上海拓璞数控科技股份有限公司

Shanghai Top Numerical Control Technology Co., Ltd.

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

Stock Code: 7688

Global Offering

Joint Sponsors, Overall Coordinators, Joint Global Coordinators,
Joint Bookrunners and Joint Lead Managers

國泰海通 GUOTAI HAITONG | 國泰君安國際 GUOTAI JUNAN INTERNATIONAL

建银国际 CCB International

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

拓璞 TOPNC

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**65,330,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**6,533,000 H Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**58,797,000 H Shares (subject to reallocation and the Over-allotment Option)**
Offer Price	**:**	**HK$26.39 per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and Accounting and Financial Reporting Council transaction levy of 0.00015% (payable in full on application and subject to refund on final pricing)**
Nominal value	**:**	**RMB0.10 per H Share**
Stock code	**:**	**7688**

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

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中銀國際 BOCI

招銀国际 CMB INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above. The Offer Price will be HK$26.39 per Offer Share, unless otherwise announced. Applicants for Hong Kong Offer Share may be required to pay, on application (subject to application channels), the Offer Price of HK$26.39 for each Hong Kong Offer Share together with a brokerage of 1.0%, a SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and a Hong Kong Stock Exchange trading fee of 0.00565%.

The Overall Coordinators, for themselves and on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the website of our Company at **https://www.topnc.com.cn** and on the website of the Stock Exchange at **www.hkexnews.hk** and the offer will be cancelled and relaunched at the revised number of Offer Shares and the requirements under Rule 11.13 of the Listing Rules (which include the issue of a supplemental prospectus or a new prospectus (as appropriate)), as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. For further information, see the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only outside of the United States in offshore transactions in reliance on Regulation S.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at https://www.topnc.com.cn.

If you require a printed copy of this prospectus, you may download and print from the website addresses above.

12 May 2026

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at https://www.topnc.com.cn. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form Service	**www.hkeipo.hk**	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	You may submit your application to the White Form eIPO Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) From 9:00 a.m. on Tuesday, 12 May 2026 until 11:30 a.m. on Friday, 15 May 2026 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 15 May 2026 (Hong Kong time).
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit **electronic application instructions** on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	You are advised to contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **HK eIPO White Form** service or the HKSCC EIPO channel must be made for a minimum of 100 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below. No application for any other number of Hong Kong Offer Shares will be considered and such an application is liable to be rejected.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment *HK$*
100	2,665.61	2,000	53,312.29	10,000	266,561.44	300,000	7,996,842.95
200	5,331.23	2,500	66,640.36	20,000	533,122.86	400,000	10,662,457.25
300	7,996.84	3,000	79,968.43	30,000	799,684.30	500,000	13,328,071.58
400	10,662.47	3,500	93,296.50	40,000	1,066,245.72	600,000	15,993,685.89
500	13,328.08	4,000	106,624.57	50,000	1,332,807.16	700,000	18,659,300.20
600	15,993.68	4,500	119,952.65	60,000	1,599,368.59	800,000	21,324,914.52
700	18,659.30	5,000	133,280.72	70,000	1,865,930.02	900,000	23,990,528.84
800	21,324.91	6,000	159,936.87	80,000	2,132,491.45	1,000,000	26,656,143.16
900	23,990.53	7,000	186,593.01	90,000	2,399,052.88	2,000,000	53,312,286.30
1,000	26,656.14	8,000	213,249.15	100,000	2,665,614.31	3,266,500(1)	87,072,291.60
1,500	39,984.22	9,000	239,905.29	200,000	5,331,228.64		

Notes:

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is approximately 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** service) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at www.hkexnews.hk and our website at https://www.topnc.com.cn.

	Time and date[(1)]
Hong Kong Public Offering commences	9:00 a.m. on Tuesday, 12 May 2026
Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[(2)]	11:30 a.m. on Friday, 15 May 2026
Application lists open[(3)]	11:45 a.m. on Friday, 15 May 2026
Latest time to (a) give **electronic application instructions** to HKSCC and (b) complete payment of applications by effecting internet banking transfer(s) or PPS payment transfer(s)[(4)]	12:00 noon on Friday, 15 May 2026

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via FINI to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close[(3)]	12:00 noon on Friday, 15 May 2026

Announcement of:

- an indication of the level of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **https://www.topnc.com.cn** at or before[(5)(9)]	11:00 p.m. on Tuesday, 19 May 2026

Time and date[(1)]

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **https://www.topnc.com.cn**[(7)] . . . . no later than 11:00 p.m. on Tuesday, 19 May 2026

- in the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function[(7)] . . . . from 11:00 p.m. on Tuesday, 19 May 2026 to 12:00 midnight on Monday, 25 May 2026

- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. . . . . . from Wednesday, 20 May 2026 to Tuesday, 26 May 2026 (excluding Saturday, Sunday and public holidays in Hong Kong)

For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from . . . . 6:00 p.m. on Monday, 18 May 2026

Dispatch of H Share certificates or deposit of the H Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[(5)] . . . . Tuesday, 19 May 2026

Dispatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques (if applicable) on or before[(8)(10)] . . . . . . Wednesday, 20 May 2026

Dealings in H Shares on the Main Board of the Stock Exchange to commence . . . . at 9:00 a.m. on Wednesday, 20 May 2026

Notes:

(1) All times and dates refer to Hong Kong local time and date, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in "Structure and Conditions of the Global Offering" in this prospectus. If there is any change in the above expected timetable, we will issue a separate announcement in Hong Kong to be published on our website at **https://www.topnc.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

(2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 15 May 2026, the application lists will not open and close on that day. See "How to Apply for Hong Kong Offer Shares – E. Severe Weather Arrangements".

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares – 2. Application Channels".

(5) The H Share certificates are expected to be issued on Tuesday, 19 May 2026 but will only become valid evidence of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Wednesday, 20 May 2026. Investors who trade H Shares on the basis of publicly available allocation details before the receipt of H Share certificates and before they become valid evidence of title do so entirely of their own risk.

(6) The announcement will be available for viewing on the Stock Exchange's website **www.hkexnews.hk** and our Company's website at **https://www.topnc.com.cn**.

(7) None of the websites or any of the information contained on the websites forms part of this prospectus.

(8) Applicants being individuals who are eligible for personal collection must not authorise any other person to make collection on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. Applicants who have applied for Hong Kong Offer Shares through the HKSCC EIPO channel should refer to the paragraph headed "How to Apply for Hong Kong Offer Shares – D. Despatch/Collection of H Share Certificates and Refund of Application Monies" in this prospectus for details.

(9) Applicants who apply through the **HK eIPO White Form** service by paying the application monies through a single bank account, may have **HK eIPO White Form** e-Auto Refund payment instructions (if any) dispatched to their application payment bank account. Applicants who apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts, may have refund cheques in favour of the applicant (or, in the case of joint applications, the first-named applicant) sent to the address specified in their application instructions by ordinary post and at their own risk.

(10) **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications. Part of the applicant's identification document numbers, or, if the application is made by joint applicants, part of the identification document numbers of the first-named applicant, provided by the applicant(s) may be printed on the refund cheques, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's identification document numbers before encashment of the refund cheques. Inaccurate completion of an applicant's identification document numbers may invalidate or delay encashment of the refund cheques.

The H Share certificates will only become valid evidence of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Wednesday, 20 May 2026. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The above expected timetable is a summary only. Potential investors should read carefully "Underwriting", "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details relating to the structure and conditions of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and H Share certificates.

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under applicable securities laws of such jurisdictions pursuant to registration with, or authorization by, the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Overall Coordinators, the Joint Global Coordinators, the Joint Sponsors, any of the Underwriters, any of our or their respective directors, officers, representatives, or affiliates, or any other person or party involved in the Global Offering. Information contained in our website, located at https://www.topnc.com.cn, does not form part of this prospectus.

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

OVERVIEW

Who We Are

We are an enterprise specialising in the R&D, design, production and sales of high-end intelligent manufacturing equipment, comprising primarily five-axis computerised numerical control ("**CNC**") machine tools, in China. We focus on developing five-axis CNC machine tools to address the demand for advanced manufacturing in China's aviation and aerospace sector. According to the CIC Report, in 2025, we ranked first in China's aviation and aerospace five-axis CNC machine tool market with a market share of 10.0%, fifth among all suppliers and second among domestic suppliers in China's five-axis CNC machine tool market, with a market share of 3.9%. According to the same source, five-axis CNC machine tools represent a foundational industrial manufacturing equipment, with growing adoption across industries due to their superior precision, efficiency and intelligent machining capabilities. The market size of five-axis CNC machine tools is expected to increase from RMB12.9 billion in 2025 to RMB31.9 billion in 2030, with a CAGR of 19.8%. During the Track Record Period, we had expanded our market presence into the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing.

Our Products Portfolio and Applications

During the Track Record Period, we generated revenue from the sales of (i) aviation and aerospace intelligent manufacturing equipment, (ii) compact general industrial five-axis machine tools, (iii) large-span carbon fiber composite five-axis machine tools, as well as (iv) provision of repair and maintenance services. Our products were primarily customised and produced on an order-by-order basis. We started to enhance our offerings by introducing large-span carbon fiber composite five-axis machine tools to the market in FY2025. Details of our product portfolio are as follows:

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

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

(iii) ***Large-span carbon fiber composite five-axis machine tools.*** Our large-span carbon fiber composite five-axis machine tools refer to advanced five-axis CNC machine tools featuring gantry structures with span ranging from three meters to a maximum of 15 meters, designed for machining of massive monolithic components in the general industrial sector. Unlike conventional metal-based machine tools, with the use of carbon fiber composites across all moving parts, our large-span carbon fiber composite five-axis machine tools exhibit the technological advantages of lightweight properties, high-dynamic performance, extended operating range, micron-level accuracy and advanced thermal and vibration control capabilities. They are applied across industries for manufacturing integrated vehicle body parts for automotives, hull structures for shipbuilding, and large structural components in energy applications etc., where demands exist for production and processing of massive and high-precision structures. We first sold large-span carbon fiber composite five-axis machine tools in FY2025. We generated revenue of RMB24.4 million from the sales of six large-span carbon fiber composite five-axis machine tools in FY2025. According to the CIC Report, we are the world's first and only manufacturer that sold machine tools which fully applied carbon fiber composite materials across all moving parts.

OUR CORE TECHNOLOGIES

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

OUR COMPETITIVE STRENGTHS

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

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

OUR STRATEGIES

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

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

RESEARCH AND DEVELOPMENT

We maintain a strong commitment to R&D as the foundation of our market competitiveness. Our R&D initiatives are organised into three core streams: (i) core technology research, (ii) modular platform development and (iii) adaptive product engineering. We incurred R&D expenses of RMB89.9 million, RMB85.9 million and RMB106.8 million for FY2023, FY2024 and FY2025, respectively. The overall increase in our R&D expenses during the Track Record Period was primarily due to the progression of our R&D projects. For details, see "Financial Information – Key Components of Our Consolidated Statements of Profit or Loss – Research and Development Expenses" in this prospectus.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group had over 90 registered patents and filed over 40 patent applications which were pending approval, covering our core technologies. To safeguard these intellectual property rights, we have implemented comprehensive measures including (i) timely registering for ownership of our intellectual properties, (ii) rewarding employees who contribute to the development of our intellectual properties, and (iii) entering into agreements with our employees which state we own all intellectual properties developed (a) during an employees' employment with us, (b) using our resources or proprietary information, (c) as part of their job duties or assigned tasks, or (d) within one year after the termination of their employment, if related to their work for us.

SALES

Over the years, we have established an extensive customer base across China, with our sales of products within China accounted for over 98% of the Group's revenue for each year during the Track Record Period, with the remaining revenue derived from Europe. We primarily sell our products through our dedicated sales team, while complementing this with partnerships with sales representatives as part of our plan to expand our market presence in the general industrial market and introduce our compact general industrial five-axis machine tools to the market. During the Track Record Period, we provided products and services to 47, 38 and 44 customers, respectively. Our customers mainly comprise (i) end customers including private enterprises and state-owned enterprises in the aviation and aerospace sector and the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing, and (ii) representatives of end users. Sales to our top five customers for FY2023, FY2024 and FY2025 amounted to approximately RMB310.3 million, RMB422.7 million and RMB463.1 million, respectively, representing approximately 92.7%, 79.5% and 80.1% of our total revenue for each of the years during the Track Record Period. Sales to our largest customer for FY2023, FY2024 and FY2025 amounted to approximately RMB195.4 million, RMB129.6 million and RMB277.8 million, representing approximately 58.4%, 24.4% and 48.1% of our total revenue for each of the years during the Track Record Period.

OUR SUPPLIERS

The principal raw materials procured by us are parts and components for our production which mainly comprise control systems, structural components such as machine tool beds and machine tool accessories and mechanical components such as controllers, rotary axes and spindles. We generally purchase our raw materials from local suppliers in the PRC. For critical components such as CNC systems for our compact general industrial five-axis machine tools, we procure hardware such as servo motors and servo drives from our suppliers, while developing core software functionalities in-house. While our purchased and proprietary CNC system deliver identical machining precision and capabilities, we leverage purchased CNC system for broader model compatibility, especially when requested by our customers to use specific external CNC systems and stipulated in the terms of our contracts; and we adopt our proprietary CNC system in our compact general industrial five-axis machine tools to maximise cost-performance ratio. Our suppliers primarily consist of (i) providers of parts and components and (ii) manufacturing partners who produce parts and components based on our proprietary design. Purchases from our top five suppliers amounted to RMB117.6 million, RMB60.9 million and RMB32.7 million, representing approximately 35.6%, 32.5% and 18.4% of our total purchase for FY2023, FY2024 and FY2025, respectively. Purchases from our largest suppliers amounted to RMB48.4 million, RMB23.1 million and RMB9.1 million, representing 14.6%, 12.3% and 5.1% of our total purchase for FY2023, FY2024 and FY2025, respectively.

PRODUCTION

As at the Latest Practicable Date, we had three production bases, namely (i) Minhang Production Base, (ii) Jiaxing Production Base and (iii) Zhuanqiao Production Base. Minhang Production Base and Jiaxing Production Base were in operation, whereas Zhuanqiao Production Base has commenced construction in October 2025. The following table sets forth the utilisation rates of our Minhang Production Base during the Track Record Period:

	Designed Area of Production *(sq.m.)*	**Actual Area Occupied for Production** *(sq.m.)*	**Utilisation Rate**
FY2023	4,916	4,577	93.1%
FY2024	4,916	3,901	79.4%
FY2025	4,916	3,728	75.8%

For details of our calculation of the utilisation rate, see "Business – Production – Our Production Facilities" in this prospectus.

COMPETITIVE LANDSCAPE

According to CIC, China's five-axis CNC machine tool industry comprises both overseas and domestic suppliers, in which domestic suppliers are expanding their market share by leveraging their continuously improving technical capabilities and competitive product offerings. In terms of revenue from five-axis CNC machine tools, the market share of domestic suppliers increased from 18.0% in 2020 to 59.5% in 2025 and is projected to exceed 78.0% by 2030. The Group ranked fifth among all suppliers and second among domestic suppliers in China's five-axis CNC machine tool industry, with a market share of 3.9%.

The aviation and aerospace sector currently represents the largest share of the total market size of China's five-axis CNC machine industry. In 2025, the market size of China's five-axis CNC machine tools in the aviation and aerospace sector reached RMB4.3 billion, accounting for 33.7% of the China's five-axis CNC machine tool market. In terms of revenue from five-axis CNC machine tools in the aviation and aerospace sector in 2025, the Group ranked first among all suppliers in China's five-axis CNC machine tool industry, with a market share of 10.0%.

The latest developments of multi-axis CNC machine tools include the launch of six-axis CNC machine tools. According to the CIC Report, a few leading suppliers have launched CNC machine tools with six or more simultaneous axes, but due to high technical difficulty and limited market acceptance, they have not achieved large-scale commercialization. In terms of market acceptance, CNC machine tools with six or more simultaneous axis, although superior in processing accuracy and flexibility, are high in cost and currently used only for the processing of highly complex part such as aerospace integral disk cavities or large propeller root. In contrast, five-axis CNC machine tools possess five degrees of freedom and can achieve one-time clamping and interference-free processing of tool to workpiece on any spatial surface, which already meets the processing requirements of the vast majority of complex parts. Consequently, the market acceptance of six-axis CNC machine tools is far below that of five-axis CNC machine tools. For details, see "Industry Overview – Analysis of China's Five-axis CNC Machine Tool Industry" in this prospectus.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of Consolidated Statements of Profit or Loss

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

	FY2023	**FY2024**	**FY2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	334,630	531,556	577,978
Cost of sales	(218,819)	(331,677)	(373,620)
Gross profit	115,811	199,879	204,358
Other income and gains	25,106	10,856	25,455
Selling and marketing expenses	(26,022)	(28,107)	(35,572)
Administrative expenses	(59,869)	(66,948)	(65,635)
Research and development expenses	(89,917)	(85,880)	(106,819)
Fair value losses on investments measured at fair value through profit or loss	(7,388)	(4,387)	–
Impairment losses on financial assets, net	(8,933)	(3,963)	(4,098)
Other expenses	(4,621)	(1,387)	(264)
Finance costs	(5,331)	(7,006)	(8,366)
Share of losses of associates	(1,105)	(6,171)	(7,434)
(Loss)/Profit before tax	(62,269)	6,886	1,625
Income tax expense	(71)	–	–
(Loss)/Profit for the year	(62,340)	6,886	1,625
(Loss)/Profit attributable to:			
Owners of the parent	(60,523)	8,882	3,573
Non-controlling interests	(1,817)	(1,996)	(1,948)
(Loss)/Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted *(RMB)*	(0.18)	0.03	0.01

Non-IFRS Measure

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

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

	FY2023	**FY2024**	**FY2025**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/Profit for the year	(62,340)	6,886	1,625
Add:			
Share-based payments expenses	1,291	6,489	8,588
Listing expenses	–	–	14,395
Adjusted net (loss)/profit (non-IFRS measure)	(61,049)	13,375	24,608

Our Financial Performance

During the Track Record Period, we experienced strong financial growth, with revenue increasing from RMB334.6 million in FY2023 to RMB531.6 million in FY2024, and further to RMB578.0 million in FY2025, representing a CAGR of 31.4%. We have achieved growth across all our product categories over the Track Record Period, with a notably strong performance in the sales of our aviation and aerospace intelligent manufacturing equipment, which reflects our success in our core aviation and aerospace business, while capitalising on expansion opportunities in other fast-growing general industrial sectors. We recorded a gross profit of RMB115.8 million, RMB199.9 million and RMB204.4 million in FY2023, FY2024 and FY2025, respectively. Our gross profit margin was 34.6%, 37.6% and 35.4% in FY2023, FY2024 and FY2025. We recorded a net loss of RMB62.3 million in FY2023, primarily due to the significant amounts of research and development expenses and administrative expenses incurred during the year. In FY2024 and FY2025, we turnaround our business and recorded a net profit of RMB6.9 million and RMB1.6 million, respectively. Such turnaround was primarily attributable to the increase in revenue from the sales of aviation and aerospace intelligent manufacturing equipment and compact general industrial five-axis machine tools, and the decrease in fair value losses on investments.

Revenue

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

In FY2023, FY2024 and FY2025, our revenue was RMB334.6 million, RMB531.6 million and RMB578.0 million, respectively. The following table sets forth a breakdown of our revenue by product type for the years indicated.

	FY2023		FY2024		FY2025	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Aviation and aerospace intelligent manufacturing equipment	325,089	97.2	503,434	94.7	512,442	88.7
Compact general industrial five-axis machine tools	3,476	1.0	23,839	4.5	39,440	6.8
Large-span carbon fiber composite five-axis machine tools	–	–	–	–	24,402	4.2
Repair and maintenance services	6,065	1.8	4,283	0.8	1,694	0.3
Total	**334,630**	**100.0**	**531,556**	**100.0**	**577,978**	**100.0**

We recorded gross profit of RMB115.8 million, RMB199.9 million and RMB204.4 million in FY2023, FY2024 and FY2025, respectively. The following table sets forth our gross profit and gross profit margin by product category during the Track Record Period:

	FY2023		FY2024		FY2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Aviation and aerospace intelligent manufacturing equipment	120,799	37.2	196,767	39.1	214,968	41.9
Compact general industrial five-axis machine tools	662	19.0	6,118	25.7	8,472	21.5
Large-span carbon fiber composite five-axis machine tools	–	–	–	–	(1,536)	(6.3)
Repair and maintenance services	882	14.5	2,284	53.3	885	52.2
Subtotal	**122,343**	**36.6**	**205,169**	**38.6**	**222,789**	**38.5**
Less: impairment losses on inventories	*(6,532)*		*(5,290)*		*(18,431)*	
Total	**115,811**	**34.6**	**199,879**	**37.6**	**204,358**	**35.4**

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

	FY2023		FY2024		FY2025	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Revenue from						
– Private enterprises	45,325	13.5	244,566	46.0	390,923	67.6
– State-owned enterprises	288,422	86.2	285,990	53.8	187,055	32.4
– Tertiary institutions	883	0.3	1,000	0.2	–	–
Total	**334,630**	**100.0**	**531,556**	**100.0**	**577,978**	**100.0**

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

	FY2023		FY2024		FY2025	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Revenue from						
– Tendering	269,036	80.4	468,770	88.2	483,564	83.7
– Direct negotiations	65,594	19.6	62,786	11.8	94,414	16.3
Total	**334,630**	**100.0**	**531,556**	**100.0**	**577,978**	**100.0**

Project Backlog

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

	FY2023	FY2024	FY2025	From FY2025 up to the Latest Practicable Date
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Opening value of backlog as at the beginning of the relevant year/period	**1,247,109**	**995,558**	**572,789**	**660,795**
Add: Newly secured contract value from new project(s)	107,547	131,106	693,616	35,676
Add: Variation orders/work instructions	(4,265)	(3,566)	(16,735)	(1,457)
Less: Value of backlog recognised*(Note)*	354,833	550,309	588,875	10,684
Ending value of backlog as at the end of the relevant year/period	**995,558**	**572,789**	**660,795**	**684,330**

Note: The revenue recognized under all contracts is equivalent to (a) the value of backlog recognized after deducting (b) taxes and surcharges; and (c) the revenue from downstream sales to Chengdu Chenfei attributable to our equity interest.

The taxes and surcharges during FY2023, FY2024, FY2025 and from FY2025 up to the Latest Practicable Date were RMB0.2 million, RMB0.2 million, RMB0.6 million and nil, respectively.

The revenue from downstream sales to Chengdu Chenfei attributable to our equity interest during FY2023, FY2024, FY2025 and from FY2025 up to the Latest Practicable Date were RMB20.0 million, RMB18.5 million, RMB10.3 million and nil, respectively.

In FY2023, our products were sold to a subsidiary of Customer A and subsequently resold to Chengdu Chenfei as the ultimate end-user. In FY2024 and FY2025, we conducted direct sales to Chengdu Chenfei. Chengdu Chenfei was accounted for as an associate of our Company since we hold 14.48% equity interests in it. As such, in accordance with IAS 28, sales made directly and indirectly to Chengdu Chenfei were eliminated in proportion to our interest in Chengdu Chenfei from our revenue recognized during the relevant year/period.

For the ageing analysis of the project backlog, see "Business – Sales – Project Backlog" in this prospectus.

Summary of Consolidated Statements of Financial Position

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

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	176,439	240,659	257,001
Total current assets	945,444	743,427	756,143
Total assets	1,121,883	984,086	1,013,144
Total non-current liabilities	63,096	84,099	157,780
Total current liabilities	925,267	730,931	675,590
Total liabilities	988,363	815,030	833,370
Net current assets	20,177	12,496	80,553
Net assets	133,520	169,056	179,774
Non-controlling interests	(3,933)	(5,929)	(7,877)

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

Our Group's net current assets increased from RMB12.5 million as at 31 December 2024 to RMB80.6 million as at 31 December 2025. The increase was primarily due to (i) decrease in contract liabilities of RMB75.8 million; (ii) increase in trade and bills receivables of RMB146.0 million due to the further increase of fulfilment of our obligations under sales contract in 2025; and (iii) increase in cash and cash equivalents of RMB75.4 million which was partially offset by the decrease in inventories of RMB230.7 million and increase in bank borrowings of RMB40.5 million.

Our total equity amounted to RMB133.5 million, RMB169.1 million, and RMB179.8 million as at 31 December 2023, 2024 and 2025, respectively. The slight increase in total equity as at 31 December 2023 was primarily driven by a shareholder capital injection of RMB63.6 million and share-based payments of RMB1.3 million, partially offset by our loss for the year of RMB62.3 million. Total equity continued to grow as at 31 December 2024, primarily attributable to shareholders' contribution of RMB21.7 million, profit for the year of RMB6.9 million and share-based payments of RMB6.5 million. Total equity continued to increase as at 31 December 2025, primarily attributable to profit for the year of RMB1.6 million and share-based payments of RMB8.5 million.

Other than loss and profit for the year, the movement in our statement of changes in equity were mainly attributable to shareholders' capital injection and shareholders' contribution, which were made to support our Group's working capital, and were reflected in our cash and cash equivalents and in the net assets of our Group as at the balance sheet dates.

Summary of Consolidated Statements of Cash Flows

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

	FY2023 *RMB'000*	FY2024 *RMB'000*	FY2025 *RMB'000*
Net cash flows (used in)/from operating activities	(258,112)	(53,939)	25,394
Net cash flows used in investing activities	(14,516)	(93,781)	(38,564)
Net cash flows from financing activities	75,017	132,388	88,562
Cash and cash equivalents at beginning of year	346,823	148,386	133,538
Effect of foreign exchange rate changes, net	(826)	484	–
Cash and cash equivalents at end of year	**148,386**	**133,538**	**208,930**

During the Track Record Period, we recorded net operating cash outflows of RMB258.1 million and RMB53.9 million in FY2023 and FY2024, respectively, and net operating cash inflow of RMB25.4 million in FY2025. These outflows primarily stemmed from (i) the increase in inventories, as a result of the increase in work in progress to cope with increased production demand in relation to the contracts of Customer E and Customer G in FY2023, and (ii) our operating costs and expenses paid surpassing the net cash generated from our operating activities, as we were in a phase of business expansion requiring significant investments in operational capacity. In FY2025, we recorded net cash flows from operating activities of RMB25.4 million, primarily as a result of the decrease in inventories, as we completed the final acceptance in relation to the contracts of Customer G in January 2025.

Our cash and cash equivalents decreased from RMB148.4 million as at 31 December 2023 to RMB133.5 million as at 31 December 2024 primarily due to (i) the increase in our investment in property, plant and equipment, and land use rights, and (ii) the changes in our cash used in operating activities; while partially offset by (iii) proceeds we received from our equity financing as well as bank borrowings. Our cash and cash equivalents subsequently increased to RMB208.9 million as at 31 December 2025 primarily due to (i) proceeds we received from bank borrowings and (ii) the changes in our cash from operating activities; while partially offset by (iii) the increase in our investment in property, plant and equipment. For details, see "Financial Information – Liquidity and Capital Resources" in this prospectus.

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

	For the year ended/As at 31 December		
	2023	**2024**	**2025**
Net profit/(loss) margin	(18.6%)	1.3%	0.3%
Return on equity	(46.7%)	4.1%	0.9%
Return on assets	(5.6%)	0.7%	0.2%
Current ratio (times)	1.0	1.0	1.1
Quick ratio (times)	0.4	0.4	0.7
Gearing ratio	98.1%	148.9%	192.7%

For calculation of these financial ratios and further details, see "Financial Information – Key Financial Ratios" in this prospectus.

