property, plant and equipment, and land use rights, and (ii) the changes in our cash used in operating activities; while partially offset by (iii) proceeds we received from our equity financing as well as bank borrowings. For details, see “– Liquidity and Capital Resources – Cash Flows.”

## LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through capital contribution from shareholders, cash generated from operating activities, and banking facilities. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash generated from operating activities, banking facilities and net proceeds from the [REDACTED].

## FINANCIAL INFORMATION

### Cash flows

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

	FY2022	FY2023	FY2024	6M2024	6M2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Net cash flows used in operating activities	(48,565)	(258,112)	(53,939)	(14,415)	(66,768)
Net cash flows from/(used in) investing activities	86,363	(14,516)	(93,781)	(88,864)	(12,534)
Net cash flows from financing activities	111,081	75,017	132,388	123,262	58,878
Cash and cash equivalents at beginning of year/period	198,509	346,823	148,386	148,386	133,538
Effect of foreign exchange rate changes, net	(565)	(826)	484	242	(1,651)
<b>Cash and cash equivalents at end of year/period</b>	<b><u>346,823</u></b>	<b><u>148,386</u></b>	<b><u>133,538</u></b>	<b><u>168,611</u></b>	<b><u>111,463</u></b>

### *Net Cash Flows Used in Operating Activities*

In 6M2025, we had net cash flows used in operating activities of RMB66.8 million, primarily attributable to our profit before tax of RMB94.2 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising (a) warranty provision of RMB11.1 million; (b) depreciation of right-of-use assets of RMB7.3 million; and (c) elimination of down-stream sales of RMB6.4 million, and (ii) changes in working capital, primarily comprising (a) decrease in contract liabilities of RMB251.5 million and (b) decrease in trade and bills receivables of RMB102.7 million, partially offset by increase in inventories of RMB178.0 million. We expect that with (i) the changes in our customer payment structure, namely the adoption of more front-loaded payment schedules such as the “4-4-2” model for private-sector customers and the “3-6-1” model for compact general industrial five-axis machine tools and (ii) the progression of our R&D projects, we will further enhance our operating cash flow and liquidity. On 26 August 2025, we secured a contract with contract value of RMB129.5 million which were related to the sale of aviation and aerospace intelligent manufacturing equipment. This contract adopted a front-loaded payment schedule of the “6-3-1” model and we expect to receive RMB77.7 million in the second half of 2025. Through such measures, we seek to improve our net operating cash flow position.

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## FINANCIAL INFORMATION

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In FY2024, we had net cash flows used in operating activities of RMB53.9 million, primarily attributable to our profit before tax of RMB6.9 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising (a) depreciation of right-of-use assets of RMB15.9 million; (b) warranty provision of RMB13.7 million ; and (c) depreciation of property, plant and equipment of RMB12.5 million, and (ii) changes in working capital, primarily comprising decrease in contract liabilities of RMB231.6 million; partially offset by (a) decrease in inventories of RMB95.1 million and (b) decrease in trade and bills payables of RMB78.2 million.

In FY2023, we had net cash flows used in operating activities of RMB258.1 million, primarily attributable to our loss before tax of RMB62.3 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising (a) depreciation of right-of-use assets of RMB13.7 million and (b) depreciation of property, plant and equipment of RMB12.6 million, and (ii) changes in working capital, primarily comprising (a) increase in inventories of RMB151.3 million and (b) decrease in contract liabilities of RMB71.7 million.

In FY2022, we had net cash flows used in operating activities of RMB48.6 million, primarily attributable to our loss before tax of RMB197.3 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising (a) write-down of inventories to net realisable value of RMB46.2 million; (b) depreciation of right-of-use assets of RMB13.3 million; and (c) fair value losses on investments measured at FVTPL of RMB12.8 million, and (ii) changes in working capital, primarily comprising an increase in contract liabilities of RMB168.3 million, partially offset by (a) increase in inventories of RMB113.9 million and (b) increase in trade and bills receivables of RMB57.2 million.

### *Net Cash Flows From/(Used in) Investing Activities*

In 6M2025, we had net cash flows used in investing activities of RMB12.5 million, primarily attributable to purchases of items of property, plant and equipment of RMB11.0 million mainly for our Jiaxing Production Base.

In FY2024, we had net cash flows used in investing activities of RMB93.8 million, primarily attributable to purchases of items of property, plant and equipment of RMB51.4 million mainly for our Jiaxing Production Base and addition to land use right of RMB47.6 million in relation to our Zhuanqiao Production Base, partially offset by proceeds from disposal of equity investments at FVTPL in Chengdu Yongfeng of RMB7.6 million.

