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OVERVIEW

Who We Are

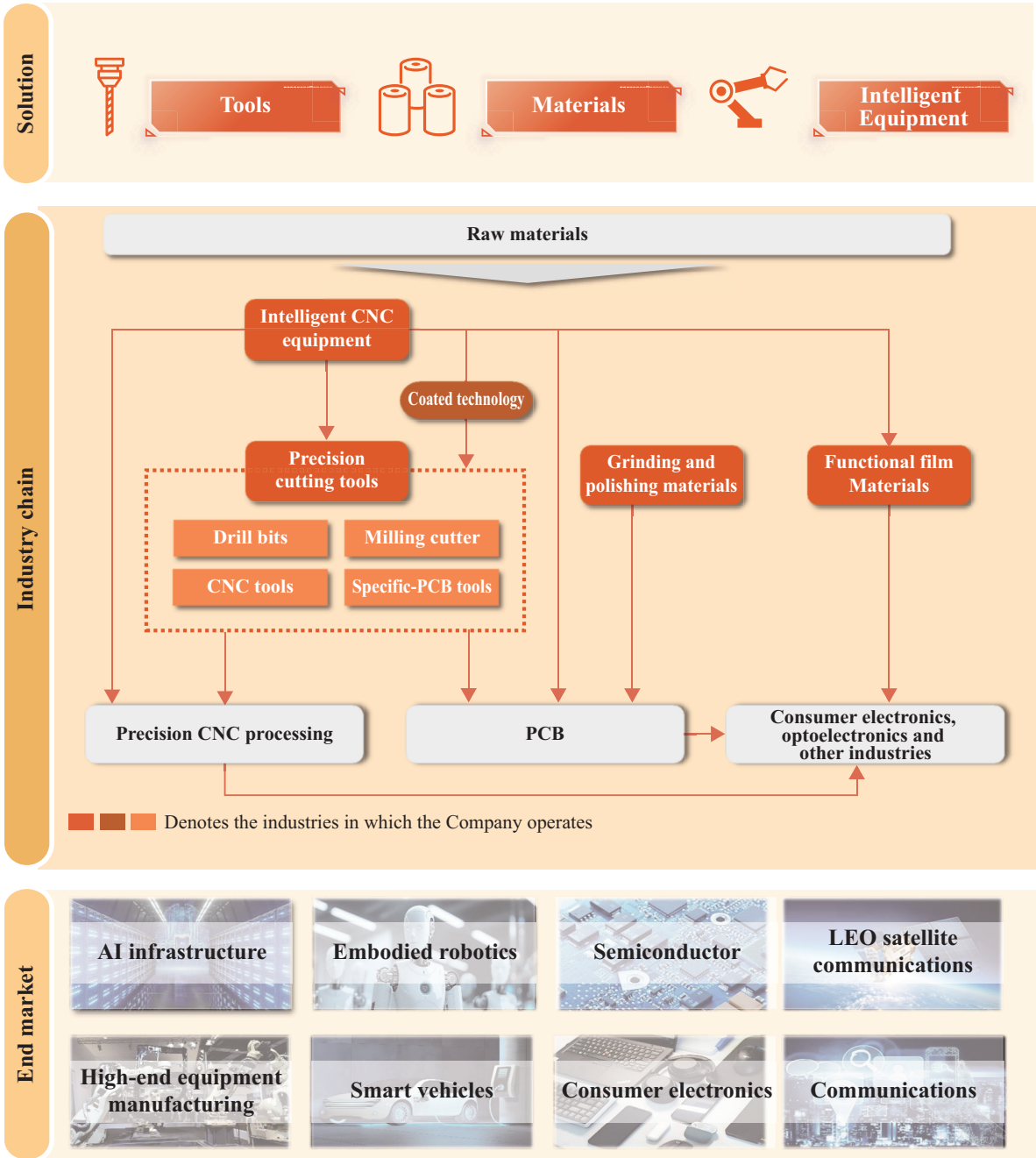
We are a leading integrated provider of precision manufacturing solutions, bringing together tools, materials and intelligent equipment across the global printed circuit board (PCB) value chain. We are the world’s largest supplier of drill bits as measured by sales volume during the Track Record Period, according to Frost & Sullivan. We strive to create maximum value for our customers through high-end intelligent precision manufacturing solutions.

Our product portfolio spans four major categories including (i) precision cutting tools, (ii) grinding and polishing materials, (iii) functional film materials, and (iv) intelligent Computer Numerical Control (CNC) equipment. These products serve a broad range of end markets of strategic importance, including AI infrastructure, embodied robotics, semiconductors and integrated circuit (IC)-related applications, low-earth-orbit satellite communications, high-end equipment manufacturing and smart vehicles, as well as certain other industries such as consumer electronics, telecommunications and industrial control.

Widely regarded as the foundation of the electronics industry, PCBs play a pivotal role in the manufacturing process. The performance of PCB tools highly depends on the PCB technology advancement and directly impacts the functionality and reliability of downstream electronic products. The quality and durability of the PCB tools also impact production cost and delivery time, and these effects cascade through the supply chain to shape the competitiveness and responsiveness of downstream PCB applications. As the global leading player, we support rapid development of our downstream industries through our integrated portfolio of tools, materials and intelligent equipment. By providing high-end, reliable and scalable manufacturing support, we help drive high-quality development of the global PCB industry and contribute to the broader advancement of precision manufacturing and intelligent industrial technologies.

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The chart below illustrates the key components of our industry chain and the application fields of our products.



Our Achievements

Led by our founders with nearly three decades of experience to the PCB sector, we have built extensive capabilities across precision cutting tools, grinding and polishing materials, functional film materials and intelligent CNC equipment. Leveraging our long-standing focus on tools,

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materials and intelligent equipment, we have established a clear leadership position in the global PCB tool industry and formed partnership with leading global customers, while steadily advancing toward our vision of becoming a leader in the fields of tools, materials and intelligent equipment.

We have secured multiple **No. 1** positions globally and domestically in our core markets, according to Frost & Sullivan:

- ***World’s largest manufacturer of PCB drill bits.*** We ranked first worldwide in PCB drill bits, with market shares of 26.8% based on 2024 sales volume and 28.9% based on sales volume in the six months ended June 30, 2025.
- ***World’s largest drill-bit production capacity.*** We boast the largest monthly production capacity for drill bits globally, which exceeded 100 million units per month as of July 31, 2025.
- ***World’s largest PCB-tool coating center.*** We operate the largest PCB-tool coating center worldwide as measured by manufacturing capacity as of June 30, 2025, enabling us to support large-scale, high-end coated-tool demand from leading PCB manufacturers.

We have consistently delivered industry-leading innovations and achieving various breakthroughs in tools, processes and management systems, according to Frost & Sullivan:

- ***Industry-first intelligent drill-bit storage and management system.*** We self-developed and commercialized the first intelligent drill-bit storage and management system in our industry, covering automated storage, control, allocation, sorting and distribution, which has been adopted by multiple leading PCB manufacturers and has significantly improved warehouse efficiency. In addition, our system comprises intelligent storage cabinets, drill bit dispensing machines and grinders, and can be offered either as a fully integrated solution or as individual stand-alone machines to meet different customer needs.
- ***Domestic-first high-precision grinding and slotting solutions.*** Our self-developed high-precision multi-station grinding machines and integrated coarse-fine slotting equipment filled domestic technology gaps, achieving machining accuracy of 0.001 mm and providing competitive alternatives to imported equipment in terms of precision, cost and delivery time.
- ***Breakthroughs in ultra-small-diameter and high-aspect-ratio tools as well as PCB brush-wheel products.*** We have achieved production-level capabilities in ultra-small-diameter drill bits (down to approximately 0.02 mm). In addition, we have advanced high-aspect-ratio micro-drill technology to approximately 50 times aspect ratio. Our key breakthroughs in ceramic grinding for optical modules and advanced semiconductor packaging have positioned us as a leader in China’s PCB brush-wheel products.

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Our performance and integrated capabilities have differentiated us from all other industry participants in various aspects, according to Frost & Sullivan:

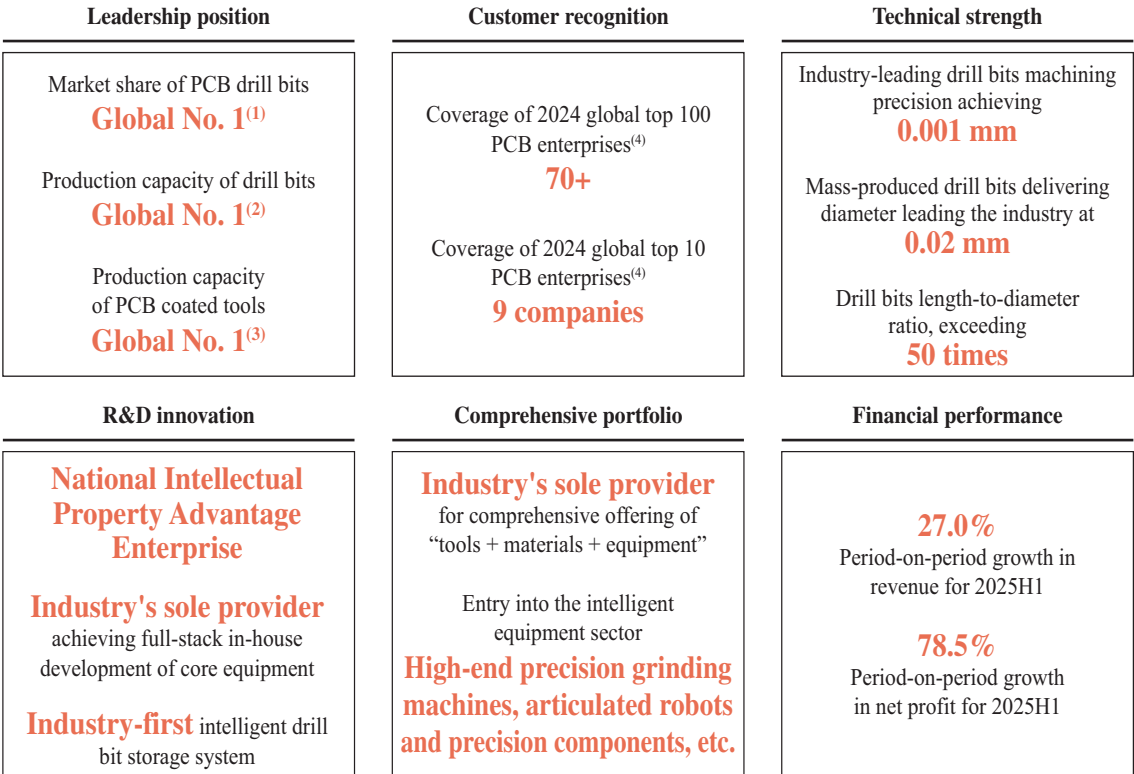
- ***Only enterprise with full-stack, self-developed core production equipment.*** We are the only PCB-tool manufacturer globally that has independently developed the full suite of core production and detection equipment used in our operations. Approximately 95% of our production equipment is self-developed in-house. Meanwhile, we have also self-developed spindles, castings and guide-rail assemblies.
- ***Only enterprise offering a complete “tools + materials + intelligent equipment” product matrix.*** We are the only provider with an integrated portfolio covering precision drilling tools, grinding and polishing materials, functional film materials and intelligent CNC equipment, allowing us to serve customers as a one-stop precision-manufacturing solutions platform. We are also the company in the global PCB-tool industry with production bases, covering China, Southeast Asia, and Europe.

Our achievements have been widely recognized by government authorities, industry organizations, independent third-party institutions and, most importantly, our customers. We have received various honors for quality, technology and manufacturing excellence, including accreditation by the Ministry of Industry and Information Technology as a “Single-Item Champion” enterprise in manufacturing (2024), recognition as a National “Little Giant” enterprise (2023), designation as a National Green Factory (2025), Key High-Tech Enterprise Award (2024), and the Guangdong Provincial Government Quality Award (2025). For further details of our honors and awards, see “— Awards and Recognition.”

Our products and solutions have been broadly validated and adopted by leading PCB manufacturers worldwide. According to Frost & Sullivan, based on 2024 sales revenue rankings, we supplied more than 70 of the global top 100 PCB manufacturers and nine of the global top 10 PCB manufacturers. Our intelligent drill-bit storage and management systems and advanced grinding solutions have been deployed at multiple top-tier customers, further reinforcing our role as a strategic and reliable partner.

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The following chart provides an overview of our key achievements across our core business segments.



Notes:

- (1) As measured by sales volume during the Track Record Period
- (2) As of July 31, 2025
- (3) As measured by manufacturing capacity as of June 30, 2025
- (4) As measured by revenue in 2024

Our Manufacturing and R&D

We have established manufacturing centers in Dongguan, Guangdong Province and Nanyang, Henan Province, covering the full chain of integrated tools, materials and intelligent equipment, and reinforcing our position as the global leader in terms of drill-bit production capacity. Our Thailand manufacturing base has commenced mass production and we are progressively ramping up production capacity towards the initial targets of 15 million drill bits per month. In addition, we acquired the assets of MPK Kemmer in 2025 to accelerate our expansion into the German and broader European markets, with MPK Kemmer amongst the leading players in the European market by sales volume of PCB tools. Looking ahead, we plan to increase investment in Asia and Europe to establish a global operating network spanning R&D, production, sales and service to support and accelerate our international expansion.

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We leverage our extensive production experience and market insights in our R&D activities, creating a virtuous cycle in which production empowers R&D which in turn, drives production, thereby strengthening both product development and manufacturing. In addition to independently developing production equipment, we apply data simulation, modelling and experimental validation across our R&D projects to deepen research into key processes and materials, overcome technical bottlenecks and enhance our innovation capabilities and product competitiveness.

- ***R&D organization and infrastructure.*** We are a provincial enterprise engineering technology research center, a post-doctoral innovation practice center and a provincial doctoral workstation. Alongside our domestic technology centers, we have established a European R&D center and set up laboratories for drill bits, coating technology, materials and machine tools in Germany. We are also planning to build a CNAS-accredited laboratory to form a precision-metrology platform with industry-wide coverage, supporting the transition from “Made in China” to “Intelligently Made in China.”
- ***Core process technologies and AI-aligned programs.*** Our core technologies include high-aspect-ratio micro-drilling, ultra-small-diameter precision slotting and rhenium-class composite coatings. We have formed a research group with AI application focus to ensure our new products are capable of addressing the high-precision and high-reliability of AI-related PCBs such as AI servers or high performance computing (HPC) boards. We have achieved a 50:1 length-to-diameter (L/D) breakthrough for next-generation premium drill bits.
- ***Coating technology platform.*** We provide chemical vapour deposition (CVD) diamond, physical vapour deposition (PVD) hard and tetrahedral amorphous carbon (ta-C) lubricious coatings tailored to specific use cases. PVD coatings materially reduce tool wear in high-frequency, high-speed laminate drilling; ta-C coatings address inner-copper-debris (ICD) and back-drill chip-clog issues and mitigate breakage in high-aspect-ratio drilling; CVD diamond coatings target accelerated wear in ceramic and aluminum-based substrates.

Our core R&D team spans senior management and key specialists with deep experience in precision tool manufacturing, materials technology, coating technology and equipment engineering. Many of our R&D team members hold senior engineer or senior technician qualifications and have led national and provincial critical research projects. As of June 30, 2025, we employed over 400 R&D personnel and continue to build a multi-tiers talent pipeline that underpins sustained innovation.

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Our Market Opportunities

Our market opportunities are underpinned by steady growth in global PCB demand and a structural shift toward high-end applications. According to Frost & Sullivan, the global PCB market as measured by revenue is expected to increase from US\$75.0 billion in 2024 to US\$93.7 billion in 2029, representing a CAGR of 4.5%, driven by AI, data centers, next-generation communications, autonomous driving and AR/VR. Within this broad market, higher-value product segments such as high-layer count boards, HDI boards and IC substrates are expected to outpace the market’s average growth, with forecast CAGRs of 6.4%, 5.7% and 6.7%, respectively, from 2024 to 2029, driven by increasing demand for high-density interconnect and high-performance signal integrity.

The rapid build-out of AI infrastructure is creating large scale demand for our products. In 2024, the server segment recorded approximately US\$11.1 billion of revenue in global PCB markets, and this segment is expected to remain amongst the fastest growing over the next five years as AI servers, large-scale data centers and high-performance computing continue to scale, according to Frost & Sullivan. These applications require PCBs with higher layer counts, finer lines and spaces, smaller via diameters and tighter positional tolerances. As a result, they directly drive up both the consumption volume and the performance requirements of PCB drilling and cutting tools, especially micro-drills, high-aspect-ratio tools and advanced coated drills, where we already have established leading positions.

At the same time, the PCB tool portfolio itself is undergoing a structural upgrade that favors high-end products. High-end coated drills accounted for 31.3% of the global PCB drill-bit market in 2024, and this share is projected to rise to 50.5% by 2029 as AI servers, 5G communications and automotive electronics drive broader adoption of high-reliability, long-life tools.

In addition, localized production, intelligent manufacturing and industry consolidation are reshaping the competitive landscape in ways that create further opportunities for us. In the drill-bit market, Chinese players are benefiting from the accelerated local substitution and are increasingly replacing imported overseas tools and production equipment by leveraging continuous improvements in technology, quality and cost structure. At the same time, Southeast Asia is becoming a key destination for capacity expansion of PCB manufacturers due to its supply-chain and cost advantages, prompting leading tool manufacturers to establish localized production and service footprints. Intelligent drill-bit storage and management systems are also gaining traction and are expected to become a core cost-reduction, efficiency-enhancement and intelligent-operation tool for large PCB manufacturers. Frost & Sullivan expects market concentration in PCB drill bits to continue to increase, with resources and orders further shifting toward leading enterprises that combine scale, technology and integrated offerings across tools, materials and intelligent equipment. As a global leader with tools, materials, and equipment in the PCB value chain, extensive self-developed equipment base and expanding international footprint, we believe we are well positioned to capture these market opportunities.

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Our Financial Highlights

We have achieved steady growth during the Track Record Period. Our revenue increased by 8.7% from RMB1,191.9 million in 2022 to RMB1,295.1 million in 2023, and further increased by 19.9% to RMB1,552.6 million in 2024. Our revenue increased by 27.0% from RMB703.4 million in the six months ended June 30, 2024 to RMB893.7 million in the six months ended June 30, 2025, with our profit for the period increasing by 78.5% from RMB89.0 million to RMB158.9 million, respectively, mainly driven by a higher mix of precision cutting tools and an increase in overseas sales. Reflecting our focus on shareholder returns, we declared dividends of RMB90.2 million in 2023 and RMB82.0 million in 2024, and RMB114.8 million for the six months ended June 30, 2025.