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Dr. Wang controlled approximately 38.7% of the voting power at the general meetings of our Company, comprising (1) approximately 36.8% beneficially owned by him directly and (2) approximately 1.9% beneficially owned by Tuoxian Technology, an employee share ownership platform which is controlled by Dr. Wang as its general partner. Upon the Listing, Dr. Wang will control approximately 32.6% of the voting power at the general meetings of our Company, comprising (i) approximately 30.9% beneficially owned by him directly and (ii) approximately 1.6% beneficially owned by Tuoxian Technology, assuming the Over-allotment Option is not exercised. Therefore, Dr. Wang and Tuoxian Technology are a group of our Controlling Shareholders as at the Latest Practicable Date and will be a group of our Controlling Shareholders upon the Listing. For details, see "Relationship with our Controlling Shareholders" in this prospectus.

PRE-IPO INVESTMENTS

We have conducted several rounds of Pre-IPO Investments since the establishment of our Company. For details, see "History and Corporate Structure – Pre-IPO Investments – Special Rights of the Pre-IPO Investors" in this prospectus.

LISTING ATTEMPT

We submitted an application for listing on the Shanghai Stock Exchange STAR Market in June 2019 and June 2020, and made tutoring filing with the CSRC in February 2019, December 2019, January 2023 and January 2024, which were subsequently withdrawn or terminated. For details, see "History and Corporate Structure – Listing Attempt" in this prospectus.

RISK FACTORS

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

- Demand for our products depends on, among other things, the trends and developments in the downstream industries and the condition of the global economy;
- The demand for our products depends on the trend and development of the five-axis CNC machine tools industry in China. There are uncertainties in future market demand and we cannot assure that we will continue to obtain sufficient purchase orders in the future;
- The lengthy process of delivery, installation, inspection and acceptance testing of our products may be longer than the agreed deadline pursuant to the sales contracts with our customers, and any delay thereof may affect our revenue recognition, liquidity and cash flow position, and results of our operation and may cause material fluctuation in our revenue in the future;
- Our products are subject to continuous technological change and evolution. Our R&D efforts may not yield the results as expected to maintain our market share and competitiveness in the five-axis CNC machine tools industry; and
- We relied on a concentration of major customers during the Track Record Period. If we fail to expand our customer base, or if our customers decrease their purchases, our business, results of operations, financial condition and prospects may be materially and adversely affected.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering, after deducting the underwriting fees and expenses payable by us in the Global Offering, of approximately HK$1,606.4 million (i.e. approximately RMB1,406.9 million), assuming (i) an Offer Price of HK$26.39 per H Share, being the Offer Price, and (ii) no exercise of the Over-allotment Option. In line with our strategies, we intend to use our net proceeds from the Global Offering for the purposes set forth below:

- approximately RMB869.1 million (i.e. approximately HK$992.4 million), representing 61.8% of the net proceeds, will be allocated for R&D advancement;
- approximately RMB144.4 million (i.e. approximately HK$164.9 million), representing 10.3% of the net proceeds, will be allocated for expansion of sales and marketing network;
- approximately RMB170.0 million (i.e. approximately HK$194.1 million), representing 12.1% of the net proceeds, will be allocated for possible acquisitions and investments;
- approximately RMB83.9 million (i.e. approximately HK$95.7 million), representing 6.0% of the net proceeds, will be allocated for partial repayment of interest-bearing bank borrowings of our Group; and
- approximately RMB139.5 million (i.e. approximately HK$159.3 million), representing 9.9% of the net proceeds, will be allocated for working capital and general corporate purposes.

OFFERING STATISTICS [(1)]

	Based on an Offer Price of HK$26.39 per Share
	HK$'million
Market capitalization of our Domestic Shares[(2)]	997.8
Market capitalization of H Shares converted from Domestic Shares[(3)]	8,079.1
Market capitalization of our H Shares to be issued[(4)]	1,724.1
Market capitalization of our Shares[(5)]	10,800.9
	HK$
Unaudited pro forma adjusted consolidated net tangible assets attributable to owners to the Company per Share[(6)]	4.41

Notes:

(1) All statistics in this table are on the assumption that the Over-Allotment Option is not exercised.

(2) The calculation of market capitalization is based on 37,808,886 Domestic Shares expected to be in issue immediately upon completion of the Global Offering.

(3) The calculation of market capitalization is based on 306,142,904 H Shares converted from Domestic Shares expected to be in issue immediately upon completion of the Global Offering.

(4) The calculation of market capitalization is based on 65,330,000 H Shares expected to be issued immediately upon completion of the Global Offering.

(5) The calculation of market capitalization is based on 409,281,790 Shares expected to be in issue immediately upon completion of the Global Offering.

(6) The unaudited pro forma adjusted consolidated net tangible assets per share is calculated based on total 409,281,790 shares in issue assuming the Global Offering had been completed on 31 December 2025, 343,951,790 shares in issue as at 31 December 2025 and 65,330,000 H shares to be issued pursuant to the Global Offering.

LISTING EXPENSES

The total listing expenses are estimated to be approximately HK$117.6 million, representing 6.8% of the total gross proceeds from the Global Offering, based on the Offer Price of HK$26.39 per H Share and assuming the Over-allotment Option is not exercised. These listing expenses mainly comprise legal and other professional fees paid and payable to the professional parties, commissions payable to the Underwriters, and printing and other expenses for their services rendered in relation to the Listing and the Global Offering. For FY2023, FY2024 and FY2025, our listing expenses charged to our statements of profit or loss and other comprehensive income were nil, nil and RMB14.4 million, respectively. We expect that approximately RMB23.8 million (HK$27.2 million) of listing expenses will be further charged to our statements of profit or loss and other comprehensive income. We expect that approximately RMB64.8 million (HK$74.0 million) relating to listing expenses directly attributable to the issue of shares will be deducted from equity.

The following table sets forth a breakdown of the listing expenses for the Global Offering at the Offer Price of HK$26.39 per H Share (assuming the Over-allotment Option is not exercised).

Listing Expenses	**Based on an Offer Price of HK$26.39 per H Share** *HK$'000*
Non-underwriting related expenses	
Legal and audit expenses	18,333
Other expenses	30,355
Underwriting related expenses	68,962
Total	**117,650**

DIVIDEND POLICY

During the Track Record Period, no dividend has been paid or declared by our Company. In future, declaration and payment of any dividends would require the recommendation of the Board and at their discretion and any dividend will be subject to Shareholder's approval, but no dividend shall be declared in excess of the amount recommended by the Board. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. As at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

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

LIQUIDITY MANAGEMENT

We are subject to liquidity risk arising from cash flow mismatch, attributable to the prolonged lead time and acceptance testing of our products. For details, see "Risk Factors – Risks Relating to our Business" in this prospectus. The following table sets forth our cash conversion cycle during the Track Record Period:

	FY2023	**FY2024**	**FY2025**
	(days)	*(days)*	*(days)*
Overall cash conversion cycle [(1)]	599	432	315
– Sales to state-owned enterprises	495	468	617
– Sales to non-state-owned enterprises	1,002	395	169

Note:

(1) Cash conversion cycle is calculated using the inventory turnover days in each year plus the trade receivable turnover days in the respective year minus the trade payables turnover days in the respective year.

The length of the cash conversion cycle mainly depends on the production and delivery cycle. The cash conversion cycle is longer during the production phase and decreases during the delivery phase. The sales to non-state-owned enterprises (SOEs) recorded a longer cash conversion cycle in FY2023 primarily because orders from non-SOE customers were produced and stocked in a large scale in FY2023, the revenue for which had not been recognised by the end of the period. Hence, the total cost of sales for non-SOEs in FY2023 was relatively low. The high closing inventory balance and the lower cost of sales had led to a higher inventory turnover days and, consequently, a longer overall cash conversion cycle in FY2023. In general, sales to SOEs have a longer cash conversion cycle, primarily due to longer trade receivables turnover days. In FY2023, FY2024 and FY2025, our trade receivables turnover days for SOEs was 108 days, 72 days and 127 days, respectively, which was longer than our overall trade receivables turnover days for each of the year during the Track Record Period. For details, see "Financial Information – Trade and bills receivables" in this prospectus.

The longer trade receivables turnover days for SOEs was primarily attributable to the milestone-based payment schedules applicable to SOEs and their lengthened internal processes. In particular, we generally target to follow a "3-3-3-1" milestone-based payment schedule for SOEs customers (i.e. (i) 30% deposit upon execution of contract; (ii) 30% upon pre-acceptance approval; (iii) 30% upon final acceptance approval, and (iv) 10% upon fulfilment of warranty service). SOEs also often impose budgetary freezes at the beginning of their fiscal years, during which payments may be suspended for several months. Their internal approval processes are generally more complicated and require multiple rounds of negotiations with multiple levels of responsible person to determine final settlement. For details of the Group's measures in managing our liquidity position, see "Financial Information – Liquidity Management" in this prospectus.

IMPACT OF TRADE TENSIONS BETWEEN THE U.S. AND CHINA

During the Track Record Period, we did not sell any products to the U.S. market, and our procurement from the U.S. was insignificant. Hence, (i) our Directors are of the view that the recent trade tensions between the U.S. and China did not materially and adversely impact the operations or financial conditions of our Group during the Track Record Period; and (ii) our Directors do not expect that the trade tensions will have further adverse impact on our Group's business and financial performance.

IMPACT OF OUTBOUND INVESTMENT RULE AND INTERNATIONAL SANCTIONS LAWS

Under the Outbound Investment Rule, U.S. persons are prohibited from making, or required to notify for, investments in Covered Foreign Persons through certain acquisitions of equity interests, debt financing, joint ventures, and investments as a limited partner in a non-U.S. person pooled investment fund, which are defined as "Covered Transactions". As advised by the International Sanctions Legal Adviser, we are not a Covered Foreign Person under the Outbound Investment Rule, because we do not engage in a "covered activity" or otherwise meet the definition of Covered Foreign Persons provided in the Outbound Investment Rule. For details, see "Regulatory Overview – U.S. Outbound Investment Rules" in this prospectus. Furthermore, as advised by the International Sanctions Legal Advisor, no goods involved in the sale of the products of the Group in respect of the Relevant Customers that incorporated more than the applicable de minimis amount of U.S. origin components under the EAR, and therefore the sale of the products of the Group would not implicate breaches of the EAR. For details, see "Business – Legal and Compliance – Business activities with the certain supplier and customers subject to International Sanctions" in this prospectus.

RECENT DEVELOPMENT

In FY2025, the Group recorded a significant increase in newly secured contract value amounting to RMB693.6 million. Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group had further secured contract value of RMB36.0 million, which was primarily attributable to two major sales contracts relating to the sales of aviation and aerospace intelligent manufacturing equipment, with contract value of RMB10.0 million and RMB10.5 million, respectively. The Group expects that no less than 45% of the project backlog as at the Latest Practicable Date will be recognised in the year of 2026, and over 80% of such backlog expected to be recognised in 2026 is aged within one year as at the Latest Practicable Date. For the ageing analysis of the project backlog, see "Business – Sales – Project Backlog" in this prospectus. However, the Group's revenue recognition depends on the timing of product delivery and customers' final acceptance. These factors vary on a case-by-case basis depending on the product type, procurement cycle of the customers and project execution, and hence revenue may not be evenly distributed throughout the year. While the majority of our revenue for the year ended 31 December 2025 was recognised in the first half of the year, revenue from our backlog as at the Latest Practicable Date is expected to be recognised primarily from the second half of 2026 onwards. Since the Group continues to incur R&D expenses and administrative expenses (including listing expenses), a net loss is expected for the year ending 31 December 2026.

Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the operational performance, financial or trading positions or prospects of our Group since 31 December 2025 (being the date of which our Group's latest audited financial statements were made up as set out in the Accountants' Report in Appendix I) and there had been no event since 31 December 2025 which would materially affect the information shown in "Financial Information" and the Accountants' Report in Appendix I to this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-Allotment Option and the H Shares to be converted from Domestic Shares), on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue of RMB578.0 million generated in FY2025, and (ii) our expected market capitalization at the time of Listing based on the Offer Price exceeds HK$4 billion.

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

"Accountants' Report"	the accountants' report set out in Appendix I to this prospectus
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the Board of Directors of our Company
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public
"Capital Market Intermediary(ies)" or "CMI(s)"	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Chengdu Chenfei"	Chengdu Chenfei Zhijiang Technology Co., Ltd.* (成都辰飛智匠科技有限公司), a limited liability company established under the laws of the PRC on 18 January 2021, in which the Company holds 14.48% equity interest; and which is accounted for as an associate of the Company
"Chengdu Yongfeng"	Chengdu Yongfeng Technology Co., Ltd. (成都永峰科技有限公司), a limited liability company established under the laws of the PRC on 29 March 2013, in which the Company held 10.8% equity interest before its disposal in December 2024
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this prospectus only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

"CIC"	China Insights Industry Consultancy Limited, an industry expert and Independent Third Party, hired to conduct an analysis of, and to report about China's five-axis CNC machine tool industry
"CIC Report"	an independent report prepared and issued by CIC with respect to this Global Offering
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company"	Shanghai Top Numerical Control Technology Co., Ltd. (上海拓璞數控科技股份有限公司), a limited liability company established in the PRC on 18 May 2007 and converted into a joint stock company on 23 November 2016
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法) as amended, supplemented or otherwise modified from time to time, which was lately amended on 29 December 2023 to take effective on 1 July 2024
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Wang and Tuoxian Technology, and Controlling Shareholder shall mean any one of them
"Conversion of Domestic Shares into H Shares"	the conversion of 306,142,904 Domestic Shares in aggregate held by the Full Circulation Participating Shareholders upon the completion of Global Offering. Such conversion of Domestic Shares into H Shares has been filed with the CSRC on 27 May 2025 and CSRC has issued the filing notice in respect of the Global Offering dated 2 April 2026; and an application for H Shares to be listed on the Hong Kong Stock Exchange has been made to the Listing Committee
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"COVID-19"	coronavirus disease 2019
"CSDC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)" or "our Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary Shares in the share capital of our Company with a nominal value of RMB0.10 each, which are issued to domestic investors and subscribed for and paid up in RMB
"Dr. Wang"	Dr. Wang Yuhan (王宇晗), our co-founder, Controlling Shareholder, the chairman of our Board, executive Director and the general manager of our Company
"EEW"	EEW-PROTEC GmbH, a limited liability company incorporated under the laws of Germany on 19 June 1990 and a direct non-wholly owned subsidiary of our Company
"EIT"	enterprise income tax
"EIT Law"	Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
"Exchange Participant(s)"	a person: (i) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (ii) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	extreme conditions as announced by the government of Hong Kong in the case where a super typhoon or other natural disaster of a substantial scale serious affects the working public's ability to resume work or brings safely concern for a prolonged period
"FINI"	"Fast Interface for New Issuance", the online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for the Listing
"Full Circulation Participating Shareholder(s)"	a total of 306,142,904 Domestic Shares held by 44 existing Shareholders

"FY2022"	the year ended 31 December 2022
"FY2023"	the year ended 31 December 2023
"FY2024"	the year ended 31 December 2024
"FY2025"	the year ended 31 December 2025
"General Rules of HKSCC"	General Rules of HKSCC published by the Stock Exchange and as amended from time to time
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "our Group", "we" or "us"	our Company and our subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Guide"	Guide for New Listing Applicants issued by the Stock Exchange in December 2023, as amended from time to time
"H Share Registrar"	Tricor Investor Services Limited
"H Share(s)"	overseas-listed foreign shares in the share capital of our Company with nominal value of RMB0.10 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
"HK$" or "HK dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** Service Provider designated by our Company as specified on the designated website at **www.hkeipo.hk**
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"HKSCC EIPO"	the application for Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for Hong Kong Offer Shares on your behalf
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Offer Shares"	the 6,533,000 H Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in "Structure and Conditions of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in "Structure and Conditions of the Global Offering" in this prospectus) at the Offer Price (plus brokerage, SFC transaction levies, Hong Kong Stock Exchange trading fees and AFRC transaction levy), on and subject to the terms and conditions described in this prospectus and as further described in "Structure and Conditions of the Global Offering – Hong Kong Public Offering" in this prospectus
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 11 May 2026 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in "Underwriting – Underwriting Arrangements and Expenses" in this prospectus

"IFRS"	Accounting Standards, as issued from time to time by the International Accounting Standards Board
"IIT Law"	the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》)
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules
"International Offer Shares"	the 58,797,000 H Shares initially offered by our Company for subscription pursuant to the International Offering together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in "Structure and Conditions of the Global Offering" in this prospectus)
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price to persons outside the United States in offshore transactions in accordance with Regulation S, as further described in "Structure and Conditions of the Global Offering" in this prospectus
"International Sanctions"	all applicable laws and regulations related to economic sanctions and other prohibitions and restrictions, including those adopted, administered and enforced by the United Nations and the European Union and its member states, and the governments of the U.S., the United Kingdom and Australia
"International Sanctions Legal Advisor"	Holman Fenwick Willan LLP, our legal advisors as to International Sanctions laws in connection with the Listing
"International Underwriters"	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around 18 May 2026 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in "Underwriting – International Offering" in this prospectus
"Jiaxing Production Base"	our production base in Jiaxing, Zhejiang Province, the PRC

"Jiaxing Top"	Top CNC Technology (Jiaxing) Co., Ltd. (拓璞數控技術(嘉興)有限公司), a limited liability company established under the laws of the PRC on 9 March 2023 and a direct wholly-owned subsidiary of our Company
"Joint Bookrunner(s)"	the joint bookrunners as named in the section headed "Directors and Parties Involved in the Global Offering"
"Joint Global Coordinator(s)"	the joint global coordinators as named in the section headed "Directors and Parties Involved in the Global Offering"
"Joint Lead Managers"	the joint lead managers as named in the section headed "Directors and Parties Involved in the Global Offering"
"Joint Sponsor(s)"	the joint sponsors as named in the section headed "Directors and Parties Involved in the Global Offering"
"Latest Practicable Date"	5 May 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or around Wednesday, 20 May 2026, on which our H Shares of the Company are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
"Minhang Production Base"	our production base in Guanghua Road, Minhang District, Shanghai, the PRC
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Li YH"	Mr. Li Yuhao (李宇昊), our co-founder and an executive Director
"Nomination Committee"	the nomination committee of the Board

"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Offer Price"	HK$26.39 per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%), at which Hong Kong Offer Shares are to be subscribed and issued pursuant to the Global Offering as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Overall Coordinators"	the overall coordinators as named in the section headed "Directors and Parties Involved in the Global Offering"
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 9,799,500 additional H Shares at the Offer Price to, cover over-allocations in the International Offering, if any, further details of which are described in "Structure and Conditions of the Global Offering" in this prospectus
"Overseas Listing Trial Measures"	The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》及其配套指引) promulgated by the CSRC on 17 February 2023 and became effective on 31 March 2023
"PRC GAAP"	generally accepted accounting principles of the PRC
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Advisor"	Jingtian & Gongcheng, the PRC legal advisor to our Company
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time

"Pre-IPO Investor(s)"	the pre-IPO investors described in "History and Corporate Structure – Pre-IPO Investment"
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Sanctions Authorities"	means the relevant governmental authorities in the Relevant Sanctions Jurisdictions that administer their respective sanctions related laws or regulations
"Relevant Sanctions Jurisdiction"	has the meaning ascribed to it in chapter 4.4 of the Guide, which means any jurisdiction that is relevant to the Company and has sanctions related laws or regulations restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such laws or regulations. For the purposes of this prospectus, such relevant jurisdictions shall include the U.S., the European Union, the United Kingdom, the United Nations and Australia
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	the State Administration of Taxation of the PRC (中國國家稅務總局)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai PSCO"	PSCO (Shanghai) CNC Technology Co., Ltd. (普仕科(上海)數控科技有限公司), a limited liability company established under the laws of the PRC on 6 June 2019 and an indirect non-wholly owned subsidiary of our Company

"Shanghai Qianzhan"	Shanghai Qianzhan Innovation Research Institute Co., Ltd. (上海前瞻創新研究院有限公司), a limited liability company established under the laws of the PRC on 8 January 2019, in which the Company held 10% equity interest and was accounted for as an associate of the Company before its disposal in May 2023
"Shanghai Top"	Shanghai Tuopu CNC Technology Co., Ltd. (上海拓璞數控科技有限公司), a limited liability company established under the laws of the PRC on 18 May 2007 and the predecessor of our Company
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB0.10 each, comprising Domestic Shares and H Shares
"Shareholders(s)"	holder(s) of the Share(s)
"SJTU"	Shanghai Jiao Tong University (上海交通大學)
"sq. m."	square metre(s)
"Stabilising Manager"	Guotai Junan Securities (Hong Kong) Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	supervisor(s) of our Company
"Suzhou Top"	Suzhou Top Technology Co., Ltd. (蘇州拓璞科技有限公司), a limited liability company established under the laws of the PRC on 20 June 2022 and a direct wholly-owned subsidiary of our Company
"Takeovers Code" or "Hong Kong Takeovers Code"	The Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Top Software"	Shanghai Top Software Technology Co., Ltd. (上海拓璞軟體技術有限公司), a limited liability company established under the laws of the PRC on 10 August 2011 and a direct wholly-owned subsidiary of our Company
"Topfab Control"	Topfab Control Limited, a limited liability company established under the laws of Hong Kong on 22 April 2026 and an indirect wholly-owned subsidiary of our Company
"Track Record Period"	the three years ended 31 December 2023, 2024 and 2025

"Tuoxian Technology"	Shanghai Tuoxian Technology Partnership (Limited Partnership) (上海拓賢科技合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on 19 December 2018, an employee share ownership platform controlled by Dr. Wang, and is one of our Controlling Shareholders
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Zhongtuo Technology"	Zhongtuo Technology (Jiangsu) Co., Ltd. * (眾拓航空航天科技(江蘇)有限責任公司), a limited liability company established under the laws of the PRC on 31 January 2018, in which the Company holds 18% equity interest
"Zhuanqiao Production Base"	our production base in Zhuanqiao Town, Minhang District, Shanghai City, the PRC
"%"	percent

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

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

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

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

"3C electronics"	the abbreviation for "computer, communication and consumer"
"3D-printed cellular"	3D printing of lattice structures
"AI"	the abbreviation for "artificial intelligence"
"arc-second"	a unit of measurement of plane angle, equal to 1/3600 of a degree and 1/1296000 of a full rotation
"boring"	a machining process used to enlarge, finish, or accurately size a pre-existing hole in a workpiece, typically using a single-point cutting tool that rotates and removes material along the inner diameter of the hole, often employed to improve hole precision, straightness, or surface finish
"C909"	Comac 909, originally named ARJ21 (Advanced Regional Jet for 21st Century), a regional jet airliner developed by Commercial Aircraft Corporation of China, Ltd., and was granted the commercial name "C909" in November 2024
"C919"	Comac C919, a narrow-body airliner developed by Commercial Aircraft Corporation of China, Ltd.
"CAGR"	the abbreviation of "compound annual growth rate", which is calculated by dividing the amount at the end of the period by the amount of the beginning of that period, raising the result to an exponent of one divided by the number of years in the period, and subtracting one from the subsequent result
"carbon fiber composite"	a composite in which at least one of the fillers is carbon fibers, either short or continuous, unidirectional or multidirectional, woven or nonwoven
"CMTBA"	the abbreviation for "China Machine Tool & Tool Builders Association"
"CNC"	the abbreviation for "computerised numerical control"
"CNC system"	the abbreviation for "computerised numerical control system", a computer-based control system that interprets digital programme codes to automate and precisely control the movement of machine tool axes, spindle speed, tool changes, and other machining operations

"controller"	a device that uses pre-programmed software or numerical codes to manage and coordinate the movement, speed, and operation of machine tools, ensuring precise and efficient manufacturing processes
"control system"	a combination of hardware and software components that manages and regulates the operation of a machine tool, ensuring it follows programmed instructions accurately
"cutting tool"	a specialised instrument installed on the machine tool used in machining processes to remove material from a workpiece to achieve precise shapes, dimensions, and surface finishes, typically made of hard materials
"crossbeam"	a horizontal structural component that spans across the vertical columns or supports of the machine tool, which typically holds or guides moving parts to ensure precise horizontal movement and alignment during machining operations
"column"	a vertical structural pillar that provides rigid support for key components to maintain structural stability and guides vertical during machining processes
"direct numerical control (DNC)"	a manufacturing system where multiple machine tools are controlled directly by a central computer, which sends real-time instructions and coordinates their operations without intermediate data storage on individual machines
"digital twin technology"	a technology that creates a virtual replica of a physical asset, process, or system, using real-time data to simulate its behaviour, monitor performance, predict failures, and optimise operations throughout its lifecycle
"drilling"	a machining process using a rotating drill bit to create cylindrical holes in a workpiece by removing material through cutting or abrasion
"dual five-axis mirror milling machine"	a specialised milling machine equipped with two five-axis machining units that operate in a coordinated, mirrored manner to simultaneously machine both sides of a symmetrical workpiece, improving efficiency and precision
"encoder"	a device that converts mechanical motion into electrical signals, providing real-time feedback on position, speed, or direction to a machine tool's control system for precise motion control

"ERP"	enterprise resource planning systems that integrate internal and external management information across an entire organisation, embracing finance and accounting, manufacturing, sales and service and customer relationship management, and automate these activities with an integrated software application
"feed axes"	the linear or rotational axes that control the movement of the workpiece or tool relative to each other, determining the path and speed of material removal during machining
"feed rate"	the relative velocity at which the cutter is advanced along the workpiece
"fixture"	a work-holding device used in manufacturing to securely position and clamp a workpiece during machining, assembly, or inspection, ensuring accuracy and repeatability
"five-axis RTCP accuracy"	refers to the precision of a five-axis CNC machine tool in maintaining the rotation tool center point functionality, which ensures the tool tip remains at a fixed point relative to the workpiece during simultaneous multi-axis movements, compensating for rotational axis errors to maintain machining accuracy
"friction stir welding five-axis machine tool"	a specialised five-axis CNC machine tool designed for friction stir welding, a solid-state welding process that uses a rotating tool to generate heat through friction, plasticizing materials at the joint interface for welding without melting, enabling complex trajectory control for welding curved or three-dimensional components
"FVTPL"	the abbreviation for "fair value through profit and loss"
"GACC"	the abbreviation for "General Administration of Customs China"
"grating ruler"	an optical measuring device consisting of a scale with fine parallel lines and a readhead that detects changes in light interference to provide precise linear position feedback for machine tools
"ISO"	the International Organisation for Standardisation, an independent non-governmental organisation based in Geneva, Switzerland, which develops international standards relating to specifications for products, services and systems to ensure quality, safety and efficiency
"kg"	the abbreviation for "kilogramme(s)"

"linear axis feed rate"	the speed at which a linear axis of a machine tool moves the workpiece or tool along its designated path during machining
"localization rate"	the proportion of market share held by domestic suppliers within the industry
"low-altitude economy"	economic activity in the airspace below 1,000 meters
"manufacturing automation protocol (MAP)"	a standardised communication protocol developed for intelligent manufacturing systems, enabling interoperability and data exchange between different devices to coordinate production processes
"machine tool bed"	the foundational structural component of a machine tool, providing a rigid and stable base for mounting other components and supporting the workpiece during machining to minimise vibration and ensure accuracy
"milling"	a machining process in which a rotating multi-tooth cutter removes material from a workpiece to create flat surfaces, slots, contours, or complex shapes
"MIIT"	the abbreviation for "Ministry of Industry and Information Technology"
"MIR"	the abbreviation for "Marketing Intelligence Resource"
"Nm"	newton meter, a unit of measurement of torque, equal to the torque resulting from a force of one newton applied perpendicularly to the end of a moment arm that is one meter long
"processing stroke range"	the maximum and minimum travel limits of a machine tool's moving components during machining, defining the spatial scope within which material can be processed
"Recommend Standard 232 (RS-232)"	a serial communication standard specifying electrical characteristics, voltage levels, and data formats for transmitting data between devices, typically used for short-distance communication in industrial control systems
"Recommend Standard 485 (RS-485)"	a serial communication standard designed for multi-device, long-distance data transmission in balanced mode, supporting higher noise immunity and longer cable lengths than RS-232
"riveting"	a mechanical joining process in which a rivet is inserted through holes in multiple workpieces and deformed to clamp the pieces together, creating a permanent joint

"rotary axis"	a rotational motion axis in a machine tool that enables the workpiece or tool to rotate around a linear axis, allowing for multi-axis machining of complex curved surfaces
"rotary axis positioning accuracy"	the degree of precision with which a rotary axis can achieve and maintain a specified rotational position, typically measured as the deviation from the nominal position due to mechanical tolerances or control system errors
"RTCP"	the abbreviation for "rotation tool center point"
"R&D"	the abbreviation for "research and development"
"saddle"	a movable component in machine tools that supports the cross-slide or table and slides along the bed, enabling horizontal movement perpendicular to the main cutting direction
"turning"	a machining process where a workpiece rotates on a lathe, and a stationary cutting tool removes material to create cylindrical or rotational shapes, typically used for symmetrical parts
"tool spindle"	the rotating component of a machine tool that holds and drives the cutting tool, providing rotational speed and torque for material removal
"UAV"	the abbreviation for "unmanned vehicle system", an aircraft that operates without a human pilot on board, controlled remotely or autonomously
"μm"	micrometer, a unit of measurement of length, equal to one-millionth of a meter

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

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as "may", "will", "should", "would", "could", "believe", "expect", "anticipate", "intend", "plan", "continue", "seek", "estimate", or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our business prospects;
- our business strategies and plans to achieve these strategies;
- future developments, trends and conditions in and competitive environment for the industries and markets in which we operate;
- general economic, political and business conditions in locations where we operate;
- our financial condition and performance;
- our capital expenditure plans;
- our dividend policy;
- changes to the regulatory environment, policies, operating conditions of and general outlook in the industries and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licences or permits;
- the amount and nature of, and potential for, future development of our business;
- the actions of and developments affecting our competitors;
- the actions of and developments affecting our major customers and suppliers; and
- certain statement in the sections headed "Risk Factors", "Industry Overview", "Regulatory Overview", "Business", "Financial Information", "Relationship with our Controlling Shareholders" and "Future Plans and Use of Proceeds" with respect to trends in interest rates, foreign exchange rates, prices, volumes, operations, margins, risk management and overall market trends.