In FY2023, we had net cash flows used in investing activities of RMB14.5 million, primarily attributable to purchases of items of property, plant and equipment of RMB13.1 million and addition to land use right of RMB8.4 million in relation to our Jiaxing Production Base, partially offset by disposal of Shanghai Qianzhan of RMB5.3 million.

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## FINANCIAL INFORMATION

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In FY2022, we had net cash flows from investing activities of RMB86.4 million, primarily attributable to proceeds from disposal of wealth management products of RMB123.6 million, partially offset by investments in associates of RMB29.3 million and purchases of equity investments at FVTPL of RMB7.3 million in relation to Zhongtuo Technology.

### *Net Cash Flows From Financing Activities*

In 6M2025, we had net cash flows from financing activities of RMB58.9 million, primarily attributable to proceeds from interest-bearing bank and other borrowings of RMB150.7 million, partially offset by repayment of interest-bearing bank and other borrowings of RMB82.0 million.

In FY2024, we had net cash flows from financing activities of RMB132.4 million, primarily attributable to proceeds from interest-bearing bank and other borrowings of RMB197.2 million, partially offset by repayment of interest-bearing bank and other borrowings of RMB55.0 million and lease payments of RMB31.5 million.

In FY2023, we had net cash flows from financing activities of RMB75.0 million, primarily attributable to net proceeds from issue of shares of RMB63.6 million and proceeds from interest-bearing bank and other borrowings of RMB40.0 million, partially offset by lease payments of RMB28.6 million.

In FY2022, we had net cash flows from financing activities of RMB111.1 million, primarily attributable to net proceeds from issue of shares of RMB119.6 million and proceeds from interest-bearing bank and other borrowings of RMB7.5 million, partially offset by lease payments of RMB16.4 million.

### **Cash Conversion Cycle**

During the Track Record Period, we are exposed to liquidity risk due to a long cash conversion cycle as a result of the Group’s high inventory turnover days which were substantially higher than the trade payable turnover days. The prolonged conversion cycle could lead to liquidity pressure and potential breach of contract if supplier payment obligations are not met. During the Track Record Period and up to the Latest Practicable Date, we did not have any material issue of cash conversion from our business activities and there was no breach of contract claims made against us arising from our payment obligations. Going forward the Group will implement the following measures to optimize the conversion cycle:

- (i) in terms of payables management, we will strengthen our relationship with suppliers to maintain favorable payment terms, and increase the use of bank acceptances and letters of credit to preserve liquidity; and
- (ii) in terms of receivables management, we will incorporate improved payment terms in sales contracts, and enhance project management by assigning project managers to oversee acceptance process and coordinate site preparation to prevent customer-side delays.

## FINANCIAL INFORMATION

### INDEBTEDNESS

Our indebtedness during the Track Record Period primarily consisted of interest-bearing bank and other borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness as at the dates indicated.

	As at 31 December			As at 30 June	As at 31 October
	2022	2023	2024	2025	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(unaudited)
<b>Current</b>					
Interest-bearing bank and other borrowings	7,660	40,111	144,321	194,206	176,183
Lease liabilities	31,063	32,297	25,811	23,803	16,473
	<u>38,723</u>	<u>72,408</u>	<u>170,132</u>	<u>218,009</u>	<u>192,656</u>
<b>Non-current</b>					
Interest-bearing bank and other borrowings	–	–	38,066	56,864	94,808
Lease liabilities	82,050	58,555	43,522	37,445	34,406
	<u>82,050</u>	<u>58,555</u>	<u>81,588</u>	<u>94,309</u>	<u>129,214</u>
<b>Total</b>	<u><u>120,773</u></u>	<u><u>130,963</u></u>	<u><u>251,720</u></u>	<u><u>312,318</u></u>	<u><u>321,870</u></u>

## FINANCIAL INFORMATION

### Interest-bearing bank and other borrowings

We had interest-bearing bank loans of RMB7.7 million, RMB40.1 million, RMB182.4 million, RMB251.1 million and RMB271.0 million as at 31 December 2022, 2023 and 2024, 30 June 2025 and 31 October 2025, respectively. Our total bank loans increased from RMB7.7 million as at 31 December 2022 to RMB40.1 million as at 31 December 2023, RMB182.4 million as at 31 December 2024 and RMB251.1 million as at 30 June 2025, mainly for financing our working capital and construction of our Jiaxing Production Base. For details, see Note 28 to the Accountants’ Report set forth in Appendix I to this document. As at 31 October 2025, our committed unutilised banking facilities amounted to RMB[609.8] million. The following table sets forth a breakdown of the repayable period of our bank loans.