COMPETITIVE STRENGTHS

The global leader in PCB tool manufacturing with a comprehensive and complementary portfolio consisting of tools, materials and intelligent equipment

According to Frost & Sullivan, we ranked first worldwide by market share in drill bits and third in milling cutters. We ranked first worldwide in PCB drill bits, with market shares of 26.8% based on 2024 sales volume and 28.9% based on sales volume in the six months ended June 30, 2025. As of July 31, 2025, our monthly drill-bit capacity had exceeded 100 million units, which is the largest among all manufacturers globally, enabling us to promptly meet the rapidly increasing demand from downstream PCB manufacturers.

Our leadership is underpinned by our demonstrated depth of technology platform and our ability to address the most demanding requirements of next-generation PCB manufacturing. As of the Latest Practicable Date, our drill bits had achieved mass production across diameters ranging from approximately 0.02 mm to 8.0 mm, covering the full spectrum of PCB drilling requirements. We have also built technical reserves for high-aspect-ratio micro-drills of around 50 times length-to-diameter. We operate what is currently the world’s largest PCB tool-coating center with in-house CVD, PVD and ta-C coating technologies.

We further strengthen this leadership through a comprehensive product matrix that broadens our application coverage and enhances customer stickiness. Our integrated product portfolio effectively covers the end-to-end PCB process, enabling one-stop procurement for customers and extending our reach into 3C, automotive and semiconductor applications. Our products are highly competitive in their respective fields:

- Our brush wheels have established a leading position in China. Our products serve a broad range of applications from conventional PCBs to high-end and high-precision substrates. In particular, we have successfully developed ceramic brush wheels for processing optical-module substrates, which are capable of meeting the stringent surface-treatment and globalization requirements of optical-module PCB substrates. At the same time, we are extending our presence along the industry value chain by developing dedicated brush products for polishing processes in copper foil production, thereby supporting process upgrades for upstream materials manufacturers. In addition, for the

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precision machining of metal components, we are advancing the development and application of ceramic-based grinding and polishing materials and ceramic brush products to address high-hardness, high-wear manufacturing scenarios.

- Our functional film business is benefiting from structural upgrades in the automotive market. We supply light-control films used in backlight, lower polarizer and cover-glass applications, which are designed to reduce glare and ghosting while meeting stringent automotive reliability requirements, including approximately 1,000-hour aging tests. Our in-vehicle optical films have been certified by multiple automakers and have entered volume production, supporting import substitution of key materials for smart vehicles.
- In intelligent CNC equipment, beyond meeting internal capacity expansion and process-upgrade needs, we are increasing external sales and, leveraging shared technologies, expanding toward high-end precision grinders and critical components for embodied robotics.

Strategically positioned to capture the AI driven PCB growth with stable and tight customer relationships

The rapid acceleration of AI computing is reshaping demand in the downstream PCB industry, particularly in high performance server PCBs, which are entering a high-growth cycle. As a tightly integrated upstream partner, we support our customers with high-quality products and technical services, and have established deeply embedded relationships with leading PCB manufacturers around the world. By staying closely aligned with customers’ production needs and technology roadmaps, we gain deep insight into end-market trends and work alongside our core customers to advance process innovation and product iteration. This close collaboration strengthens customer loyalty, allows us to anticipate changes in AI-driven demand patterns and positions us to capture growth opportunities as the industry moves into a new cycle of high-performance PCB expansion.

According to Frost & Sullivan, the global market for server PCBs is expected to reach US\$18.7 billion by 2029, representing a CAGR of 11.0% from 2024 to 2029. AI servers require higher transmission speeds, lower impedance and more complex stack-ups, resulting in increased technological requirement for PCB boards. These boards require segmented and variable-length drilling, resulting in several times the drilling workload of traditional PCBs. Meanwhile, the industry’s migration to harder electronic-grade glass-fabric materials further increases machining difficulty and raises the performance requirements for drill bits. As PCB specifications become more demanding, both the volume and the value of drill bits continue to rise. To maintain low breakage rates and meet tighter hole-quality standards, drill-bit diameters are trending below 0.25 mm and length-to-diameter ratios above 30 times, with a clear shift from uncoated tools to micro-drills and coated drills.

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Our ability to meet these requirements has made us the preferred partner for leading PCB manufacturers. On the back of reliable product quality and comprehensive service, we have established long-term relationships with blue-chip customers within the industry. According to Frost & Sullivan, based on 2024 sales revenue rankings, we supplied more than 70 of the global top 100 PCB manufacturers and nine of the global top 10 PCB manufacturers. We are typically positioned as a core first-tier supplier and have received various recognitions from our customers. Customer stickiness in PCB-specific tools is inherently high, as supplier qualification cycles typically take six to 12 months and require extensive yield, durability and process-integration testing. Once qualified, PCB manufacturers generally prefer suppliers whose products have demonstrated consistent performance over time, as switching suppliers may disrupt production stability and delay the rollout of new downstream products. Our technological leadership, broad product offering and proven ability to support high-volume, high-precision production reinforce this stickiness and form the basis for durable, long-term customer relationships. Supported by a stable customer base and efficient decision-making, we are able to align precisely with customers’ capacity roadmaps and capture market opportunities.

Our valued customers are the foundation of our long-term growth. Our deep customer engagement extends beyond supply to joint development. Most of our major customer relationships have lasted more than eight years, during which we have followed their technology roadmaps from traditional multilayer PCBs into HDI, advanced HDI, optical-module substrates for cloud computing and high-end chip substrates. By closely tracking customers’ application trends, we develop targeted products ahead of market cycles. For example, since 2016 we have cooperated with a leading domestic AI-server PCB manufacturer, supplying drill bits, milling cutters and brush wheels as a one-stop solution. Through several years of joint development of reserve products for AI-related applications, we have helped this customer overcome technical bottlenecks in combining high layer counts with advanced HDI, obtain certification from leading global chip companies and secure a leading position in AI-server PCBs. We are currently its largest drill-bit supplier.

In parallel, we collaborate with core customers on frontier topics. To meet rapid-delivery and traceability needs, we pioneered an intelligent drill-bit storage and management system and AI-based in-line optical inspection system, both deployed at multiple key customers to enable fast delivery and end-to-end digital traceability. We are also exploring the development of overseas capacity in collaboration with core customers.

Full-stack, self-developed core equipment and production-driven innovation enabling precise alignment with market needs

We are the only company in the industry that has independently developed the full suite of core production equipment for PCB tools, reflecting our commitment to technology self-reliance and continuous innovation. We have developed more than 95% of the production equipment in our production bases, including critical components such as spindles, castings and guide rails. Our high-precision multi-station grinders and integrated coarse-fine slotting machines have filled the long-standing domestic technology gaps and achieved machining accuracy of approximately 0.001 mm. Recognized by experts as leading domestic substitutes for imported models, these machines can be produced at significantly lower cost compared to international brands and delivered within

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one to three months, significantly shorter than that for imports. These capabilities allow us to support drill-bit capacity expansion, accelerate production ramp-up and process optimization, and improve flexibility, consistency and traceability across our operations. Our innovation extends beyond production equipment to intelligent factory systems. We also participate in the national key R&D program “High-End CNC Machine Tools and Basic Manufacturing Equipment” alongside leading domestic research institutions to enhance domestic capabilities in high-end coating equipment and coating-process technologies.

In addition to independently developing our own equipment, we apply simulation, data modeling and experimental validation across our R&D activities to deepen research on key processes and materials, break through technical bottlenecks and strengthen our product competitiveness. We maintain strong technology reserves in micro-drills, high-temperature-resistant drill bits and high-performance coated tools, including high-aspect-ratio micro-drill manufacturing, ultra-small-diameter precision slotting and advanced rhenium-based composite coatings. We have also established an AI infrastructure focused research team to advance coating-technology innovation and develop micro-drill production lines tailored to the precision and reliability requirements of AI-application PCBs.

Our multi-tiered R&D team underpins our sustained progress. Under an R&D leadership anchored by senior experts with deep industry expertise, we operate a provincial enterprise engineering technology research center, a postdoctoral innovation practice center and a provincial-level postdoctoral workstation. In addition to our domestic technology center, we have established a European R&D center and set up laboratories for drill bits, coating technology, and materials in Germany.

As of June 30, 2025, we had more than over 400 R&D personnel and a comprehensive intellectual property portfolio, including 107 invention patents, 375 utility-model patents and 18 design patents, providing a strong talent and intellectual-property foundation for ongoing high-end innovation.

Platform-based capabilities expanding our boundaries and supporting entry into frontier areas

During over two decades, we have built a scalable technology platform that spans tools, materials and intelligent equipment, which enables us to share results from foundational research and underlying process assets across product lines. This platform-based approach allows R&D resources to be shared, improves development efficiency and accelerates product iteration for new application scenarios.

Building on our accumulated capabilities in cutting tools, we are deepening the application reach of our advantaged product platforms and extending into adjacent markets. In line with evolving market demand, we have progressively expanded from drill bits into milling cutters and other precision cutting tools, enabling us to serve customer needs from traditional PCB manufacturing to emerging application sectors. At the same time, we are preparing for future AI-related use cases such as smart wearables by advancing drill-tool technologies and expanding production capacity. Our CNC tool offering has progressively expanded from 3C electronics into molds, eyewear, automotive components and general machinery, deepening our presence in taps, diamond tools for non-ferrous metals, twist drills and milling cutters; taps and diamond tools have been qualified by top consumer-electronics customers and entered mass supply.

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On the grinding and polishing materials side, we are developing ultra-fine non-woven brushes and high-mesh ceramic brushes to address evolving requirements in AI servers, advanced optical modules and high-end substrate packaging, while extending grinding and polishing products into copper-foil manufacturing and OSAT. In functional film materials, we are focused on two core tracks — consumer electronics and automotive — building a product matrix that includes reflective enhancement films (DBEF) and release films for polarizers, thereby covering key application scenarios in opto-display and related micro-electronics and supporting domestic-substitution opportunities.

We are using high-end industrial “foundation machines” as an entry point to adjacent, technology-homologous arenas, including high-precision grinders, embodied robotics joint components and core parts for the low-altitude economy. Leveraging our long-standing expertise in precision grinding and motion control accumulated in PCB tooling, we are cultivating a new growth pillar in general precision components. Consistent with our “process upgrades driven by self-developed equipment” approach, we have brought in a German precision-grinding expert team and established a dual-track R&D framework that combines an institute-level basic research platform with product-line laboratories, thereby capturing “global R&D + China manufacturing” synergies. We have achieved R&D breakthroughs in internal and external cylindrical grinders and CNC thread grinders, and are focusing on core components such as high-precision screws and dexterous-hand micro-transmission mechanisms. In July 2025, we formed a majority-owned joint venture, Dingtai Zhongke, with a specialist team from Zhongke Guiji dedicated to embodied robotics applications. Looking ahead, we plan to further pursue selective domestic and overseas acquisitions and team introductions in micro-transmission and other critical component domains, driving breakthrough innovation and opening new growth space in emerging strategic industries.

Visionary founders with deep industry expertise, optimized organizational structure and equity incentive schemes, providing strategic stewardship

Our founders collectively bring nearly three decades of deep operating experience in the PCB industry and have been the guiding force behind our long-term strategic direction. Our Chairwoman, Ms. Xin Wang, is a vice chairperson of the Council of the China Printed Circuit Association, with an extensive industry background. Her acute market insight and decisive leadership have enabled us to seize market opportunities more rapidly than traditional peers. Our Director and Deputy General Manager, Mr. Junfeng Wang, is a senior engineer and a member of the Science and Technology Committee of the China Printed Circuit Association. Our Director and Deputy General Manager, Mr. Xia Lin, possesses extensive industry marketing experience and a broad sales-management network. Guided by the strategic alignment and complementary expertise of our founders, we have established a steady course for sustainable development. Their resilience, entrepreneurial drive and precise strategic execution have formed the core engine of our growth. Under the leadership of our founders, we have been able to withstand industry downcycles while maintaining robust profitability. As our product mix continues to shift toward higher-value solutions, we expect to unlock additional growth potential.

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To further support our strategic development, we have optimized our organizational structure to enhance efficiency, clarify responsibilities and strengthen cross-functional collaboration. By refining our departmental set-up and improving the capabilities of our enabling functions, we have built a more agile and execution-oriented management system that can support multiple product lines, subsidiaries and business models. At the same time, we have implemented a performance-aligned equity incentive framework that deeply links key employees with our Company’s long-term development. Through employee shareholding platforms and share-based awards, we have effectively attracted, retained and motivated core talent, ensuring organizational stability and reinforcing our Company’s long-term strategic and operational capabilities.

GROWTH STRATEGIES

We will pursue the following strategies, which are designed to leverage our competitive strengths and capitalize on the significant market opportunity ahead.

Deepen our portfolio of “tools, materials and intelligent equipment” to enrich our product matrix and meet diversified customer needs

We will continue to build out our integrated “process-equipment-product” platform across four core product lines, i.e., precision cutting tools, grinding and polishing materials, functional film materials, and intelligent CNC equipment. We will continue to expand product categories and advance manufacturing technologies for fast-growing markets such as AI and high-performance computing, embodied robotics, semiconductors and packaging, smart vehicles and high-end equipment. Leveraging our proprietary capabilities in ultra-small and high aspect-ratio micro-drills, advanced coating technologies, quality control, full life-cycle traceability and flexible lines enabled by self-developed intelligent equipment, we will further enrich our high-value product portfolio and enhance coverage of diverse use cases.

We intend to further strengthen collaboration with our existing blue-chip PCB customers and expand our IC substrates, optical modules, HDI and multilayer boards. Through an integrated model that combines one-stop supply, joint development and localized manufacturing and service, we aim to compress time-to-ramp from concept to mass production, uphold stable and consistent quality at scale, and enhance customer stickiness. This coordinated approach is expected to drive deeper market penetration and improved profitability, while ensuring that our product roadmap remains aligned with downstream migration toward finer geometries, higher layer counts and more stringent reliability requirements.

Drive innovation to solidify technological leadership and establish industry standards

We intend to align our R&D roadmap with national development priorities and globally prioritized industries, while closely tracking frontier trends and increasing investment in both core and emerging technologies. We plan to deepen strategic collaboration with blue-chip downstream customers and leading universities and research institutes in China and overseas, establishing early-stage co-creation and joint-development mechanisms.

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We will continue to incubate proprietary, IP-backed innovations, address mission-critical technical bottlenecks, and strengthen our portfolio of patents and know-how to enhance technical barriers and modular, repeatable process platforms. We seek to shorten the cycle from concept to mass production, improve consistency and reliability at scale, and further reinforce our technological leadership, with a goal to position us as a benchmark for innovation and a shaper of industry development in global precision manufacturing.

Expand global manufacturing capacity to enhance supply resilience and increase market share in premium overseas markets

We intend to deliver market leading, integrated precision manufacturing tools to customers worldwide. To support this objective, we plan to expand our manufacturing capacity and warehousing footprint across key regions, including Southeast Asia, Europe, Japan and South Korea, by replicating and upgrading our standardized intelligent production model. We aim to enhance proximity to anchor customers, shorten lead times, improve technical responsiveness and reduce logistics costs.

Amid rapid growth in emerging applications such as AI and embodied robotics, we plan to prudently expand and strategically deploy our production capacity and key equipment to reinforce high-end product supply and strengthen delivery resilience, ensuring our output remains closely aligned with evolving global demand. By building a globally integrated capabilities ranging from R&D, manufacturing, sales to service, deepening regional engineering and after-sales services, optimizing cross-region capacity allocation and inventory pooling, and advancing compliance and localization, we aim to increase penetration in premium overseas markets while mitigating supply-chain and geopolitical risks. These initiatives together will strengthen our competitive position in global precision manufacturing.

Advance industry-chain integration and pursue selective mergers and acquisitions to accelerate expansion

We plan to execute a disciplined dual-engine growth strategy combining organic expansion with selective acquisitions. We will prioritize targets with technology adjacency, customer overlap and clear synergy potential across our core value chain. Through targeted investments and acquisitions, we aim to accelerate product roadmap, broaden our portfolio, deepen access to blue-chip customers and enhance our competitiveness in technology, manufacturing and global channels.

Execution will follow a principles-based approach centered on technology adjacency, customer overlap and market alignment. We plan to apply rigorous due diligence and a structured post-merger integration playbook to drive value creation through the transfer and standardization of processes and equipment, supply-chain and procurement synergies, cross-selling and channel leverage, and the localization of manufacturing and services. Within a disciplined capital allocation and risk management framework, we seek to deliver step-change improvements in scale and profitability and to accelerate our evolution into a global, integrated provider of high-end manufacturing solutions.

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Build a talent strategy commensurate with rapid growth and globalization

We are committed to building a diverse, professional and internationally minded team, establishing a high-quality talent reserve to support long-term development. We have put in place a structured talent framework and will continue to enhance capabilities through internal training, regular talent reviews and job rotation. We will keep attracting seasoned professionals in R&D and innovation, intelligent manufacturing and global operations. By integrating domestic and overseas recruitment channels, we intend to establish cross-regional and interdisciplinary teams spanning R&D, process and intelligent manufacturing, supply chain and quality management, and overseas operations and localization, thereby providing robust human-capital support for rapid scale-up and internationalization. We will also deepen collaboration with leading universities and research institutions through joint laboratories and co-development programs to train scarce and hybrid skill sets. Under a systematic training regime that combines curriculum learning, rotational assignments and competency-based evaluation, and reinforced by market-oriented performance and incentive mechanisms, we seek to enhance professional depth, organizational cohesion and innovation vitality, strengthening the human-capital foundation for our long-term, sustainable development.

OUR PRODUCTS AND SOLUTIONS

We are a leading integrated provider of tools, materials and intelligent equipment, delivering comprehensive solutions for precision manufacturing. Leveraging our long-standing strengths in drill bits, milling cutters, specific-PCB tools and CNC tools, we have become a global leader in integrated precision manufacturing solutions provider specializing in PCB tool. Our diverse product portfolio covers key segments of the PCB manufacturing value chain, and supports critical stages of PCB fabrication and precision machining. Backed by proprietary process know-how, we respond swiftly to evolving customer requirements while delivering consistent quality, yield and throughput across large-scale production.

We are primarily engaged in the research and development, production and sales of (i) precision cutting tools, (ii) grinding and polishing materials, (iii) functional film materials, and (iv) intelligent CNC equipment. With this portfolio, we deliver integrated and efficient solutions to PCB, precision CNC component, consumer electronics and optoelectronics producers. According to Frost & Sullivan, we ranked first among global suppliers in terms of sales volume in the PCB drilling-tools industry during the Track Record Period.