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

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

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

We believe there are certain risks and uncertainties involved in our operations and the industry, some of which are beyond our control. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISKS RELATING TO OUR INDUSTRY

Demand for our products depends on, among other things, the trends and developments in the downstream industries and the condition of the global economy.

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

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

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

The demand for our products depends on the general market demand for five-axis CNC machine tools in China. Development of the five-axis CNC machine tool market in China depends on factors including (i) continuous government support through subsidies and purchase incentives, (ii) receptivity of five-axis machine tools in the general industrial market due to its high technical complexity and (iii) ongoing industrial structure upgrading in China towards high-end manufacturing. Furthermore, a significant portion of our revenue is generated from the sales of aviation and aerospace intelligent manufacturing equipment, which depends on the rocket launches and commercial spaceflight and civil aviation market in China. If there are major changes in the future development in the five-axis CNC machine tools industry in China, our business, financial condition, results of operations, and prospects will be materially and adversely affected.

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

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

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

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

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

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

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

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

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

RISKS RELATING TO OUR BUSINESS

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

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

Given the lengthy process from commencement of our production to completion as discussed above, the potential of disagreement on the technical specification, quality of our products and timetable between our customers and our Company would naturally increase as time goes by. During the Track Record Period, we have experienced delay in delivery against the agreed deadline with our customers, leading to an incident of a delayed delivery penalty of RMB8.1 million to Customer D (one of our top five customers in FY2023) in FY2023. For details, see "Financial Information – Inventories" in this prospectus. If any customer attempts to enforce the penalty clause or cancel sales contracts with us in the event of delay delivery, our results of our operation may be adversely affected.

In addition, the prolonged lead time and acceptance process lengthens our revenue cycle. In general, our revenue is recognised when we transfer control of goods to customers (i.e. upon acceptance of product delivery by customers). The longer it takes for our products to be accepted by customer means the longer our revenue cycle is. This is compounded by uncertainties beyond our control, including product types for future orders and customers' readiness to accept delivery. If we are not able to shorten our revenue cycle effectively, our financial condition and results of operations could be materially and adversely affected.

Furthermore, the prolonged lead time and acceptance process also give rise to liquidity risks. We adopt a milestone-based payment schedule in general. During the Track Record Period, approximately RMB288.4 million, RMB286.0 million and RMB187.1 million of our revenue was contributed by SOEs, which amounted to approximately 86.2%, 53.8% and 32.4% of our total revenue for each of the years during the Track Record Period. We in general target to follow a "3-3-3-1" milestone-based payment schedule for SOEs customers (i.e. (i) 30% deposit upon execution of contract; (ii) 30% upon pre-acceptance approval; (iii) 30% upon final acceptance approval, and (iv) 10% upon fulfilment of warranty service). SOEs often impose budgetary freezes at the beginning of their fiscal years, during which payments may be suspended for several months. SOEs are also subject to longer settlement audit period as the internal approval processes are generally more complicated and require multiple rounds of negotiations with multiple levels of responsible person to determine final settlement. It follows that, in addition to long revenue cycle, prolonged lead time and final acceptance as aforementioned would also mean delay in settlement of a significant part of contract sum. For FY2023, FY2024 and FY2025, while our inventory turnover days was 849 days, 583 days and 357 days, respectively, our trade payable turnover days for the corresponding year were significantly shorter, being 347 days, 204 days and 125 days, respectively. Cash flow time lags between receiving payments from our customers and making payments to our suppliers expose us to cash flow pressure and liquidity risks. In particular, the prolonged cash conversion cycle in respect of sales to SOEs, particularly in the aerospace and aviation sectors, is generally longer than that for sales to non-SOEs. For FY2023, FY2024 and FY2025, our cash conversion cycle in respect of sales to SOEs was 495 days, 468 days and 617 days, respectively, and our cash conversion cycle in respect of sales to non-SOEs was 1,002 days, 395 days and 169 days, respectively.

There is no assurance that we can manage such risks effectively or at all nor we will be able to maintain sufficient working capital to support our daily operation. If our liquidity position deteriorates, we may need to decelerate the payments to our suppliers to manage the magnitude of such cash flow mismatch, which may subject us to breach of contracts with them.

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

R&D and technological innovation is critical to the improvement of our product quality and performance parameters such as operational speed, precision and working range. In FY2023, FY2024 and FY2025, we incurred substantive R&D expenses of RMB89.9 million, RMB85.9 million and RMB106.8 million, respectively.

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

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

We have been protecting the proprietary technologies that we consider commercially important by, among others, filing patent applications in China and other jurisdictions. As at the Latest Practicable Date, our Group had over 90 registered patents and filed over 40 patent applications which were pending approval. The patent application process may be expensive and time-consuming, and we may not be able to file all necessary or desirable patent applications at a reasonable cost or in a timely manner, if at all. In addition, we may fail to identify patentable aspects of our R&D outputs. As a result, we may not be able to prevent competitors from developing and commercialising competitive products in all such fields.

Patents may be invalidated, and patent applications may not be granted for several reasons, including deficiencies in the patent application or the lack of novelty of the underlying invention or technology. Even if our patent applications are successfully granted, our competitors may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. Therefore, the grant of a patent application is not conclusive as to its validity or enforceability.

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

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

In FY2023, FY2024 and FY2025, revenue contribution from our five largest customers accounted for 92.7%, 79.5% and 80.1% of our total revenue for each of the years during the Track Record Period, whereas revenue contribution from our largest customer accounted for 58.4%, 24.4% and 48.1% of our total revenue for each of the years during the Track Record Period. Also, major contracts we entered into during the Track Record Period came from a limited number of customers. Our major completed and ongoing sales contracts with contract value exceeding RMB50 million during the Track Record Period and up to the Latest Practicable Date came from six customers only. For details, see "Business – Our Customers" and "Business – Sales" in this prospectus. Our results of operation and financial condition will continue to depend on (i) our ability to continue to obtain sizable orders from these major customers, (ii) the financial condition and machining needs of these customers, and (iii) factors which affect the development of our various downstream industries particularly the aviation and aerospace sector. Any material delay, cancellation or reduction of sales orders from our major customers could cause our sales volume to decline significantly, and in any such event, our results of operations may be materially and adversely affected. Furthermore, as we generally supply our products to customers on an order-by-order basis, we cannot assure you that our existing major customers will continue to place orders with us at historical levels, nor can we assure that we are able to secure comparable levels of business from our other customers to offset any loss of revenue from losing one or more of these major customers.

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

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

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

The principal parts and components we use in our production mainly comprise control systems, structural components such as machine tools beds and machine tool accessories, and mechanical components such as controllers, rotary axes and spindles, which may be subject to price fluctuations or shortages. For FY2023, FY2024 and FY2025, raw materials amount to approximately 90.1%, 87.4% and 81.1% of our total cost of sales, respectively. Any sudden or significant increases in the prices of our principal parts and components for our production may materially and adversely affect our profit margin and results of operations. We cannot assure that we will be able to transfer the increase in production costs to our customers without affecting our sales volume in the future, failure of which will materially and adversely affect our profit margin and results of operations.

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

We may not be able to maintain effective quality control, which may lead to product recalls, product liability claims and order adjustment and may have a material adverse effect on our business, reputation, financial condition and results of operations.

Our products are technically complex and may be subject to failure, accidents or other malfunctions. While we conduct technical assessments for new orders, such assessments may not reflect practical difficulties that we may face during production, on-site installation, adjustment and testing. Consequently, we may not be able to deliver our products as agreed with our customers in a timely manner or at all. In such events, we may not be able to recognise revenue as expected or recoup our costs incurred for production, and we may be subject to contractual penalty as we fail to deliver as agreed. Any such event may also damage our reputation and adversely affect our business in the future. For instance, we were not able to accurately pre-assess the technical requirements of an order by Customer D. As a result, we could not deliver products as initially contemplated which led to an order adjustment that reduced the contract value and had incurred a penalty for late delivery in FY2023. For details, see "Financial Information – Description of Selected Items of the Consolidated Statements of Financial Position – Inventories – Order adjustment by Customer D" in this prospectus.

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

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

We typically make our production plans based on our production schedules. In order to ensure the sufficiency of our production capacities and timely delivery of products, we generally stock commonly-used parts and components to facilitate rapid assembly. As at 31 December 2023, 2024 and 2025, our inventories amounted to RMB588.5 million, RMB486.1 million and RMB255.4 million, respectively, representing 62.3%, 65.4% and 33.8% of our total current assets, respectively. As at 31 December 2023, 2024 and 2025, we incurred provision for impairment losses on inventories of RMB74.2 million, RMB48.8 million and RMB45.8 million. For FY2023, FY2024 and FY2025, our inventory turnover days were 849, 583 and 357, respectively. For details, please see "Financial Information – Description of Selected Items of Consolidated Statements of Financial Position – Inventories" in this prospectus.

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

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

Attracting and retaining key individuals, such as key management, R&D team members, operational staff and sales representatives, are critical to our business. The competition for highly skilled employees in our industry is increasingly intense. Changes in our management team may also occur from time to time, and we cannot predict whether significant resignations will occur or whether we will be able to recruit qualified replacement. In addition, changes in the interpretation and application of employment-related laws to our workforce practices may result in increased operating costs and less flexibility in how we meet our changing workforce needs. Furthermore, to help attract, retain and motivate key individuals, employee incentives such as share incentive schemes have been, and will continue to be, an important part of our compensation. Our employee recruitment and retention also depend on our ability to build and maintain a diverse and inclusive workplace culture. If our share-based payments, compensation programmes and/or workplace culture cease to be viewed as competitive, our ability to attract, retain and motivate key individuals would be weakened, which would in turn materially and adversely affect our business, results of operations and financial condition.

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

As at the Latest Practicable Date, we maintained 14 leased properties in the PRC and two leased properties in Germany, mainly used as production base, office, warehouse and staff dormitories. For details, see "Business – Properties – Leased Properties" in this prospectus. Our leases may be terminated unexpectedly due to various reasons, such as the landlord opting to repurpose the property, financial disputes, or breaches of lease terms. Such terminations could force us to find alternative premises quickly, potentially at higher costs or less favourable locations, impacting our operational efficiency and increasing costs. Inflationary pressures or changes in the real estate market could also exacerbate this issue, leading to increased operational costs and potentially limiting our flexibility in business operations. In addition, as at the Latest Practicable Date, 11 of our leases in the PRC had not been filed with the governmental authorities. The failure to file and obtain property leasing filing certificates for such leases, as required under PRC laws, may subject us to a fine ranging from RMB1,000 to RMB10,000 for each lease agreement not registered and filed.

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

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

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

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

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

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

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

Due to our industry nature, part of our revenue is derived from contracts awarded through tendering and such contracts are not recurring in nature. During the Track Record Period, our tender success rates were approximately 22.7%, 20.0% and 38.5%, respectively. We cannot guarantee that we will be invited to participate in the tender process and even if we are invited, our tender success rate is influenced by factors including (i) our production capacity; (ii) the number of tenders submitted by our Group and (iii) the pricing and other terms and conditions offered by our competitors. Therefore, we cannot assure you that we will succeed in the tender process and we may not be able to maintain or increase our tender success rate.

We recorded a net loss in FY2023 and a net profit in FY2024 and FY2025. We may not be able to maintain our net profit position in the future, which may affect our business sustainability.

We recorded net loss of RMB62.3 million for FY2023. Although we have recorded net profit of RMB6.9 million and RMB1.6 million for FY2024 and FY2025, we cannot assure that we will continue to be profitable in the future. Our ability to become profitable in the future will not only depend on our efforts to sell our products but also to control our costs. If we are unable to adequately expand our sales while controlling the costs associated with our operations, we may experience losses in the future. Our ability to achieve profitability depends in part on our ability to manage our future development effectively, such as our ability to successfully expand our business and manufacturing capacities, manage growing scales of operations, form economies of scale, and improve production efficiency. We intend to continue to invest substantially in the foreseeable future in enhancing our R&D capabilities and expand our sales and marketing network. For details, see "Future Plans and Use of Proceeds" in this prospectus. However, such plans may not materialise or develop as timely and to the extend as expected, in which case we may not achieve profitability as planned or at all.

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

We recorded net cash used in operating activities of approximately RMB258.1 million and RMB53.9 million in FY2023 and FY2024, respectively. For details, see "Financial Information – Liquidity and Capital Resources – Cash Flows" in this prospectus. While we recorded net cash flows from operating activities of approximately RMB25.4 million in FY2025, we cannot guarantee that we will be able to generate positive cash flows from operating activities in the future. In particular, we cannot predict the amount and timing of billing to or receipts from our customers, primarily due to uncertainties such as the delivery schedule of raw materials and changes in customer requirements. Net cash used in operating activities may materially and adversely affect our liquidity and financial conditions, and hence may require us to obtain sufficient external financing to meet our financial needs and obligations. If we rely on external financing to generate additional cash, we will incur financing costs and we cannot assure you that we will be able to obtain external financing on terms acceptable to us, or at all.

We may face competition from six or more axis manufacturing equipment

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

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

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

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

We offer a warranty of one to two years for products with defects, or products which do not satisfy product specification, or fall short of quality standards agreed with our customers to be repaired for free. Our warranty provisions were RMB10.0 million, RMB17.4 million and RMB20.2 million as at 31 December 2023, 2024 and 2025, respectively. If our warranty provisions are inadequate to cover future warranty claims on our products, our financial condition, results of operations, and cash flows could be materially and adversely affected. We expect to record and adjust warranty provisions based on changes in estimated costs and actual warranty costs. However, since the five-axis CNC machine tools industry in China is emerging, and there is a general lack of historical data and experience for the return rate of the defective components, we have limited data for estimating warranty provisions. In the future, we may be subject to significant and unexpected warranty expenses. We cannot assure you that the then-existing warranty provisions will be sufficient to cover all claims.

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

During the Track Record Period, we were granted with the qualification of High and New Technology Enterprise and have enjoyed a preferential enterprise income tax rate of 15%. In addition, according to the relevant PRC laws and regulations, enterprises engaging in R&D activities are entitled to super deductible allowance for qualified R&D costs. In FY2023, FY2024 and FY2025, we are entitled to claim 220% of our research and development costs. We recorded income tax expenses of RMB71 thousand, nil and nil in FY2023, FY2024 and FY2025, respectively. For details, see Note 10 to the Accountants' Report set forth in Appendix I to this prospectus.

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

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

For FY2023, FY2024 and FY2025, we recognised government grants and subsidies of RMB22.3 million, RMB9.3 million and RMB24.0 million, respectively. For more details in relation to the government grants and subsidies we received, please see "Financial Information – Key Components of our Consolidated Income Statements – Other Income and Gains" in this prospectus. Government grants and subsidies we received are uncertain and are subject to certain criteria and procedures stipulated by the local government. We cannot assure that we will continue to receive government grants and subsidies or the PRC government will not impose new conditions for receiving the government grants and subsidies in the future. Local governments may switch the focus of their support of research and development activities and fixed assets investments to other industries over time. These factors, such as government's focus on industries and criteria for government grants and subsidies, are beyond our control. If we do not receive government grants and subsidies in subsequent periods after the Track Record Period or if the amount of government grants and subsidies we are entitled to decrease, our financial condition for such periods may be adversely affected.

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

Our sales contracts typically provide for payment of our products by several instalments, including (i) upfront payment upon execution of contract, (ii) second payment upon pre-acceptance testing approval, (iii) third payment upon final acceptance approval and (iv) final payment upon fulfilment of warranty service. Our contract assets are initially recognised for revenue from the sale of products related to the receipt of the consideration, which is conditional on fulfilment of the warranty service for sales of products. Upon the end of the warranty period, the amounts recognised as contract assets are reclassified to trade receivables. Our Group recorded contract assets of RMB17.5 million, RMB37.3 million and RMB25.0 million as at 31 December 2023, 2024 and 2025, respectively. For details, see "Financial Information – Description of Selected Items of the Consolidated Statements of Financial Position – Contract assets" in this prospectus. There is no assurance that we will be able to bill all or any part of contract assets for our sales of products completed according to the fulfilment of the warranty service for such sales of products.

Further, there can be no assurance that our customers will settle our invoices on time and in full. As at 31 December 2023, 2024 and 2025, our trade receivables (net of impairment loss) was RMB86.5 million, RMB43.9 million and RMB182.9 million. In the event that we are unable to collect a substantial portion of our trade and bills receivables within the payment terms or at all, our cash flows and financial positions will be adversely affected.

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

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

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

During the Track Record Period, we recorded fair value losses on investments measured at fair value through profit or loss ("**FVTPL**") of RMB7.4 million, RMB4.4 million and nil in FY2023, FY2024 and FY2025, respectively, which related to our investments in Chengdu Yongfeng and Zhongtuo Technology.

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

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

Our production involves the operation of heavy production machinery and equipment that could result in industrial accidents which may cause injuries or deaths. We cannot assure you that industrial accidents, whether due to malfunction of machinery or any other reasons, will not occur in the future at our production facilities. If such incident happens, we may be liable for loss of life, medical expenses and medical leave payment. In addition, we may experience interruptions in our operations and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures as a result of such industrial accidents. Any of the foregoing may materially and adversely affect our business, results of operations and financial condition.

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

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

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

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

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

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

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

We have made investments in recent years including in Chengdu Chenfei and Zhongtuo Technology. We expect to continue to evaluate and consider investments and acquisitions that we believe can extend and solidify our established position as part of our overall business strategy. Such investments and acquisitions may involve significant challenges and risks, including (i) difficulties integrating into our personnel, operations, products and services; (ii) disruption to our business and which increase our operational expenses; (iii) for investments over which we do not obtain management and operational control, the lack influence over the controlling partner or shareholder, which may prevent us from achieving our strategic goals in such investment; (iv) unforeseen or hidden liabilities or costs that may adversely affect us following our acquisition of such targets; (v) significant reduction of the value of our investments at FVTPL; and (vi) challenges in achieving the expected benefits of synergies and growth opportunities in connection with these acquisitions and investments. Any such incidents described above could disrupt our existing business and have a material adverse effect on our business, reputation, financial condition and results of operations.

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

We depend on the capabilities of our information systems to process and store our business and operate data on a timely and accurate basis. Our business activities could be materially disrupted if there is a partial failure or complete breakdown of any of our information systems. Such failure can be caused by reasons including natural disasters, accidental power failures, breakdown of key hardware and systems, software malfunction and computer viruses. The proper functioning of our information systems also depends on accurate and reliable data input and installation of ancillary systems, which are subject to error. Our competitiveness will to some extent depend on our ability to upgrade and optimise our information systems on a timely and cost-effective basis. Any failure to improve or upgrade our information systems effectively or on a timely basis could materially and adversely affect our competitiveness, results of operations and financial condition.

RISKS RELATING TO INTERNATIONAL SANCTIONS AND OTHER REGULATIONS

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

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

During the Track Record Period, we sold products to certain customers (the "**Relevant Customers**") and purchased/acquired supplies/products from certain supplier (the "**Relevant Suppliers**") (Relevant Customers and Relevant Suppliers together as the "**Relevant Parties**") which are either (i) placed on the list of Specially Designated Nationals and Blocked Person (the "**SDN List**") maintained by the Office of Foreign Assets Control (the "**OFAC**") or subject to asset freeze under The Russia (Sanctions)(EU Exit) Regulations 2019 (the "**UK Regulation**") subsequent to our sales or procurement; or (ii) subject to export control under the Export Administration Regulations (the "**EAR**") which the Group did not exceed the relevant *de minimis* level of U.S.-origin product. During the Track Record Period, our Group did not conduct (i) any sales or procurement with any entities placed on the SDN list and subject to the UK Regulation at the relevant time; or (ii) any sales which exceed the relevant *de minimis* level of U.S.-origin product under the relevant EAR; and our International Sanctions Legal Advisor did not consider that our Group's businesses with the Relevant Suppliers and the Relevant Customers during the Track Record Period would have implicated any material sanction risks. For illustration purposes, in relation to FY2023, FY2024 and FY2025, (i) our procurement from the Relevant Suppliers amounted to approximately RMB0.07 million, RMB0.65 million and RMB0.04 million, representing approximately 0.03%, 0.20% and 0.01% of our total cost of sales, respectively; and (ii) our total revenue derived from the Relevant Customers was approximately RMB29.55 million, RMB123.65 million and RMB24.87 million, respectively, representing approximately 8.83%, 23.26% and 4.46% of our total revenue, respectively.

However, sanction orders, laws and regulations are constantly evolving, and new targeted groups of companies, persons or organisations are regularly added to the list of sanctioned targets administered by the Relevant Sanctions Authorities. New orders, laws or restrictions could increase the obstacles for us to conduct our business internationally, and some or all of our products may be deemed subject to stricter sanctions, trade or export control restrictions in the future, including the possibility of the lowering of any relevant *de minimis* level of U.S.-origin product. Further, the Relevant Sanctions Authorities at any time could introduce new executive orders, laws or regulations along with its relevant business transaction winding down date and upcoming sanctions, trade or export control effective date.

In the event that the Relevant Parties or any of our other business partners is or in the future become subject to other or additional economic sanction, prohibition, trade restrictions or export control measures by the U.S. and other relevant jurisdictions in the future, we may have to discontinue our business with such business partners due to laws and regulations, and may also materially and adversely affect our ability to acquire or use technologies, systems, devices or components that may be critical to our products and business operations. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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

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

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

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

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

In addition, the Outbound Investment Rule could still limit our ability to raise capital or future funding from U.S. investors after the Global Offering as the relevant laws, regulations, and policies continue to develop. We cannot rule out the possibility of being deemed as a Covered Foreign Person in the future due to different views taken by the U.S. Department of the Treasury, potential amendments to the Outbound Investment Rule or the introduction of similar regulations. If our ability to raise capital from U.S. Investors is significantly and negatively affected, it could be detrimental to our business, financial condition and prospects. In such circumstances, the value of our H Shares may be significantly and adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE PRC

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

We conduct our business and generate substantially all of our revenue in the PRC. As a result, economic developments in the PRC have a significant effect on our business, financial condition and results of operations, as well as our prospects. The global economy may continue to deteriorate in the future and continue to have an adverse impact on the PRC's economy. Any significant slowdown in the PRC's economy could have a material adverse effect on our business and operations. In particular (i) during a period of economic slowdown, there is a greater likelihood that more of our customers or contractual parties could become delinquent in respect of their obligations to us; (ii) we may not be able to raise additional capital on favourable terms, or at all; or (iii) trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in economies and materially and adversely affect our business and prospects.

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

Under the PRC laws and regulations, there are several filing procedures and other requirements imposed on future capital raising activities and future major events, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") promulgated on 17 February 2023. For details, see "Regulatory Overview – PRC Laws and Regulations – Laws and Regulations in Relation to Overseas Listing" in this prospectus. The interpretation, application and enforcement of Trial Measures are subject to changes.

If it is determined that we are subject to any filing or other authorisation or requirements of the CSRC or other PRC governmental authorities for future fund-raising activities or other major events, and we fail to complete such filing or meet such requirements in a timely manner or at all, we may need to postpone or terminate our future fund-raising activities if any. Any possible change or negative publicity regarding such filing or other requirements stated above could materially and adversely affect our business, prospects financial condition.

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

During the Track Record Period, substantially all of our revenues and expenditures were denominated in RMB, while the net proceeds from the Global Offering will be in HK dollars. Fluctuations in the exchange rate between the RMB and the HK dollar will affect the relative purchasing power in RMB terms of the proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by us.

We cannot assure that the RMB will not appreciate or depreciate significantly in value against other currencies in the future. To date, we have not entered into any hedging transactions to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

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

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

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

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

The investment activities of foreign investors in the PRC are subject to certain regulations regarding the industry participated and imposed to additional verification procedures by certain authorities. The Special Management Measures (Negative List) for the Access of Foreign Investment (2024) (《外商投資准入特別管理措施(負面清單) (2024年版)》, the "**Negative List**") issued by the National Development and Reform Commission of China (the "**NDRC**") and MOFCOM, which set out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are prohibited for foreign investment. The Negative List covers 11 industries, and any field not covered shall be administered under the principle of equal treatment to domestic and foreign investment. As at the Latest Practicable Date, none of the Group's businesses in China fall within the Negative List. However, certain industries are specifically prohibited for foreign investment, which may restrict us from entering into these industries afterwards.