	As at 31 December			As at	As at
	2022	2023	2024	30 June	31 October
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2025</i>	<i>2025</i>
				<i>RMB'000</i>	<i>RMB'000</i>
					(unaudited)
Bank loans repayable					
Within one year	7,660	40,111	144,321	194,206	172,085
In the second year	–	–	8,000	16,000	30,027
In the third to fifth years, inclusive	–	–	30,066	40,864	68,879
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>7,660</u>	<u>40,111</u>	<u>182,387</u>	<u>251,070</u>	<u>270,991</u>

The effective interest rate of our interest-bearing bank loans ranged between 2.80% and 4.20% as at 31 December 2022; ranged from 30 to 55 basis points below the Loan Prime Rate as at 31 December 2023; and ranged from 5 to 55 basis points below the Loan Prime Rate for the current portion of bank loans, and from 55 to 75 basis points below the Loan Prime Rate for the non-current portion of bank loans, as at 31 December 2024. It ranged from 30 to 55 basis points below the Loan Prime Rate for the current portion of bank loans, and from 65 to 75 basis points below the Loan Prime Rate for the non-current portion of bank loans, as at 30 June 2025.

As at 30 June 2025, the Group’s borrowings of RMB213.1 million were guaranteed by Dr. Wang; the Group’s borrowings of RMB36.9 million were secured by the Group’s land use right with an aggregate carrying amount of approximately RMB8.1 million and were guaranteed by Dr. Wang; and the Group’s borrowings of RMB1.0 million were secured by the Group’s land use right with an aggregate carrying amount of approximately RMB46.1 million. The aforementioned guarantees by Dr. Wang will be released prior to the [REDACTED]. For details, see “Relationship with Our Controlling Shareholders – Financial Independence” in this document.

## FINANCIAL INFORMATION

Our bank loans contain standard terms, conditions and covenants that are customary for commercial bank loans in China, and may restrict or otherwise adversely affect our operations. These covenants may restrict, among other things, the use of proceeds related to the bank loans, and our ability to engage in change-in-control transactions. Furthermore, some of our bank borrowings are subject to the fulfillment of covenants relating to certain of our financial ratios, as are commonly found in loan arrangements with financial institutions. Our Directors confirmed that we did not experience any difficulty in obtaining bank loans or other borrowings, default in payment of bank loans or other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

### Lease liabilities

Our lease liabilities were primarily related to lease contracts for various items of plant and properties used in our operations. Our lease liabilities were RMB113.1 million, RMB90.9 million, RMB69.3 million, RMB61.2 million and RMB50.9 million as at 31 December 2022, 2023 and 2024, 30 June 2025 and 31 October 2025, respectively. For details, see Note 14(b) to the Accountants’ Report set forth in Appendix I to this document.

Save as disclosed above, as at 31 October 2025, being the indebtedness statement date, we had no bank loans or other borrowings, or any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases, guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since 31 October 2025 and up to the Latest Practicable Date.

### CAPITAL EXPENDITURE

Our historical capital expenditures primarily included expenditures on (i) property, plant and equipment, and (ii) land use rights. The following table sets forth our capital expenditures for the years/periods indicated.

	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>6M2025</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Purchases of items of property, plant and equipment	4,195	13,137	51,357	10,965
Additions to land use rights	–	8,363	47,555	86
Additions to other intangible assets	53	540	3,114	1,885
Total	<u>4,248</u>	<u>22,040</u>	<u>102,026</u>	<u>12,936</u>

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## FINANCIAL INFORMATION

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### CAPITAL COMMITMENT

The following table sets forth our capital commitments as of the dates indicated.

	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>6M2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:				
Properties, plant and equipment	<u>993</u>	<u>623</u>	<u>2,827</u>	<u>5,861</u>

### RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time during our ordinary course of business and on terms comparable to the terms of transactions with other entities that are not related parties. For details, see Note 36 to the Accountants' Report set forth in Appendix I to this document. Our Directors are of the view that our related party transactions during the Track Record Period were conducted in the ordinary course of business at arm's length with reference to normal commercial terms, and would not distort our track record results or make our historical results not reflective of our future performance.