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The table below sets forth our revenue breakdown by product type in amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Six months ended	
	2022		2023		2024		June 30,	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%
<i>(RMB in thousands, except for percentage)</i>								
Precision cutting tools	1,036,548	86.9	1,042,333	80.5	1,191,001	76.8	746,490	83.6
Grinding and polishing materials	115,418	9.7	115,384	8.9	150,812	9.7	85,791	9.6
Functional film materials	27,221	2.3	89,778	6.9	155,175	10.0	35,734	4.0
Intelligent CNC equipment	12,549	1.1	47,506	3.7	54,892	3.5	25,282	2.8
Others ⁽¹⁾	170	0.0	120	0.0	755	0.1	361	0.0
Total	1,191,906	100.0	1,295,121	100.0	1,552,635	100.0	893,658	100.0

Note (1): Others primarily include sales of work in progress.

The following table sets forth our major products:

<u>Product</u>	<u>Appearance</u>
Precision cutting tools	
Grinding and polishing materials	
Functional film materials	
Intelligent CNC equipment	

BUSINESS

Precision cutting tools

As critical tools in the PCB drilling process, precision cutting tools create precise microvias that form electrical interconnection pathways between layers in multilayer boards. Our precision cutting tool portfolio covers drill bits, milling cutters, specific-PCB tools and CNC tools, serving customer needs from traditional consumer electronics to high-end AI servers and other high-performance systems. We also supply CNC tools, including form cutters, chamfer cutters, T-slot cutters, taps and standard general-purpose tools, used for milling and drilling in precision manufacturing.

Our precision cutting tools span a full diameter range from mainstream sizes to ultra-small. As of the Latest Practicable Date, we had achieved mass production across approximately 0.02 mm up to 8.0 mm for our drill bits. We have developed a suite of core in-house process technologies, including high-aspect-ratio micro-drilling and coating technologies to meet the market demand. For example, our products’ major application areas include AI infrastructure, embodied robotics, semiconductors and IC-related applications, low-earth-orbit satellite communications, high-end equipment manufacturing, smart vehicles, consumer electronics, and telecommunication & high-speed networking, as well as industrial control and PCBs. We support these products to end markets primarily through our customers of PCB manufacturers, and our customer base consists largely of the world’s leading PCB manufacturers. According to Frost & Sullivan, the PCB drilling tool market is relatively concentrated. In terms of global PCB drill bit sales volume for 2024, the combined market share of the top five companies in the global PCB drill bit market was 75.3%. As drilling quality directly affects our downstream finished PCB performance, our clients place a focus on PCB drilling tools’ stability and typically partner with technically advanced suppliers to minimize quality risk. Our R&D team conducts in-depth research across each production step for drill bits, continuously refining process parameters and pursuing new technologies and product designs. This accumulated know-how underpins consistent quality and reliable supply for our customers.

The rapid adoption of AI and HPC, including AI servers and high-speed networking equipment, has raised performance requirements for PCB precision cutting tools. As our downstream demand drives substantially higher parallel data processing, typical AI-server PCBs are migrating from approximately 12 layers to 18 layers or more, with finer interconnects and tighter tolerances. In addition, the market’s ongoing upgrades in PCB materials have further increased customer requirements for both the volume and quality of precision cutting tools. These trends materially increase demands on drill bits and related consumables in terms of precision, wear resistance and hole quality. In response, we established a dedicated AI Special R&D team (AI專項研究小組) and a specialized drill bits R&D and production line to accelerate product iteration. As drills are consumables in PCB manufacturing, the high demand for AI-servers have increased replacement frequency and driven sustained demand for our high-performance drill bits.

For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2025, we recorded revenue from precision cutting tools of RMB1,036.5 million, RMB1,042.3 million, RMB1,191.0 million and RMB746.5 million, respectively, accounting for 86.9%, 80.5%, 76.8% and 83.6% of our total revenue in the same periods, respectively.

BUSINESS

Drill Bits

Drill bits are critical enablers of precision PCB manufacturing and play an indispensable role in high-end electronics globally. They are used to form high-precision holes (vias) that connect multilayer circuit signals, and the quality of drilling directly affects signal integrity, interconnect reliability and production yield. We offer a full range of drill bits to support customized flute-length specifications to meet precise drilling needs across different materials, board thicknesses and stack-up structures.

Our drill bits are manufactured from high-grade cemented carbide to balance hardness and toughness, ensuring stable performance under high-speed machining across mainstream laminate systems. To further enhance performance, we apply proprietary surface-treatment technologies, including CVD diamond coatings, PVD wear-resistant coatings and ta-C lubricious coatings. The combination of premium substrates and advanced coatings significantly improves wear resistance, chip evacuation and service life. We also operate dedicated R&D laboratories and continue to invest in cemented-carbide grade development and nano-coating research to drive sustained performance improvements.

To address the increasing prevalence of ultra-small apertures, thicker stack-ups and complex via structures in AI-driven PCB designs, we have systematically upgraded tool geometries, cemented-carbide grade selection, coating technology and manufacturing process controls to deliver high precision and reliability under demanding conditions. For AI-server PCBs, drill bits of 0.20–0.25 mm in diameter are widely used and typically require higher length-to-diameter (L/D) ratios. We believe these capabilities support the transition of AI-server and high-speed networking boards to higher layer counts, while sustaining stable hole-wall quality and plating compatibility.

We have established in-house R&D and equipment ecosystem that enables closed-loop control across the full production flow. Inline automated inspections and rigorous quality-management protocols are applied throughout, ensuring that every drill bit shipped conforms to stringent specifications and supports stable customer production and high yields.

Milling Cutters

The milling process is an essential step in PCB fabrication that works in tandem with drilling to define board outlines, slots and contours. Our milling cutter is a rotating tool with one or more cutting edges. In operation, the edges remove material intermittently and sequentially, enabling the machining of flats, steps, grooves, formed features and cut-offs on PCB panels and related parts.

Our milling cutters are manufactured from cemented carbide and are designed for precision cutting and profiling. We offer a comprehensive size range from 0.25mm to 3.175mm. We implement statistical process control (SPC) to enhance product consistency, in which the diameter tolerance is controlled to 0.010 mm. For high-end PCB substrates and optical-module applications, we support cutting accuracy of ± 0.050 mm to meet our clients' diverse and increasingly stringent manufacturing requirements.

BUSINESS

We also supply specific-PCB milling cutters in solid-carbide, brazed (welded) and re-sharpened formats. We match tool geometry and coating combinations to different machining scenarios, laminate characteristics and quality requirements to precisely meet customer needs. For applications requiring depth control and other special-form machining (e.g., automotive and communications boards), we offer a range of special tools, including flat milling cutters and chamfer cutters, to achieve fine-tuned process outcomes.

Specific-PCB Tools

In addition to our standard drill bits and milling cutters, we supply a portfolio of specialty specific-PCB tools used across critical forming and finishing operations in PCB manufacturing. These tools address applications such as thick-copper and metal-core (e.g., aluminum-base) milling, inner-slot chamfering, countersinking for screw holes, blind-slot machining, and V-groove (V-cut) preparation, as well as gold-finger beveling for connector edges.

Our specific-PCB tools include double-flute routers, bevel (gold-finger) cutters, chamfer cutters, engraving/bits (e.g., 90°), key-slot/T-slot cutters, and other form tools. Tools are manufactured primarily from cemented carbide, with geometry and coating combinations tailored to laminate/stack characteristics (e.g., high-glass content, thick copper, MCPCB). Available shank and diameter options (including 3.175 mm shank and micro-diameter variants) support common PCB equipment interfaces and fine-feature machining.

CNC Tools

Our CNC tools are critical precision components for milling, drilling and related operations on CNC machine tools. The CNC tools are the primary executing components in CNC machining and directly affect dimensional accuracy, productivity and surface finish. Mounted on CNC machine tools, our CNC tools perform milling, turning, drilling and related operations on metals and composite materials, and are widely used in 3C consumer electronics, automotive manufacturing, aerospace and mold making tool.

Our CNC tool portfolio covers form milling cutters, chamfer mills, T-slot mills, engraving cutters, reamers, taps mills. The tools are manufactured primarily from cemented carbide and industrial diamond and are available in application-specific geometries and coating options to address diverse workpiece materials and process requirements.

CNC tools are indispensable to precision CNC machining and support our customers' process upgrades and automation initiatives. We believe that our product roadmap aligns with PRC industrial policies that encourage the modernization of machine tools and the increased adoption of CNC technologies in key manufacturing processes.

BUSINESS

Coated Technology

We have independently developed a full suite of coating technologies, including CVD diamond, PVD wear-resistant coatings and ta-C lubricious coatings tailored to diverse use cases. Our PVD coatings materially reduce tool wear, by over 50% in high-frequency, high-speed laminate drilling, while tetrahedral amorphous carbon coatings mitigate server-board inner copper debris (ICD) and back-drill chip-clog challenges and reduce breakage in high aspect-ratio holes. CVD diamond coatings are deployed to address accelerated wear when machining ceramic and aluminum-based substrates.

For ultra-small drill bits, we combine advanced lubricious and wear-resistant coatings with optimized tool geometries, tight concentricity control and breakage-control programs. These coated tools are used in drilling for high-density interconnects, IC substrates and packaging, with target breakage rates below 0.01%. This approach supports consistent batch-to-batch performance. For example, one of our representative drill bits with coated technology is drill bits less than 0.20 mm, which are employed advanced wear-resistant/lubricious coating systems and are widely applied in AI-server and high-performance computing motherboards as well as IC substrates.

Our integrated operating model also creates group-level synergies between drill bits and milling cutters by leveraging shared PCB customer relationships and end-customer certifications, enhancing cost efficiency, throughput and delivery performance in our specialized market segments. In addition, we have precision cutting tool manufacturing capabilities with coated technologies at our Dongguan, Nanyang and Thailand production bases.

Grinding and Polishing Materials


Many of our customers that purchase drill bits also procure our grinding and polishing materials, as these consumables are used in adjacent stages of the PCB production flow. In response to customer demand for integrated sourcing, we expanded our portfolio beyond drill bits to offer a comprehensive range of grinding and polishing materials, enabling one-stop supply to downstream PCB manufacturers. Grinding and polishing are critical in high-end PCB manufacturing, supporting drilling, electroplating and vacuum via-plugging operations. These processes remove drilling burrs and resin smear, level plug resins, planarize copper surfaces and clean microvias, thereby creating proper conditions for subsequent metallization and circuit formation. Our grinding and polishing materials are broadly classified by brush media into ceramic brushes, non-woven brushes and nylon brushes.

Our grinding and polishing materials serve a broad range of applications from conventional PCBs to high-end and high-precision substrates. In demanding use cases such as the grinding and polishing of optical-module PCBs and packaging substrates, where stringent surface-treatment and planarisation performance is required, our products have achieved key technological breakthroughs and are able to meet ultra-fine line width and high-flatness process requirements. At the same time, we are extending our presence along the industry value chain by developing dedicated brush products for polishing processes in copper foil production, thereby supporting process upgrades for upstream materials manufacturers. In addition, for the precision machining of metal components, we are advancing the development and application of ceramic-based grinding and polishing materials and ceramic brush products to address high-hardness, high-wear manufacturing scenarios.

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During the Track Record Period, we primarily supplied ceramic and non-woven brushes as our core products, which were widely deployed in the manufacture of high-layer-count PCBs, high-density interconnect (HDI) boards and packaging substrates, including FC-CSP. For example, ceramic brushes deliver high-precision abrasion and stable surface planarization performance for process steps requiring stringent flatness control.

In 2022, 2023 and 2024, and the six months ended June 30, 2025, we recorded revenue from grinding and polishing materials of RMB115.4 million, RMB115.4 million, RMB150.8 million and RMB85.8 million, respectively, accounting for 9.7%, 8.9%, 9.7% and 9.6% of our total revenue in the same periods, respectively. The following table sets forth certain details of our major equipment and solutions for the grinding and polishing process as of June 30, 2025:

<u>Product</u>	<u>Appearance</u>	<u>Features</u>	<u>Application Scenarios</u>
Non-woven Brush (不織布磨刷)		Designed with high-density, resin-bonded non-woven flaps, our non-woven brushes deliver stable cleaning performance and a uniform surface finish with a low risk of deep scratches, making them well-suited for general PCB grinding/cleaning steps and sensitive substrates.	<ul style="list-style-type: none"> • Deburring after drilling (through-hole) • Cleaning before dry-film lamination • Cleaning before solder mask application • Hole-plugging ink removal
Ceramic Brush (陶瓷磨刷)		Engineered for high-cutting-performance steps in PCB manufacturing, our ceramic brushes deliver strong grinding force, high throughput and consistent quality under medium- to high-pressure operations. They are designed to stabilize panel planarity and surface condition ahead of downstream processes.	<ul style="list-style-type: none"> • Copper-particle removal • Hole-plugging resin removal • Resin-layer leveling in build-up (SAP/mSAP and related) processes
Nylon Brush (尼龍磨刷)		Manufactured with silicon-carbide or alumina abrasive filaments and advanced weaving, our nylon brushes deliver durable, compliant finishing with impact, temperature and contamination resistance and a long service life-supporting consistent surface quality in high-throughput PCB lines.	<ul style="list-style-type: none"> • Deburring after drilling (through-hole) • Cleaning before solder mask application

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Functional Film Materials

Our functional film business focuses on automotive light-control films for in-vehicle displays, as well as consumer privacy-protection films for smartphones and PCs.

Our automotive light-control films are positioned for high weatherability and high reliability, while our consumer privacy films emphasize cost optimization and automated production. We pursue an import-substitution strategy by combining cost advantages with stable supply, and by leveraging group resources to navigate automotive certification requirements.

Our core competencies include optical design, full-process engineering, such as optical-film transmission and refraction modeling, haze control, optical-adhesive selection and optically clear resin lamination, as well as material modification to achieve high heat resistance and low shrinkage. We maintain robust confidentiality and non-compete arrangements with key technical personnel to protect proprietary know-how.

Our functional film business is benefiting from structural upgrades in the automotive market, particularly the increasing adoption of large-format “floating” central displays in smart vehicles. We supply light-control films used in backlight, lower polarizer and cover-glass applications, which are designed to reduce glare and ghosting while meeting stringent automotive reliability requirements, including approximately 1,000-hour ageing tests. Our in-vehicle optical films have been certified by multiple automakers and have entered volume production, supporting import substitution of key materials for smart vehicles.

Designed for smartphones, tablets and laptops, our privacy-protection films employ optics to narrow the viewing window, keeping on-screen content visible to the user while rendering it indistinct to off-axis viewers. We customize key parameters, including viewing angle, optical transmittance, haze and surface finish, to balance privacy with display brightness and color fidelity. Our production for consumer privacy-protection films are automated manufactured, enabling cost-efficient, high-volume output with tight control of thickness and optical uniformity.

In 2022, 2023 and 2024, and the six months ended June 30, 2025, we recorded revenue from functional film material solutions of RMB27.2 million, RMB89.8 million, RMB155.2 million and RMB35.7 million, respectively, accounting for 2.3%, 6.9%, 10.0% and 4.0% of our total revenue in the same periods, respectively.

Intelligent CNC Equipment

Intelligent CNC equipment serves as the cornerstone of modern precision manufacturing, enabling high-accuracy machining, process automation, and efficiency optimization across multiple industrial sectors. In addition, we have intelligent drill-bit storage and management system for our customers, which enables automated storage and retrieval and data traceability of precision cutting tools. This system supports precise and efficient tool management at customer sites, significantly reduces operating costs and enhances production efficiency.

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Our intelligent CNC equipment is typically used for semi-finished manufacture and regrinding of milling, drilling and forming tools. In automotive components manufacturing, our equipment is used for the precision grinding of critical parts such as crankshafts and camshafts, and form high-accuracy finishing of forming punches and pins in precision-mold production.

Our core technical barrier lies in the deeply integrated “process-equipment-product” R&D capability. This synergy enables us to translate specific application knowledge — particularly in PCB micro-drill manufacturing and precision coating — into proprietary equipment designs that achieve optimal alignment between process parameters and machine performance.

In 2022, 2023 and 2024, and the six months ended June 30, 2025, we recorded revenue from intelligent CNC equipment of RMB12.5 million, RMB47.5 million, RMB54.9 million and RMB25.3 million, respectively, accounting for 1.1%, 3.7%, 3.5% and 2.8% of our total revenue in the same periods, respectively.

RESEARCH AND DEVELOPMENT

We are committed to technological innovation to enhance our capabilities and deliver value to customers, while supporting growth in our sales and profitability. We maintain a dedicated R&D team that integrates profound theoretical knowledge, technical expertise, and practical experience. As of June 30, 2025, our R&D team consisted of over 400 employees. In 2022, 2023, 2024 and the six months ended June 30, 2025, our R&D expenses were RMB79.8 million, RMB97.7 million, RMB109.6 million and RMB57.8 million, respectively, representing approximately 6.7%, 7.5%, 7.1% and 6.5% of our total revenue for the respective periods.

We have established research and development centers in both Dongguan, China and Germany. To accelerate technological breakthroughs, we have implemented a strategic upgrade of our R&D organizational structure. In our Dongguan R&D center, we have set up core departments including fundamental R&D, applied R&D, and technical services. Our European R&D center in Germany focuses on advanced research for precision cutting tools and grinding and polishing materials. Leveraging digital platforms, this center accelerates two-way technology integration and strengthens our technological moat in support of our globalization strategy.

Our R&D leadership comprises senior experts with deep domain expertise. Mr. Wang Junfeng, our director and deputy general manager, is a senior engineer and a member of the Science and Technology Committee of the China Printed Circuit Association, with extensive experience in precision tool manufacturing and equipment design. Mr. Li Zheng, a senior engineer and senior technician as well as a deputy to the 14th National People’s Congress, has more than 20 years of experience in precision equipment R&D; he received the 2024 National May 1st Labor Medal and the 2025 National Model Worker award, has been recognized as “Dongguan Chief Technician,” “Guangdong Craftsman,” and “Dongguan Leading Skilled Talent (Category I),” and is a recipient of the State Council Special Allowance. Dr. Lin Haisheng, who holds dual doctorates from China and France and is a senior engineer specializing in mechanical-materials interdisciplinary technologies, received the Hiwin Doctoral Dissertation Award (Special Prize), the First Prize of the China Association for Manufacturing Technology Science and Technology Award, and the Silver Award of the China Laser Industry New Technology Awards; his self-developed Hf-B-N coating

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technology has been assessed by experts as “internationally leading.” Dr. Xu Wei, a senior coating specialist with a doctorate in engineering, has led multiple provincial and national research projects, including programs under the Guangdong Natural Science Foundation and key laboratories, and received the 2023 Dongguan Guanyi Technology Talent Award.