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

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

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realised upon the sale or other disposition of H Shares. Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the IIT Law and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家税務總局關於個人所得税若干政策問題的通知》) issued by the MOF and SAT on 13 May 1994, the income gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempted from individual income tax for the time being. In addition, under the IIT Law and its implementation regulations, non-PRC resident individual holders of H shares are subject to individual income tax at a rate of 20% on gains realised upon the sale or other disposition of H shares. However, pursuant to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) issued by the MOF and the SAT on 30 March 1998, from 1 January 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax. There is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H shares.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those have establishments or premises in China but whose income is not related to such establishments or premises, under the EIT Law and its implementation regulations, dividends paid by us and gains realised by such foreign enterprises upon the sale or other disposition of H Shares are typically subject to PRC enterprise income tax at a 20% rate. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) issued by SAT on 6 November 2008, the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares has been reduced to 10% and we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval.

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

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

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

All of our executive Directors and executive officers reside within China, and substantially all of our assets are located within China. It may be difficult for investors to effect service of process upon us or our executive Directors and executive officers inside China or to enforce against us or them in China any judgements obtained from non-PRC courts.

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

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

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

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

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

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

The trading price of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, a number of mainland China-based companies have listed their securities in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards mainland China-based companies listed in Hong Kong and consequently may impact the trading performance of our H Shares. Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all existing Shareholders could not dispose of any of the Shares held by them. Due to such lock-up requirement, the liquidity and trading volume of the H Shares in the short term following the Global Offering may be significantly affected. These factors may significantly affect the market price and volatility of our H Shares, regardless of our actual operating performance.

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

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

You will incur immediate and substantial dilution and may experience further dilution if we issue additional Shares in the future.

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

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

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

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

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

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

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

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

Certain facts, forecasts, indicators and other statistics contained in this prospectus relating to the PRC and other countries and regions and the intelligent manufacturing equipment industry have been derived from various official government publications. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Global Coordinator, the Bookrunner, the Lead Manager, the Capital Market Intermediaries or any of the Underwriters or any of our respective directors, affiliates or advisors or any other parties involved in the Global Offering and, therefore, none of them make any representation as to the accuracy, completeness, quality or reliability of such facts, forecasts, indicators and other statistics, which may not be consistent with other information compiled within or outside of the PRC.

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

There may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media or research analyst coverage regarding us, our business, our industry and the Global Offering.

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

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

In preparation for the Global Offering, we have applied to the Stock Exchange for the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

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

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

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

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

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

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

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

Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties. The Compliance Adviser will also provide advice to our Company when consulted by our Company in compliance with Rule 3A.23 of the Listing Rules; and

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

JOINT COMPANY SECRETARIES

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

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable: (a) a member of The Hong Kong Chartered Governance Institute; (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's: (a) length of employment with the issuer and other issuers and the roles he/she played; (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code; (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and (d) professional qualifications in other jurisdictions.

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

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

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

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

CONSENT IN RESPECT OF THE PROPOSED SUBSCRIPTION OF OFFER SHARES BY CONNECTED CLIENTS

Paragraph 1C(1) of Appendix F1 to the Listing Rules (the "**Placing Guidelines**") states that, without the prior written consent of the Stock Exchange, no allocations will be permitted to "connected clients" of the overall coordinator(s), any syndicate member(s) (other than the overall coordinator(s)) or any distributor(s) (other than syndicate member(s)).

Paragraph 1B (7) of the Placing Guidelines states that "connected clients" in relation to an exchange participant means any client of such member who is a company which is a member of the same group of companies as such exchange participant.

Paragraph 5 to Chapter 4.15 of the Guide provides that the Stock Exchange will ordinarily give its consent for allocation to connected clients if it is satisfied that: (i) the allocation to a connected client represents genuine demand for securities of an applicant; and (ii) the connected client has not taken/ will not take advantage of its position to receive an allocation for its own benefit at the expense of other placees or the public (i.e. no actual or perceived preferential treatment has been given to such connected client).

Each of Fullgoal Asset Management (HK) Limited ("**Fullgoal HK**") and Fullgoal Fund Management Co., Ltd. ("**Fullgoal Fund**") has entered into a cornerstone investment agreement with the Company, the Joint Sponsors and the Overall Coordinators to subscribe for the Offer Shares. Fullgoal HK is a wholly owned subsidiary of Fullgoal Fund, which is owned by Guotai Haitong Securities Co., Ltd. (stock code: 2611.HK/601211.SH) ("**Guotai Haitong**") as to 27.775%. Guotai Haitong does not control the investment decisions of each of Fullgoal HK and Fullgoal Fund. Investment decisions of each of Fullgoal HK and Fullgoal Fund are made by their investment managers, who are independent of Guotai Haitong, on a discretionary basis on behalf of their clients. As Guotai Junan Securities (Hong Kong) Limited ("**GTJA Securities**"), one of the Overall Coordinators and Underwriters of the Global Offering, is a subsidiary of Guotai Haitong, each of Fullgoal HK and Fullgoal Fund is considered as a member of the same group of companies as GTJA Securities and therefore each of them is a "connected client" of GTJA Securities for the purpose of paragraph 1B(7) of Appendix F1 to the Listing Rules.

Shanghai Minhang Financial Investment Development Co., Ltd.* (上海閔行金融投資發展有限公司) ("**Shanghai Minhang**") is wholly owned by Shanghai Minhang District State-owned Assets Supervision and Administration Commission (上海市閔行區國有資產監督管理委員會). Shanghai Minhang has, through its wholly-owned subsidiary Shanghai Daling Wanxin Zhihang Private Equity Investment Fund Partnership Enterprise (Limited Partnership) (上海大零號灣心致領航私募投資基金合夥企業(有限合夥)), appointed Shanghai Guotai Haitong Securities Asset Management Co., Ltd. (上海國泰海通證券資產管理有限公司) ("**Shanghai Guotai**") as the investment manager of the "Guotai Haitong Junde QDII 3677 Single Asset Management Plan* (國泰海通君得QDII3677號單一資產管理計劃)" ("**Minhang QDII plan**") to enter into the cornerstone investment agreement to subscribe for the Offer Shares as a cornerstone investor.

As Shanghai Guotai is wholly owned by Guotai Haitong, Shanghai Guotai is an affiliate and a "connected client" of GTJA Securities for the purpose of paragraph 1B(7) of Appendix F1 to the Listing Rules.

We have applied for, and the Stock Exchange has granted, a consent under paragraph 1C(1) of Appendix F1 to the Listing Rules to permit each of Fullgoal HK, Fullgoal Fund and Shanghai Guotai (collectively, the "**Connected Client Cornerstone Investors**") to participate in the Global Offering as Cornerstone Investor on the following basis and conditions as set out in Paragraph 6 of Chapter 4.15 of the Guide:

(a) any Offer Shares to be allocated to each of the Connected Client Cornerstone Investors will be held on behalf of independent third parties;

(b) GTJA Securities has not participated, and will not participate, in the decision-making process or relevant discussions among the Company, the Overall Coordinators and the Underwriters as to whether Offer Shares will be allocated to the relevant Connected Client Cornerstone Investors;

(c) the cornerstone investment agreement does not contain any material term which is more favourable to the Connected Client Cornerstone Investors than those in other cornerstone investment agreements;

(d) no preferential treatment has been, nor will be, given to the Connected Client Cornerstone Investors by virtue of its relationship with GTJA Securities , other than the assured entitlement under the relevant cornerstone investment agreements;

(e) each of the Connected Client Cornerstone Investors confirms that to the best of its knowledge and belief, it has not received and will not receive preferential treatment in the allocation of Offer Shares in the Global Offering as a cornerstone investor by virtue of its relationship with GTJA Securities, other than the assured entitlement under the relevant cornerstone investment agreements;

(f) each of the Company, the Overall Coordinators, the Connected Client Cornerstone Investors, GTJA Securities has provided the Stock Exchange with written confirmations in accordance with Chapter 4.15 of the Guide; and (g) details of the cornerstone investments and details of the allocations will be disclosed in this prospectus and the allotment results announcement of our Company.

For further information about the relevant cornerstone investments, please refer to the section headed "The Cornerstone Investments" in this prospectus.

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

FILING PROCEDURES WITH THE CSRC

We filed with the CSRC for the application to list our H Shares on the Stock Exchange and the Global Offering on 27 May 2025. The CSRC subsequently confirmed our completion of filing application procedures on 2 April 2026. In completing such filing, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus. No other filings are required to be completed before the listing of the H Shares on the Stock Exchange.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus contains the terms and conditions of the Hong Kong Public Offering.

The listing of our H Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters. The International Offering is managed by the Overall Coordinators. The International Underwriting Agreement is expected to be entered into on or around 18 May 2026. For details of the Underwriters and the underwriting arrangements, see "Underwriting" in this prospectus.

The H Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as at any subsequent time.

For details of the structure of the Global Offering, including its conditions, see "Structure and Conditions of the Global Offering" in this prospectus. For the procedures for applying for our H Shares, see "How to Apply for Hong Kong Offer Shares" in this prospectus. For details of the arrangements relating to the Over-allotment Option and stabilisation, see "Structure and Conditions of the Global Offering" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the H Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus set out the terms and conditions of the Hong Kong Public Offering.

RESTRICTIONS ON OFFERS AND SALES OF THE H SHARES

Each person acquiring the H Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the H Shares to, confirm that he is aware of the restrictions on offers of the H Shares described in this prospectus.

No action has been taken to permit a public offering of the H Shares or the general distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, (i) our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and (ii) the H Shares to be converted from our existing Unlisted Shares. Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Wednesday, 20 May 2026. No part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(l) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the H Shares to be listed on the Stock Exchange pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made for the H Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares".

H SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained in the PRC and our H Share register of members will be maintained by our H Share Registrar, Tricor Investor Services Limited.

All Offer Shares will be registered on our H Share register of members. Dealings in the H Shares registered on our H Share register of members will be subject to Hong Kong stamp duty.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as such term is defined in the Listing Rules) of any of our Directors or any existing Shareholders or a nominee of any of the foregoing.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the H Shares or exercising any rights attaching to the H Shares. We emphasise that none of our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the H Shares or your exercise of any rights attaching to the H Shares.

EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rate:

HK\$1.00:RMB0.87581
US\$1.00:RMB6.8628

No estimation is made that any amounts in HK\$, RMB and US\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, the translated English names of the PRC and foreign national, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus are translations of their Chinese names and are included for identification purpose only. If there is any inconsistency, the names in their original languages shall prevail.

The English names of companies incorporated in the PRC are translations from their Chinese names and included for identification purpose only.

COMMENCEMENT OF DEALING IN THE H SHARES

Dealings in the H Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, 20 May 2026.

OTHER

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

DIRECTORS

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

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

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Guotai Junan Capital Limited** 26th–28th Floor, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong **CCB International Capital Limited** 12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Overall Coordinators and Joint Global Coordinators	**Guotai Junan Securities (Hong Kong) Limited** 26th–28th Floor, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong **CCB International Capital Limited** 12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Joint Bookrunners and Joint Lead Managers and Capital Market Intermediaries	**Guotai Junan Securities (Hong Kong) Limited** 26th–28th Floor, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong **CCB International Capital Limited** 12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong **SBI China Capital Financial Services Limited** 4/F, Henley Building, No. 5 Queen's Road Central, Hong Kong **BOCI Asia Limited** 26/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong **CMB International Capital Limited** 45/F, Champion Tower, 3 Garden Road, Central, Hong Kong

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The Landmark,
15 Queen's Road Central,
Hong Kong

as to PRC laws:
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Xuhui District,
Shanghai,
The PRC

as to German laws:
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	as to PRC laws: **Zhong Lun Law Firm** 22–31/F, South Tower of CP Center, 20 Jin He East Avenue, Chaoyang District, Beijing, The PRC
Auditors and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10F, Block B, Jing'an International Center, 88 Puji Road, Jing'an District, Shanghai, The PRC
Compliance Advisor	**Guotai Junan Capital Limited** 26th–28th Floor, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road, Hong Kong **CMB Wing Lung Bank Limited** 45 Des Voeux Road Central, Hong Kong

Registered Office, Headquarters and Principal Place of Business in the PRC	No. 888, Guanghua Road, Minhang District, Shanghai, The PRC
Principal Place of Business in Hong Kong	Room 1917, 19/F, Lee Garden One, 33 Hysan Road, Causeway Bay, Hong Kong
Company Website	https://www.topnc.com.cn *(Information contained on this website does not form part of this prospectus)*
Joint Company Secretaries	**Mr. Wang Jinsen (王勁森)** No. 888, Guanghua Road, Minhang District, Shanghai, The PRC **Mr. Yau Tsz Lun (游子麟)** *(Chartered secretary, chartered governance professional and associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute)* Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
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Nomination Committee	Dr. Wang Yuhan (王宇晗) *(chairperson)* Dr. Feng Hutian (馮虎田) Ms. Liu Yueheng (劉玥衡)

Remuneration and Appraisal Committee	Dr. Feng Hutian (馮虎田) *(chairperson)* Mr. Li Yuhao (李宇昊) Dr. Yang Jianguo (楊建國)
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Principal Bankers	**China Construction Bank Co., Ltd.** **Shanghai Zizhu Branch** 201B, Building D, No. 555 Dongchuan Road, Minhang District, Shanghai, The PRC
	Bank of China Co., Ltd. **Shanghai Minhang Development Zone Branch** No. 106 Wenjing Road, Minhang District, Shanghai, The PRC

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

OVERVIEW OF GLOBAL AND CHINA'S INTELLIGENT MANUFACTURING EQUIPMENT INDUSTRY

Intelligent manufacturing equipment refers to advanced manufacturing equipment with sensing, analysing, reasoning, decision-making, and execution capabilities, which are capable of replacing a part of manual operations. By deeply integrating cutting-edge technologies, they are substantially boosting productivity and product quality. Currently, intelligent manufacturing equipment plays a vital role in the high-quality development of manufacturing sectors.

These definitions were first formally introduced in "*the Twelfth Five-Year Development Plan for the Intelligent Manufacturing Equipment Industry*" 《"十二五"智能製造發展規劃》 issued by MIIT in 2012 and have been consistently adopted in subsequent national policy documents, and thus represent the most official and authoritative definition and classification standards. They are also included in "*the Catalogue for Guiding Industry Restructuring (2024 Version)*"《產業結構調整指導目錄2024年本》 issued by NDRC, where industrial robots, intelligent inspection equipment, intelligent logistics equipment, additive manufacturing equipment, and intelligent sensors are categorised as intelligent manufacturing equipment. Similarly, in "*the Catalogue of Industrial Strategic Emerging Industries Classification (2023)*" 《工業戰略性新興產業分類目錄2023》 issued by the National Bureau of Statistics, industrial robots, major packaged equipment, intelligent inspection equipment, CNC machine tools, and special-purpose CNC equipment are classified as intelligent manufacturing equipment.

At present, the development of intelligent manufacturing equipment has become the focus in the global technological competition. In 2025, the market size of global intelligent manufacturing equipment industry reached RMB8,632.3 billion, and is projected to reach RMB13,871.8 billion in 2030 with a CAGR of 10.0%. China's intelligent manufacturing equipment market also demonstrated robust growth. The market size reached RMB2,885.3 billion in 2025, accounting for approximately 33.4% of the global market, and is projected to reach RMB5,337.4 billion in 2030, with a CAGR of 13.1%.

ANALYSIS OF CHINA'S CNC MACHINE TOOL INDUSTRY

Definition and Classification of CNC Machine Tools

As a key representative of intelligent manufacturing equipment, CNC machine tools stand out for their technological complexity and market significance. They are machines tools equipped with CNC systems capable of logically running processing programmes defined by specific codes and encoded instructions to automatically process parts, thereby enhancing both precision and efficiency. Currently, the PRC government has not introduced any national regulatory standards regarding the classification of CNC machine tools, and various classification methods exist within the industry. For example, based on structural features, they can be classified into vertical, horizontal, gantry, and turning-milling CNC machine tools. Based on the number of simultaneous axes, they can be classified into five-axis and non-five-axis CNC machine tools. Furthermore, based on technological levels, they can be classified into high-end, mid-end, and low-end categories. Among them, the classification based on technological level is a widely accepted approach and various policies have employed corresponding terms. For instance, "the Technology Roadmap for Key Fields of Made in China 2025" (《中國製造2025》重點領域技術路綫圖), issued by the National Manufacturing Strategy Advisory Committee, defined high-end CNC machine tools as those possessing high-speed, high-precision, intelligent, composite, multi-axis linkage, and networking and communication capabilities.

The table below sets forth an overview of the classification of CNC machine tools based on technological level with references to the standard in "the Practical Course for CNC Machine Tools", a nationally certified official textbook for universities and published by Tsinghua University Press.

Classification of CNC Machine Tools

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

Source: "The Practical Course for CNC Machine Tools", CIC

From the technological perspective, five-axis CNC machine tools are classified as high-end CNC machine tools with higher level of multi-axis simultaneous control, processing speed, intelligent functions, multi-processing functions as well as networking and communication functions, and can achieve high-quality processing of various complex-shaped parts such as thin-walled and contoured components. Compared to non-five-axis CNC machine tools, they offer a wider range of processing tasks, making them the mainstream technological pathway at present.

From the market share perspective, the market size of five-axis CNC machine tools accounted for over 10.0% of the overall CNC machine tool market size in terms of revenue in 2025. However, in high-end application scenarios where most parts are complex in shape and require high processing accuracy, five-axis CNC machine tools have become indispensable processing equipment. In the aviation and aerospace sector, the market share in terms of revenue of five-axis CNC machine tool has exceeded 30.0%. Looking forward, with the increasing demand for processing complex parts due to the upgrades of manufacturing sectors and cost reductions due to technological advancements, their cost-effectiveness is expected to surpass that of non-five-axis CNC machine tools. Consequently, their market share is poised to grow rapidly, displacing non-five-axis CNC machine tools to become the mainstream processing equipment.

Latest Developments of Multi-axis CNC Machine Tools

The latest developments of multi-axis CNC machine tools primarily revolve around product innovations and technological breakthroughs:

- ***The launch of six-axis CNC machine tools.*** A few leading suppliers have launched CNC machine tools with six or more simultaneous axes, but due to high technical difficulty and limited market acceptance, they have not achieved large-scale commercialization. In terms of technical difficulty, these machine tools require an additional simultaneous axis on the basis of five-axis CNC machine tools, leading to complex mechanical structures and facing more severe geometric errors and thermal deformation issues, thus many suppliers are still in R&D stage of such products. In terms of market acceptance, CNC machine tools with six or more simultaneous axis are high in cost and currently used only for processing highly complex parts. In contrast, five-axis CNC machine tools possess five degrees of freedom and can achieve one-time clamping and interference-free processing of workpiece on any spatial surface, which is capable of processing most complex parts. Consequently, the market acceptance of six-axis CNC machine tools is far below that of five-axis CNC machine tools.

- ***Advancements in intelligent and ultra-precision processing technology.*** Certain suppliers have introduced multi-axis CNC machine tools that incorporate cutting-edge technologies. For example, deep learning technology automatically refines processing paths and parameters through the analysis of extensive accumulated data, thereby reducing manual intervention. Virtual simulation technology enables pre-processing simulation and optimization, proactively identifying potential issues and facilitating timely adjustments, thus effectively minimising errors and waste. Concurrently, advancements in ultra-precision processing technologies such as nanoscale cutting and laser interferometer calibration have greatly enhanced their processing accuracy.

Value Chain of CNC Machine Tool Industry

The upstream of the CNC machine tool industry comprises various core component suppliers, mainly including controllers, tool spindles, feed axes, machine tool beds, and machine tool accessories. The midstream comprises CNC machine tool suppliers that primarily provide machine tools and supporting technical services. The downstream includes manufacturers across a wide range of industries, such as automotive, aviation and aerospace, medical devices, machinery, die and mold manufacturing, and 3C electronics.

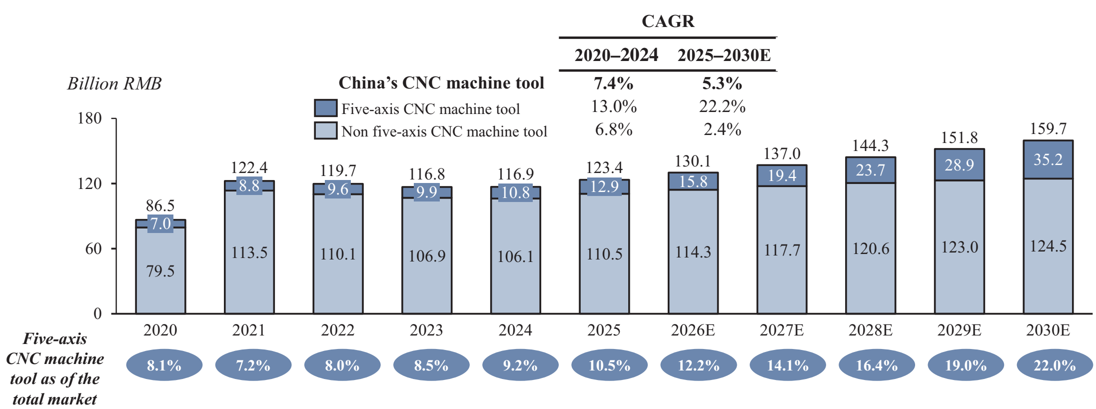
In die and mold manufacturing, machinery, and 3C electronics, non-five-axis CNC machine tools are predominantly used to meet processing needs for relatively regular shapes like housings, shafts, gears, and planes. In these areas, the five-axis CNC machine tools employed are generally smaller in size and lower in price, serving as supplements for the processing of a limited number of complex components. In contrast, in aviation and aerospace, automotive, and medical devices sectors, most critical components feature complex characteristics or irregular curved surfaces and require extremely high precision. As a result, larger, more technically advanced, and higher-value five-axis CNC machine tools are the primary types in demand.

Market Size of China's CNC Machine Tool Industry

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

As a global manufacturing powerhouse, China's extensive manufacturing needs have created significant market opportunities for CNC machine tools. In terms of revenue, the market size of China's CNC machine tool industry grew from RMB86.5 billion in 2020 to RMB123.4 billion in 2025 and is projected to increase steadily to RMB159.7 billion by 2030, with a CAGR of 5.3%. Particularly, five-axis CNC machine tools are gaining rapid market penetration, due to their advantages in precision, efficiency, and flexibility. The market size of China's five-axis CNC machine tool market increased from RMB7.0 billion in 2020 to RMB12.9 billion in 2025, accounting for approximately 10.5% of the overall market in 2025. Looking ahead, the corresponding market size is expected to reach RMB35.2 billion by 2030, with a CAGR of 22.2%, accounting for 22.0% of the overall market in 2030.

Market Size of China's CNC Machine Tool Industry, in terms of Revenue, by Number of Simultaneous Axes, 2020–2030E



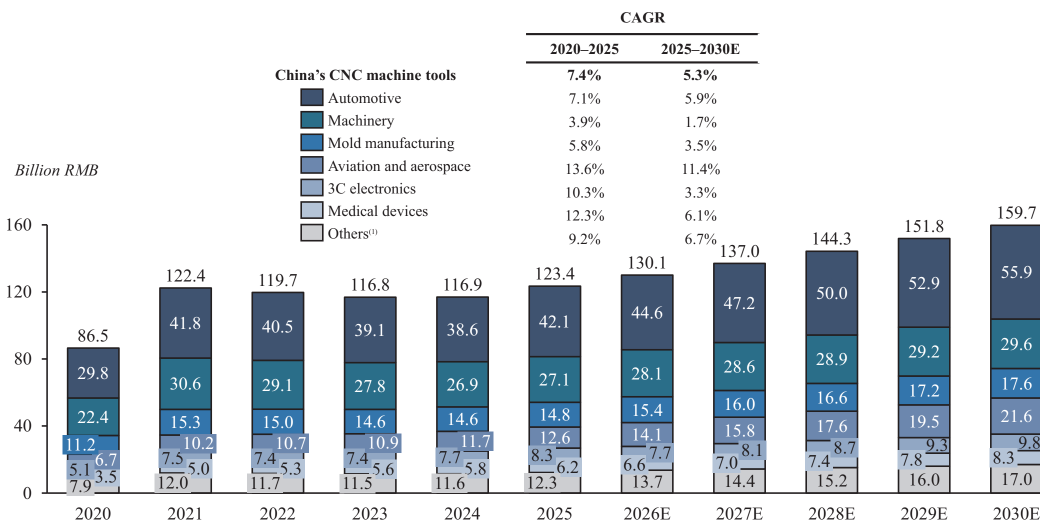
Source: CMTBA, GACC, MIR, CIC

China's CNC machine tool industry exhibits a clearly stratified pattern in the localization process. Non-five-axis CNC machine tools have relatively low technical barriers, and in 2025, the localization rate surpassed 77.0%. In contrast, due to high technological barriers, the localization rate of five-axis CNC machine tools was 59.5% in 2025. In this context, leading domestic suppliers are accelerating technology breakthroughs, bringing key performance indicators up to international standards and gradually dismantling overseas dominance. The localization rate of five-axis CNC machine tools in China is projected to exceed 78.0% by 2030.

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

Currently, major downstream application scenarios for CNC machine tools include automotive, machinery, and die and mold manufacturing. In terms of revenue, in 2025, the market sizes of CNC machine tools in these sectors reached RMB42.1 billion, RMB27.1 billion, and RMB14.8 billion, respectively, accounting for 34.1%, 22.0%, and 12.0% of the total market in China, respectively. In addition, the demand in aviation and aerospace, 3C electronics, and medical devices is expected to further grow. The market sizes for these sectors are projected to grow from RMB12.6 billion, RMB8.3 billion and RMB6.2 billion in 2025 to RMB21.6 billion, RMB9.8 billion and RMB8.3 billion in 2030.

Market Size of China's CNC Machine Tool Industry, by Downstream Application Scenarios, in terms of Revenue, 2020–2030E



Note:

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

Source: CMTBA, GACC, MIR, CIC

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

Definition and Core Advantages of Five-axis CNC Machine Tools

Five-axis CNC machine tools refer to CNC machine tools with five-axis simultaneous functionality and feature high-speed, precision, intelligent, and multi-processing functions along with network communication functions. They additionally incorporate rotary axes based on non-five-axis CNC machine tools and thus allow tools to move relative to the workpiece along linear feed axes and enable tools to approach the workpiece at more flexible angles, offering significant advantages in processing quality and efficiency. Therefore, five-axis CNC machine tools are the preferred solution for achieving the precise processing of complex spatial surfaces.

Core Technologies of Five-axis CNC Machine Tools

The core technologies of five-axis CNC machine tools encompass the design and manufacturing processes of the machine tool's main structure, the core algorithms and measurement-control technologies of CNC systems, the design and manufacturing technologies of core components and simultaneous processing and programming software. The breakthroughs in these core technologies require integrated knowledge accumulation and collaborative innovation across multiple disciplines such as machinery, control, and software engineering.

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

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

According to different structural features, five-axis CNC machine tools can be divided into five-axis horizontal CNC machine tools, five-axis turning-milling CNC machine tools, five-axis vertical CNC machine tools and five-axis gantry CNC machine tools.

Classification of Five-axis CNC Machine Tools by Structures

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

● High ◔ Low

Source: CIC

Five-axis vertical and gantry CNC machine tools possess less complexed structural configuration and transmission system, and are lower in technical complexity. Therefore, they have good market promotion advantages and are currently the mainstream models in the market. In contrast, five-axis horizontal and turning-milling CNC machine tools have high technical complexity and development costs, and are mainly used in more sophisticated scenarios. With growing demand for high-end manufacturing and continuous technology improvements, Their market size and localization rate in China are expected to grow. In terms of revenue, the market size of China's five-axis horizontal CNC machine tools and five-axis turning-milling CNC machine tools increased from RMB1,016.9 million in 2020 to RMB1,693.7 million in 2025, with a CAGR of 10.7%, and is expected to grow to RMB5,119.6 million in 2030, with a CAGR of 24.8%. Their corresponding localization rate is expected to increase from 41.2% in 2025 to 53.2% in 2030.