### CONTINGENT LIABILITIES

As at 31 December 2022, 2023 and 2024, 30 June 2025 and 31 October 2025, we had no material contingent liabilities. We are not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings that involve our Group. If we were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Our Directors confirm that there has been no contingent liabilities of our Group since 31 October 2025 and up to the date of this document.



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## FINANCIAL INFORMATION

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### Net profit/(loss) margin

We recorded net loss margin of 145.3% in FY2022 and 18.6% in FY2023, primarily as a result of our turnaround from a gross loss margin of 18.3% in FY2022 to a gross profit margin of 34.6% in FY2023. Such turnaround was primarily attributable to the increase in revenue from aviation and aerospace intelligent manufacturing equipment and the decrease in write-down of inventories. The decrease in our net loss margin in FY2023 was also attributable to the decrease in our fair value losses on investments measured at fair value through profit or tax.

We recorded a turnaround to a net profit margin of 1.3% in FY2024, primarily due to (i) the increase in our gross profit margin from 34.6% in FY2023 to 37.6% in FY2024, which was primarily attributable to the increase in revenue for aviation and aerospace intelligent manufacturing equipment and general industrial five-axis machine tools. These were partially offset by the decrease in our other income and gains.

We recorded an increase in net profit margin to 21.2% in 6M2025, primarily due to the increase in our gross profit margin to 42.9% in 6M2025, which was primarily attributable to the increase in revenue from the sales of aviation and aerospace intelligent manufacturing equipment and general industrial five-axis machine tools.

During the Track Record Period, as we recorded the turnaround from net loss margin to net profit margin as detailed above, we benefited from economies of scale and efficiency improvement in administrative and operating business. This is reflected by the decreasing proportion of certain expenses, such as administrative expenses, selling and marketing expenses, and research and development expenses, relative to our revenue.

### Return on equity

Our return on equity improved from -149.7% in FY2022 to -46.7% in FY2023, which is in line with the decrease in our loss in FY2023. Our return on equity improved to 4.1% in FY2024, primarily due to our turnaround from loss to profit as a result of our increase in gross profit of RMB84.1 million in that year. Our return on equity further improved to 35.7% in 6M2025, in line with the increase in our profit in that period.

### Return on assets

Our return on assets improved from -16.7% in FY2022 to -5.6% in FY2023, primarily due to the decrease in our loss in FY2023 as a result of our increase in revenue in that year. Our return on assets improved to 0.7% in FY2024, primarily due to our turnaround from loss to profit as a result of our increase in revenue in that year. Our return on assets further improved to 10.8% in 6M2025, primarily due to the increase in our profit in that period.

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## FINANCIAL INFORMATION

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### Interest coverage

Our interest coverage improved from -30.6 in FY2022 to -10.7 in FY2023, primarily due to the decrease in our loss in FY2023 as a result of our increase in revenue in that year. Our interest coverage improved to approximately 2.0 in FY2024, primarily due to our turnaround from loss to profit as a result of our increase in revenue in that year. Our interest coverage further improved to 25.4 in 6M2025, primarily due to the increase in our profit in that period.

### Current ratio and quick ratio

Our current ratio remained stable at 1.0 as at 31 December 2022, 2023 and 2024. Our current ratio subsequently increased to 1.2 as at 30 June 2025, primarily due to the decrease in current liabilities resulting from the decrease in contract liabilities.

Our quick ratio decreased from 0.6 as at 31 December 2022 to 0.4 as at 31 December 2023 and 2024, primarily due to the increase in current liabilities, resulting from the increases in trade and bills payables and interest-bearing bank and other borrowings. Our quick ratio subsequently increased to 0.7 as at 30 June 2025, which was in line with increase in current ratio as explained above.

### Gearing ratio

Our gearing ratio increased from 91.7% as at 31 December 2022 to 98.1% as at 31 December 2023, primarily due to the increase in interest-bearing bank borrowings by RMB32.4 million. Our gearing ratio then increased to 148.9% as at 31 December 2024, primarily due to the increase in interest-bearing bank borrowings by RMB142.3 million. Our gearing ratio decreased to 118.3% as at 30 June 2025, primarily due to the increase in total equity by RMB94.9 million resulting from the increase in net profit in 6M2025.

## DISCLOSURE ABOUT FINANCIAL RISK

Our principal financial instruments, other than bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for our operations. Our Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations. The main risks arising from our financial instruments are foreign currency risk, credit risk and liquidity risk. For details, see Note 40 to the Accountants’ Report included in Appendix I to this document.