We maintain a balanced focus across three primary R&D areas: product innovation, materials science, and advanced manufacturing processes. The core principle of our R&D strategy is the close integration of technological development with market needs. This ensures we can develop and deliver advanced products and solutions aligned with market trends and customer requirements.

R&D Process

Our R&D process follows a structured framework that takes into account key factors such as customer demand, feasibility analysis, technological advancements and use cases. Our R&D process is systematically structured into three distinct stages to ensure strategic alignment and operational excellence.

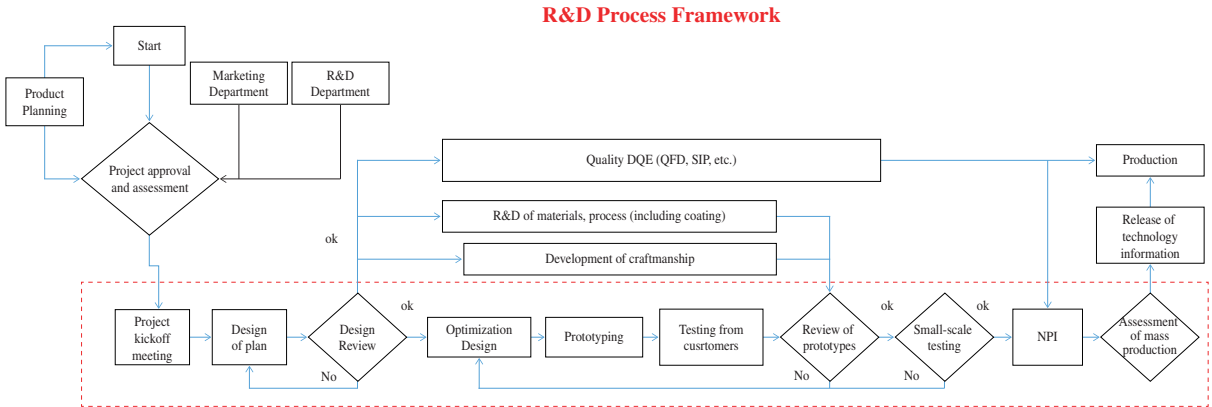
Concept and Design Stage. The initial phase begins with our business departments collecting and defining new product requirements based on industry trends, market demands, and corporate strategy. These requirements are formally transmitted to the R&D department, which conducts thorough research and feasibility assessments to determine specific development or improvement directions, ensuring projects are strategically targeted and resource-efficient before proceeding. In addition, we also collaborate with customers at the early stage of product development to align specifications with downstream application needs. We jointly define the product specification and acceptance criteria, including critical-to-quality metrics.

Development and Testing Stage. In the second phase, the R&D department formulates a detailed product development plan, encompassing design, development, and prototyping activities. Following internal review and approval, the design outputs are finalized, leading to the production of functional samples. This stage emphasizes structured planning and validation to transform defined requirements into tangible prototypes ready for testing.

Verification and Commercialization Stage. This final phase spans from trial production review to commercialization. During the trial production review, R&D and production departments evaluate whether to proceed with small-scale trial production of the product. Based on the results of the trial production, we decide whether to move forward with mass production, marking the commercialization of the product. This approach ensures that only fully validated and optimized products progress to commercial release, maintaining quality and market readiness.

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The following chart illustrates the key steps of our product development process:



Our Key Technologies and R&D Achievements

Through years of dedicated R&D activities, we have broken through critical technological barriers and independently developed a portfolio of patented and non-patented technologies. These technologies represent our key core competencies and common enabling technologies in processes and manufacturing capabilities. They play a vital role in the production of PCB tools and precision CNC components, effectively reducing manufacturing costs, improving product yield, optimizing production workflows and process parameters, and enriching our product portfolio. These enable us to better meet customer demands for enhanced tool quality and performance and have gained recognition and secured orders from leading industry clients.

Through independent R&D, we have established core technologies across the principal PCB production processes, including drilling, photolithography, lamination, formation and testing. Our key technological achievements include (i) micro-alloy tool four-station precision grinding technology; (ii) halogen-free flame-retardant ceramic brush technology; (iii) non-woven nylon base thermally laminated abrasive sheet technology; and (iv) vacuum plasma coating technology and equipment development. These technological achievements, underpinned by our commitment to technology self-sufficiency and autonomy, enable us to introduce a steady stream of original and innovative products. As the only enterprise in the industry achieving full-stack independent R&D of core equipment, we have established significant technological barriers and secured a sustainable competitive advantage in the market.

Micro-Alloy Tool Four-Station Precision Grinding Technology

We have introduced an innovative four-station mechanism in our dedicated equipment for machining PCB drill bits. This integrated design combines multiple machining steps, such as grooving, edging, and blade face grinding, into a single continuous process. Equipped with automated loading and unloading mechanisms, the system supports the production of drill bits with diameters ranging from 0.02 mm to 8.0 mm. This technology ensures high machining accuracy, production efficiency, and operational stability.

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Halogen-Free Flame-Retardant Ceramic Brush Technology

Developed to meet the demands of high-end, environmentally conscious PCB manufacturing, this technology enables effective surface preparation while ensuring safety. We have developed a halogen-free flame-retardant ceramic brush specifically for halogen-free manufacturing processes. By incorporating a reactive halogen-free epoxy resin that works synergistically with additive flame retardants, the product achieves UL94-V0 flame.

Non-Woven Nylon Base Thermally Laminated Abrasive Sheet Technology

This technology platform allows us to produce brush products with extended service life, high grinding efficiency, and low hole-plugging rates. These brushes can replace traditional nylon needle brushes, volcanic ash brushes, and sand belts in PCB surface preparation, significantly improving grinding performance. The platform also supports the development of derivative products including high-cut, foamed, and low-hole-plugging non-woven brushes.

Vacuum Plasma Coating Technology and Equipment Development

We supply three types of vacuum coating solutions — PVD, CVD, and ta-C — which utilize physical vapor deposition, chemical vapor deposition, and magnetically filtered arc deposition, respectively, we supply three principal types of vacuum coating solutions, namely multi-component metal nitride coatings, superhard diamond coatings and ta-C ultra-low-friction coatings. Our coating systems primarily adopt physical vapour deposition (PVD), hot-filament chemical vapour deposition (HFCVD) and filtered cathodic vacuum arc (FCVA) technologies to ionize and activate coating materials to plasmaize coating materials. Through precise control of key process parameters such as vacuum level, power output, temperature field, and cooling, we ensure consistent and high-quality plasma deposition. These coating technologies support a wide spectrum of hard coatings, including diamond-like carbon and specialized diamond coatings.

Building on this foundation, we have independently developed high-performance surface coating technologies, supported by self-developed coating equipment and proprietary processes, to deliver customized tool coating solutions for a variety of application scenarios:

- For high-frequency, high-speed substrates susceptible to wear, our in-house PVD coating reduces the wear rate by more than 50% compared to uncoated drills.
- Our self-developed ta-C coating effectively resolves server ICD and back-drilling stub issues, while also mitigating breakage in high aspect-ratio drilling applications.
- For highly abrasive materials such as ceramic and aluminum substrates, we have developed and widely implemented a CVD diamond coating.

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Collaboration with Research Institutions and Universities

To continually foster innovation and expand our R&D talent pipeline, we have established long-term collaborations with leading universities and research institutions in China. We collaborated with them in the following aspects:

- Industry-academia-research projects. We maintain long-term cooperation with universities in Guangdong, tracking cutting-edge global trends and improving the engineering and industrialization of our R&D results.
- Joint venture with an experienced team. We established a joint venture with a team from the Casiahand Robotics to co-develop core actuation and end-effector components for embodied intelligent robotics, including dexterous hands and micro-transmission mechanisms. The collaboration leverages our strengths in micro-drilling, precision grinding and intelligent CNC to pursue compact, high-reliability actuator subsystems compatible with downstream embodied robotics platforms.

OUR PRODUCTION

We primarily adopt an in-house manufacturing model, supplemented by a minor portion of subcontracted processing for specific non-core processes. Our production strategy is distinctly categorized: for standard products, including drill bits and milling cutters, we operate under a make-to-stock approach driven by market demand. Our Supply Management & Planning Department develops both annual and monthly production schedules accordingly, while remaining agile to make real-time adjustments in response to fluctuating market demands and inventory levels, thereby ensuring an effective balance between planning flexibility and structured execution. Conversely, for products like grinding and polishing materials and intelligent CNC tools, we typically employ a make-to-order model, initiating production upon the confirmation of customer orders. Throughout all processes, the Quality Department rigorously adheres to the quality management system, implementing effective controls over the quality of raw materials, semi-finished, and finished products to guarantee product consistency, stability, and compliance with customer delivery requirements.

We have synergistically integrated digital-intelligent manufacturing, intelligent warehousing and flexible production to build a smart manufacturing system that entails fully automated production lines, advanced quality-control systems and an end-to-end process-visibility intelligent platform.

- ***Advanced automation and real time quality control.*** For our core drill bits, our end-to-end automation exceeds 90%, enabling continuous quality monitoring and automated material delivery. Each drill bit carries a unique serial code to enable unit-level serialization and full life-cycle traceability from production, in-plant transfer through to application. With our self-developed automated optical inspection deployed across the line to measure critical dimensions in real time. Dimensional tolerances are controlled within 0.002 mm and automatic equipment compensation is triggered as needed.

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- ***Intelligent warehousing and logistics.*** We operate an automated storage and retrieval system with autonomous guided vehicles for line-side storage. Line-side inbound and outbound operations and inventory counting are executed by system-scheduled automation. This has improved warehouse efficiency and reduced picking labor costs. Our warehouse management system (WMS) is seamlessly integrated with enterprise resource planning (ERP) to assign storage locations by outbound orders, optimize picking routes and enforce accurate first-in, first-out control.
- ***Flexible production and supplier connectivity.*** Through optimized equipment layouts and modular fixture/tooling design, we achieve rapid specification changeovers and dynamically generate optimal production sequences based on order mix and equipment status. We also maintain data links with raw-material suppliers to align just-in-time deliveries with production plans and lower inventory occupation.

We upgrade our machinery from time to time to improve our production efficiency. We perform routine and preventive maintenance on our machinery and equipment to ensure that they function properly at all times. We constantly introduce advanced equipment and optimize our production technologies to improve product quality and enhance production efficiency.

Our production process is designed to achieve consistent high-quality standards while providing the flexibility for expediting production timeline to meet customer needs. Our process technologies empower us to maintain industry-leading standards while rapidly responding to dynamic market demands. See “— Research and Development — Our Key Technologies and R&D Achievements.” Our advanced production capabilities and strict quality control measures enable us to ensure the superior performance and outstanding reliability of our equipment and solutions.

In addition, we have our self-designed and built in-house tools for our manufacturing. For example, Our DTGM2200 High-Precision Five-Axis CNC Tool Grinder (the “**DTGM2200**”) is our next-generation five-axis CNC tool grinder featuring multi-axis linkage control and full closed-loop motion and a direct-drive rotary axis. In combination with a NUM system and Renishaw in-process probing, it enables precise clamping, real-time measurement and automatic compensation, supporting stable geometries and repeatable accuracy. Its dual grinding-wheel group accommodates up to six wheels concurrently, reducing changeover time and enabling efficient production of complex profiles. The DTGM2200 is deployed on our production lines for the precision grinding of milling tools, drilling tools and forming tools across a wide diameter range, including micro-diameters, thereby improving throughput, shortening setup cycles and enhancing yield under SPC-managed process control.

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Production Process

Raw Material Preparation. The production process begins with the preparation of key raw materials, primarily cemented tungsten carbide rods/bars and stainless-steel components. Incoming materials undergo quality inspection to ensure they meet specified standards before proceeding to subsequent processing stages.

External Cylindrical Grinding and Cutting. The qualified raw materials are precisely cut to the required dimensions. This is followed by initial grooving operations, which form the basic geometric profile of the cutting tools.

Welding and Joining. For specific product types, welding processes such as resistance welding are employed to join different components, such as shanks to the tungsten carbide cutting heads, to form drill blanks before semi-finished processing of the products, ensuring joint strength and integrity.

Semi-Finished Product Precision Machining. Semi-finished products undergo precision machining. This stage involves critical operations to achieve the required dimensional accuracy, concentricity, and surface finish, forming the core geometry of the functional tool.

Drill Blanks. The final geometric features, including specific cutting edges and flutes, are completed through precise grooving and grinding operations. This step is crucial for achieving the final cutting performance and tool life characteristics.

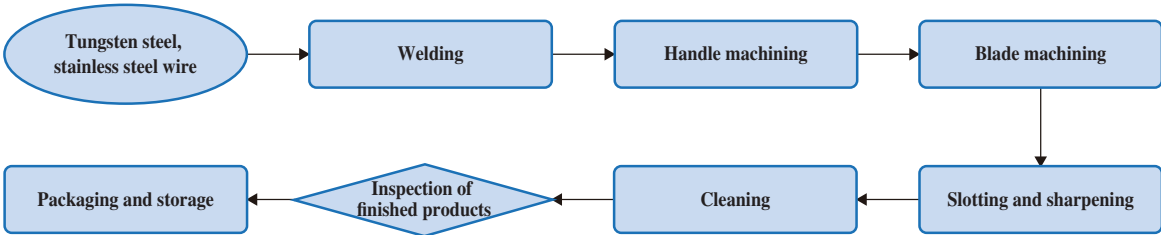
Coating Treatment. As a crucial value-adding post-processing step, finished white tools, (uncoated tools) are transferred to the Coating Division for surface treatment. The division applies various functional coatings, including wear-resistant coatings such as Titanium Nitride and Aluminum Nitride, lubricating coatings such as DSC coating, and diamond-like carbon coatings. This process significantly enhances the product’s processing quality, service life, and added value by improving properties such as wear resistance, chip evacuation, and heat dissipation.

Finished Product Testing. We conduct comprehensive quality inspections using advanced testing equipment and AI-assisted visual inspection systems to quickly identify and eliminate defects, ensuring each product meets design standards.

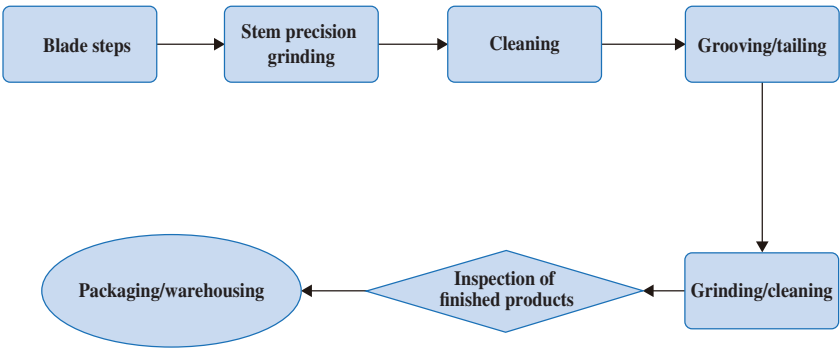
Packaging. Upon passing final inspection, finished products are packaged by fully automated equipment and put away via AGVs into our automated storage and retrieval system (AS/RS).

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The following flowchart sets forth the typical production process of our drill bits:



The following flowchart sets forth the typical production process of our milling cutters:



Our Production Bases

As of June 30, 2025, we had three production bases in China, one production base in Thailand and one production base in Germany. The following tables sets forth some basic information about our productions bases as of June 30, 2025.

<u>Production Base</u>	<u>Location</u>	<u>GFA (sq.m.)</u>	<u>Commencement Year</u>	<u>Specialization</u>
Dongguan Phase I	Dongguan, China	27,000.0	2014	Grinding and polishing materials; functional film materials
Dongguan Phase II	Dongguan, China	98,480.2	2023	Precision cutting tools; intelligent CNC equipment
Nanyang	Nanyang, China	51,451.4	2020	Precision cutting tools
Thailand	Thailand	13,462.0	2024	Precision cutting tools
Germany	Germany	3,400.0	2025 ⁽¹⁾	Precision cutting tools

Note (1): Our Germany production base was acquired in 2025, and has been put into operation in July 2025.

In addition, we are expanding our domestic manufacturing footprint through the establishment of a new production facility in Dongguan Phase II, which has completed construction. We expect the new production facility in Dongguan Phase II to commence operations in 2026. This new manufacturing facility in Dongguan focuses on high-end precision cutting tools and intelligent CNC equipment, etc. For further details, please refer to “— [REDACTED].”

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The following table sets out the designed production capacity and actual production volume details of our products by PCB production process for the periods indicated:

Product line	Year ended December 31,									Six months ended June 30,			
	2022			2023			2024			2025			
	Designed production capacity ⁽¹⁾	Actual production volume	Utilization rate ⁽²⁾	Designed production capacity ⁽¹⁾	Actual production volume	Utilization rate ⁽²⁾	Designed production capacity ⁽¹⁾	Actual production volume	Utilization rate ⁽²⁾	Designed production capacity ⁽¹⁾	Actual production volume	Utilization rate ⁽²⁾	
	Units	Units	%	Units	Units	%	Units	Units	%	Units	Units	%	
	(Unit in thousand, except for percentage)												
Dongguan Phase I	Grinding and polishing materials	5.5	3.9	70.91	4.83	4.8	99.38	7.4	7.0	94.59	4.4	4.7	106.82
	Functional film materials	226.5	190	83.89	273.3	183	66.96	516.7	309	59.80	266.4	52.8	19.82
Dongguan Phase II	Drill bits	1,840	261	14.18	3,524	1,627	46.17	4,535	5,132	113.16	5,012	4,913	98.02
	Milling cutters	9,050	6,857	75.77	9,338	7,315	78.34	10,047	9,322	92.78	5,400	4,931	91.31
	PCB tools	801	595	74.28	865	677	78.27	1,260	1,169	92.78	785	746	95.03
	CNC tools	182	146	80.22	310	222	71.61	695	415	59.71	360	226	62.78
Nanyang	Drill bits	83,293	64,810	77.81	77,436	70,486	91.02	91,771	85,067	92.69	44,561	45,117	101.25
Thailand ⁽³⁾	Drill bits	—	—	N/A	—	—	N/A	—	—	N/A	212	166	78.30

Notes:

- (1) “Designed production capacity” represents our estimate of the maximum production output for the relevant period under normal operating conditions, based on the production lines and major equipment, standard production processes and assumed working days and shifts.
- (2) The utilization rate refers to the actual production volume divided by designed production capacity by 100%. For some of periods, the utilization rates were over 100.0%, primarily due to the higher demand of our products.
- (3) Our Thailand manufacturing base commenced production in 2025. In addition, we acquired MPK Kemmer in 2025. However, we did not conduct any manufacturing activities at our German base during the Track Record Period.