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

The growing demand for high-end manufacturing is driving the increased adoption of five-axis CNC machine tools across various sectors, with aviation and aerospace currently representing the most significant scenario, accounting for 33.7% of the overall market size in China in 2025. Moreover, the vigorous development of general sectors is also expected to drive the continuous growth in the demand for five-axis CNC machine tools.

- ***Aviation and aerospace sector.*** Currently in this sector, multiple types of advanced and high-performance models have emerged, such as the dual five-axis mirror milling machine tool that solves the machining challenges of aircraft fuselage skins and rocket tank bottoms, the horizontal flip-type milling five-axis machine tool that enables machining of aircraft fuselages and rocket bodies, and the friction stir welding five-axis machine tool that achieves reliable welding of rocket tanks. Looking forward, the increased frequency of rocket launches and the robust growth of the commercial spaceflight market are further propelling the expansion of China's five-axis CNC machine tool market. At the same time, the mass production of domestic large aircraft such as the C919 is boosting the production capacity of five-axis CNC machine tools for aircraft components. In terms of revenue, the corresponding market size in China reached RMB4,341.0 million in 2025, and is projected to reach RMB11,505.6 million by 2030 with a CAGR of 21.5%. The localization rate of this sector is also expected to increase from 54.6% in 2025 to 73.0% in 2030.

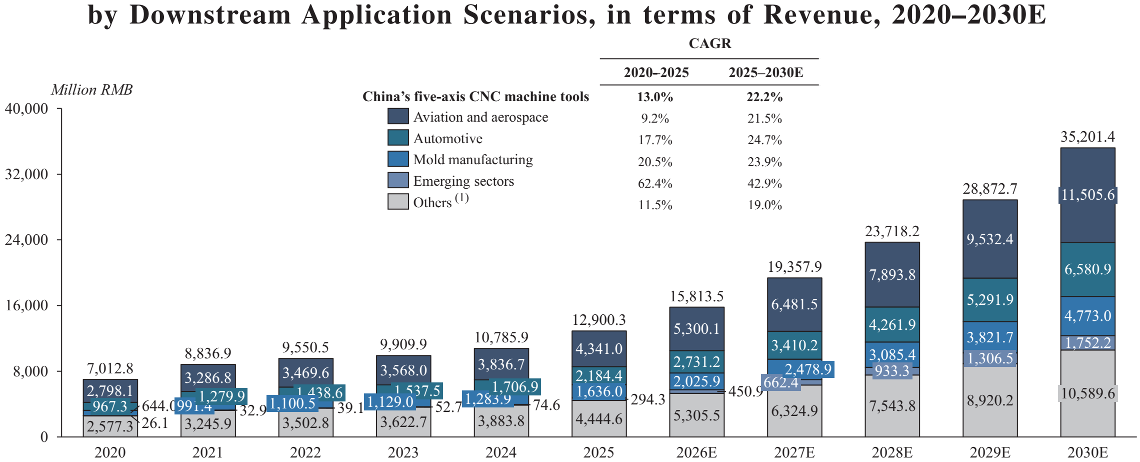
- ***General industrial sectors.***

  - **Automotive sector.** In this sector, five-axis CNC machine tools are mainly used for processing engines, electric motors and its transmission housings, cylinder heads, and battery housings. The corresponding market size in China reached RMB2,184.4 million in 2025, and is projected to reach RMB6,580.9 million by 2030 with a CAGR of 24.7%. The localization rate of this sector is also expected to increase from 64.8% in 2025 to 85.0% in 2030.

  - **Die and mould manufacturing sector.** In this sector, five-axis CNC machine tools can reduce the number of clamping operations and achieve high-quality processing of complex curved surfaces and deep cavity structures. The corresponding market size in China reached RMB1,636.0 million in 2025, and is expected to reach RMB4,773.0 million in 2030 with a CAGR of 23.9%.

  - **Emerging sectors.** In the low-altitude economy sector, five-axis CNC machine tools are mainly used for processing wings, frames, blades and turbine rotors in UAV engines; In the robotics sector, they are mainly used for processing arm supports, thigh supports, and hip joints. The market size of five-axis CNC machine tools in emerging sectors (including robotics and low-altitude economy) in China reached RMB294.3 million in 2025, and is expected to reach RMB1,752.2 million in 2030 with a CAGR of 42.9%.

Market Size of China's Five-axis CNC Machine Tool Industry, by Downstream Application Scenarios, in terms of Revenue, 2020–2030E



Note:

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

Source: CMTBA, GACC, MIR, CIC

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

- ***The machine tool industry has reached the bottom of its cycle and is approaching a peak period of equipment replacement.*** China's machine tool industry follows a typical iteration cycle of approximately ten years. The last production peak occurred around 2011 to 2014. Currently, the industry is transitioning from a downturn towards a new wave of demand release. In addition, with the environmental standards becoming more stringent, downstream companies are accelerating the replacement of outdated models, creating a strong demand for five-axis CNC machine tools.

- ***Overseas technology blockades drive the surge in the demand for domestic substitution.*** Developed countries have long regarded five-axis CNC machine tools as strategic equipment, imposing technical blockades and export restrictions. To mitigate supply chain risks and ensure the autonomous development of high-end manufacturing equipment, accelerating the localization of five-axis CNC machine tools has become a national strategy and an industry-wide consensus.

- ***Technological breakthroughs support cost reduction and application expansion.*** Domestic suppliers' ability of independent R&D and large-scale production of precision functional components have driven down the manufacturing costs of five-axis CNC machine tools. Furthermore, the adoption of AI and digital tools enables the adaptive processing and predictive maintenance of the five-axis CNC machine tool, thus reducing its usage costs. Therefore, machine costs and complexity are lowering, accelerating their penetration across various sectors.

- ***Favourable policies and regulations are driving the industry forward.*** The PRC government introduced a series of policies to create a favourable environment for China's five-axis CNC machine tool industry.

  - ***Promoting localization of core components.*** In September 2023, the MIIT and six other departments jointly issued "the Work Plan for Steady Growth of the Machinery Industry" (《機械行業穩增長工作方案》). The plan calls for building high-level platforms for demand-supply matching, and supports industry associations in organising exhibitions and forums to promote technology exchanges and international cooperations. In December 2023, the NDRC released "the Guiding Catalogue for Industry Restructuring" (《產業結構調整指導目錄》), explicitly classifying items such as "CNC systems and industrial software for high-end CNC machine tools" and "critical components, accessories, and tools for high-end CNC machine tools" as encouraged industries.

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

- ***R&D subsidies.*** In December 2021, the Taizhou Municipal Government issued "the Several Policies on Accelerating the High-quality Development of the Manufacturing Industry in Taizhou (Machine Tool Equipment Chapter)" (《台州市加快推進製造業高質量發展若干政策(機床裝備篇)》), which proposes to provide certain R&D subsidies to suppliers who independently developed key functional components such as CNC systems for the first time and have established an effective supply chain. In March 2024, the Industry and Information Technology Bureau of Shenzhen Municipality released "the Several Measures for Promoting the High-quality Development of the High-end Equipment Industry Cluster in Shenzhen" (《深圳市關於推動高端裝備產業集群高質量發展的若干措施》), which suggests to provide financial support to suppliers engaged in the R&D of ultra-precision CNC machine tool technologies.

- ***Tax incentives.*** In July 2023, the Ministry of Finance and the State Taxation Administration jointly issued "the Notice on the Policy of Additional Value-added Tax (VAT) Deduction for Machine Tool Companies" (《關於工業母機企業增值稅加計抵減政策的通知》), which proposes to grant additional deductions on VAT for companies involved in the production and sales of advanced machine tools and CNC systems. In September 2023, the MIIT and four departments jointly released "the Announcement on Increasing the Additional Deduction Ratio of R&D Expenses for Integrated Circuit and Machine Tool Companies" (《關於提高集成電路和工業母機企業研發費用加計扣除比例的公告》), which proposes to increase the ratio of additional deductions for R&D expenses incurred by machine tool suppliers.

- ***Procurement support.*** In March 2024, the MIIT and six other departments jointly issued "the Implementation Plan for Promoting Equipment Renewal in the Industrial Sector" (《關於推動工業領域設備更新實施方案》), which emphasises the promotion of the upgrade of CNC machine tools and the related components, and suggests to financially support key procurement projects that meet specified criteria. In September 2024, the MIIT issued "the Guiding Catalogue for the Promotion and Application of the First Unit (Set) of Major Technical Equipment (2024 Edition)" (《首台(套)重大技術裝備推廣應用指導目錄(2024年版)》), which aims to provide certain financial subsidies to companies that purchased the first set of high-end CNC equipment and insured them with comprehensive insurance.

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

- ***New materials and new structural technologies promote breakthroughs in the performance of five-axis CNC machine tools.*** The application of carbon fiber composites has become key to overcoming traditional technical bottlenecks of five-axis CNC machine tools. With high specific stiffness, low density, and near-zero thermal expansion, carbon fiber composites can be applied to machine bed components to significantly reduce overall machine weight and energy consumption, while enhancing structural rigidity, vibration resistance, and thermal stability. This enables five-axis CNC machine tools to maintain both precision and stability at high speeds, unlocking strong application potential across multiple scenarios.

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

- ***Five-axis CNC machine tools are expected to gradually replace non-five-axis machine tools.*** Five-axis CNC machine tools have clear advantages in processing accuracy and efficiency. Therefore, they are well-positioned to handle complex processing tasks, and better adapt to high-end manufacturing. Moreover, technology advancements is further improving their cost-effectiveness. In contrast, non-five-axis CNC machine tools show obvious limitations in the high-efficiency and high-precision processing of complex parts. As a result, five-axis CNC machine tools are expected to replace traditional models and become the mainstream.

- ***Domestic suppliers of entire machines and core components are rapidly emerging.*** Domestic suppliers are achieving technology advancements, and their product performance is becoming increasingly comparable to international standards. With competitive pricing and localised services, they are gradually replacing imported equipment. Meanwhile, their business model is shifting from single-machine sales to integrated solutions including process optimization, intelligent programming, and operational support, greatly increasing customer value. Furthermore, with strong policy support, the localization of core components has also made great progress.

- ***Expansion of five-axis CNC machine tools from industrial to consumer applications.*** Through miniaturised equipment design, lowered production costs, and automatic toolpath generation, the barriers to equipment acquisition and operation are significantly reduced. This enabled five-axis CNC machine tools to extend beyond traditional industrial manufacturing into consumer-oriented scenarios such as creative design, educational practice, and personalised production.

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

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

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

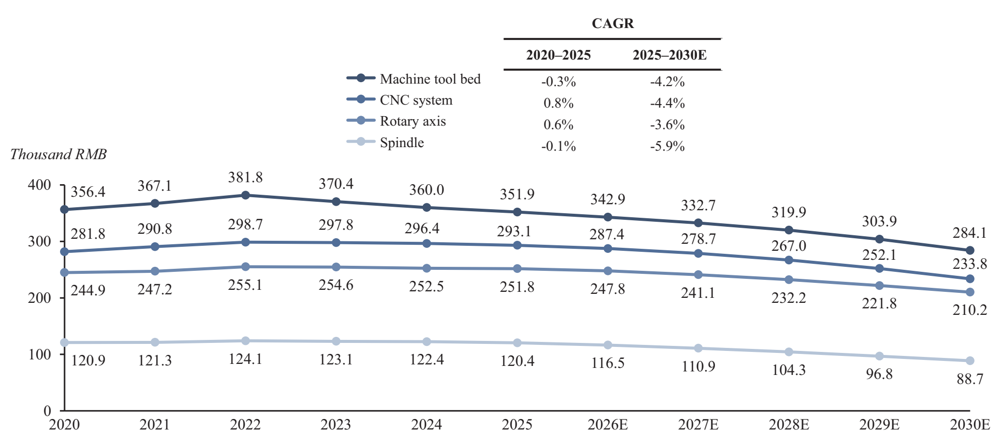
- ***Shortage of talent and rising labour cost.*** The five-axis CNC machine tool industry requires highly skilled professionals with interdisciplinary expertise in both technology development and machine operation. However, due to the relatively late start of the industry in China, there is a lack of experienced talents, and the talent cultivation system remains underdeveloped.

- ***Limited receptivity of five-axis CNC machine tools in the general industrial market due to high complexity.*** Many traditional manufacturing companies have insufficient understanding of five-axis CNC machine tools. Although they may be aware of the tools' high-precision and high-efficiency processing strengths, they continue to rely on low- to mid-end equipment due to the lack of necessary technical personnel and use experience of five-axis CNC machine tools.

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

Machine tool beds, controllers, rotary axes, and spindles are the core components of five-axis CNC machine tools, typically accounting for approximately 30.0%, 28.0%, 20.0% and 10.0% of the total raw material cost, respectively. The prices of the above core components are affected by the material shortage caused by COVID-19 in the past few years, leading to an increase from 2020 to 2022. In the future, as the supply-demand dynamics gradually stabilise, and the localization rate increase, the corresponding price are expected to decline.

Historical and Forecasted Price Changes of Core Components for Five-axis CNC Machine Tools[(1)], 2020–2030E



Note:

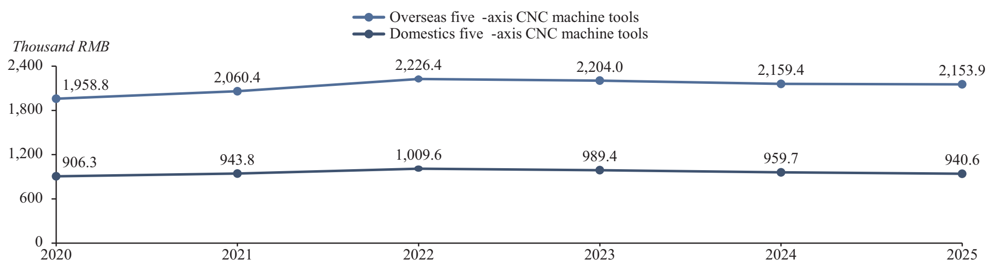
(1) Refers to the historical and forecasted price changes of the core components for a vertical five-axis CNC machine tool with a maximum machining stroke of 300mm, which is now the mainstream model in the market. In high-end manufacturing sectors such as the aviation and aerospace, the commonly used model are usually larger in size and more complex in structure, resulting in significantly higher costs for their core components.

Source: GACC, Annual Reports, CIC

Historical Price Changes of Domestic and Overseas Five-axis CNC Machine Tools

The price of five-axis CNC machine tools is influenced by factors such as application scenarios, size and brand attributes. Generally, for the same model, the price from an overseas brand is approximately more than twice that of a domestic brand. Taking a vertical five-axis CNC machine tool with a maximum machining stroke of 300mm as an example, in 2025, the average price of the domestic brand is around RMB940.6 thousand, while the average price of the overseas brand is around RMB2,153.9 thousand.

Price Changes of Domestic and Overseas Five-axis CNC Machine Tools, 2020–2025



Source: CMTBA, CIC

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

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

Historically, overseas suppliers have held a dominant position in China's five-axis CNC machine tool industry due to their early entry and established expertise. However, in recent years, domestic suppliers are emerging by leveraging their improved technical capabilities, competitive product offerings, and fast service responsiveness. In terms of revenue, the market share of domestic suppliers increased from 18.0% in 2020 to 59.5% in 2025 and is projected to exceed 78.0% by 2030. In 2025, the Group ranked fifth among all suppliers and second among domestic suppliers in China's five-axis CNC machine tool industry, with a market share of 3.9%.

Ranking of China's Five-axis CNC Machine Tool Suppliers, in terms of Revenue from Five-axis CNC Machine Tools, 2025

Ranking	Supplier	Location of corporate headquarters	Revenue *(RMB million)*	Market share[(1)]
1	Company A[(2)]	China	~1,780.0	13.8%
2	Company B[(3)]	Japan	~1,120.0	8.7%
3	Company C[(4)]	Germany	~1,080.0	8.4%
4	Company D[(5)]	Japan	~560.0	4.3%
5	**The Group**	**China**	**499.7**	**3.9%**
	Sub-Total		**~5,039.7**	**39.1%**

Notes:

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

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

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

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

(5) Company D is a non-listed company founded in 1919 and headquartered in Aichi, Japan. It is mainly engaged in the R&D, production and sales of CNC turning centers, machining centers, and multi-tasking machines.

Source: Annual Reports, CIC

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

The aviation and aerospace sector is a significant application scenario for five-axis CNC machine tools and currently represents the largest share as of the total market size of China's five-axis CNC machine industry. In terms of revenue from five-axis CNC machine tools in the aviation and aerospace sector in 2025, the Group ranked first among all suppliers in China's five-axis CNC machine tool industry, with a market share of 10.0%.

Ranking of China's Five-axis CNC Machine Tool Suppliers, in terms of Revenue from Five-axis CNC Machine Tools in the Aviation and Aerospace Sector, 2025

Ranking	Supplier	Location of corporate headquarters	Revenue	Market share(1)
			(RMB million)	
1	**The Group**	**China**	**435.8**	**10.0%**
2	Company C	Germany	~420.0	9.7%
3	Company A	China	~300.0	6.9%
4	Company B	Japan	~280.0	6.5%
5	Company E(2)	China	~250.0	5.8%
	Sub-Total		**~1,685.8**	**38.9%**

Note:

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

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

Source: Annual Reports, CIC

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

The Group mainly focuses on providing five-axis CNC machine tools in the aviation and aerospace sector. Particularly, it has achieved breakthroughs on commercialising high-barrier products such as dual five-axis mirror milling machines and large-span carbon fiber composite five-axis machine tools. Consequently, the Group stands out for its diverse and competitive offerings.

In terms of processing portfolio, compared with other major suppliers, the Group provides one of the most comprehensive ranges. With respect to product performance indicators that reflect processing efficiency, precision, and applicability, the Group's products demonstrate strong overall performance, outperforming domestic peers across multiple dimensions and are comparable to those of leading overseas suppliers.

Competitive Analysis of Top Five Five-axis CNC Machine Tool Suppliers in China, 2025

Company	Product portfolio of five-axis CNC machine tools	Processing portfolio	Maximum linear axis feed rate *(m/min)*	Maximum rotary axis positioning accuracy *(")*	Five-axis RTCP accuracy *(mm)*	Maximum processing stroke range *(mm)*
The Group	• More than seven product categories	• Milling, turning, boring-milling, drilling, stir welding, riveting	120	3”	0.02	300–35,000
Company A	• More than three product categories	• Milling, turning, boring-milling, drilling, graphite machining	48	5”	0.03	50–2,000
Company B	• More than two product categories	• Milling, turning, boring-milling, drilling, grinding, ultrasonic machining, laser, additive manufacturing	60	5”	0.03	200–18,100
Company C	• More than five product categories	• Milling, boring-milling, drilling	100	5”	0.04	200–2,000
Company D	• More than four product categories	• Milling, turning, boring-milling, drilling, laser machining, additive manufacturing, stir welding	60	NA[(1)]	NA[(1)]	300–10,000

Note:
(1) There is no publicly available information regarding the corresponding indicator.

Source: Annual Reports, Official Websites, Product Manuals, CIC

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

- ***Technical and process barrier.*** The R&D and manufacturing of five-axis CNC machine tools involve the integrated application of various advanced technologies. Furthermore, five-axis CNC machine tools are applied across a broad range of application scenarios, and different industries have varying requirements for manufacturing processes. Consequently, the complexity of related technologies and processes requires strong research capabilities and long-term technical accumulation.

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

- ***Financial barrier.*** The development cycle of five-axis CNC machine tools is long, requiring substantial capital investment in equipment acquisition and R&D. Only suppliers with sufficient financial resources can continuously invest in innovation to maintain competitiveness and support sustainable development.

- ***Talent barrier.*** The five-axis CNC machine tool industry is highly technology-intensive and requires the integration of complex, interdisciplinary knowledge. As a result, high requirements are placed on the expertise of R&D and engineering personnel. Suppliers must make significant investments in talent development. In 2025, the average proportion of China's five-axis CNC machine tool suppliers' R&D investment as of their revenue reached approximately 35.0%.

- ***Brand barrier.*** In the five-axis CNC machine tool industry, the performance, reliability, and stability of the equipment are directly tied to the quality of part processing. Therefore, the brand influence, product service quality, and market reputation of suppliers have become critical factors for customer decisions.

SOURCE OF INFORMATION

In connection with the Global Offering, we engaged CIC, an independent market research consultant, to conduct an analysis of, and to prepare a report about China's five-axis CNC machine tool industry. The CIC Report has been prepared by CIC independent of the influence of our Group and other interested parties. We have agreed to pay CIC a total fee of RMB700,000 for the preparation and use of the CIC Report, and we believe that such fees are consistent with the market rate. CIC is a consulting firm founded in Hong Kong and provides professional industry consulting services across multiple industries. CIC's services include industry consultancy services, commercial due diligence and strategic consulting.

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

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

PRC LAWS AND REGULATIONS

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

Laws and Regulations in Relation to Product Quality

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

The Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法), which was last amended on 25 October 2013, protects consumer rights in purchasing, using goods, and receiving services. Operators must comply with this law, and the 2013 amendments emphasise strict confidentiality of consumer personal information.

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

Laws and Regulations in Relation to the Industry

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

Laws and Regulations in Relation to Intellectual Property

Trademarks

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

Patents

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

Copyright and software copyright

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

Domain names

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

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

Labour security

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

Social insurance and housing provident fund

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

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

Laws and Regulations in Relation to Foreign Exchange

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

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

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

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

Laws and Regulations in Relation to Taxation

PRC Enterprise Income Tax Law

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

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

Value-added tax

The PRC Value-Added Tax Law (《中華人民共和國增值稅法》) has been promulgated by the SCNPC on December 25, 2024, and became effective on January 1, 2026. Entities and individuals (including individual industrial and commercial households) that sell goods, services, intangible assets, or immovables, or import goods within the territory of the People's Republic of China are taxpayers of VAT, and shall pay VAT in accordance with this Law. Pursuant to the VAT Law, the VAT rate will be: (1) 13%, for taxpayers' sale of goods, labour services of processing, repairs or replacement, or tangible movable property leasing services or import of goods, except for those specified in subparagraphs 2, 4 and 5 herein; (2) 9%, for taxpayers' sale of transportation, postal, basic telecommunications, construction, or immovable leasing services, sale of immovables, transfer of the rights to use land, or sale or import of the following goods, except for those specified in subparagraphs 4 and 5 herein; (3) 6%, for taxpayers' sale of services or intangible assets, except for those specified in subparagraphs 1, 2 and 5 herein; (4) Zero, for taxpayers' export of goods, except it is otherwise provided for by the State Council; (5) Zero, for the sale of services or intangible assets within the scope as prescribed by the State Council by domestic entities and individuals across national borders.

Taxation on dividends

The principal laws, rules and regulations governing dividend distributions by foreign invested enterprises in the PRC are the PRC Company Law, promulgated in 1993 and latest amended in 2023, and the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds have reached 50% of the registered capital of the enterprises. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Tax treaties

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

Stamp duty

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

Laws and Regulations in Relation to Environmental Protection and Fire

Environment protection

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

Environmental impact appraisal

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

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

Pollutant discharge

Pursuant to the Administrative Measures for Pollutant Discharge Licencing (for Trial Implementation) (排污許可管理辦法(試行)) which was last revised on 22 August 2019, and the Administrative Measures for Pollutant Discharge Licencing (排污許可管理辦法), which was promulgated on 1 April 2024, enterprises, public institutions and other producers and operators under the administration of discharge permits (referred to as "**discharge units**") shall apply for and obtain a pollutant discharge licence and discharge pollutants in accordance with the provisions of the discharge permit. Any enterprise that fails to obtain a pollutant discharge licence as required shall not discharge pollutants.

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

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

Acceptance inspection on environmental protection facilities

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

Fire prevention design and acceptance

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

Laws and Regulations Relating to Data, Network and Information Security

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

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

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

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

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

Regulations on Work Safety

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

Laws and Regulations in Relation to Exportation of Goods

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

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

Laws and Regulations in Relation to Foreign Investment

According to the Company Law, which was last revised on 29 December 2023, companies are generally divided into two categories, namely limited liability companies and joint stock limited companies. The Company Law shall also apply to joint stock limited companies with foreign investment.

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

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

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

Laws and Regulations in Relation to Overseas Listing

On 17 February 2023, the CSRC released several regulations regarding the Overseas Listing Trial Measures. According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, shall file with the CSRC and submit relevant information within three business days after submitting the application documents for issuance and listing overseas.

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

On February 24, 2023, the CSRC and three other relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Provision on Confidentiality**"). Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

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

The Company shall comply with regulations on the H share "full circulation" to converse its domestic shares into H shares and circulate on the Stock Exchange. Pursuant to the

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

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

INTERNATIONAL SANCTIONS LAWS AND REGULATIONS

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

U.N. Sanctions Regimes

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

The UNSC sanctions may take a number of different forms, in pursuit of a variety of different goals. The measures have ranged from comprehensive economic and trade sanctions to targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. There are a number of ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation and counter-terrorism. Decisions of the UNSC bind members of the U.N. and override other obligations of U.N. member states, but are not enforceable against private parties, and, therefore, U.N. member states are required to implement the relevant U.N. sanctions. Each U.N. member states shall determine how the sanctions imposed by the UNSC are implemented and enforced against private parties under its own domestic laws.

U.S. Sanctions Regimes

Economic sanction

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

Depending on the sanctions programme and/or the parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" (or freeze) any assets or property interests owned, controlled or held for the benefit of a country, entity, or individual subject to comprehensive sanctions when such assets or property interests are in the U.S. or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected, except pursuant to a licence or an authorization from OFAC.

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

Export control regulations

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

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

BIS through the EAR maintains, amongst others, a list of names of certain foreign persons, including businesses, research institutions, government and private organisations, individuals and other types of legal persons, including military end users (the "**Entity List**"). Any transaction undertaken or effected of an item subject to the EAR to an entity on the Entity List requires a licence. This restriction also includes engaging in transactions where the seller knows or has reason to know that the products to be transferred (or re-transferred or re-exported) are destined for a prohibited end-use. The "military end-user" ("**MEU**") list includes foreign parties as military end users that are subject to a licence requirement for the export, reexport, or transfer of items that are restricted for MEUs as described in supplement no. 2 to part 744 of the EAR.

Pursuant to the EAR, an item may be exempted from being subject to the EAR if it fulfils certain criteria, such as where it is a foreign made item, which contains not more than 25% U.S. origin content by value (the "**De Minimis Rule**"). Such 25% U.S. origin content by value generally refers to foreign made products which (1) incorporate U.S. origin parts or components into the finished product and those parts or components would themselves require a specific licence if they were exported separately and (2) the fair market value of those parts or components as a percentage of the total value of the finished product exceeds 25%.

E.U. Sanctions Regimes

The E.U. implements all sanctions adopted by the UNSC and strengthens U.N. sanctions through additional measures and/or sanctions on its own initiative.

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

U.K. and U.K. Overseas Territories

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

The Office of Financial Sanctions Implementation maintains two lists of persons subject to financial sanctions and imposes financial penalties on a breaching party. The "consolidated list" includes all designated persons subject to E.U. financial sanctions (including U.N. sanctions implemented through E.U. regulations) and U.K. financial sanctions ("**U.K. Designated Person(s)**"). A separate list includes entities subject to certain capital market restrictions. It is prohibited under U.K. sanctions laws and regulations to make any funds or economic resources directly or indirectly available to or for the benefit of a U.K. Designated Person under Sanctions and Anti-Money Laundering Act 2018 ("**SAMLA**").