## OFF-BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements during the Track Record Period and as at the Latest Practicable Date.

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## FINANCIAL INFORMATION

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### LIQUIDITY MANAGEMENT

We are subject to liquidity risk arising from cash flow mismatch. We have adopted centralised liquidity management to give us a better understanding of our liquidity position and enable us to utilize our capital efficiently, which in turn enables us to reduce our overall liquidity risk and achieve higher efficiency in capital utilisation. In order to manage our liquidity position in view of our working capital requirement for business operation and the possible cash flow mismatch associated with the high inventory turnover days which were substantially higher than the trade payables turnover days, we have implemented the following measures:

- our finance department is responsible for the overall monitoring of our current and expected liquidity requirements on a monthly basis to ensure that we maintain sufficient financial resources to meet our liquidity requirements;
- we have established policies and objectives for cash invested in inventories, trade receivables and other current assets as well as trade payables on an annual basis;
- our finance department monitors the ageing analysis of both trade receivables and payables at the end of each month. The ageing analysis of both trade receivables and payables will be submitted to our senior management for review and approval regularly;
- we have improved our production lead time through accumulating experience in the production of our aviation and aerospace intelligent manufacturing equipment;
- we have launched our compact general industrial five-axis machine tools which had introduced (i) a more efficient production cycle, with a production lead time of 1.5 months to three months as compared to the extended cycles required for our aviation and aerospace intelligent manufacturing equipment and (ii) a shortened acceptance process due to its reduced technical complexity;
- we have implemented enhanced procurement and inventory management practices. By phasing purchase orders according to material lead times and matching component deliveries with assembly schedules, we achieved reductions in inventory holding periods while maintaining production efficiency; and
- we have introduced different milestone-based payment schedules with improved payment terms along with our (i) expansion to private-sector customers and (ii) launch of compact general industrial five-axis machine tools. 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.

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## FINANCIAL INFORMATION

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For details of the Group’s measures to mitigate the risks associated with the cashflow cycle, see “Financial Information – Description of Selected Items of the Consolidated Statements of Financial Position – Inventories – Solutions to mitigate the risks associated with the cashflow cycle” in this section. For details of the Group’s measures to optimize the cash conversion cycle, see “Financial Information – Liquidity and Capital Resources – Cash Conversion Cycle” in this section.

### **DIVIDEND POLICY**

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

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

### **DISTRIBUTABLE RESERVE**

As at 30 June 2025, we did not have any distributable reserves.

### **DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES**

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

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## FINANCIAL INFORMATION

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### [REDACTED] EXPENSES

The total [REDACTED] expenses are estimated to be approximately HK\$[REDACTED] million, representing [REDACTED]% of the total gross [REDACTED] from the [REDACTED], based on the assumption that the [REDACTED] is HK\$[REDACTED] per H Share, being the mid-point of the indicative [REDACTED] range and that the [REDACTED] is not exercised. These [REDACTED] expenses mainly comprise legal and other professional fees paid and payable to the professional parties, [REDACTED] payable to the [REDACTED], and printing and other expenses for their services rendered in relation to the [REDACTED] and the [REDACTED]. For FY2022, FY2023, FY2024 and 6M2025, our [REDACTED] charged to our statements of profit or loss and other comprehensive income were [REDACTED], [REDACTED], [REDACTED] and RMB[REDACTED] million, respectively. We expect that approximately RMB[REDACTED] million (HK\$[REDACTED] million) of [REDACTED] expenses will be charged to our statements of profit or loss and other comprehensive income. We expect that approximately RMB[REDACTED] million (HK\$[REDACTED] million) relating to [REDACTED] expenses directly attributable to the issue of shares will be deducted from equity.

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

	<b>Based on an [REDACTED] of HK\$[REDACTED] per Share (HK\$'000)</b>
<b>[REDACTED] Expenses</b>	
<b>Non-[REDACTED] related expenses</b>	
Legal and audit expenses	[REDACTED]
Other expenses	[REDACTED]
<b>[REDACTED] related expenses</b>	<u>[REDACTED]</u>
<b>Total</b>	<u>[REDACTED]</u>

### [REDACTED] FINANCIAL INFORMATION

For details, see [REDACTED] Financial Information as set forth in Appendix II to this document.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 30 June 2025, and there has been no event since 30 June 2025 that would materially affect the information as set out in the Accountants' Report included in Appendix I to this document.