LOGISTICS

In terms of logistics and delivery, we adopt a combination of door-to-door delivery by our own vehicle fleet and third-party logistics services. For customers in the Pearl River Delta region, we generally use our own fleet to provide door-to-door delivery services, while for customers outside Guangdong Province, we primarily rely on third-party logistics service providers given their more favorable logistics cost structure. We engage qualified third-party logistics service providers for the delivery of finished products from our production facilities to locations specified by our customers. Save as provided in certain arrangement, we generally assume responsibility for logistics and the related expenses. We set strict standards for the transportation of our products that these third-party logistics service providers are required to follow and we evaluate the third-party logistics service providers on their compliance and performance to ensure smooth delivery of products to customers. Through ongoing enhancements, we are consistently improving delivery timeliness, accuracy and customer satisfaction while achieving cost reductions. To the best of our knowledge, all of these logistics service providers are Independent Third Parties.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant delay or inappropriate handling of goods that materially and adversely affected our business operations.

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INVENTORY MANAGEMENT

Our inventories consist of raw materials, work in progress and finished goods. We currently store all our inventories in warehouses in our production facilities in Dongguan and Nanyang. For raw materials supplied by suppliers, we generally keep an inventory that would satisfy our production needs, which may vary according to the demand of our customers, sales and production plans.

VMI warehouses

We provide inbound logistics services centered on a VMI warehouse model, which combines milk run logistics and just-in-time fulfillment models with VMI warehouse management, optimizing inventory levels to better match production demand. Unlike the traditional supplier-to-factory model, where suppliers dispatch materials directly to factories based on short-term demand signals, our VMI warehouse model allows for more proactive and coordinated supply chain planning and more closely and responsively aligns inventory level with actual demand.

Within the VMI warehouses, we perform incoming quality inspections and material preprocessing (such as cutting or treatment as needed), tracing materials via batch identification. This enables the direct delivery of production-ready materials to factories, streamlining in-factory operations, freeing up line-side floor space, reducing line-side inventory and in-plant material movements, supporting quicker changeovers and higher line utilization, and reducing lead times.

Inventory management

Our current inventory level of raw materials can support the ongoing manufacturing activities, among which metal materials are usually kept at an inventory level of fewer than three months. We manage our inventory level by considering factors including but not limited to sales forecasts, production cycles, procurement cycles, number of suppliers, purchase price subject to purchase scale and future trend of purchase prices, instead of depending on the nature of raw materials. We have procedures in place to monitor the aforementioned factors on a regular basis to ensure the inventory level of raw materials is able to support relevant production schedules. In addition, these raw materials are not scarce materials and can be readily procured from a variety of suppliers. We believe our current inventory level of raw materials is able to satisfy our ongoing manufacturing needs.

All our products are subject to expiry. Different products carry different recommended storage periods and are subject to shelf-life controls. As a general guideline, most of our finished products have a storage period of approximately three years. By way of example, our drill bits have a recommended storage period of approximately ten years under proper storage. We regularly monitor our inventories to reduce the risk of overstocking. We have in place internal policies which require a physical count of all our raw materials, work in progress and finished goods once every half year to identify products that are damaged, expired or soon-to-be expired.

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Our Directors confirmed that our inventory control policies have been effective and we did not experience any material shortage in supply or overstocking of inventories during the Track Record Period and up to the Latest Practicable Date.

As of December 31, 2022, 2023 2024 and June 30, 2025, our inventories amounted to RMB313.8 million, RMB339.8 million, RMB389.1 million and RMB412.5 million, respectively.

SALES AND MARKETING

Our Sales Network

During the Track Record Period, we established an extensive sales network covering three main channels, namely (i) direct sales, (ii) sales through channel partners and (iii) sales through agents, all of which enable us to bring our products and solutions to a broad customer base, bolstering our brand reputation and reinforcing our competitive edge in the market. Generally, we enter into sales and purchase agreements pursuant to customer purchase orders. In addition, we have entered into framework supply agreements with certain key clients, including leading PCB manufacturers, pursuant to which we provide customized products based on their requirements, which underscores the strength and stickiness of our customer relationships.

The salient terms of our framework agreement with our key clients are set forth below:

- *Product specifications.* Our clients typically set forth product specifications for products ordered, such as product name, model, configuration and features.
- *Pricing.* The price is specified and confirmed in each purchase order made pursuant to the framework supply agreements.
- *Confidentiality.* The parties are responsible for maintaining strict confidentiality of all confidential information provided by the other parties.
- *Termination.* The agreement can be terminated upon written notice of one party, in the event of fraud, bankruptcy or material breach of the agreement of the other party.

Leveraging our primarily direct B2B sales model and specialized industry focus, supplemented by sales through channel partners and agents, we have established a strong customer base comprising leading global PCB manufacturers mainly operating in Chinese Mainland, supplemented by a selective network covering overseas markets such as Thailand, Germany, Malaysia and other countries/regions. We maintain a sizable direct sales team, while our channel partners and agents are managed by respective business units based on regional market dynamics. We collect feedback directly from them to garner insights that help drive our business and operations forward. We utilize marketing channels such as our industry exhibitions, seminars and industry media to showcase our latest products and technological achievements. These targeted marketing strategies meet our business promotion needs, enhance our brand awareness and capture the attention of potential customers.

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The table below sets forth the details of the revenue, sales volume and average selling price of our precision cutting tools for the periods indicated:

	Year ended December 31,									Six months ended June 30,		
	2022			2023			2024			2025		
	Revenue	Sales Volume	Average Selling Price	Revenue	Sales Volume	Average Selling Price	Revenue	Sales Volume	Average Selling Price	Revenue	Sales Volume	Average Selling Price
	RMB'000	Unit (in thousand)	RMB/Unit	RMB'000	Unit (in thousand)	RMB/Unit	RMB'000	Unit (in thousand)	RMB/Unit	RMB'000	Unit (in thousand)	RMB/Unit
Precision cutting tools	1,036,548	712,267	1.45	1,042,333	783,286	1.33	1,191,001	911,679	1.30	746,490	559,300	1.33

The following table sets forth a breakdown of our revenue by geographic region, based on the locations of our customers, for the periods indicated:

	Year ended December 31,						Six months ended June 30,	
	2022		2023		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)							
Mainland China	1,175,446	98.6	1,248,208	96.4	1,460,446	94.1	815,346	91.2
Other countries/regions	16,460	1.4	46,913	3.6	92,189	5.9	78,312	8.8
Total	1,191,906	100.0	1,295,121	100.0	1,552,635	100.0	893,658	100.0

We have three main sales channels: (i) direct customers, being end customers that purchase our products directly from us; (ii) channel partners, being third-party partners that procure our products from us, perform simple processing on such products and then sell them to end customers as part of their own offerings; and (iii) agents, being independent parties with whom we have entered into agent agreements under which they promote and sell our products to end customers in designated regions or for specified customer segments.

As shown in the table below, a substantial majority of our revenue during the Track Record Period was derived from direct sales to end customers, with revenue contributed by our channel partners and agents accounting for only a relatively small proportion of our total revenue. The following table sets forth a breakdown of our revenue by contribution from our customers for the periods indicated:

	Year ended December 31,						Six months ended June 30,	
	2022		2023		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)							
Direct customers	1,125,042	94.4	1,191,909	92.0	1,390,366	89.5	835,910	93.5
Channel partners	5,157	0.4	65,409	5.1	108,363	7.0	18,462	2.1
Agents	61,707	5.2	37,803	2.9	53,906	3.5	39,286	4.4
Total	1,191,906	100.0	1,295,121	100.0	1,552,635	100.0	893,658	100.0

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Direct Customers

During the Track Record Period, our direct customers mainly included PCB manufacturers. In 2022, 2023, 2024, and the six months ended June 30, 2025, we generated RMB1,125.0 million, RMB1,192.0 million, RMB1,390.4 million, and RMB835.9 million from sales to direct customers, accounting for 94.4%, 92.0%, 89.5%, and 93.5% of our revenue in each respective period.

The salient terms of the sales and purchase agreements between us and our direct customers are set out below:

- ***Product specifications.*** Our direct customers typically set forth product specifications for products ordered, such as product name and model.
- ***Pricing policy.*** We sell our products to direct sales customers at price levels that have been agreed with the direct sales customers
- ***Logistics.*** We are responsible for delivering our products to locations agreed with our direct sales customers.
- ***Transfer of risks.*** The risks transfer to direct sales customers after they complete the inspection and confirm the receipt of our products.
- ***Return arrangements.*** We typically do not allow our direct sales customers to return products to us except for limited reasons, such as product design defects or quality issues.
- ***Warranty.*** We typically offer direct customers a 12-month product warranties.
- ***Confidentiality.*** All confidential information provided by either party shall not be disclosed to any third party without prior consent.

Channel Partners

We also engage channel partners, who are mainly third-party partners that procure our products from us, perform simple processing on such products and then sell them to end customers as part of the channel partners’ own offerings. For our functional film materials, such processing typically involves basic operations such as cutting, slitting or repackaging to meet specific size, format or application requirements of particular projects, without altering the essential properties or specifications of the underlying materials. In some cases, these channel partners also assist us with customer development and the coordination of end customers’ requirements for our functional film materials.

We generally enter into the same form of sales and purchase agreements with our channel partners as with our other direct customers, on substantially the same salient terms. The salient terms of the sales and purchase agreements between us and our channel partners are set out below.

- ***Product specifications.*** Our channel partners typically procure functional film materials from us.

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- **Pricing policy.** We sell our products to channel partners at price agreed with the channel partners.
- **Logistics.** We are responsible for delivering our products to locations agreed with our channel partners.
- **Transfer of risks.** The risks transfer to channel partners after they complete the inspection and confirm the receipt of our products.
- **Return arrangements.** We typically do not allow our channel partners to return products to us except for limited reasons, such as product design defects or quality issues.
- **Warranty.** We typically offer channel partners a 12-month product warranties.

We do not impose any sales targets on our channel partners and we do not conduct any tender process for the appointment of channel partners. The number of our channel partners was 20, 22, 18 and 17 in 2022, 2023, 2024 and the six months ended June 30, 2025, respectively. In 2022, 2023, 2024 and in the six months ended June 30, 2025, revenue generated from channel partners are RMB5.2 million, RMB65.4 million, RMB108.4 million and RMB18.5 million, respectively, accounting for 0.4%, 5.1%, 7.0% and 2.1% for the same periods, respectively.

Although a portion of our customers are channel partners rather than end customer our Directors are of the view that our business model does not constitute a distributorship model. As stated above, our channel partners are not our distributors that we engage to broaden our sales channels. They are generally our integrated channel partner selected by our end customers to procure functional film materials. After our channel partners receive products from us, they generally perform light processing and then sell such products to their own customers. There is no material disparity in contract terms and the products we provide. As such, we do not believe our channel partners to be our distributors, and do not believe their involvement as our direct customers raises any concern in relation to inventory risk, cannibalization or recoverability of accounts receivables.

Agents

In addition to direct sales and sales through channel partners, we also sell our products through agents. Our agents are independent third parties with whom we have entered into standing agent agreements under which they promote and sell our products to end customers in designated regions or for specified customer segments. We generally regard these agents as an extension of our sales network and an important supplement to our direct sales efforts in markets where we do not maintain a full on-the-ground presence. We maintain a buyer-seller relationship with our agents.

We sell our products to agents, who in turn sell such products to end customers or, in some cases, to downstream retailers or resellers. We carefully select our agents based on a range of factors, including industry experience, customer coverage, sales execution capability, ability to meet agreed growth targets, creditworthiness and service quality. In the ordinary course of business, we may terminate relationships with agents for various commercial reasons, including where our expansion plans and sales strategy have outgrown the sales capacity or geographic focus of certain agents.

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As part of our commitment to maintaining high standards, we select new agents throughout the year and conduct annual assessment of existing agents. We have implemented rigorous selection criteria for new agents to maintain an effective agent network. The following table sets forth the total number of our active agents and their movements (including addition and termination) for the periods indicated:

	Year ended December 31,			Six months ended
	2022	2023	2024	June 30, 2025
Number at the beginning of the year	64	69	79	96
Number of new agents	22	34	26	33
Number of terminated agents	17	24	9	38
Number at the end of the year	69	79	96	91

The number of our agents was 69, 79, 96 and 91 as of December 31, 2022, 2023 and 2024 and as of June 30, 2025, respectively. During the Track Record Period, we had new agents and discontinued cooperation with certain existing agents each year, as part of our ongoing optimization of our agent network. Consistent with our agent model, such adjustments were driven by commercial and operational considerations, including alignment with our regional development strategy, assessment of sales execution capability and customer coverage, and situations where our expansion needs and sales strategy had outgrown the capacity or geographic focus of certain agents. During the Track Record Period, we did not have any material disputes with our agents that had a significant adverse impact on our business or results of operations.

Our revenue generated from customers reached by the agents amounted to RMB61.7 million, RMB37.8 million, RMB53.9 million and RMB39.3 million, respectively, accounting for approximately 5.2%, 2.9%, 3.5% and 4.4% of our total revenue in 2022, 2023, 2024 and the six months ended June 30, 2025, respectively. Revenue derived from sales through agents accounted for only a relatively small proportion of our total revenue during the Track Record Period, with the substantial majority of our revenue being generated from direct sales to end customers. The use of agents therefore supplements, rather than replaces, our direct sales model, and forms part of our broader strategy to deepen direct customer relationships over time. According to Frost & Sullivan, it is consistent with the industry norm to have sales agents in particular regions for market expansion purpose.

Major terms of our standard agent agreements with our agents include:

- *Duration.* The duration of agent agreements is typically one to three years. We may renew the agent agreements upon mutual agreement.
- *Pricing and Discounts.* Product prices, discounts and allowances are specified in each purchase order or separate commercial terms upon mutual agreement. We do not set minimum purchase targets or sales goals for our agents.

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- *Sales rebates.* We do not offer sales rebate.
- *Scope of agent.* Our agents are generally authorized to sell our products only to downstream customers within a predetermined geographic area.
- *Payment.* We generally allow agents a credit term ranging from 30 days to 60 days. Qualified agents are eligible to participate the floor plan.
- *Logistics.* We deliver our products according to the time and method specified in the purchase order.
- *Limitations on return or exchange.* We typically do not accept return or exchange of products from our agents. We only allow product exchanges under limited circumstances such as quality defects or damages during transportation.
- *Termination.* We are entitled to terminate the agent agreements if our agents breach the agent agreements.

During the Track Record Period, we did not experience material breach of agent agreements that had a significant impact on our business. During the same period, we did not have any material disputes with our agents that had a significant impact on our business.

We believe that the risk of channel stuffing in respect of our sales to agents is low, based on the following factors: (i) our relationship with agents is a buyer-seller relationship and agents are responsible for their own inventory risks; (ii) we generally do not accept returns of products from agents and only permit exchanges under limited circumstances such as quality defects or transportation damage; and (iii) during the Track Record Period, revenue generated from sales to agents accounted for less than 5% of our total revenue for each period, such that any adverse impact arising from potential channel stuffing at the agent level would not be expected to have a material effect on our overall revenue.

We value the management of our agents and maintain a good cooperative relationship with them. Our agents management covers the order and settlement management, marketing support and training and evaluations. Our sales team evaluates agents based on a number of criteria, which mainly include their sales performance, financial and credit status and cooperation in sales network development. Our relationship with agents is a standard buyer-seller relationship. We consider the agents as our customers, who further sell products to end users of our specialized PCB production equipment. We typically enter into sales and purchase agreements with our agents.

We monitor the performance of our agents on an ongoing basis, including by reviewing their sales performance, customer feedback and compliance with our policies. Where we identify issues such as under-performance, non-compliance or conduct that may adversely affect our brand or customer relationships, we may take remedial actions, including enhanced supervision, restriction of scope or termination of the relevant agency relationship.

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Pricing

We price our products based on factors including prices of competing products, costs of raw materials and consumables, cost of production, market position of the product as well as expected purchase orders. For high-end products, we also consider the need for maintaining the premium status of our brands and high-end products. Our final quotation is determined based on the reasonable range of gross profit margin generated by the pricing process. All pricing requires internal approval through customer evaluation and credit review processes.

Sales and Marketing

We have a strong and dedicated sales team, consisting of over 100 sales personnel as of June 30, 2025. Our key sales personnel, maintain close relationships and communication with our customers through regular visits. To further enhance our sales and marketing capabilities, we conduct regular training on the latest market developments and sales techniques. This initiative provides our sales team with a comprehensive understanding of the market, improving market coverage and fostering a more cohesive workforce.

We emphasize on collaborative R&D with customers who possess top-tier technical expertise and significant global influence. Our R&D team engages in regular discussion with these customers to explore the anticipated changes in their future products and the corresponding changes we need to make to our process equipment. In this way, we ensure the compatibility between our equipment and their standards, maintaining our future competitiveness. Thus, we maintain a close relationship with our customers that goes far beyond a mere transactional relationship.

After-Sales Services

We believe that the accessibility of high-quality after-sales services is an important consideration behind a customer’s purchase decision. We provide extensive after-sales services to our customers to cultivate customer loyalty and enhance our brand image. We offer full lifecycle value-added services to customers to ensure that our products consistently meet their production requirements.

Our equipment typically comes with a twelve-month warranty, while certain components of these equipment may have a six-month warranty. After this period, free consultation for maintenance and repair is available, but we charge fees for services including on-site confirmation, repair, and replacement parts. As part of our full lifecycle value-added services, we offer preventive maintenance services at a charge, reinforcing the “maintain, not repair” philosophy and helping customers improve operational efficiency and reduce costs.

We regularly conduct professional and technical training to improve the professional skills of after-sales service personnel. To ensure the quality of our after-sales services, we conduct regular appraisals with regards to their performance. We have also appointed designated chief service officer for some of our customers to coordinate value-added services across all equipment

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categories, offering bespoke solutions tailored to customer’s specific on-site processes and production conditions. These solutions include automation recommendations, capacity and quality enhancement, as well as precision improvements for old products.

When a complaint arises, our team typically visits the customer’s site to thoroughly understand the context and determine the cause of the problem. Additionally, we pass on customers’ emerging needs to our product centers to offer innovative solutions for customers. We also conduct return visits to ensure customer satisfaction.

In terms of return and exchange of our consumable products such as drill bits, milling cutters, grinding and polishing materials, and functional film materials, we outline all specifications of the products before signing contracts with customers. Upon delivery, our products are inspected against each specification. In case it is determined that some specifications are not satisfied, we address the defects through repair, upgrade or restoration. If any batch is identified as non-conforming within the agreed acceptance window, we arrange replacement or exchange. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product returns, product recalls, product liability claims, warranty expenses or customer complaints that adversely affected our business.