The Russia (Sanctions) (EU Exit) Regulations 2019 (S.I. 2019/855) ("**the Russia Regulations**") were made under the SAMLA and provide for the imposition of financial sanctions, including asset freezes and other financial and investment restrictions, on persons who are or have been involved in destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine; or obtaining a benefit from or supporting the Government of Russia. The prohibitions under the Russia Regulations entered into force on 31

December 2020, and the U.K. government maintains a list of U.K. Designated Persons subject to an asset freeze and trust services sanctions under the Russia Regulations, and amend such list from time to time.

A U.K. Designated Persons, being subject to asset-freezing means that it is generally prohibited to deal with the frozen funds or goods, belonging to or owned, held or controlled by such designated person, this would limit a person's ability to deal with any funds or goods such designated person currently owns, holds, or controls.

Australia

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

U.S. OUTBOUND INVESTMENT RULES

On 28 October 2024, the U.S. Department of the Treasury issued a final rule concerning outbound investment ("**Outbound Investment Rule**") to implement the executive order of 9 August 2023, and the Outbound Investment Rule became effective on 2 January 2025. The Outbound Investment Rule imposed investment prohibition and notification requirements on U.S. Persons for investments in entities associated with China, Hong Kong and Macau that engage in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) AI systems, such entities are defined as "Covered Foreign Persons." Under the Outbound Investment Rule, U.S. persons are prohibited from making, or required to notify for, investments in Covered Foreign Persons through certain acquisitions of equity interests, debt financing, joint ventures, and investments as a limited partner in a non-U.S. person pooled investment fund, which are defined as "Covered Transactions". The Outbound Investment Rule excludes some investments from the scope of Covered Transactions, including those in publicly traded securities.

Under the Outbound Investment Rule, Covered Foreign Persons relating to microelectronics includes Chinese companies that design, fabricate, or package integrated circuits; and Covered Foreign Persons relating to AI system includes Chinese companies that design AI system for military, government intelligence or mass-surveillance usage, or intended to be used for or the control of robotic systems. The Outbound Investment Rule further provides that the term AI system means: (a) a machine-based system that can, for a given set of human-defined objectives, make predictions, recommendations, or decisions influencing real or virtual environments, which: (1) uses data inputs to perceive real and virtual environments; (2) abstracts such perceptions into models through automated or algorithmic statistical analysis; and (3) uses model inference to make a classification, prediction, recommendation, or decision; and (b) any data system, software, hardware, application, tool, or utility that operates in whole or in part using a system described in (a) above.

OVERVIEW

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

Through over 18 years of development, we have developed ourselves as an enterprise specialising in the R&D, design, production and sales of high-end intelligent manufacturing equipment, comprising primarily customised five-axis CNC machine tools produced on an order-by-order basis, in China. In our early years, we focused on the R&D and production of automated drilling and riveting equipment. Building on this foundation, we gradually advanced into the development of more sophisticated technologies, culminating in our core focus on five-axis CNC machine tools since 2010. After several rounds of shareholding changes as detailed in the section headed "Pre-IPO Investments" below, our predecessor company, Shanghai Top, was converted into a joint stock limited company under the laws of the PRC on 23 November 2016, and thereby became our Company.

As at the Latest Practicable Date, Dr. Wang controlled approximately 38.7% of the voting power at the general meetings of our Company, comprising (1) approximately 36.8% beneficially owned by him directly and (2) approximately 1.9% beneficially owned by Tuoxian Technology, which is controlled by Dr. Wang as its general partner. Upon the Listing, Dr. Wang will control approximately 32.6% of the voting power at the general meetings of our Company, comprising (i) approximately 30.9% beneficially owned by him directly and (ii) approximately 1.6% beneficially owned by Tuoxian Technology, assuming the Over-allotment Option is not exercised. Therefore, Dr. Wang and Tuoxian Technology are a group of our Controlling Shareholders as at the Latest Practicable Date and will be a group of our Controlling Shareholders upon the Listing. For details, see "Relationship with Our Controlling Shareholders" in this prospectus.

BUSINESS MILESTONES

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

Year		Event
2007	–	Shanghai Top, the predecessor of our Company, was established in May 2007.
2010	–	We contracted to sell China's first friction stir welding five-axis machine tool for rocket tanks machining.
2011	–	We were awarded the Bronze Medal at the 13th China International Industry Fair (第十三屆中國國際工業博覽會).
2012	–	We contracted to sell China's first automated drilling and riveting equipment.
2015	–	We received the First Prize of the Shanghai Science and Technology Award (上海市科學技術獎) from Shanghai Municipal People's Government.
	–	We received the First Prize of the National Defence Science and Technology Progress Award (國防科學技術進步獎) from the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部).

Year	Event
2016	– We contracted to sell China's first vertical dual five-axis mirror milling machine tool for machining of launch tank vehicle domes, and became the third company globally to incorporate mirror milling technology.
	– We received the Second Prize of the National Science and Technology Progress Award (國家科學技術進步獎) from the State Council of the PRC (中華人民共和國國務院).
2017	– We contracted to sell China's first horizontal dual five-axis mirror milling machine tools for machining of aircraft skin.
	– We were awarded the Innovation Gold Award at the 19th China International Industry Fair (第19屆中國國際工業博覽會).
2018	– We contracted to sell China's first digital docking equipment which were used in the production of C909 (formerly known as ARJ21).
2019	– We contracted to sell China's first horizontal flip-type milling five-axis machine tools for machining of aircraft structural components.
2020	– We were the world's first and only manufacturer that sold machine tools which fully applied carbon fiber composite materials across all moving parts.
2023	– We were awarded the Shanghai Special Prize for Technology Innovation (上海市科技發明獎特等獎) from Shanghai Municipal People's Government.
	– We received the Second Prize of Science and Technology Award (科學技術獎二等獎) from Aviation Industry Corporation of China, Ltd..
	– We contracted to sell our first compact general industrial five-axis machine tools, expanding our market presence in the general industrial market.
2025	– We first sold our large-span carbon fiber composite high-speed five-axis machine tool in the first quarter of 2025.
	– We were awarded the 2025 SAIL Award (SAIL之星) for our AI-powered CNC machine tools from World Artificial Intelligence Conference Organisation Committee.

CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES

(1) Establishment of Shanghai Top and Early Development

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

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

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

(2) Early Capital Increases and Equity Transfers

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

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

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

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

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

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

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

Note: Mr. Liu resigned as general manager and director of our Company in August 2021, upon which he ceased to hold any position in our Group other than as our shareholder. Since Mr. Liu ceased to be a key management personnel, he was not a related party after August 2021 and during the Track Record Period.

(3) Conversion into a Joint Stock Company

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

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

Shareholders	Registered capital held *(RMB'000)*	Percentage of shareholding *(approximate)*
Dr. Wang	9,372.782	50.4%
Mr. Li YH	2,603.089	14.0%
Mr. Jiang	1,169.921	6.3%
Mr. Ma	438.718	2.4%
Shanghai Yiding Investment LP	2,780.514	14.9%
Mr. Liu	522.288	2.8%
Dr. Bi	522.288	2.8%
Shenzhen Hehui Investment LP	722.182	3.9%
Shenzhen Zhongyi Investment LP	468.218	2.5%
Total	**18,600**	**100%**

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

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

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

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

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

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

The basis of consideration for the 2019 Share Transfers was determined based on arm's length negotiations between the sellers and the Pre-IPO Investors with reference to the then valuation of the Company of approximately RMB1.08 billion, and the prospects of our business. For further details on the background of such investors, see "– Pre-IPO Investments" in this section.

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

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

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

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

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

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

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

Management Center (Limited Partnership) (上海松藩匯企業管理中心(有限合夥)) ("**Shanghai Songfanhui LP**"), for a total consideration of RMB350 million, as follows:

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

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

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

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

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

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

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

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

The basis of consideration for the 2021 Share Transfers was determined based on arm's length negotiations between the sellers and the Pre-IPO Investors with reference to the post-money valuation of the Company of approximately RMB4.4 billion, and the prospects of our business. For further details on the background of such investors, see "– Pre-IPO Investments" in this section.

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

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

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

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

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

(10) Share Transfers from December 2022 to October 2023

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

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

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

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

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

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

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

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

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

(11) Capital Increase in December 2023 ("2023 Capital Increase") and Share Transfers in December 2023

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

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

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

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

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

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

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

(12) Subsequent Share Transfers and Share Split

In May 2024, Ms. Chen has entered into a share transfer agreement with Mr. Pan, pursuant to which Mr. Pan has further acquired 170,050 Shares at a consideration of approximately RMB23.1 million. Subsequent to the transfer, Ms. Chen has ceased to be our shareholder. The disposal was primarily driven by Ms. Chen's personal financial and liquidity considerations.

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

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

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

In November 2025, Guangzhou Yujian Manufacturing Industry Equity Investment Fund LP (廣州煜健製造產業股權投資基金合夥企業(有限合夥)) ("**Guangzhou Yujian Manufacturing LP**") has entered into share transfer agreement with Guangzhou Huangpu Investment LP, pursuant to which Guangzhou Yujian Manufacturing LP has acquired a total number of 1,170,540 Shares at a total consideration of approximately RMB17 million. Subsequent to the transfer, Guangzhou Huangpu Investment LP has ceased to be our shareholder.

For the shareholder structure of our Company immediately following the aforesaid Share transfers and Share split, and up to the Latest Practicable Date, please refer to the subsection headed "Public Float" below.

OUR PRINCIPAL SUBSIDIARY

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

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

ACQUISITION, MERGER AND DISPOSAL

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

Disposal of Equity Interest in Shanghai Qianzhan

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

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

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

Disposal of Equity Interest in Chengdu Yongfeng

Chengdu Yongfeng is a limited liability company established in the PRC in 2013, and primarily engaged in the research, production, sales of spacecraft, civil aviation components and aerospace-related systems and provision of metal cutting services. In view of the long-term growth prospects of the aviation and aerospace sector, our Company resolved to make a strategic investment in Chengdu Yongfeng to deepen our collaborative relationship with downstream customers in the aviation and aerospace supply chain, while simultaneously seeking potential returns through equity investment.

In August 2019, our Company (i) entered into equity transfer agreement with Mr. Luo Guoji (羅國際) to acquire 21.6% equity interest in Chengdu Yongfeng at a consideration of RMB1.08 million, and (ii) further subscribed for the increased registered capital of Chengdu Yongfeng of RMB4.32 million at a consideration of RMB4.32 million (the "**Chengdu Yongfeng Acquisition**"). Immediately after the completion of the Chengdu Yongfeng Acquisition, our Company held 18% equity interest in Chengdu Yongfeng. The considerations for Chengdu Yongfeng Acquisition were determined by the parties after arm's length negotiations taking into considerations, among other things, the operational scale and registered share capital of Chengdu Yongfeng.

In November 2024, our Company had entered into an equity transfer agreement with, among others, Sichuan Dingfeng Aerospace Technology Co., Ltd. (四川鼎峰空天科技有限公司) ("**Sichuan Dingfeng**") in respect of transfer of approximately 10.80% equity interest in Chengdu Yongfeng, pursuant to which the entire equity interest Chengdu Yongfeng owned by our Company has been transferred to Sichuan Dingfeng at the consideration of RMB7,599,058 ("**Chengdu Yongfeng Disposal**", together with Shanghai Qianzhan Disposal, the "**Relevant Disposals**"). In FY2023 prior to the Chengdu Yongfeng Disposal, Chengdu Yongfeng was experiencing a decline in revenue and recorded a net loss of RMB31.4 million. Particulars of the Chengdu Yongfeng Disposal are as follows:

Parties	:	1. Our Company (as the transferor) 2. Sichuan Dingfeng (as the transferee), an Independent Third Party 3. Mr. Liu 4. Chengdu Yongfeng
Principal business of Chengdu Yongfeng	:	Research, production and sales of spacecraft, civil aviation components and aerospace-related systems and provision of metal cutting services
Amount of consideration	:	RMB7,599,058
Basis of consideration	:	With reference to the investment cost incurred by our Company for its shareholding, and the investment return calculated based on the amount of investment funds remitted, at an annualised investment return rate of 8%, from the date of remittance up to 31 October 2024
Settlement date	:	17 December 2024
Reasons for disposal and impact of the transaction on our Company	:	The Directors are of the view that the then valuation of Chengdu Yongfeng presents an opportunity to realise the Company's passive investment from the disposal and to allocate the proceeds for developing principal business of our Group. The disposal was also driven by Chengdu Yongfeng's internal equity restructuring, which required the introduction of new investors, and the fact that its core business no longer aligned with the Group's strategic development objectives.
Relationship between Sichuan Dingfeng and our Company	:	Sichuan Dingfeng is a limited liability company established under the laws of the PRC. Mr. Liu, the former shareholder of our Company, and the former general manager and former director of Shanghai Top and our Company, is interested in the equity interest of Sichuan Dingfeng as to approximately 42.4%.

Our Directors confirm that the various acquisitions of the equity interests in Chengdu Yongfeng by Mr. Liu prior to, and during, the Chengdu Yongfeng Disposal were not financed by or associated with our Company, its subsidiaries, their respective shareholders, directors, supervisors or senior management, or any of their respective associates.

Prior to the Chengdu Yongfeng Disposal, the then shareholders of Chengdu Yongfeng were Independent Third Parties, with its shareholding structure as follows:

Shareholders	**Percentage of equity interest** *(approximate)*
Shanghai Minyufei Industry Co., Ltd.* (上海民宇飛實業有限公司) (1)	16.19%
Shanghai Chonghang Enterprise Management Partnership (Limited Partnership)* (上海崇航企業管理合夥企業(有限合夥)) (2)	11.99%
Shanghai Jiahang Enterprise Management Partnership (Limited Partnership)* (上海枷航企業管理合夥企業(有限合夥)) (3)	11.99%
Our Company	10.79%
Liu Gang (劉鋼) (4)	10.00%
Shanghai Yiyan Enterprise Management Partnership (Limited Partnership)* (上海翌焱企業管理合夥企業(有限合夥)) (5)	8.99%
AVIC Aviation Industry Chain Guidance Investment (Tianjin) Partnership (Limited Partnership)* (中航航空產業鏈引導投資(天津)合夥企業(有限合夥)) (6)	5.73%
Gongqingcheng Gonghui Investment Partnership (Limited Partnership)* (共青城共輝投資合夥企業(有限合夥)) (7)	4.54%
Chengdu Huaxi Jinzhi Yinchuang Equity Investment Fund Partnership (Limited Partnership)* (成都華西金智銀創股權投資基金合夥企業(有限合夥)) (8)	4.09%
Luo Xuan (羅旋) (9)	3.56%
Gongqingcheng Jiaoyan Qingyun Equity Investment Partnership (Limited Partnership)* (共青城交研青雲股權投資合夥企業(有限合夥)) (10)	3.46%
Chengdu Xiangrong Venture Capital Co., Ltd.* (成都市香融創業投資有限公司) (11)	3.03%
Shanghai Xijie Technology Partnership (Limited Partnership)* (上海璽捷科技合夥企業(有限合夥)) (12)	2.27%
Yuyun (Chengdu) Enterprise Management Partnership (Limited Partnership)* (裕雲(成都)企業管理合夥企業(有限合夥)) (13)	1.55%
Jiaxing Fenghu Equity Investment Partnership (Limited Partnership)* (嘉興豐斛股權投資合夥企業(有限合夥)) (14)	1.36%
Gongqingcheng Jinzhi Yongfeng Investment Partnership (Limited Partnership)* (共青城金智永峰投資合夥企業(有限合夥)) (15)	0.45%
Total	**100%**

Notes:

(1) Shanghai Minyufei Industry Co., Ltd.* (上海民宇飛實業有限公司) is a limited liability company established in the PRC on 10 August 2006. It is principally engaged in processing of mechanical parts and components and construction engineering.

(2) Shanghai Chonghang Enterprise Management Partnership (Limited Partnership)* (上海崇航企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC on 2 July 2019. Its general partner is Mr. Liu Gang (劉鋼), who is also the former general manager and former director of Shanghai Top and our Company. Please see below for details of Mr. Liu Gang. It is principally engaged in corporate management consulting.

(3) Shanghai Jiahang Enterprise Management Partnership (Limited Partnership)* (上海枷航企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC on 31 July 2019. It is principally engaged in corporate management consulting and provision of technical services.

(4) Mr. Liu Gang (劉鋼) is the former general manager and former director of Shanghai Top and our Company. For details, see "History and Corporate Structure – Corporate Development and Major Shareholding Changes – (2) Early Capital Increases and Equity Transfers" in this prospectus. Mr. Liu Gang has served as a director and as chairman of the board of Chengdu Yongfeng since February 2022 and September 2022, respectively. Mr. Liu Gang has also served as the legal representative of Chengdu Yongfeng since April 2025.

(5) Shanghai Yiyan Enterprise Management Partnership (Limited Partnership)* (上海翌燚企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC on 28 June 2019. It was principally engaged in corporate management consulting and technology development.

(6) AVIC Aviation Industry Chain Guidance Investment (Tianjin) Partnership (Limited Partnership)* (中航航空產業鏈引導投資(天津)合夥企業(有限合夥)) is a limited partnership established in the PRC on 9 June 2021. It is principally engaged in equity investment and investment consulting.

(7) Gongqingcheng Gonghui Investment Partnership (Limited Partnership)* (共青城共輝投資合夥企業(有限合夥)) was a limited partnership established in the PRC on 27 July 2020 and was deregistered on 7 May 2025. It was principally engaged in project investment.

(8) Chengdu Huaxi Jinzhi Yinchuang Equity Investment Fund Partnership (Limited Partnership)* (成都華西金智銀創股權投資基金合夥企業(有限合夥)) is a limited partnership established in the PRC on 28 August 2020. It is principally engaged in equity investment.

(9) To the best knowledge of our Directors, Mr. Luo Xuan (羅旋) is an individual investor.

(10) Gongqingcheng Jiaoyan Qingyun Equity Investment Partnership (Limited Partnership)* (共青城交研青雲股權投資合夥企業(有限合夥)) is a limited partnership established in the PRC on 24 December 2021. It is principally engaged in equity investment.

(11) Chengdu Xiangrong Venture Capital Co., Ltd.* (成都市香融創業投資有限公司) is a limited liability company established in the PRC on 23 August 2016. It is wholly-owned by Customer F and is principally engaged in equity investment.

(12) Shanghai Xijie Technology Partnership (Limited Partnership)* (上海璽捷科技合夥企業(有限合夥)) is a limited partnership established in the PRC on 3 August 2020. It is principally engaged in the provision of science and technology and application services.

(13) Yuyun (Chengdu) Enterprise Management Partnership (Limited Partnership)* (裕雲(成都)企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC on 14 December 2020. It is principally engaged in corporate management consulting.

(14) Jiaxing Fenghu Equity Investment Partnership (Limited Partnership)* (嘉興豐斛股權投資合夥企業(有限合夥)) is a limited partnership established in the PRC on 8 June 2020. It is principally engaged in equity investment.

(15) Gongqingcheng Jinzhi Yongfeng Investment Partnership (Limited Partnership)* (共青城金智永峰投資合夥企業(有限合夥)) is a limited partnership established in the PRC on 4 August 2021. It is principally engaged in project investment.

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

PRC Legal Advisor's Confirmation

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

PRE-IPO INVESTMENTS

Principal Terms of the Pre-IPO Investments

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

Round of Financing	Amount of registered capital subscribed for (RMB)	Consideration for subscription (RMB)[1]	Post-money valuation [2]	Date of agreement	Date of payment in full	Consideration Cost per Share (RMB) (approximate)[3]	Discount to the Offer Price (approximate)[4]
Early Investment	247,500	247,500	Not Applicable[5]	29 September 2010	13 October 2010	0.1 [5, 6]	99.6%
2011 Capital Increase	397,059	15 million	RMB100 million	13 April 2011	10 May 2011	3.8 [6]	83.6%
2015 Capital Increase	715,556	28 million	RMB703 million[7]	5 October 2015	14 October 2015	3.9 [6]	83.1%
2016 Capital Increase	463,925	20 million	RMB794.5 million	28 December 2015	22 February 2016	4.3 [6]	81.4%
2019 Capital Increase	590,000	28.32 million	RMB1.5 billion[8]	22 December 2019	26 December 2019	4.8	79.2%
2021 Capital Increase	2,676,625	350 million	RMB4.4 billion[9]	22 July 2021	31 August 2021	13.1	43.3%
2022 Capital Increase	746,667	123.2 million	RMB5.6 billion[10]	4 May 2022	4 July 2022	16.5	28.6%
2023 Capital Increase	381,887	65.12 million	RMB5.9 billion	7 December 2023	22 December 2023	17.1	26.0%

Notes:

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

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

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

(4) The discount to the Offer Price is calculated based on the Offer Price of HK$26.39 per H Share, and that the Over-allotment Option is not exercised.

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

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

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

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

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

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

The table below summarises the principal terms of the Pre-IPO Investments through acquisition of existing shares of our Company:

Name of Pre-IPO Investor	Number of Shares acquired	Amount of consideration involved (RMB) (approximate) (1)	Date of agreement	Date of payment in full	Consideration Cost per Share (RMB) (approximate) (2)	Discount to the Offer Price (approximation) (3)
Zhuhai Jiufeite Changsheng Investment LP	700,000	25.2 million	23 January 2019	28 January 2019	3.6	84.4%
Ms. Yang LX	300,000	10.8 million	23 February 20129	28 February 2019	3.6	84.4%
Zhuhai Jiufeite Jiufu Investment LP	500,000	18 million	23 January 2019	28 January 2019	3.6	84.4%
Changzhou Xiangnong Investment LP	220,384	28.7 million	15 August 2021	20 August 2021, 30 August 2021 (4)	13	43.8%
GQC Xinzhou VC LP	470,000	58.1 million (5)	25 August 2021	13 September 2021	12.4	46.3%
GQC Yuantuo Investment LP	638,000	83.3 million	18 October 2021	5 November 2021	13.1	43.3%
Jiaxing Tengyin Investment LP	76,923	10 million	16 August 2021	20 August 2021	13	43.8%
Mr. Xu	230,769	30 million	23 August 2021	26 August 2021	13	43.8%
	38,461	5 million	6 September 2021	9 September 2021		
Mr. Pan	44,615	5.8 million	6 September 2021	8 September 2021	13	43.8%
	170,050	2.3 million	22 May 2024	31 May 2024	13.6	41.2%
Hainan Yujun Investment LP	200,000	26 million	1 September 2021	15 September 2021	13	43.8%
Foshan ZFBN Investment LP	68,000	10 million	15 December 2022	6 January 2023	14.7	36.4%
Foshan ZFTC VC LP	74,800	11 million	15 December 2022	6 January 2023	14.7	36.4%
Zhuhai Ruixin Investment LP	68,000	10 million	15 December 2022	6 January 2023	14.7	36.4%
Zhuhai QKCX Investment LP	68,027	10 million	31 January 2023	7 February 2023	14.7	36.4%
Jiaxing Nanhu Keying Investment LP	909,091	150 million	25 February 2023	16 March 2023	16.5 (6)	28.6%
Qingdao South China Dingye Investment LP	95,918	14.1 million	7 March 2023	17 March 2023	14.7	36.4%
Jiaxing Hongyang Investment LP	215,984	31.8 million	23 September 2023	13 November 2023	14.7	36.4%
Qingdao ZJQX VC LP	239,575	38.0 million (7)	19 September 2023	22 September 2023	15.9	31.2%
Tianjin Haisheng Investment LP	47,241	7.5 million	25 October 2023	30 October 2023	15.9	31.2%
China Post Life Insurance (8)	429,940	65 million	13 December 2023	15 December 2023	15.1	34.7%
Jiaxing Zhiyou VC LP	71,675	11 million	29 December 2023	9 January 2024	15.3	33.8%
Xuchang Digital Economy Investment LP	130,318	20 million	29 December 2023	9 January 2024	15.3	33.8%
Rizhao Muzhizhi Investment LP (9)	170,066	Nil (9)	30 August 2024	Not applicable (9)	Not applicable (9)	Not applicable (9)

Name of Pre-IPO Investor	Number of Shares acquired	Amount of consideration involved *(RMB)* *(approximate)* (1)	Date of agreement	Date of payment in full	Consideration Cost per Share *(RMB)* *(approximate)* (2)	Discount to the Offer Price *(approximation)* (3)
Jiangsu Jianyin	160,001	20.9 million	2 April 2025	23 May 2025	13.1 (10)	43.3%
Tianjin Winfund LP	72,747	9.5 million	2 April 2025	2 April 2025	13.1 (10)	43.3%
Guangzhou Yujian Manufacturing LP	1,170,540	17.2 million	27 November 2025	12 January 2026	14.7	36.4%

Notes:

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

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

(3) The discount to the Offer Price is calculated based on the Offer Price of HK$26.39 per H Share, and that the Over-allotment Option is not exercised.

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

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

(6) The consideration cost per Share was reached base on commercial negotiation between Jiaxing Nanhu Keying Investment LP and Dr. Wang with reference to the consideration cost per Share for 2022 Capital Increase, and is slightly higher than other subsequent Pre-IPO Investors.

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

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

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

(10) The consideration cost per Share is slightly lower than previous Pre-IPO Investors since the transactions were primarily driven by Mr. Liu's personal financial needs to divest from the Company.

Use of Proceeds from the Pre-IPO Investments

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

Strategic Benefits from Pre-IPO Investments

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

Special Rights of the Pre-IPO Investors

Pursuant to the existing shareholders' agreement and capital increase agreements, the Pre-IPO Investors had been granted certain special rights, including, among others, right of first refusal and co-sale, anti-dilution rights, drag-along rights and information rights. All special rights (including the divestment rights) granted to the Pre-IPO Investors have been terminated before the first submission of our Company's listing application with the Stock Exchange as all shareholders entered into a termination agreement with our Company on 29 December 2022, pursuant to which, their special rights, including redemption rights and liquidation preference rights, were terminated (i.e. there was no present obligation at any point during the Track Record Period).

Lock-up Period

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

JOINT SPONSORS' CONFIRMATION

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

Information regarding Our Pre-IPO Investors

Set out below are descriptions of each of our Pre-IPO Investors who held more than 1.0% of the total issued share capital of our Company, which primarily consist of private equity funds and strategic investment corporations. To the best of our Company's knowledge, save as otherwise disclosed in this subsection, all the Pre-IPO Investors are Independent Third Parties.

Shanghai Yiding Investment LP

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

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

Jiaxing CDH Investment LP

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

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

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

Shenzhen Hehui Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in investment management, investment advisory and asset management in the PRC. Its general and executive managing partner is Shenzhen Hehui Xinda Investment Co., Ltd. (深圳市和輝信達投資有限公司) ("**Shenzhen Hehui Xinda**"), holding approximately 2.1% interest therein. Shenzhen Hehui Xinda is a limited liability company established under the laws of the PRC and is principally engaged in enterprise investment advisory. The equity interest of Shenzhen Hehui Xinda is owned and controlled as to approximately 32.7% by Luo Peng (羅鵬) and 30% as to Wending Cangqiong Aerospace Technology (Shenzhen) Co., Ltd. (問鼎蒼穹航空航天科技(深圳)有限公司) and the remaining equity interests are owned by four other shareholders, each of which holds few than 30% equity interests. Shenzhen Hehui Investment LP has 11 limited partners, with GQC Excellence Huamao Investment Partnership (Limited Partnership) (共青城卓越華茂投資合夥企業(有限合夥)) ("**GQC Excellence**"), holding approximately 35.7% interest therein and each of the remaining limited partners holds less than 30% of the interest therein. GQC Excellence is also a limited liability partnership established under the laws of the PRC and is principally engaged in self-funded equity investment. The general and executive managing partner is Luo Qingyi (羅清怡), who is also interested as to 80% of the partnership interest in GQC Excellence. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

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

As at the Latest Practicable Date, Shenzhen Hehui Investment LP and Shenzhen Zhongyi Investment LP held approximately 3.3% and 2.1% of the total issued share capital of our Company, respectively, and the Hehui Investors in aggregate held approximately 5.5% of the total issued share capital of our Company.

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

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

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

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

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

Jiaxing Nanhu Keying Investment LP

Jiaxing Nanhu Keying Investment LP is a limited liability partnership established under the laws of the PRC and is principally engaged in equity investment in the PRC. Its general and executive managing partner is Jiaxing Nanhu Equity Investment Fund Co., Ltd. (嘉興市南湖股權投資基金有限公司) ("**Jiaxing Nanhu Investment Company**"), holding approximately 0.2% interest therein. Jiaxing Nanhu Investment Company is a limited liability company established under the laws of the PRC and is principally engaged in entrustment of financial institutions and is a wholly-owned subsidiary of Jiaxing Nanhu Financial Service Co., Ltd. (嘉興市南湖金融服務有限公司) ("**Jiaxing Nanhu Financial**"), which was owned as to approximately 62.2% equity interest by Chiyue Investment Limited (池月投資有限公司) ("**Chiyue Investment**"). Chiyue Investment is owned as to approximately 26.3% equity interest by Ningbo Fotile Kitchenware Co., Ltd. (寧波方太廚具有限公司) ("**Ningbo Fotile**") and 9 other equity interest holders, all of which held less than 30% of the equity interest in the said company. Ningbo Fotile was owned as to 80.8% equity interest by Ningbo Feixiang Group Co., Ltd. (寧波飛翔集團有限公司) ("**Ningbo Feixiang**"), which in turn is owned as to approximately 79.6% by Mao Zhongqun (茅忠群). Jiaxing Nanhu Keying Investment LP has two limited partners, namely Zhejiang Yanan Equity Investment Co., Ltd. (浙江埕南股權投資有限公司) ("**Zhejiang Yanan Company**") and Jiaxing Science and Technology City High-tech Industry Investment Co., Ltd. (嘉興科技城高新技術產業投資有限公司) ("**Jiaxing ST Company**")**.** Zhejiang Yanan Company and Jiaxing ST Company are both ultimately controlled by Jiaxing Municipal People's Government State-owned Assets Supervision and Administration Commission (嘉興市人民政府國有資產監督管理委員會). To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

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

China Post Life Insurance

China Post Life Insurance is a state-owned national life insurance company owned by China Post Group Co., Ltd. (中國郵政集團有限公司) ("**China Post Group**"), AIA Company Limited (友邦保險有限公司) ("**AIA Company**"), a wholly-owned subsidiary of AIA Group Limited (1299.HK), Beijing China Post Asset Management Co., Ltd. (北京中郵資產管理有限公司), China Philatelic Co., Ltd. (中國集郵有限公司) and Postal Science Research and Planning Institute Co., Ltd. (郵政科學研究規劃院有限公司), as to approximately 42.7%, 25.0%, 13.2%, 10.7% and 8.5%, respectively. China Post Group is a state-owned enterprise controlled by the State Council of the PRC (中國國務院). To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

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

GQC Yuantuo Investment LP

GQC Yuantuo Investment LP is a limited liability partnership established under the laws of the PRC. Its general and executive managing partner is Ningbo Yushan Investment Management Co., Ltd. (寧波宇杉投資管理有限公司) ("**Ningbo Yushan**"), holding approximately 0.001% interest therein. Ningbo Yushan is a limited liability company established under the laws of the PRC, and is principally engaged in asset management and venture capital investment. Its equity interest is owned as to 57.6% by Jiang Hangtian (蔣航天). GQC Yuantuo Investment LP has 17 limited partners, each of the limited partners holds less than 30% of the interest therein. To the best knowledge, information and belief of our Directors, each of the aforesaid individuals or entities is an Independent Third Party.

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

GQC Xinzhou VC LP

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

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

Individual Pre-IPO Investors

Mr. Jiang and Mr. Ma are individual private investors with more than 1.0% of the total issued share capital of our Company, who from time to time participate in various investment opportunities in different target companies encompassing various business sectors. All of our individual Pre-IPO Investors are Independent Third Parties. As at the Latest Practicable Date, each of Mr. Jiang and Mr. Ma held approximately 4.2% and 2.0% of the total issued share capital of our Company.

EMPLOYEE SHARE OWNERSHIP PLATFORM

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

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

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

For partnership structure of Tuoxian Technology, please refer to the appendix headed "Statutory and General Information" in this prospectus.

FORMER EXECUTIVE DIRECTOR RESIGNED IN 2025

Dr. Bi Qingzhen (畢慶貞) ("**Dr. Bi**") had resigned from the position of Director in April 2025. He served as a Director of the Company during the period from November 2016 to April 2025 and was primarily responsible for providing technical advice to our Group. During the period from January 2019 to April 2021, he was appointed as the technical director of our Company. During the period from April 2021 to July 2023, he was appointed by the Company as a senior consultant of the Company, on a part-time basis, to provide technical advice and consultation service in respect of a research project, upon completion of the research project. In July 2023, he had ceased to hold any position at the Company other than being a Director and a minority Shareholder. In April 2025, upon restructuring of the Board, he had resigned as a Director.

Dr. Bi has confirmed that he has no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the Shareholders and The Stock Exchange.

As at the Latest Practicable Date, Dr. Bi, as a minority Shareholder and passive investor, retained 6,187,980 Domestic Shares, comprising approximately 1.8% of the total issued share capital of the Company. For further details in relation to the number of Shares held by Dr. Bi upon completion of the Global Offering, please see "History – Public Float".

LISTING ATTEMPT

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

Our Directors are not aware of any matters or findings from the Previous A-Share Listing Application or the aforementioned tutoring filing/tutoring progress reports which have been brought to their attention and would have a material adverse implication on the Listing, or any matters that might materially and adversely affect our Company's suitability for the Listing. Our Directors further confirm that there is no other matter in relation to the Previous A-Share Listing Application or the aforementioned tutoring filing/tutoring progress reports that needs to be brought to the attention of the Stock Exchange or potential investors. Based on the due diligence work performed by the Joint Sponsors, nothing material has come to the attention of the Joint Sponsors that contradicts the Directors' view disclosed above regarding the Company's above previous A-Share listing attempts.

CAPITALISATION

Our Company has applied for Conversion of Domestic Shares into H Shares to convert certain of the Domestic Shares into H Shares as per the instructions of the relevant Shareholders. The conversion of Domestic Shares into H Shares will involve an aggregate of 306,142,904 Domestic Shares held by 44 existing Shareholders, representing approximately 74.8% of total issued Share capital of our Company upon completion of the conversion of Domestic Shares into H Shares and the Global Offering (assuming no exercise of the Over-allotment Option). Save as disclosed in this prospectus and to the best knowledge of our Directors, we are not aware of the intention of any other existing Shareholders to convert their Domestic Shares. For details, see "Share Capital" in this prospectus.

PUBLIC FLOAT

Immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), our Company will have 37,808,886 Domestic Shares and 371,472,904 H Shares, among which: (i) the 19,155,317 Domestic Shares (representing approximately 4.7% of our total issued Shares upon Listing) will not be considered as part of the public float; and (ii) among the 371,472,904 H Shares,

(a) 146,564,263 H Shares to be converted from Domestic Shares pursuant to the Conversion of Domestic Shares into H Shares application of our Company and listed on the Stock Exchange (representing approximately 35.8% of our total issued Shares upon Listing assuming that the Over-allotment Option is not exercised) will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing, as such Shares are being held by Dr. Wang, Mr. Li YH and Tuoxian Technology, which are core connected persons of our Company;

(b) 159,578,641 H Shares to be converted from Domestic Shares pursuant to the Conversion of Domestic Shares into H Shares application of our Company and listed on the Stock Exchange (representing approximately 39.0% of our total issued Shares upon Listing assuming that the Over-allotment Option is not exercised), will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing, as these Shares are not held by persons who are core connected persons of our Company upon Listing nor are they accustomed to take instructions from our Company's core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by our Company's core connected persons; and

(c) 65,330,000 H Shares to be issued under the Global Offering (representing approximately 16.0% of our total issued Shares upon Listing) will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing, assuming that (i) the Over-allotment Option is not exercised and (ii) none of the following persons will take part in the Global Offering: our Company's core connected persons, any persons who are accustomed to take instructions from our Company's core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares, and any person whose acquisition of Shares were financed directly or indirectly by our Company's core connected persons.

Details of the Conversion of Domestic Shares into H Shares and the number of Domestic Shares and H Shares that are and will be held by each of the existing Shareholders (i) as at the Latest Practicable Date and (ii) upon completion of the Global Offering are set out below:

			Number of Shares upon Listing (assuming that the Conversion of Domestic Shares into H Shares and the Global Offering are completed)		
Existing Shareholders	**Number of Domestic Shares as at the Latest Practicable Date**	**Percentage of shareholding**	**Domestic Shares**	**H Shares converted from Domestic Shares**	**Percentage of shareholding**
		%			%
Core connected persons					
Dr. Wang	126,636,770	36.8	12,663,677	113,973,093	30.9
Mr. Li YH	32,458,200	9.4	6,491,640	25,966,560	7.9
Tuoxian Technology	6,624,610	1.9	0	6,624,610	1.6
Sub-total	*165,719,580*	*48.1*	*19,155,317*	*146,564,263*	*40.4*
Public Shareholders					
Mr. Jiang	14,453,020	4.2	2,890,604	11,562,416	3.5
Mr. Ma	6,919,840	2.0	1,383,968	5,535,872	1.7

Existing Shareholders	Number of Domestic Shares as at the Latest Practicable Date	Percentage of shareholding	Number of Shares upon Listing (assuming that the Conversion of Domestic Shares into H Shares and the Global Offering are completed)		
			Domestic Shares	H Shares converted from Domestic Shares	Percentage of shareholding
		%			%
Shanghai Yiding Investment LP	27,465,430	8.0	4,119,814	23,345,616	6.7
Dr. Bi	6,187,980	1.8	618,798	5,569,182	1.5
Shenzhen Hehui Investment LP	11,390,880	3.3	0	11,390,880	2.8
Shenzhen Zhongyi Investment LP	7,385,140	2.1	0	7,385,140	1.8
Zhuhai Jiufeite Changsheng Investment LP	7,000,000	2.0	0	7,000,000	1.7
Zhuhai Jiufeite Jiufu Investment LP	5,000,000	1.5	0	5,000,000	1.2
Ms. Yang LX	3,000,000	0.9	0	3,000,000	0.7
Shanghai Xixiao LP	3,100,000	0.9	0	3,100,000	0.8
Hanzhong Zhonghe LP	1,000,000	0.3	0	1,000,000	0.2
Ms. Gong	700,000	0.2	105,000	595,000	0.2
Jiaxing CDH Investment LP	19,118,750	5.6	0	19,118,750	4.7
Changzhou Yongyuan Investment LP	1,755,820	0.5	1,755,820	0	0.4
Yiwu Dongshun Real Estate	764,750	0.2	764,750	0	0.2
Guangzhou Yujian Manufacturing LP	1,170,540	0.3	1,170,540	0	0.3
Shanghai Linsong LP	2,248,370	0.7	0	2,248,370	0.6
Shanghai Songfanhui LP	45,880	0.01	0	45,880	0.01
Changzhou Xiangnong Investment LP	2,203,840	0.6	2,203,840	0	0.5
Mr. Xu	1,826,720	0.5	0	1,826,720	0.5
Jiaxing Tengyin Investment LP	769,230	0.2	769,230	0	0.2
GQC Xinzhou VC LP	4,700,000	1.4	0	4,700,000	1.2
Mr. Pan	2,146,650	0.6	0	2,146,650	0.5
Hainan Yujun Investment LP	2,000,000	0.6	0	2,000,000	0.5
GQC Yuantuo Investment LP	6,380,000	1.9	0	6,380,000	1.6
Zhuhai Junlian VC LP	2,424,250	0.7	0	2,424,250	0.6
Zhuhai Jiufeite Jiufu No. 5 Investment LP	2,315,150	0.7	0	2,315,150	0.6
Yangzhou Xinyuan Investment LP	1,212,120	0.4	0	1,212,120	0.3
Pingtan Boda Investment LP	1,515,150	0.4	303,030	1,212,120	0.4
Zhuhai Ruixin Investment LP	680,000	0.2	0	680,000	0.2
Foshan ZFBN Investment LP	680,000	0.2	0	680,000	0.2
Foshan ZFTC VC LP	748,000	0.2	0	748,000	0.2
Zhuhai QKCX Investment LP	680,270	0.2	0	680,270	0.2

Existing Shareholders	Number of Domestic Shares as at the Latest Practicable Date	Percentage of shareholding	Number of Shares upon Listing (assuming that the Conversion of Domestic Shares into H Shares and the Global Offering are completed) Domestic Shares	H Shares converted from Domestic Shares	Percentage of shareholding
		%			%
Jiaxing Nanhu Keying Investment LP	9,090,910	2.6	1,818,182	7,272,728	2.2
Qingdao South China Dingye Investment LP	959,180	0.3	239,795	719,385	0.2
Rizhao Muzhizhi Investment LP	1,700,660	0.5	510,198	1,190,462	0.4
Jiaxing Hongyang Investment LP	2,159,840	0.6	0	2,159,840	0.5
Qingdao ZJQX VC LP	2,395,750	0.7	0	2,395,750	0.6
Tianjin Haisheng Investment LP	472,410	0.1	0	472,410	0.1
China Post Life Insurance	6,351,930	1.8	0	6,351,930	1.6
Beijing Yuanjing Investment LP	1,759,310	0.5	0	1,759,310	0.4
Beijing Jingguo Investment LP	7,030	0.002	0	7,030	0.002
Jiaxing Zhiyou VC LP	716,750	0.2	0	716,750	0.2
Xuchang Digital Economy Investment LP	1,303,180	0.4	0	1,303,180	0.3
Jiangsu Jianyin	1,600,010	0.5	0	1,600,010	0.4
Tianjin Winfund LP	727,470	0.2	0	727,470	0.2
Sub-total	*178,232,210*	*51.9*	*18,653,569*	*159,578,641*	*43.6*
Total	**343,951,790**	**100.0**	**37,808,886**	**306,142,904**	**84.0**

With respect to the Offer Price of HK$26.39, the expected market capitalization of the Company's H Shares would exceed HK$6 billion but does not exceed HK$30 billion. Pursuant to Rule 8.08(1) of the Listing Rules, based on an Offer Price of HK$26.39 per Offer Share, our expected market capitalization upon the Listing is HK$10.8 billion, and the minimum prescribed public float percentage applicable to our Shares is 15.0% under 19A.13A(1) of the Listing Rules. Assuming that all the Offer Shares are allotted, the number of H Shares (including H Shares that are converted from Domestic Shares) held by the public at the time of the Listing would be 224,908,641 H Shares (representing approximately 55.0% of our total number of issued Shares), which will be regarded as public float and will satisfy the requirement under Rule 19A.13A(1) of the Listing Rules.

In light of the above, the public float of our Company will be approximately 55.0% upon Listing assuming that (i) the Over-allotment Option is not exercised and (ii) none of the following persons will take part in the Global Offering: our Company's core connected persons, any persons who are accustomed to take instructions from our Company's core connected persons in relation to their acquisition, disposal, voting or other disposition of their shares, and any person whose acquisition of Shares were financed directly or indirectly by our Company's core connected persons.

FREE FLOAT

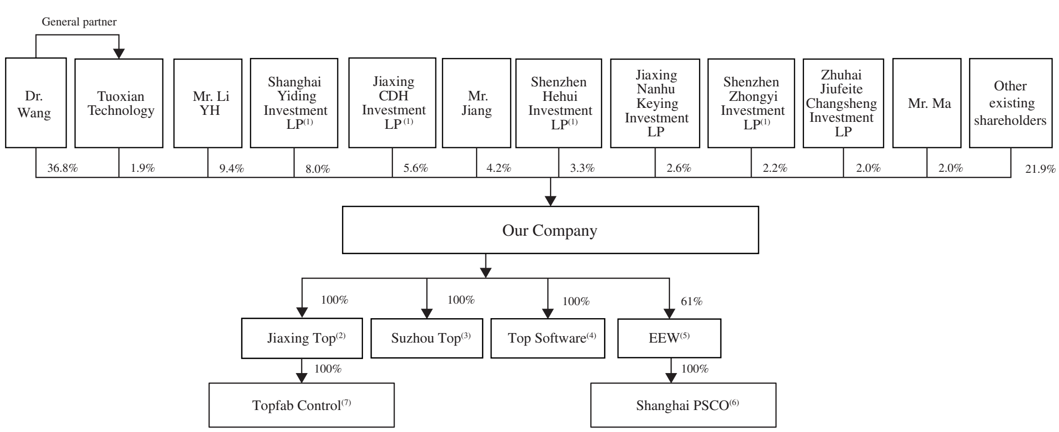
Rule 19A.13C(1) of the Listing Rules provides that, where a new applicant is a PRC issuer with no other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of listing, must: (a) represent at least 10% of the total number of issued shares in the class to which H shares belong at the time of listing (excluding treasury shares), with an expected market value at the time of listing of not less than HK$50,000,000; or (b) have an expected market value at the time of listing of not less than HK$600,000,000.

Based on an Offer Price of HK$26.39 per H Share, the Company will satisfy the free float requirement under Rule 19A.13C(1) of the Listing Rules.

Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all existing Shareholders are not allowed to dispose of any of the Shares held by them.

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE COMPLETION OF THE GLOBAL OFFERING

The following chart sets forth our Group's simplified shareholding and corporate structure immediately prior to the completion of the Global Offering:



Notes:

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

(2) As at the Latest Practicable Date, Jiaxing Top principally engages in sales and manufacturing of CNC machine tools.

(3) As at the Latest Practicable Date, Suzhou Top principally engages sales of CNC machine tools.

(4) As at the Latest Practicable Date, Top Software principally engages in development, design, and provision of software control modules service for industrial applications

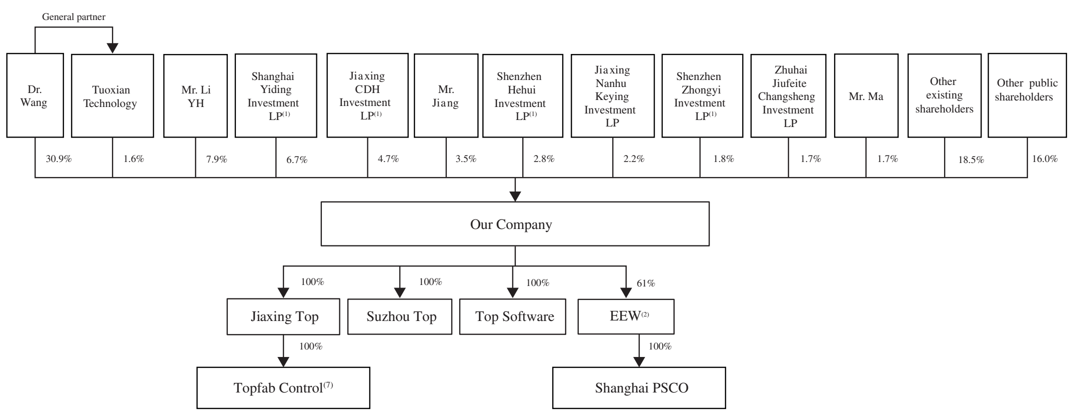
(5) As at the Latest Practicable Date, the business scope of EEW covers the development of production methods and manufacturing technologies, the design and distribution of testing equipment and machinery, and the development of related operational software. As at the Latest Practicable Date, EEW had no material operations. As at the Latest Practicable Date, the shareholding interest of EEW is owned as to 61% by our Company, 34% by Mr. Joachim Ernst Knapp, and 5% by Gain Science Technology Ltd. (金聖源科技有限公司), which is ultimately controlled by Mr. Zou Chaosheng (鄒朝聖). Mr. Knapp and Gain Science Technology Ltd. have retained their respective shareholding interests as passive investors based on their own business and commercial considerations. Save for their respective shareholding in EEW, each of Mr. Joachim Ernst Knapp, Gain Science Technology Ltd. and Mr. Zou Chaosheng is an Independent Third Party.

(6) As at the Latest Practicable Date, Shanghai PSCO principally engages in sales of CNC machine tools.

(7) Topfab Control is a subsidiary incorporated in Hong Kong in April 2026 and has no material business operation as at the Latest Practicable Date. Topfab Control is incorporated with an aim to develop international markets.

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE GLOBAL OFFERING

The following chart sets forth our Group's simplified shareholding and corporate structure immediately after the completion of the Global Offering (assuming the Overallotment Option is not exercised):



For notes (1) and (7), see "Shareholding and corporate structure immediately prior to the completion of the Global Offering" in this prospectus.

OVERVIEW

Who We Are

We are an enterprise specialising in the R&D, design, production and sales of high-end intelligent manufacturing equipment, comprising primarily five-axis CNC machine tools, in China. We focus on developing five-axis CNC machine tools to address the demand for advanced manufacturing in China's aviation and aerospace sector. According to the CIC Report, in 2025, we ranked first in China's aviation and aerospace five-axis CNC machine tool market with a market share of 10.0%, fifth among all suppliers and second among domestic suppliers in China's five-axis CNC machine tool market, with a market share of 3.9%. According to the same source, five-axis CNC machine tools represent a foundational industrial manufacturing equipment, with growing adoption across industries due to their superior precision, efficiency and intelligent machining capabilities. The market size of five-axis CNC machine tools is expected to increase from RMB12.9 billion in 2025 to RMB31.9 billion in 2030, with a CAGR of 19.8%. During the Track Record Period, we had expanded our market presence into the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing.

Our Products Portfolio and Applications

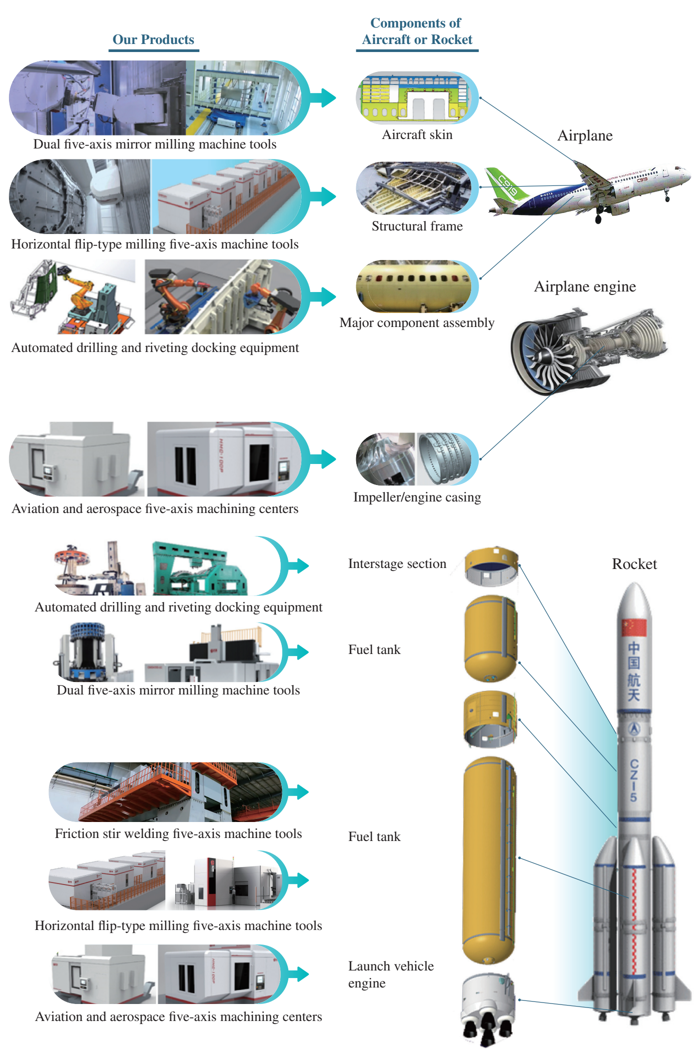
During the Track Record Period, we generated revenue from the sales of (i) aviation and aerospace intelligent manufacturing equipment, (ii) compact general industrial five-axis machine tools, (iii) large-span carbon fiber composite five-axis machine tools as well as (iv) provision of repair and maintenance services. Our products were primarily customised and produced on an order-by-order basis. We started to enhance our offerings by introducing large-span carbon fiber composite five-axis machine tools to the market in FY2025. Details of our product portfolio are as follows:

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

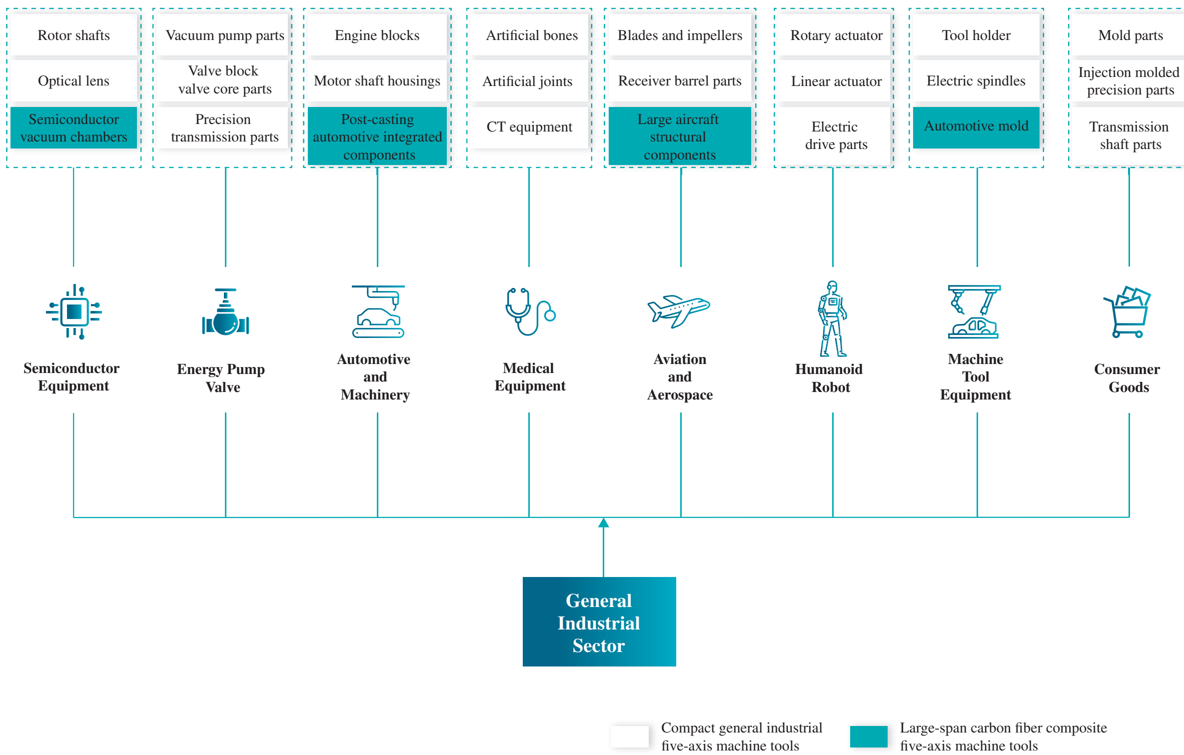
(ii) ***Compact general industrial five-axis machine tools.*** Our compact general industrial five-axis machine tools are versatile five-axis CNC machine tools under three-meter span designed for machining of small-to-medium components in the general industrial sector, which support multiple machining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

(iii) ***Large-span carbon fiber composite five-axis machine tools.*** Our large-span carbon fiber composite five-axis machine tools refer to advanced five-axis CNC machine tools featuring gantry structures with span ranging from three meters to a maximum of 15 meters, designed for machining of massive monolithic components in the general industrial sector. Unlike conventional metal-based machine tools, with the use of carbon fiber composites across all moving parts, our large-span carbon fiber composites five-axis machine tools exhibit the technological advantages of lightweight properties, high-dynamic performance, extended operating range, micron-level accuracy and advanced thermal and vibration control capabilities. They are applied across industries for manufacturing integrated vehicle body parts for automotives, hull structures for shipbuilding, and large structural components in energy applications etc., where demands exist for production and processing of massive and high-precision structures. We first sold large-span carbon fiber composite five-axis machine tools in FY2025. According to the CIC Report, we are the world's first and only manufacturer that sold machine tools which fully applied carbon fiber composite materials across all moving parts.