As we continue to expand domestically and globally, we will continue to optimize our sales and marketing network to ensure that we have sufficient geographic coverage across both existing and new markets. We will expand our overseas market service and after-sales team in order to provide comprehensive and prompt after-sales service solutions to customers abroad.

Third Party Payment Arrangement

Historically, some of our customers (individually or collectively, the “**Relevant Customers**”) settled their payments with our Group through accounts of third-party payors designated by these Relevant Customers at their requests (the “**Third-Party Payment Arrangement(s)**”). During the Track Record Period, third-party payors designated by the Relevant Customers primarily included the Relevant Customers’ legal representative, business partners, etc. Our Directors have confirmed that none of the third party payors designated by the Relevant Customers during the Track Record Period is a connected person of our Group and such designated third-party payors are independent from any of our Group’s Directors, senior management and Shareholders. See “Risk Factors — Risks Relating to Our Business and Industry — We are subject to risks relating to third-party payments.”

In 2022, 2023, 2024 and the six months ended June 30, 2025, a total number of five, two, two and one Relevant Customers utilized the Third-Party Payment Arrangements to settle payments with us, respectively. During the same periods, the aggregate amount of payments from their designated third-party payors was RMB168.8 thousand, RMB21.1 thousand, RMB67.9 thousand and RMB0.3 thousand, respectively, representing approximately 0.01%, 0.002%, 0.004% and 0.00003% of our revenue, respectively. The amount settled through Third Party Payment Arrangements only accounted for a small portion of our total revenue for each period of the Track Record Period. Throughout the Track Record Period, no individual Relevant Customer in China made a material contribution to our revenue.

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To the best of our knowledge, the Relevant Customers requested to utilize the Third-Party Payment Arrangements to settle payments with us for their own convenience and flexibility. These Relevant Customers commonly opted for settlements through cooperate or personal accounts held by designated third-party payors, such as the Relevant Customers’ affiliated companies and shareholders. As confirmed by Frost & Sullivan, it is not uncommon for customers to use third-party payors to settle corporate transactions with their suppliers due to convenience and flexibility.

Our PRC Legal Advisor is of the view that, based on the information and explanations we have provided, (i) the payment form adopted under our Third-Party Payment Arrangements during the Track Record Period did not violate the mandatory provisions of PRC laws and administrative regulations, (ii) the likelihood that we would, as a result of such arrangements, be found to constitute unjust enrichment under the Civil Code of the PRC and be required to return amounts already paid is low, and (iii) the risk that our mere receipt of payments for goods under such arrangements would be deemed to constitute money laundering under the PRC Criminal Law is low. In addition, we were not subject to any material administrative penalties by the PRC tax authorities in respect of such arrangements during the Track Record Period.

Based on the follow-up review of the implementation of these measures, our Directors are of the view that these measures are effective and adequate in preventing unauthorized Third-Party Payment Arrangements and the associated risks. Going forward, our Directors will continue to oversee the effectiveness of the aforementioned enhanced internal control on the Third-Party Payment Arrangements.

Major Customers

During the Track Record Period, our customers were mainly PCB manufacturers in China and overseas, while a certain proportion of our customers were agents. For the year ended December 31, 2022, 2023, 2024, and the six months ended June 30, 2025, the aggregate sales to our five largest customers were RMB383.0 million, RMB355.6 million, RMB353.1 million and RMB263.1 million, representing 31.5%, 26.9%, 22.4% and 29.1% of our revenue, respectively. Sales to our largest customer for the same periods were RMB129.3 million, RMB106.6 million, RMB82.6 million and RMB80.5 million, representing 10.6%, 8.1%, 5.2% and 8.9% of our revenue, respectively.

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The following table sets forth details of our five largest customers in each year during the Track Record Period:

Year ended December 31, 2022

<u>Customers</u>	<u>Revenue amount</u> RMB'000	<u>Percentage of total revenue</u> %	<u>Credit term</u>	<u>Principal business activities</u>	<u>Payment method</u>	<u>Year of commencement of business relationship</u>
Customer A . . .	129,298	10.6	120 days	A company that designs, develops and produces electronic components such as chip components, HDI laminates, flexible and rigid-flex PCBs and related equipment, and also engages in recycling and import/export of such products.	T/T	2006
Customer B . . .	65,259	5.4	90 days	A company that focuses on the R&D, production and sales of multilayer PCBs and related electronic components	T/T, B/A ⁽¹⁾	2017
Customer C . . .	63,735	5.2	120 days	A company that produces, researches and develops and sells PCBs and HDI boards	T/T	2009
Customer D . . .	63,019	5.2	120 days	A company that manufactures, wholesales and retails electronic components	B/A	2017
Customer E . . .	61,735	5.1	120 days	A company that specializes in PCBs, HDI boards and standard multilayer, system, backplane, gold-finger and substrate boards production	B/A	2014
Total	<u>383,046</u>	<u>31.5</u>				

(1) T/T represents the standard direct remittance method between us and our customers, typically involving prompt cash settlement, whereas B/A represents a bank-accepted time draft between us and our customers under which payment is settled on a scheduled maturity date backed by the accepting bank.

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Year ended December 31, 2023

<u>Customers</u>	<u>Revenue amount</u> RMB'000	<u>Percentage of total revenue</u> %	<u>Credit term</u>	<u>Principal business activities</u>	<u>Payment method</u>	<u>Year of commencement of business relationship</u>
Customer A . . .	106,616	8.1	120 days	A company that designs, develops and produces electronic components such as chip components, HDI laminates, flexible and rigid-flex PCBs and related equipment, and also engages in recycling and import/export of such products.	T/T	2006
Customer C . . .	65,111	4.9	120 days	A company that produces, researches and develops and sells PCBs and HDI laminates	T/T	2009
Customer F . . .	62,667	4.7	90 days	A company that provides electroplating and technical and IT services and manufactures and sells PCBs and various industrial automation and electronic devices.	T/T, B/A ⁽¹⁾	2015
Customer G . . .	61,549	4.7	120 days	A company that produces and sells PCBs and provides PCB R&D, technical and consulting services as well as import/export of goods and technologies.	T/T	2009
Customer D . . .	59,649	4.5	120 days	A company that manufactures, wholesales and retails electronic components	B/A	2017
Total	<u>355,593</u>	<u>26.9</u>				

(1) T/T represents the standard direct remittance method between us and our customers, typically involving prompt cash settlement, whereas B/A represents a bank-accepted time draft between us and our customers under which payment is settled on a scheduled maturity date backed by the accepting bank.

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Year ended December 31, 2024

<u>Customers</u>	<u>Revenue amount</u> RMB'000	<u>Percentage of total revenue</u> %	<u>Credit term</u>	<u>Principal business activities</u>	<u>Payment method</u>	<u>Year of commencement of business relationship</u>
Customer A . . .	82,557	5.2	120 days	A company that designs, develops and produces electronic components such as chip components, HDI laminates, flexible and rigid-flex PCBs and related equipment, and also engages in recycling and import/export of such products.	T/T	2006
Customer C . . .	75,113	4.8	120 days	A company that produces, researches and develops and sells PCBs and HDI laminates	T/T	2009
Customer G . . .	71,473	4.5	120 days	A company that produces and sells PCBs and provides PCB R&D, technical and consulting services as well as import/export of goods and technologies.	T/T, B/A ⁽¹⁾	2009
Customer D . . .	62,214	3.9	120 days	A company that manufactures, wholesales and retails electronic components	B/A	2017
Customer F . . .	61,772	3.9	90 days	A company that provides electroplating and technical and IT services and manufactures and sells PCBs and various industrial automation and electronic devices.	T/T, B/A	2015
Total	<u>353,129</u>	<u>22.3</u>				

(1) T/T represents the standard direct remittance method between us and our customers, typically involving prompt cash settlement, whereas B/A represents a bank-accepted time draft between us and our customers under which payment is settled on a scheduled maturity date backed by the accepting bank.

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Six months ended June 30, 2025

<u>Customers</u>	<u>Revenue amount</u> RMB'000	<u>Percentage of total revenue</u> %	<u>Credit term</u>	<u>Principal business activities</u>	<u>Payment method</u>	<u>Year of commencement of business relationship</u>
Customer D . . .	80,470	8.9	120 days	A company that manufactures, wholesales and retails electronic components	B/A	2017
Customer C . . .	54,170	6.0	120 days	A company that produces, researches and develops and sells PCBs and HDI laminates	T/T	2009
Customer F . . .	45,390	5.0	90 days	A company that provides electroplating and technical and IT services and manufactures and sells PCBs and various industrial automation and electronic devices	T/T, B/A ⁽¹⁾	2015
Customer E . . .	41,691	4.6	120 days	A company that specializes in PCBs, HDI boards and standard multilayer, system, backplane, gold-finger and substrate boards production	B/A	2014
Customer H . . .	41,409	4.6	120 days	A company that manufactures and retails PCB products	T/T	2008
Total	<u>263,130</u>	<u>29.1</u>				

(1) T/T represents the standard direct remittance method between us and our customers, typically involving prompt cash settlement, whereas B/A represents a bank-accepted time draft between us and our customers under which payment is settled on a scheduled maturity date backed by the accepting bank.

To the knowledge of our Directors, as of the Latest Practicable Date, none of our Directors and their respective associates or any of our shareholders holding more than 5% of our issued [REDACTED] had any interests in any of our five largest customers in each year during the Track Record Period.

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QUALITY CONTROL

We maintain comprehensive policies, SOPs and work instructions to ensure product quality across the full lifecycle. We are certified to ISO 9001, IATF 16949 and ISO 14001, and operate a dedicated Quality Control Department led by senior management to oversee implementation and continuous improvement. We have strengthened standardized production and quality management training, engaging all staff in quality assurance initiatives to minimize the risk of quality control issues. We have developed a full lifecycle quality control system covering product R&D, supply chain, production process and customer service, ensuring that all products are produced and assembled adhering to consistent standards and quality. Our quality control measures include the following:

Raw Material Quality Control. We implement classified management and differential inspection standards for raw materials, with a focus on verifying the composition and physical properties of key materials such as tungsten steel. Strategic collaborative relationships are maintained with core suppliers to ensure material quality and stability.

In-Process Quality Control. Automated inspection equipment and real-time monitoring systems are deployed throughout the manufacturing process to maintain precision and consistency. A full-process traceability system enables rapid identification and resolution of any quality deviations.

Finished Product Quality Control. We employ comprehensive inspection protocols, including automated visual detection, to ensure all finished products meet established quality standards. Products are categorized and managed based on inspection results, with non-conforming items handled through structured review and disposal procedures.

Customer-Oriented Quality Assurance. Our sales model allows for strict control over the delivery process, with each batch accompanied by complete inspection data. We have established efficient customer feedback mechanisms, typically resolving quality issues within 1–2 weeks through standardized analysis and improvement processes. This integrated quality management approach has effectively supported our product quality objectives and customer satisfaction requirements.

SUPPLY CHAIN MANAGEMENT

Raw Materials and Procurement

The key raw materials we procure include tungsten carbide, stainless steel wire, film substrates, brush plates and ceramic strips, etc.

We primarily procure raw materials in China. For the procurement of raw materials, we analyze the timing and scheduling of raw material deliveries, taking into account factors such as the material requirements planning, production scheduling, inventory safety, and supplier lead times. These plans can be communicated to our suppliers, which will then execute deliveries according to our plans.

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Potential pricing fluctuations in our raw materials can arise due to factors including global and domestic economic conditions, governmental regulations, supply-demand dynamics and geopolitical conditions. While our bargaining power for certain materials might be restricted to a certain extent due to these factors beyond our control, our ability to procure sufficient supplies remains steadfast. In procuring raw materials from suppliers, we generally adopt a one-time pricing model. The one-time pricing model sets a fixed price during the term of a contract, providing certainty for both parties, and such prices are typically determined through annual tendering processes and commercial negotiations. If market prices fluctuate, we will re-confirm the agreed prices with the relevant suppliers and make corresponding adjustments as appropriate.

During the Track Record Period, we experienced certain constraints in the supply of materials for our functional film products. To address potential supply bottlenecks and reduce our reliance on external suppliers, we have implemented an approach to progressively internalize the development and production of core materials for our functional film business. In the meantime, we have continued to expand our list of qualified alternative suppliers and to optimize and automate our production processes to enhance capacity utilization and improve the overall operating efficiency of our functional film business. See “Risk Factors — Risks Relating to Our Business and Industry — We may be unable to effectively manage the supply, quality and pricing of our principal raw materials and components, and price fluctuations could increase our costs and adversely affect our margins and results of operations.”

Supplier Selection and Management

We have established stringent management mechanisms for the selection and retention of suppliers. In accordance with the supplier management policy, we conduct due diligence and select suppliers based on the availability, price and quality of the services or products, delivery time, as well as the reputation, credential and experience of the suppliers. Supplier qualifications are assessed through factory audits and sample testing. Companies in the qualified supplier list are subject to regular evaluation and re-assessment, in order to ensure their compliance with our policies and standards.

Our procurement methods include requests for quotation and agreements, and we select suitable suppliers from the qualified supplier pool based on the nature of the raw materials. For standardized components, procurement is primarily based on factors such as the quality, price, and delivery time of the raw materials. For custom components, we select suppliers based on their technical expertise, processing capabilities and quotations.

During the Track Record Period, we did not enter into any long-term supply agreements with our suppliers that included fixed-price arrangements. In response to the potential raw material price increases, we primarily mitigate the impact by building long-term relationships with our suppliers, maintaining close communication and conducting secondary source evaluations. Meanwhile, we conduct R&D on new materials and engage new suppliers to maintain the flexibility to switch to alternative materials or suppliers in the event of severe shortages or price volatility of certain raw materials. We have implemented periodic reviews and internal mechanisms to monitor the price of our raw materials by considering current stock levels, future sales and market trends.

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We require all of our suppliers to comply with our internal supply management policies. We communicate with suppliers regarding quality standards, and thoroughly inspect the products received to ensure that they meet all the technical requirements set forth in our product designs. We may conduct regular or ad hoc on-site inspections of suppliers, and require suppliers to remedy quality issues upon notice. Upon receiving materials and products from suppliers, we retain the right to reject or return based on our inspection and examination results, and suppliers are generally liable to us and our customers for any product quality issues of our products caused by them. We also require our suppliers to sign an “Anti-Bribery Transaction Agreement,” by which they undertake in writing to comply with the ethical requirements set out in the agreement.

Our Directors confirm that our Group did not experience any material disruption, disputes or delay in relation to supply by our suppliers during the Track Record Period and up to the Latest Practicable Date.

Agreements with Suppliers

The salient terms of the supply agreements between us and our suppliers are set out below:

- ***Product specifications.*** We specify the product name, specification, price, quantity, delivery timeline, delivery location and other details in each purchase order we send to our suppliers.
- ***Pricing policy.*** The settled prices quoted to us shall be based on market conditions and stated in the purchase orders prevail.
- ***Logistics.*** We are responsible for delivering our products to locations agreed with our direct sales customers.
- ***Transfer of risks.*** The risks transfer to direct sales customers after they complete the inspection and confirm the receipt of our products.
- ***Return arrangements.*** The suppliers are responsible for packaging and shall ensure reasonable packaging and protection during transportation.
- ***Quality Guarantee.*** Products are typically accepted in accordance with our specifications, as well as national, local and industry standards. We are entitled to return any defective raw materials that do not meet the specifications, and the suppliers shall remedy the same, including product return and replacement.
- ***Confidentiality.*** All confidential information provided by either party shall not be disclosed to any third party without prior consent.
- ***Termination.*** The agreement can be terminated upon written notice of one party, in the event of fraud, bankruptcy or material breach of the agreement of the other party.

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Major Suppliers

During the Track Record Period, our suppliers mainly comprised of manufacturers of cemented tungsten carbide rods/bars and stainless-steel components, control electronics, mechanical devices, sheet metal, water, electricity and energy and machined parts. For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, purchases from our five largest suppliers in aggregate were RMB239.6 million, RMB295.3 million, RMB329.5 million and RMB202.3 million, accounted for 36.6%, 41.1%, 34.6%, 43.2% of our total purchases, respectively, and purchases from our largest supplier accounted for 14.4%, 14.7%, 11.0% and 15.6% of our total purchases for the same periods, respectively. Please see below a summary of the purchases from our five largest suppliers for the periods indicated:

Year ended December 31, 2022

<u>Supplier</u>	<u>Purchase amount</u> RMB'000	<u>Percentage of total purchase</u> %	<u>Year of commencement of business relationship</u>	<u>Credit period</u>	<u>Payment method</u>	<u>Principal business activities</u>	<u>Type of supplier</u>
Supplier A	94,716	14.4	2017	30 days	T/T	A company that acts as an agent for Japanese tungsten carbide rods.	Independent
Supplier B	47,729	7.3	2017	90 days	T/T, B/A	A company that specializes in hard-metal products, including metal cutting tools, mining and oilfield drilling tools, and tungsten- and molybdenum-based products.	Independent
Supplier C	40,349	6.2	2013	Monthly settlement	T/T, B/A	Energy	Independent
Supplier D	32,514	5.0	2020	60 days	T/T, B/A	A company that engages in non-ferrous metal exploration, mining, smelting and the production and sales of related metal products.	Independent
Supplier E	24,248	3.7	2022	Payment by schedule according to the contract	T/T	A company that specializes in the manufacturing of industrial automatic control systems and hardware components.	Independent
Total	<u>239,556</u>	<u>36.6</u>					

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Year ended December 31, 2023

<u>Supplier</u>	<u>Purchase amount</u> RMB'000	<u>Percentage of total purchase</u> %	<u>Year of commencement of business relationship</u>	<u>Credit period</u>	<u>Payment method</u>	<u>Principal business activities</u>	<u>Type of supplier</u>
Supplier F	105,595	14.7	2023	30 days	T/T	A company that acts as an agent for Japanese tungsten carbide rods.	Independent
Supplier B	49,381	6.9	2017	90 days	T/T, B/A	A company that specializes in hard-metal products, including metal cutting tools, mining and oilfield drilling tools, and tungsten- and molybdenum-based products.	Independent
Supplier C	48,681	6.8	2013	Monthly settlement	T/T, B/A	Electricity provider.	Independent
Supplier D	45,956	6.4	2020	60 days	T/T, B/A	A company that engages in non-ferrous metal exploration, mining, smelting and the production and sales of related metal products.	Independent
Supplier G	45,673	6.3	2020	30 days	B/A, Cash	A company that produces and sells brightness-enhancement films and light-control films.	Independent
Total	<u>295,286</u>	<u>41.1</u>					

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Year ended December 31, 2024

<u>Supplier</u>	<u>Purchase amount</u> RMB'000	<u>Percentage of total purchase</u> %	<u>Year of commencement of business relationship</u>	<u>Credit period</u>	<u>Payment method</u>	<u>Principal business activities</u>	<u>Type of supplier</u>
Supplier F	104,957	11.0	2023	30 days	T/T	A company that acts as an agent for Japanese tungsten carbide rods.	Independent
Supplier B	62,905	6.6	2017	90 days	T/T, B/A	A company that specializes in hard-metal products, including metal cutting tools, mining and oilfield drilling tools, and tungsten- and molybdenum-based products.	Independent
Supplier D	58,910	6.2	2020	60 days	T/T, B/A	A company that engages in non-ferrous metal exploration, mining, smelting and the production and sales of related metal products.	Independent
Supplier G	53,035	5.6	2020	30 days	B/A, Cash	A company that produces and sells brightness-enhancement films and light-control films.	Independent
Supplier C	49,646	5.2	2013	Monthly settlement	T/T, B/A	Electricity provider.	Independent
Total	<u>329,453</u>	<u>34.6</u>					

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Six months ended June 30, 2025

<u>Supplier</u>	<u>Purchase amount</u> RMB'000	<u>Percentage of total purchase</u> %	<u>Year of commencement of business relationship</u>	<u>Credit period</u>	<u>Payment method</u>	<u>Principal business activities</u>	<u>Type of supplier</u>
Supplier F	73,052	15.6	2023	30 days	T/T	A company that acts as an agent for Japanese tungsten carbide rods.	Independent
Supplier B	42,172	9.0	2017	90 days	T/T, B/A	A company that specializes in hard-metal products, including metal cutting tools, mining and oilfield drilling tools, and tungsten- and molybdenum-based products.	Independent
Supplier D	38,893	8.3	2020	60 days	T/T, B/A	A company that engages in non-ferrous metal exploration, mining, smelting and the production and sales of related metal products.	Independent
Supplier C	26,666	5.7	2013	Monthly settlement	T/T, B/A	Electricity provider.	Independent
Supplier H	21,530	4.6	2017	90 days	T/T, B/A	A company that manufactures and sells non-ferrous metal alloys, molds and metal tools, and conducts related import/export activities.	Independent
Total	<u>202,313</u>	<u>43.2</u>					

None of our Directors or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued [REDACTED] immediately following completion of the [REDACTED] (but without taking into account the exercise of the [REDACTED]) nor any of their respective associates had any interest in any of our five largest suppliers during the Track Record Period.

OVERLAPPING OF MAJOR SUPPLIERS AND CUSTOMERS

Among our top five customers in each year during the Track Record Period, Customer G was also our supplier, supplying milling cutters to us in 2022, 2023, 2024 and six months ended June 30, 2025. This overlap primarily arose from our closed-loop tooling program, under which we procure used milling cutters and related tooling scrap from certain customers for reconditioning and material recycling. In 2022, 2023, 2024, and the six months ended June 30, 2025, our revenue from top five customers who were also our suppliers was RMB60.1 million, RMB61.6 million, RMB71.2 million and RMB38.5 million, respectively, representing 5.0%, 4.8%, 4.6% and 4.3% of our total

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revenue in the same years/period. In 2022, 2023, 2024 and the six months ended June 30, 2025, our purchase amount from top five customers who were also our suppliers was less than 0.1% of our total purchase amount in the same years, respectively.

Among our top five suppliers in each year during the Track Record Period, Supplier B was also our customer. Supplier B mainly provided tungsten carbide to us, and we mainly provide our drilling tools to Supplier B. This overlap primarily arose from Supplier B’s normal purchases from us and constitutes a negligible portion of our revenue for the same period. In 2022, 2023, 2024, and the six months ended June 30, 2025, our revenue from top five suppliers who were also our customers was nil, nil, RMB581.4 thousand and nil, representing nil, nil, 0.04% and nil of our total revenue in the same years/period. During the same periods, our purchases from Supplier B amounted to RMB47.7 million, RMB49.4 million, RMB62.9 million and RMB42.2 million, accounting for 7.3%, 6.9%, 6.6% and 8.9% of our total procurement amount, respectively.

According to Frost & Sullivan, such overlap is common, especially considering our leading market position and market share, as well as the depth of our collaboration with a wide customer and supplier base, which make it more common for our customers/suppliers to engage with us in both selling products and services to and purchasing products and services from us. Our Directors confirmed that all of our sales to and purchases from these overlapping customers and suppliers were conducted in the ordinary course of business under normal commercial terms and on an arm’s-length basis, and these overlapping customers and suppliers are an Independent Third Party. Our Directors affirm that the prices of transactions with these overlapping customers and suppliers are comparable to those of similar transactions conducted with other customers and suppliers of our Group. Negotiations of the terms of our sales to and purchases from these overlapping supplier-customers were conducted on an individual basis, and the sales and purchases were neither inter-connected nor inter-conditional with each other. For each of the overlapping supplier-customers, the key terms of our sales and supply agreements were substantially similar to those of our other customers or suppliers.

COMPETITION

According to Frost & Sullivan, the global PCB drilling tools industry is highly competitive and relatively concentrated, with the top five drill bit manufacturers in the industry accounting for approximately 75.3% of the total market share in terms of sales volume in 2024. We ranked first among the PCB drill bit manufactures in terms of sales volume in 2024 and the six months ended June 30, 2025 with global market shares of 26.8% and 28.9%, respectively. We believe that our competitive position is underpinned by our strengths, including our market position, exceptional R&D capabilities and technologies key factors and experienced management team. See “Industry Overview.”

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INTELLECTUAL PROPERTY

We have built a comprehensive intellectual property portfolio in China and overseas to protect our technologies, inventions and know-how and ensure our future success with commercializing our products. As of the Latest Practicable Date, we had 490 granted patents and 57 registered trademarks, as well as 71 pending patent applications and one pending trademark applications in China. Meanwhile, we had two granted patent, 23 registered trademarks and one pending patent applications overseas as of the Latest Practicable Date. We believe there is no material legal impediment for us to obtain the approvals for these pending patents and trademarks.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material proceedings in respect of intellectual property right infringement claims against us or initiated by us. For risks relating to intellectual property rights, see “Risk Factors — Risks Relating to Our Business and Industry — We may not be able to adequately protect or enforce our intellectual property rights or prevent unauthorized parties from copying or reverse engineering our products and solutions, and such efforts to defend and protect our intellectual property may be costly.”

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ESG Governance

We attach great importance to ESG governance and are committed to actively fulfilling our corporate social responsibilities while pursuing economic performance. We have established the ESG Management System and established an ESG governance structure consisting of the Board of Directors, the ESG Management Committee and the ESG Working Group, clarifying the responsibilities of each level and striving to integrate ESG concepts into corporate operations and decision-making processes.

The Board of Directors, as the leadership and decision-making body for ESG work, is responsible for (i) reviewing and approving the ESG governance system and approving the ESG report of the Company; (ii) establishing the sustainability governance strategy, objectives, and medium-to-long-term plans of the Company; (iii) supervising and guiding the sustainable development work of the Company, identifying, assessing and continuously monitoring material sustainability risks and opportunities, prioritizing sustainability risks and opportunities to determine management priorities, thereby making effective risk control decisions; and (iv) supervising the Company’s consideration of sustainable development-related impacts, risks and opportunities when formulating major strategies and making major transaction decisions.

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The Company places great importance to internal ESG capacity building and has conducted dedicated ESG training for employees at all levels, including directors and senior management, to enhance their understanding of the ESG regulatory requirements of the Stock Exchange and to improve their capabilities to identify and assess ESG risks and opportunities. In order to facilitate the advancement of its ESG strategy and governance mechanism, the Company plans to organize and implement further training in the future to enhance the understanding and capabilities of all employees (including directors and senior management) regarding ESG practices, thereby promoting the integration of the Company’s ESG philosophy with business operations. In order to enhance the transparency of ESG work and information disclosure, the Company plans to disclose relevant goals and performance in its annual ESG report, with a view to presenting its progress and performance in ESG to stakeholders. In addition, the Company is committed to promoting diversity on its Board, for details, please refer to “Directors and Senior Management — Board Diversity Policy”.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material claim or penalty or incident in relation to environmental, social and governance matters and we had been in compliance with the relevant local laws and regulations in all material aspects.

ESG risk and opportunity identification, assessment and management

We attach great importance to the establishment of a risk management system and have formulated the Risk and Opportunity Response Control Procedures to identify, analyze and assess ESG risks such as product quality, environmental impacts, occupational health and safety faced by the Company, clarify risk response measures, and reduce the impact of relevant risks on the operations and stakeholders of the Company. The risk management department, in conjunction with its subordinate units, collects internal and external information related to risk changes, systematically promotes the planning, execution and supervision of risk assessment and response measures, and organizes reviews of risk and opportunity management as appropriate, taking into account different development stages and business expansion.

We have assessed the actual and potential impacts of environmental, climate and social risks on our business, and identified the following risks, opportunities and their impacts.

Environmental risks

Natural disasters or other unforeseen events pose significant risks to our operations. Such events may disrupt production and the supply chain, leading to potential financial losses and work stoppages. Stricter waste management requirements (especially for hazardous waste) increase the possibility of environmental impact and violations of regulatory provisions, potentially exposing the Company to substantial fines and reputational damage.

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Climate risks and opportunities

Physical risks. Our coastal plants in Dongguan, China, Thailand and other regions are susceptible to natural disasters such as typhoons and rainstorms, which may cause plant shutdowns, power outages and equipment damage, thereby affecting product yield and delivery cycles. Meanwhile, supplies of raw materials essential for production may be affected by traffic disruptions and logistics impediments during the rainy season, which could in turn affect product prices and delivery stability. If these incremental costs cannot be passed on to customers, our profit margins may be compressed.

Transition risk. Global environmental protection and carbon emissions disclosure policies are becoming increasingly stringent, and regulators, investors and customers are paying closer attention to our ESG performance. In the course of expanding new businesses and overseas markets, the Company faces technological and market competition from first-mover enterprises. In addition, overseas markets are exposed to uncertainties such as policy changes, exchange rate fluctuations and differences in ESG disclosure requirements. If the expansion of new businesses falls short of expectations or the innovation of green technologies lags behind, the core competitiveness of the Company may be weakened.

Climate opportunities. Climate change drives the demand for green transition, prompting the Company to continuously increase investment in innovation. We achieve energy efficiency and conservation in the production process through digital systems. Meanwhile, relying on provincial-level R&D centers and other R&D platforms, and the “industry-academia-research-application” cooperation model, we deepen the R&D and application of energy-saving and emission-reduction technologies and environmental protection processes, promote our own industrial upgrading, and strengthen core competitiveness to seize green development opportunities.

Social risks

Establishing a sound product quality management system is crucial for ensuring the rationality of production statistical analysis and accurately reflecting production conditions. If the relevant risks cannot be effectively identified and controlled during the production process, it may have a material adverse impact on the business, financial condition and operating results of the Company. Please refer to “Risk Factors — Risks Relating to Our Business and Industry — We may be subject to financial and reputational risks if we fail to maintain effective quality control, which could lead to product recalls, product liability claims and order adjustments and may adversely affect our business, reputation, financial condition and results of operations.”

Environmental Protection

We integrate environmental management into our production and operation processes, adhering to national and local environmental laws and regulations in our operating locations, as well as the Environmental, Social and Governance Reporting Guide of the Stock Exchange. We have established an environmental management system and formulated the Integrated Management Manual, committing to reducing the environmental impact of our production and operations. The Company has established an environmental monitoring mechanism to regularly monitor pollutant

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emissions, ensuring that they comply with national and local standards. The Company has obtained ISO 14001 Environmental Management System certification and the title of “National Green Factory”, and our subsidiary Nanyang Dtech has obtained Quality, Environmental, and Safety (QES) three-system certification. During the Track Record Period and up to the Latest Practicable Date, the Company was not subject to any material administrative penalties as defined by laws or regulations, nor was it subject to criminal liabilities due to environmental incidents.

Climate Change Response

We have recognized that climate change is a major challenge faced globally and a core issue that enterprises must address to achieve long-term sustainable development goals. We actively respond to the national “carbon peak and carbon neutrality” goals and comply with the relevant requirements for ESG information disclosure of the Stock Exchange. In terms of energy management and emission reduction, (i) prioritize energy-saving equipment and phase out high-energy-consuming equipment, and use clean energy to reduce costs and carbon emissions; (ii) at the risk management and response aspect, establish a risk assessment system to identify climate risks, formulate emergency plans and set up emergency teams for operational disruptions caused by natural disasters, ensuring the safety of the Company’s operations and the health and lives of employees; (iii) promote employees’ awareness of energy conservation and carbon reduction through energy performance assessments, reduce the impact of operations on the climate, and enhance climate adaptability.

Indicators ¹	Year ended December 31,			Six months ended
	2022	2023	2024	June 30, 2025
— Scope 1 GHG emissions ² (tCO ₂ e)	945	889	1,021	401
— Scope 2 GHG emissions ³ (tCO ₂ e)	40,218	45,745	49,133	26,598
— Total GHG emissions (tCO ₂ e)	41,163	46,634	50,154	26,999
— GHG emissions intensity (tCO ₂ e/million revenue)	33.78	35.32	31.75	29.86

- Notes:
1. GHG emissions are calculated in accordance with the GHG Protocol Tool for Energy Consumption in China.
 2. Scope 1 GHG refers to direct emissions resulting from the consumption of natural gas, gasoline and diesel.
 3. Scope 2 GHG refers to indirect emissions resulting from the purchase of electricity.

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Resource consumption

In order to optimize energy and water resource utilization processes, the Company (i) actively promotes the use of energy-saving equipment, constructs integrated solar-storage-charging energy stations, and replaces electric water heaters with air source water heaters to reduce energy consumption per unit of product; (ii) establishes energy consumption ledgers to monitor the consumption structure and trend changes of various energy types, and regularly analyzes consumption data to identify energy and water saving potential, thereby improving resource efficiency and (iii) has partially adopted photovoltaic power generation and will continue to explore application scenarios to increase the proportion of clean energy usage and optimize the energy structure. The table below sets out the breakdown of water, electricity, natural gas, petrol and diesel consumption during the periods indicated¹:

Indicators	Year ended December 31,			Six months ended
	2022	2023	2024	June 30, 2025
— Water consumption (thousand tons)	194.77	282.46	376.97	187.62
— Water consumption intensity (thousand tons/million revenue)	0.16	0.21	0.24	0.21
— Electricity consumption (million kWh)	60.18	68.45	73.52	39.80
— Electricity consumption intensity (million kWh/million revenue)	0.05	0.05	0.05	0.04
— Total natural gas consumption (thousand m ³).	231.50	189.35	265.36	84.64
— Natural gas consumption density (thousand m ³ /million revenue)	0.19	0.14	0.17	0.09
— Total gasoline consumption (tons)	44.21	63.44	50.18	22.08
— Gasoline consumption intensity (tons/million revenue)	0.04	0.05	0.03	0.02
— Total diesel consumption (tons)	100.86	94.00	96.29	45.73
— Diesel consumption intensity (tons/million revenue)	0.08	0.07	0.06	0.05

Note:

- The statistical scope of water, electricity, natural gas, gasoline and diesel consumption data covers the total data of five production plants: Dtech Technology, Dongguan Ding Tai Xin, Ucan Robot, Chaozhi New Materials and Nanyang Dtech.

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In addition, we have established a material management system in accordance with the Warehousing and Product Protection Control Procedures, clarifying the division of responsibilities among various departments such as the Material Management Department, Production Department and Quality Department. We have formulated standardized management requirements around key aspects such as material warehousing-in, storage, warehousing-out, protection and waste disposal, ensuring compliant, safe and efficient material management through regular waste disposal. The product packaging of the Company utilizes recyclable materials whenever possible to minimize environmental impact during the packaging process. Concurrently, the Company conducts product life cycle assessment through the green manufacturing service online platform and optimizes it based on improvement recommendations. The following table sets forth a breakdown of the consumption of packaging materials generated during the periods indicated¹:

Indicators	Year ended December 31,			Six months ended June 30,
	2022	2023	2024	2025
— Plastic packaging materials (tons)	1,076.88	1,471.83	1,954.68	1,135.89
— Plastic packaging material usage intensity (tons/million revenue)	0.88	1.11	1.24	1.26
— Paper packaging materials (tons)	348.26	388.85	419.10	240.47
— Paper packaging material usage intensity (tons/million revenue)	0.29	0.29	0.27	0.27
— Total usage of packaging materials ² (tons) . . .	1,425.13	1,860.69	2,373.78	1,376.36
— Packaging material intensity (tons/million revenue)	1.17	1.41	1.50	1.52

Notes:

1. The statistical scope of packaging materials, plastic packaging materials and paper packaging materials covers the total data of five production plants: Dtech Technology, Dongguan Ding Tai Xin, Ucan Robot, Chaozhi New Materials and Nanyang Dtech.
2. If there is a discrepancy between the total sum and the sum of the aggregated values, it is due to rounding.

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Pollutant and Waste Emissions

Neither the Company nor its subsidiaries are key pollutant discharging units as announced by the ecological and environmental authorities. We have gradually established a pollutant and solid waste management system and plan to further strengthen internal data statistical processes in the future. We promote clean production, research and develop waste reduction processes and equipment, and build a comprehensive solid waste management system. In addition, we have established an environmental protection assessment mechanism, conducted environmental protection training for all employees, and enhanced environmental awareness of employees. The table below sets forth the details of pollutants and waste emissions generated for the periods indicated:

Indicators	Year ended December 31,			Six months ended
	2022	2023	2024	June 30, 2025
— Total hazardous waste produced ¹ (tons)	198.97	325.44	293.59	133.23
— Intensity of hazardous waste produced (tons/million revenue)	0.16	0.25	0.19	0.15

Note:

1. The statistical scope of hazardous waste data covers the total data of five production plants: Dtech Technology, Dongguan Ding Tai Xin, Ucan Robot, Chaozhi New Material and Nanyang Dtech.

Indicators and Targets

We are committed to continuously improving our environmental management, with “reduction, recycling, and safe disposal” as core principles. We have currently established management measures for pollutant emissions, waste management and resource consumption, and will continue to improve them in the future in accordance with the requirements of the Environmental, Social and Governance Reporting Code of the Stock Exchange and our actual circumstances.

SOCIAL RESPONSIBILITY

Employment

We recognize the importance of talent for sustainable business growth and competitive advantage. The Company strictly complies with the Labor Law of the People’s Republic of China and relevant laws and regulations in its operating locations, and has formulated institutional norms covering recruitment, promotion, remuneration and benefits, diversity and other aspects. We provide equal opportunities for employees and do not differentiate based on ethnicity, race, social class, nationality, religious belief, criminal record, disability, gender, sexual orientation, union membership, political affiliation, color, pregnancy, marriage, family, parenthood, age, or other factors. We have formulated the Remuneration Management Regulations and Benefits Management Regulations, adhering to the principles of shared benefits, position-based grading, ability-based

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remuneration, dynamic balance, competitive incentives and remuneration confidentiality. This establishes a fair, incentive and competitive remuneration system, and provides employees with a wide range of benefits. We formulate the Resignation Management Regulations to guide employees through resignation procedures, standardize the resignation management process, avoid labor-management risks during the resignation process, and prevent labor disputes.

The table below sets forth the number of employees by gender and age group as at June 30, 2025:

Indicators	Unit	Year ended December 31,			Six months ended
		2022	2023	2024	June 30, 2025
Total number of employees	People	2,831	3,001	3,429	3,816
By gender	Female	1,071	1,087	1,153	1,238
	Male	1,760	1,914	2,276	2,578
By age group	Aged under 30 (exclusive)	842	809	1,171	1,372
	Aged between 30 and 40 (exclusive)	1,183	1,027	1,254	1,330
	Aged between 40 and 50 (exclusive)	690	884	847	887
	Aged 50 (inclusive) and above	116	281	157	227

For further details regarding employees, see “— Employees”.

Occupational Health and safety

We are committed to creating a healthy and safe working environment for our employees, strictly adhering to relevant occupational health and safety laws and regulations in our operating locations, and formulating internal management policies to protect employee health and prevent workplace hazards. We have passed the ISO 45001 Occupational Health and Safety Management System certification. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any fatalities due to work safety accidents, nor have we incurred any material administrative penalties arising from non-compliance with work safety laws and regulations.

We actively implement occupational health and safety measures, which mainly include: (i) actively carrying out occupational health and safety protection knowledge training, explaining occupational health knowledge and regulatory requirements to employees; (ii) regularly identifying potential workplace hazards and organizing special emergency drills; (iii) formulating the Emergency Rescue Plan for Occupational Disease Hazard Accidents to timely organize and coordinate various rescue forces to prevent and reduce possible occupational disease hazard accidents; and (iv) paying attention to the physical health of employees and organizing annual health check-ups for employees.

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Development and training

We attach importance to talent development, providing employees with a sound training system and individual career development paths to guide their growth and development. We have formulated the Training Management System to establish a diversified employee training programs, efficiently integrate, organize, and utilize training resources, provide employees with a wide range of training courses, and encourage employees to pursue further education, offering subsidies and rewards. We have also formulated the Promotion Management System to clarify promotion rules, evaluation standards, and design specifications for promotion processes, ensuring that promotion work is standardized, orderly, fair and just.

Labor standards

We comply with laws and regulations regarding the prohibition of child labor and forced labor and have formulated the Labor and Human Rights Management Regulations, which explicitly prohibit the employment of child labor and forced labor. We hire all employees on a voluntary basis, strictly prohibit any coercive behavior, do not use deceptive means, and establish policies, procedures, and remedial measures to effectively prevent the recruitment of child labor.

We actively implement preventive measures: (i) strictly verify identity cards and other documents during recruitment, and only employ individuals after confirming that their age and other data are not falsified; (ii) when a minor or child under 16 years old is found to have been wrongly employed, all their wages will be immediately settled, and they will be persuaded to return home.

Supply Chain Management

To enhance the standardization of supplier management, we have formulated the Supplier Management Control Procedure to guide the work at various stages of supplier access, clarify the responsibilities of relevant departments such as the Procurement Department, Quality Department, Technical Department, and Equipment Department, and standardize the management of the qualified supplier list, thereby assisting in the introduction of quality suppliers for long-term strategic cooperation and promoting the establishment of a sustainable supply chain.

In terms of supplier ESG management, we incorporate Hazardous Substance Free (HSF) evaluation into supplier assessment. For different types of suppliers, we require them to sign the Procurement Agreement, Environmental Declaration, Quality Agreement, Occupational Health and Safety Declaration, and Conflict Minerals Free Declaration, clarifying the requirements for suppliers in occupational health and safety, environmental protection, fair labor, conflict minerals, and business ethics. In addition, we established the Risk Procurement Management Measures to conduct risk assessments on suppliers’ human-induced risks, economic risks, and natural risks, thereby strengthening the Company’s supply chain risk control capabilities. For further details on supply chain management, see “— Supply Chain Management.”

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Product Responsibility

We prioritize product quality and safety control, formulating the Integrated Management System Manual and Quality Planning Control Procedures, and improving the quality management system to ensure product quality and safety. In addition, we have established the Non-conforming Product Control Procedure to control non-conforming products throughout the entire process from raw materials to product shipment, and to establish a recall procedure for non-conforming/suspect products to prevent the occurrence and escalation of quality issues. We have also obtained certifications such as ISO 9001 and ISO 45001, and intellectual property management system. For details on product liability, see “— Quality Control.”

Product after-sales. Regarding after-sales service for products, we have formulated the Customer Service Management System and Customer Complaint Management Process to promptly handle customer inquiries and complaints, provide technical diagnosis and support, and implement quality anomaly determination and root cause analysis. Through cross-departmental collaboration, we ensure the timeliness of service response. In addition, we regularly conduct customer satisfaction surveys, manage and track customer feedback, and provide timely customer support and after-sales service. During the Track Record Period and up to the Latest Practicable Date, no products of the Company were recalled due to safety and health issues. In addition, we have not received any major complaints regarding product quality.

Customer privacy protection. We strictly comply with laws and regulations related to customer privacy and data security, and have established the Trade Secret Management and Control Procedures and Information Security Management System. Customer data, transaction records, and cooperation content are included in commercial secret management, clarifying the responsibilities of the person in charge and the confidentiality obligations of relevant personnel, and standardizing information access permissions and carrier management. In addition, protection is strengthened through measures such as account password control, data backup, and virus prevention to prevent the loss and leakage of customer information.

Anti-corruption

To foster a clean and honest working environment and to reduce and prevent fraudulent activities, we have formulated the Integrity Management System to resist all types of corrupt practices, including suspected violations of regulations, disciplines, fraud, and corruption. We implement integrity education through various forms such as integrity training and integrity talks to enhance employees’ awareness of integrity and self-discipline.

To prevent suppliers and demanders or their employees from making decisions that are not in the Company’s interest due to improper benefits, misconduct and their attempts, or enticing behaviors, we have established the Supplier Anti-Bribery Management Regulations. In addition, we regularly provide external stakeholders with knowledge of anti-bribery laws and regulations to enhance suppliers’ awareness and willingness to comply with anti-bribery agreements. At the same time, we have established a whistleblowing platform to prevent commercial bribery and strengthen anti-corruption and anti-bribery management.

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We have formulated special management systems for complaints and whistleblowing, implemented multiple control measures, established a complaint and whistleblowing protection mechanism and a reward mechanism, strictly protected whistleblower information and whistleblowing materials, and the Audit Department is responsible for supervising and inspecting the follow-up implementation. Employees who violate the rules will be dealt with in accordance with relevant regulations.

During the Track Record Period and up to the Latest Practicable Date, there were no concluded legal cases regarding corrupt practices brought against the Company or its employees.

Community investment

Upholding the public welfare philosophy of “giving back to society and creating a better future together”, we have designated educational assistance, and supported the young and the elderly as our core public welfare directions. In the field of educational assistance, we have improved school teaching conditions by providing practical training equipment, teacher training, and establishing special scholarships, offering internship positions to partner institutions annually. Concurrently, we have engaged in educational public welfare to help enhance educational equity and quality. In the area of assisting the young and the elderly, the Company plans to carry out relevant public welfare activities, focusing on the needs of children and elderly groups, thereby fulfilling its social responsibilities.

EMPLOYEES

As of June 30, 2025, we had 3,816 employees in total. The following table sets forth the number of our employees categorized by function as of June 30, 2025.

Function	Number
Production	2,417
Sales and Marketing	105
Technology	917
Finance	35
Office General and Administration	342
Total	3,816

Substantially all of our employees are stationed in China. In compliance with the applicable labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. These employment contracts typically have terms of three years.

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To remain competitive in the labor market, we provide various incentives and benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, project and stock incentive plans to our employees especially key employees.

We require all of our employees, especially those involved in sales and marketing and business development activities, to abide by our anti-bribery and anti-corruption compliance requirements and applicable laws and regulations to eliminate bribery and corruption risks. We closely monitor our employees’ compliance with anti-bribery and anti-corruption policies. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes, labor disputes or industrial actions which had a material effect on our business, and we consider our relations with our employees to be good.

INSURANCE

We consider our insurance coverage to be adequate and in accordance with PRC laws and regulations and the commercial practices in the industry in which we operate. Our employees are covered by accident insurance, critical illness insurance, overseas insurance (for employees travelling abroad) and employer’s liability insurance (for interns and rehired retirees). Our company and assets are covered by property insurance and cargo transportation insurance (for machinery during shipping), property all risks insurance (for fixed assets, inventory, etc.) and motor insurance. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustment to our insurance plans to align with our needs and with industry practice. During the Track Record Period, we did not make any material insurance claims in relation to our business.

However, there can be no guarantee that we will not incur losses or suffer claims beyond the limits, or outside the relevant coverage, of our insurance policies. See “Risk Factors — Risks Relating to Our Business and Industry — Our insurance policies may not provide adequate coverage for all claims associated with our business operations.”

PROPERTIES

Our headquarters office is located in Guangdong. We own and lease properties in China and overseas.

As of the Latest Practicable Date, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

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Owned Properties

As of the Latest Practicable Date, we held the land use rights of six parcels of land with an aggregate site area of approximately 272,591.0 sq.m. in China. All of these land parcels have been granted land use right certificates. As of the Latest Practicable Date, we owned 12 real properties in China with a total gross floor area of approximately 151,454.2 sq.m. These land parcels and properties are primarily used for business operations, production and warehousing purposes. Among these properties, as of the Latest Practicable Date, for seven properties in China with a total gross floor area of approximately 146,916.1 sq.m, we have obtained the title certificate for the property in China; for five properties in China with a total gross floor area of approximately 4,538.1 sq.m, we had not obtained relevant title certificates due to historical reasons. Certain properties are pending the issuance of real estate title certificates. During the Track Record Period, we were not subject to any administrative penalties by the competent authorities in respect of properties that had not obtained real property ownership certificates. Moreover, the aggregate floor area of such properties represents approximately 3% of our total self-owned premises, which is immaterial. As advised by our PRC Legal Advisor and based on the foregoing, we do not expect that the absence of the required real property ownership certificates would have any material adverse effect on our business, financial condition or results of operations. In addition, as of the Latest Practicable Date, we held four plots of land with a total site area of approximately 12,760 sq.m in Thailand.

Primary Leased Properties

As of June 30, 2025, we leased 22 properties with a total GFA of approximately 58,087.1 sq.m. in China, which are used as production and operations, temporary warehouses, and employee dormitories. The leases generally have a term ranging from five months to five years. We leased 26 residential properties in Bangkok, Thailand as of June 30, 2025. As for our overseas leased properties, as advised by our legal advisers as to Thailand law, Germany law and Vietnam law, all respective lease agreements as of June 30, 2025 were valid and enforceable.

Leased Properties with Valid Title Certificates

As of June 30, 2025, we leased five properties for our day-to-day operations with an aggregate gross floor area of approximately 40,623.80 sq.m. The relevant lessors have provided property ownership certificates or other title documents in respect of these leased properties. Our Directors believe that the likelihood of our business and results of operations being materially and adversely affected by these title defects is remote, considering that (i) as of the Latest Practicable Date, we have not been required to cease operations due to the lessor’s right to lease being challenged by a third-party rights holder; and (ii) we maintain a pool of site candidates and our Directors believe that we would be able to relocate to a different site without materially and adversely affecting our business and results of operations should we be required to do so.

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Non-registration of Lease Agreements

As of the Latest Practicable Date, all of our lease agreements had not been registered with relevant authorities. As the registration of a lease agreement requires the cooperation between the lessor and lessee and lessors are typically unwilling to undertake the administrative burden due to the low risk of penalty, we were not able to complete the registration of lease agreements mentioned above. We have adopted internal policies that (i) request our employees to proactively coordinate with lessors to complete the registration for all of our lease agreements; and (ii) require our employees to complete the registration of lease agreements in instances in which lessors are willing to cooperate in such procedures.

As advised by our PRC Legal Advisor, the non-registration of lease agreements will not affect our right to use such premises, and these irregularities are not expected to have any material adverse effect on our business, results of operations or financial condition. The aggregate amount of maximum fine will be approximately RMB0.3 million, which our Directors believe will not have any material adverse impact on our business operations.

As of the Latest Practicable Date, in relation to these 22 leased properties, we have not been required by the relevant local housing administrative authorities to complete the registrations, nor been penalized or fined by the relevant authorities. In addition, we have been more stringent in terms of requiring our lessors to cooperate with us in registering our lease agreements with the relevant housing administrative authorities.

Having considered the foregoing, our Directors believe that does not constitute material nor systemic non-compliance of our Group, and the non-registration of lease agreements described above will not, individually or in the aggregate, materially affect our business and results of operation.

LICENSES, APPROVALS AND PERMITS

During the Track Record Period and up to the Latest Practicable Date, we have obtained all licenses, approvals, permits and certificates that are material and necessary for our business operations in jurisdictions where we operate, and such licenses, permits, approvals and certificates are valid and subsisting.

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AWARDS AND RECOGNITION

During the Track Record Period, we received awards and recognition in respect of our products, technology and innovation. The following table sets out major awards and recognitions we received during the Track Record Period:

Year	Awards/Recognitions	Awarding Entity
2025	Red Dot Design Award	Design Zentrum Nordrhein Westfalen (Red Dot), Germany
2025	8th Guangdong Provincial Government Quality Award	People’s Government of Guangdong Province
2025	National Green Factory	Ministry of Industry and Information Technology
2025	Intellectual Property Advantage Enterprise	China National Intellectual Property Administration
2024	National Manufacturing “Single-Item Champion”	Ministry of Industry and Information Technology (MIIT)
2024	Guangdong Province Service-oriented Manufacturing Demonstration Enterprise	Department of Industry and Information Technology of Guangdong Province
2024	Henan Provincial Intelligent Factory	Department of Industry and Information Technology of Henan Province
2023	“Little giant” enterprises under the “Specialized, Refined, Differentiated and Innovative” program	Ministry of Industry and Information Technology
2023	Henan Provincial Science and Technology Progress Award	People’s Government of Henan Province
2023	Henan Provincial Green Design Demonstration Enterprise for Industrial Enterprises	Department of Industry and Information Technology of Henan Province
2023	Henan Provincial Benchmark Enterprise for Intelligent Manufacturing	Department of Industry and Information Technology of Henan Province
2022	China Standard Innovation Contribution Award	Standardization Administration of China

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks for our operations so risk management is important for our business. For details of the various operational risks we face, please refer to the section headed “Risk Factors” in this document. In addition, we are also exposed to different financial risks, such as liquidity, credit and foreign exchange risks that arise in the ordinary course of our business. For details, please refer to the paragraphs headed “Financial Information — [Market Risk Disclosure]”

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in this document. In order to identify, assess, control and monitor the risks that may cause impediments to our business, we have designed and implemented policies and procedures to help ensure effective risk management in our operations.

We have adopted a consolidated series of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. Our audit committee, and ultimately our Board supervises the implementation of our risk management policies. Risks identified by senior management will be analyzed on the basis of likelihood and influence, and will be properly followed up and mitigated and rectified by our Company and reported to our Board.

Our senior management implements the risk management policies, strategies and plans set by our Board. Each functional team monitors and evaluates the implementation of risk management and internal control policies and procedures on a day-to-day basis. In order to formalize risk management among our Company and set a standard level of transparency and risk management performance, the relevant teams will (i) gather information of the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, categorization and measurement of all key risks that could potentially affect their objectives; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk control actions when necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

With respect to urgent matters which arise between scheduled Board meetings, the Board secretary may also seek Board approval via telephone conference call or written Board consent. Before each Board meeting, an agenda is prepared with input from Directors, as well as from senior management. At Board meetings, depending on the agenda, heads of different departments will gather information relating to their functions and report to the Board on the relevant agenda items, as necessary. The Board secretary attends all Board meetings to ensure that there is no gap in communication between the two bodies. During Board meetings, the Board will on occasion further review and/or analyze particular issues and report their findings at the next Board meeting. Our Board believes that our corporate structure provides an appropriate system of checks and balances to improve our risk management procedures.

Our audit committee also reviews and approves our risk management policy to ensure that it is consistent with our corporate objectives, reviews and approves our corporate risk tolerance, monitors the most crucial risks associated with our business operation and our management’s handling of such risks, reviews our corporate risks in light of our corporate risk tolerance, and monitors and ensures the appropriate application of our risk management framework among our Company.

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Internal Control

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. During the Track Record Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding each aspect of our operations, such as protection of intellectual property, environmental protection and occupational health and safety. We provide periodic training on these measures and procedures to our employees as part of our employee training program. We also regularly monitor the implementation of those measures and procedures through our on-site internal control team for each stage of the produce development process.
- Our Directors (who are responsible for monitoring the corporate governance of our Group) with assistance from our legal advisors, will periodically review our compliance status with all relevant laws and regulations after the [REDACTED].
- We have established the Audit Committee which shall (i) make recommendations to our Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee the risk management and internal control procedures of our Group. For more details, see “Directors and Senior Management — Board Committees — Audit Committee.”
- We have engaged Altus Capital Limited as our compliance adviser to provide advice to our Directors and management team until the end of the first fiscal year after the [REDACTED] regarding matters relating to the Listing Rules. Our compliance adviser is expected to ensure our use of the proceeds from the [REDACTED] complies with the section entitled “Future Plans and [REDACTED]” in this Document after the [REDACTED], as well as to provide support and advice regarding the requirements of relevant regulatory authorities in a timely fashion.
- We will engage a PRC law firm to advise us on and keep us abreast with PRC laws and regulations after the Listing. We will continue to arrange various training to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, supervisors senior management and relevant employees on the latest applicable laws and regulations.

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LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time be involved in legal, arbitral or administrative proceedings arising in our ordinary operations. Our Directors confirmed that, as of the Latest Practicable Date, none of the legal, arbitral or administrative proceedings to which we were a party, individually or in aggregate, would have a material and adverse effect on our business, financial condition or results of operations and our Directors are not aware of any ongoing, potential or threatened legal, arbitral or administrative proceedings to which we were, or will be, named as a party.

Our Directors further confirm that none of our Directors or senior management personnel was personally involved in any of these legal, arbitral or administrative proceedings which would have a material and adverse impact on our business, financial condition or results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.