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



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



Our Proprietary Technologies and Innovation Drivers

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

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

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

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

As at 31 December 2025, our dedicated R&D team comprised 159 employees, representing 37.9% of our total workforce with around 29.6% holding postgraduate degrees or higher. This multidisciplinary team integrates cross-industry expertise including mechanical systems, control theory, materials engineering, electrical engineering, mechanical and aerospace engineering, digitalization, and software engineering, forming the foundation of our sustained innovation capability.

Our Customer Base

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

In recent years, our strategic diversification into the general industrial sector, including automotive, energy, medical equipment, shipbuilding and die and mould manufacturing, has driven significant growth in our customer base. According to the CIC Report, the market size of

China's five-axis CNC machine tools in the general industrial sector was RMB8,559.3 million in 2025, and is projected to reach RMB23,695.8 million in 2030. This significant market potential, combined with our technological advantages, positions us for continued customer base expansion along with the ongoing industrial structure upgrading in China.

Our Financial Performance

During the Track Record Period, we experienced strong financial growth, with revenue increasing from RMB334.6 million in FY2023 to RMB531.6 million in FY2024, and further to RMB578.0 million in FY2025, representing a CAGR of 31.4%. We have achieved growth across all our product categories over the Track Record Period, with a notably strong performance in the sales of our aviation and aerospace intelligent manufacturing equipment, which reflects our success in our core aviation and aerospace business, while capitalising on expansion opportunities in the general industrial sector. We recorded a gross profit of RMB115.8 million, RMB199.9 million and RMB204.4 million in FY2023, FY2024 and FY2025, respectively. Our gross profit margin was 34.6%, 37.6% and 35.4% in FY2023, FY2024 and FY2025, respectively. As a result, we turned our net loss of RMB62.3 million in FY2023 to a net profit of RMB6.9 million and RMB1.6 million in FY2024 and FY2025, respectively.

OUR COMPETITIVE STRENGTHS

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

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

We are the top-ranked provider in China's aviation and aerospace five-axis CNC machine tool market, with a market share of 10.0% by sales revenue in 2025 according to the CIC Report. Our proprietary technologies originally developed for high-precision aviation and aerospace applications have been adapted for the general industrial sector, including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing. Notably, our products serve industrial chains across multiple strategic sectors in China, including:

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

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

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

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

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

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

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

According to the CIC Report, China's CNC machine tool market has demonstrated robust growth in recent years, with its market size expanding from RMB86.5 billion in 2020 to RMB123.4 billion in 2025, and is projected to reach RMB159.7 billion by 2030. While the localization rate of China's five-axis CNC machine tools stood at 59.5% in 2025, ongoing technological advancements by domestic manufacturers in the market are expected to drive the localization rate to exceed 78.0% by 2030. This localization trend has been strongly supported by national initiatives such as "the Guiding Catalogue for Industry Restructuring" (產業結構調整指導目錄) and "the Action Plan for Optimising Standards Regulating Equipment Renewals and Trade-ins of Consumer Goods" (以標準提升牽引設備更新和消費品以舊換新行動方案), which fostered a favourable environment for domestic suppliers of five-axis CNC machine tools through research subsidies, tax incentives and procurement support.

Through product innovations, we have established ourselves as a driving force in replacing imported equipment across China's high-end manufacturing sectors. According to the CIC Report, for aviation and aerospace intelligent manufacturing equipment, we developed the world's first three-meter vertical dual five-axis mirror milling machine tool. It has achieved an approximate 7kg weight reduction per rocket fuel tank while doubling payload capacity. According to the same source, we also pioneered China's first five-meter vertical dual five-axis mirror milling machine tool, achieving the world's first machining of five-meter integral tank bottom with a weight reduction of 100kg per tank bottom. This innovation has enabled the transition from traditional chemical milling to environmentally-friendly and high precision mechanical milling, which has been adopted for machining of C919 aircraft skin. According to the CIC Report, our friction stir welding five-axis machine tool is also China's first machine tool for rocket tanks machining. Such landmark product has made us a domestic supplier of machine tools for manufacturing critical components of multiple series of launch vehicles. We also pioneered the application of carbon fiber composites in developing the world's first high-precision five-axis gantry machine which uses such materials in the moving components of machine tools.

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

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

Since our inception, we have established technological innovation as the cornerstone of our growth strategy. We have developed a R&D platform which spans five core technological pillars: (i) precision mechanical design and manufacturing process technology, (ii) core component development technology, (iii) CNC system and intelligent measurement and control technology, (iv) process programming software technology and (v) AI-driven manufacturing technology. Our innovation strategy, powered by our R&D system, delivers competitive advantage through three distinct value-creation dimensions that reinforce our market leadership while enabling new market penetration:

Cross-industry adaptability

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

Dimensional leap in performance

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

Pioneering future manufacturing technology

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

We have cross-industry customer recognition through diversified market penetration

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

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

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

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

We are led by a visionary management team which combines deep academic expertise with extensive practical experience in the high-end intelligent manufacturing equipment industry. At the core of our leadership is Dr. Wang – receiving a doctorate in mechanical and electronic engineering from SJTU in 2005 and having over 26 years of specialised experience, Dr. Wang has been instrumental in developing several breakthrough technologies for China's aviation and aerospace manufacturing capabilities in our Company.

Complementing Dr. Wang's leadership is Mr. Li YH, who brings 26 years of mechanical engineering expertise and has been instrumental in developing our core technologies and maintaining our innovation pipeline. The management team is further strengthened by Mr. Yao Bin, who provides technical advice and supervising the implementation of core engineering projects of our Group.

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

OUR STRATEGIES

To realise our vision of establishing five-axis CNC machine tools as the foundation for future smart manufacturing, we plan to implement the following strategies to foster the development of our Group.

Technological advancements through R&D

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

Development of new materials and structural designs

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

Development of AI-powered CNC system

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

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

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

Development of Intelligent Sensing and Measurement System

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

We intend to utilise an aggregate of RMB1,230.3 million on research and development, of which RMB869.1 million will be paid by the net proceeds from the Global Offering, representing 61.8% of such net proceeds, and the remaining sum of RMB396.2 million will be financed by our internal resources and/or bank loans.

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

We plan to utilise an aggregate of approximately RMB150.0 million to establish the Zhuanqiao Production Base which will be financed by our internal resources and/or bank loans. As at the Latest Practicable Date, we had acquired a parcel of land in Zhuanqiao, Minhang District, Shanghai, the PRC with a site area of 26,806.71 sq.m. for the establishment of our Zhuanqiao Production Base. As at the Latest Practicable Date, we had paid the land price of RMB46.2 million and the construction fee of RMB39.9 million. The construction of the Zhuanqiao Production Base is expected to complete in the first half of 2027 and it is expected to commence operation in the second half of 2027.

The expected construction area of the Zhuanqiao Production Base is approximately 24,000 sq.m., representing a substantial 75% expansion of production base compared to the existing Minhang Production Base. As such, we plan to carry out production of aviation and aerospace intelligent manufacturing equipment which are of larger scale and large-span carbon fiber composite five-axis machine tools at the new Zhuanqiao Production Base, while maintaining high-volume production of the compact general industrial five-axis machine tools at our Jiaxing Production Base. This dual approach will ensure each production base can implement manufacturing processes precisely tailored to the respective product characteristics and quality requirements.

Expansion of sales and marketing network

We aim to implement a multi-faceted sales and marketing expansion strategy which focuses on growing our customer base in China and establishing a global presence.

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

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

We intend to utilise an aggregate of RMB195.2 million on the expansion of sales and marketing network, of which RMB144.4 million will be paid by the net proceeds from the Global Offering, representing 10.3% of such net proceeds, and the remaining sum of RMB50.8 million will be financed by our internal resources and/or bank loans.

Strategic acquisitions and investments to enhance core technology and product quality

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

We intend to utilise an aggregate of RMB200.0 million for the potential acquisitions and investments, of which RMB170.0 million will be paid by the net proceeds from the Global Offering, representing 12.1% of such net proceeds, and the remaining sum of RMB30.0 million will be financed by our internal resources and/or bank loans. As at the Latest Practicable Date, we had not identified any acquisition and merger targets.

OUR BUSINESS MODEL

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

The operational flow of our major business is as follow:

(i) ***R&D and technology incubation.*** We initiate the development of our products and technologies by conducting comprehensive market research and technical analysis. Promising R&D projects undergo conceptualization, prototyping and validation to create optimised design for commercialization. Products and technologies which are successfully validated are then integrated to our portfolio.

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

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

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

RESEARCH AND DEVELOPMENT

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

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

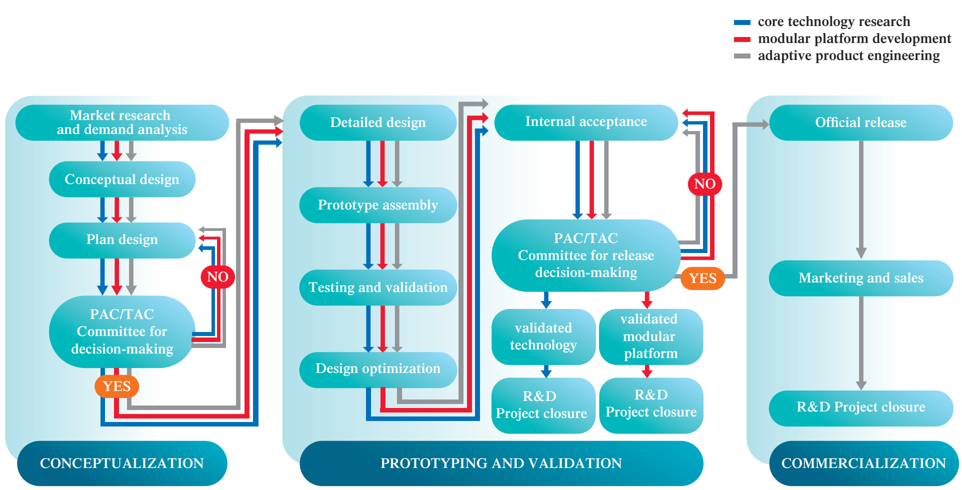
(ii) ***Modular platform development.*** Building on our core technology, we develop a modular technology platform which shares technical architectures with adaptable product configurations, allowing development of new products while maintaining cross-product compatibility.

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

We incurred R&D expenses of RMB89.9 million, RMB85.9 million and RMB106.8 million for FY2023, FY2024 and FY2025, respectively. The overall increase in our R&D expenses during the Track Record Period was primarily due to the progression of our R&D projects. For details, see "Financial Information – Key Components of Our Consolidated Statements of Profit or Loss – Research and Development Expenses" in this prospectus. During the Track Record Period, all of our R&D expenses were recognised as expenses in the year when such expenses were incurred.

R&D Workflow

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



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

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

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

R&D Team and Core Members

As at 31 December 2025, we had a R&D team of 159 employees, representing over 37.9% of our total workforce. Around 29.6% of our R&D personnel hold a master's degree or higher. Our R&D team comprises employees from multiple disciplines including mechanical systems, control theory, materials engineering, electrical engineering, mechanical and aerospace engineering, digitalization, and software engineering. Our R&D team is led by five core members. The following table sets forth the details of our core R&D members:

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

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

R&D Collaborations

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

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

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

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

Ongoing R&D Projects

As at the Latest Practicable Date, we had 45 ongoing R&D projects, among which nine projects are core technology research, 15 projects are modular platform development and 21 projects are adaptive product engineering. We expect 29 of these ongoing R&D projects to be completed by the end of 2026. Some of our noteworthy ongoing R&D projects include:

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

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

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

R&D Achievements and Recognitions

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

Award Year	Awards/Recognitions	Award-winning projects	Awarding Institution/Authority
2023	Shanghai Special Prize for Technology Invention (上海市科技發明獎特等獎)	Aerospace large curved skin/tank bottom dual five-axis mirror milling technology and equipment (航空航太大型曲面蒙皮/箱底雙五軸鏡像銑削技術與裝備)	Shanghai Municipal People's Government
2023	Second Prize of Science and Technology Award (科學技術獎第二獎)	Key technologies and equipment for laser precision cutting of large-scale complex skins (大尺寸複雜蒙皮鐳射精准刻型關鍵技術與裝備)	Aviation Industry Corporation of China, Ltd.
2023	Third Prize of National Defence Science and Technology Progress Award (國防科學技術進步獎三等獎)	Key technologies and equipment for laser precision cutting of large-scale complex skins (大尺寸複雜蒙皮鐳射精准刻型關鍵技術與裝備)	Ministry of Industry and Information Technology of the People's Republic of China
2024	Spring Swallow Award of China CNC Machine Tool Exhibition (中國數控機床春燕獎)	HMT-i500 five-axis milling-turning compound machine center (HMT-i500五軸銑車複合加工中心)	CMTBA
2024	National Little Giant Enterprise (國家專精特新小巨人企業)	–	Ministry of Industry and Information Technology
2025	2025 SAIL Award (SAIL之星)	TOPNC "Manufacturing Anything" AI CNC Machine Tool (拓璞"智造萬物"AI數控機床)	World Artificial Intelligence Conference Organisation Committee

OUR CORE TECHNOLOGIES

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

Precision Mechanical Design and Manufacturing Process Technology

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

Technology	Key features
Dual five-axis mirror milling machine tool design and manufacturing technology (雙五軸鏡像銑機床設計製造技術)	• This technology allows mirrored synchronous motion between the machining-side spindle and support-side measurement support head, which enables high-precision mirror milling of large thin-walled parts
High-speed carbon fiber composite machine tool design and manufacturing technology (高速碳纖維複材機床設計製造技術)	• This technology employs carbon fiber composite materials for critical structural components to maintain both precision and stability during high-speed operation
Large-scale horizonal five-axis machine tool configuration design and manufacturing technology (大型臥式五軸機床構型設計製造技術)	• This technology incorporates a high-torque, high-rigidity AC swivel head and high-stiffness structural design which enables high-precision five-axis machining of large complex curved surfaces and improved processing efficiency.
Automatic drilling and riveting equipment design and manufacturing technology (自動鑽鉚裝備設計製造技術)	• This technology integrates hole normal vector detection, datum hole alignment, automated hole drilling, fastener feeding, and riveting functions for automatic drilling and riveting operations.
Friction stir welding equipment design and manufacturing technology (攪拌摩擦焊接裝備設計製造技術)	• By incorporating gantry structures and integrated milling-welding-positioning-clamping capability, this technology enables precision welding for aerospace cylindrical section structural parts.

Core Component Development Technology

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

Technology	Key features
High-speed, high-precision rotary positioning technology (高速高精度旋轉運動定位技術)	• This technology encompasses rotary transmission design, high-rigidity construction, precision component manufacturing, and accurate assembly verification, which enables both high-speed and high-precision rotational axis movement.
Multi-function drilling-riveting-measurement spindle technology (鑽-鉚-測多功能複合加工主軸技術)	• This technology integrates multiple functions, including normal-direction measurement, automated drilling and countersinking, visual alignment, automatic fastener feeding and riveting, and real-time quality inspection – into a single compact unit.

Technology	Key features
Turning-milling composite spindle technology (車-銑複合加工主軸技術)	• This technology enables machining of complex-shaped components such as blades and tool holders through combining turning and milling operations in a single setup.

CNC System and Intelligent Measurement and Control Technology

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

Technology	Key features
Mirror milling high-precision real-time thickness measurement and compensation technology (鏡像銑高精度即時測厚補償加工技術)	• This system integrates real-time thickness measurement with adaptive machining through (i) instantaneous data transmission, (ii) closed-loop thickness control algorithms and (iii) intelligent process compensation to achieve dimensional stability.
Five-axis turning-milling CNC system technology (五軸車銑複合數控系統技術)	• The technology integrates multiple machining capabilities including turning, milling, drilling, boring, reaming, threading and tapping operations into a single setup, which enable efficient processing of complex-shaped parts.
Spatial and thermal displacement error measurement and compensation technology (空間與熱位移誤差測量補償技術)	• Through (i) spatial accuracy detection and control systems and (ii) high-precision dual-swivel head spatial accuracy measurement, this integrated system enables spatial positioning accuracy.

Process Programming Software Technology

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

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

AI-Driven Manufacturing Technology

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

Technology	Key features
High-fidelity virtual-physical machining simulation technology (高保真虛實融合加工仿真技術)	• This technology targets to leverage real-time toolpath data and part geometry to predict cutting forces with high accuracy during the machining process.
Self-supervised learning technology under multi-physics constraints (多物理場約束下的自監督與強化學習技術)	• This technology targets to enhance process decision-making through unified sequence generation handling multi-level abstraction problems, tiered mechanisms for precision optimization guidance and hybrid training environments ensuring real-world reliability.
Integrated AI-powered CNC system validation technology (AI-CNC系統的整體集成與廣泛適應能力驗證技術)	• This technology targets to replace traditional multi-stage machining workflows with AI-drive direct output.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group had over 90 registered patents and filed over 40 patent applications which were pending approval. For details of our patents, see "Appendix IV – Statutory and General Information – 2. Further Information About Our Business – B. Our Intellectual Property Rights" in this prospectus.

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

OUR PRODUCTS AND SERVICES

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

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

	FY2023 (RMB'000)	FY2023 (%)	FY2024 (RMB'000)	FY2024 (%)	FY2025 (RMB'000)	FY2025 (%)
Aviation and aerospace intelligent manufacturing equipment	325,089	97.2	503,434	94.7	512,442	88.7
Compact general industrial five-axis machine tools	3,476	1.0	23,839	4.5	39,440	6.8
Large-span carbon fiber composite five-axis machine tools	–	–	–	–	24,402	4.2
Repair and maintenance services	6,065	1.8	4,283	0.8	1,694	0.3
Total	**334,630**	**100.0**	**531,556**	**100.0**	**577,978**	**100.0**

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

	FY2023 Gross profit (RMB'000)	FY2023 Gross profit margin (%)	FY2024 Gross profit (RMB'000)	FY2024 Gross profit margin (%)	FY2025 Gross profit (RMB'000)	FY2025 Gross profit margin (%)
Aviation and aerospace intelligent manufacturing equipment	120,799	37.2	196,767	39.1	214,968	41.9
Compact general industrial five-axis machine tools	662	19.0	6,118	25.7	8,472	21.5
Large-span carbon fiber composite five-axis machine tools	–	–	–	–	(1,536)	(6.3)
Repair and maintenance services	882	14.5	2,284	53.3	885	52.2
Subtotal	**122,343**	**36.6**	**205,169**	**38.6**	**222,789**	**38.5**
Less: impairment losses on inventories	*(6,532)*		*(5,290)*		*(18,431)*	
Total	**115,811**	**34.6**	**199,879**	**37.6**	**204,358**	**35.4**

We recorded gross profit of RMB115.8 million, RMB199.9 million and RMB204.4 million in FY2023, FY2024 and FY2025, respectively. For details of our gross profit, see "Financial Information – Year to Year Comparison of Results of Operations" in this prospectus.

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

	FY2023 Sales volume (Units)	FY2023 ASP (RMB'000)	FY2023 Price range (RMB'000)	FY2024 Sales volume (Units)	FY2024 ASP (RMB'000)	FY2024 Price range (RMB'000)	FY2025 Sales volume (Units)	FY2025 ASP (RMB'000)	FY2025 Price range (RMB'000)
Aviation and aerospace intelligent manufacturing equipment	55	5,911	248 to 31,800	50	10,069	250 to 51,300	45	11,618	2,170 to 27,000
Compact general industrial five-axis machine tools	3	1,159	973 to 1,400	23	1,036	870 to 1,500	32	1,229	955 to 2,250
Large-span carbon fiber composite five-axis machine tools	–	–	–	–	–	–	6	4,067	1,940 to 5,350

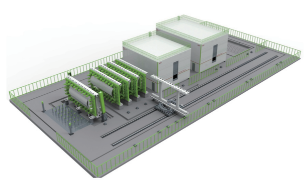
Aviation and Aerospace Intelligent Manufacturing Equipment

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

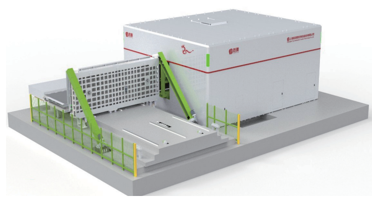
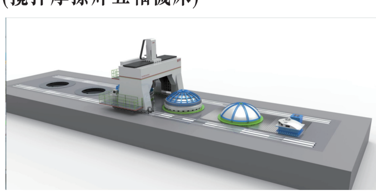
Sales of our aviation and aerospace intelligent manufacturing equipment accounted for approximately 97.2%, 94.7% and 88.7% of our total revenue for FY2023, FY2024 and FY2025, respectively.

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

Aviation and aerospace intelligent manufacturing equipment

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

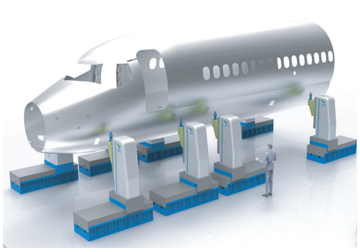
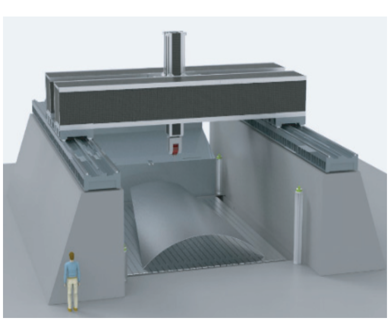
Aviation and aerospace intelligent manufacturing equipment

	Function	Target use scenarios	Core technology applied
Horizontal flip-type milling five-axis machine tools (臥式翻板銑五軸機床) 	Machining of large, complex components through its integrated swivel head and rotary table configuration	Machining of large titanium and aluminium alloy aircraft structural components	**Precision mechanical manufacturing process technology** • Large-scale horizontal five-axis machine tool configuration design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology • High-duty, high-torque rotary positioning technology **CNC system and intelligent measurement and control technology** • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology
Friction stir welding five-axis machine tools (攪拌摩擦焊五軸機床) 	Large, curved surface friction stir welding with a heavy-duty five-axis gantry structure and integrated milling-welding-positioning-fixturing technology	Welding for rocket tanks	**Precision mechanical manufacturing process technology** • Friction stir welding equipment design and manufacturing technology **Core component development technology** • Heavy-duty, high-torque rotary positioning technology • Milling-welding composite spindle technology **CNC system and intelligent measurement and control technology** • Friction stir welding constant pressure/displacement real-time control technology • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

Aviation and aerospace intelligent manufacturing equipment

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

Aviation and aerospace intelligent manufacturing equipment

	Function	Target use scenarios	Core technology applied
Automated drilling and riveting docking equipment (航空航天自動鑽鉚對接裝備)  *Automated drilling and riveting equipment*	Automated drilling and riveting of component which builds upon an end-effector that integrates normal-direction measurement, datum hole detection, automated hole drilling, fastener feeding and riveting functions	Automated drilling, riveting and hole-making for launch vehicle barrel sections and aircraft fuselage segments	**Precision mechanical manufacturing process technology** • Automatic drilling and riveting equipment design and manufacturing technology **Core component development technology** • Multi-function drilling-riveting-measurement spindle technology **CNC system and intelligent measurement and control technology** • Automated drilling and riveting normal-direction countersink depth and hole diameter measurement and control technology • High-precision spatial measurement and control technology for industrial robots
 *Digital docking equipment*	Component alignment and docking using multiple CNC positioners with multi-axis motion control, posture measurement and analysis for assembly sections, and automated spherical joint engagement	Automated alignment and precision docking assembly for aircraft fuselage sections	
High-precision aviation and aerospace five-axis gantry machine tools (高精度航空航天五軸龍門機床) 	High-accuracy machining of large-scale, high-geometric workpieces with a double-beam bridge gantry structure and moving parts made of carbon fiber composites	High-precision machining of large aircraft structural components	**Precision mechanical manufacturing process technology** • High-speed carbon fiber composite machine tool design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology **CNC system and intelligent measurement and control technology** • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

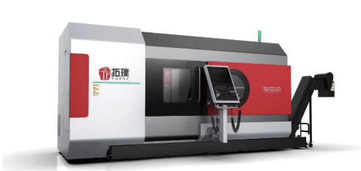
Compact General Industrial Five-Axis Machine Tools

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

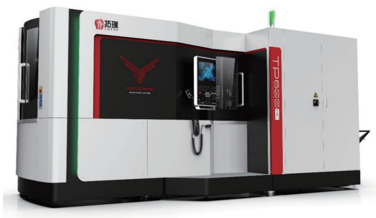
Our compact general industrial five-axis machine tools comprise the Kunpeng (鯤鵬) series, with nine models across two product categories of (i) five-axis milling-turning machining centers and (ii) horizontal five-axis machining centers. Among which, the five-axis milling-turning machining centers have been introduced to the market and have been generating revenue since 2023. Sales of our compact general industrial five-axis machine tools accounted for 1.0%, 4.5% and 6.8% of our total revenue for FY2023, FY2024 and FY2025, respectively. We believe compact general industrial five-axis machine tools will represent an increasing proportion of our revenue as we continue to expand our business in the general industrial market.

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

Compact general industrial five-axis machine tools

	Function	Target use scenarios	Core technology applied
Five-axis milling-turning machining centers (五軸車銑複合加工中心) 	Machining of small-to-medium complex components with combined milling and turning operations in a single setup	Medical equipment: artificial bones, artificial joints Machine tools: electric spindle components Automotive and machinery: engine blocks, motor shaft housings Semiconductor equipment: rotor shafts	**Core component development technology** • Turning-milling composite spindle technology • High-speed, high-precision rotary positioning technology **CNC system and intelligent measurement and control technology** • Five-axis turning-milling CNC system technology • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

Compact general industrial five-axis machine tools

	Function	Target use scenarios	Core technology applied
Horizontal five-axis machining centers (臥式五軸加工中心) 	Machining of complex-feature and complex-curvature components (within 1,000mm work envelope) with high-speed and high-precision rotational axis movement	Machining of complex-shaped components such as pump/valve housings, automotive engine blocks, small-to-medium moulds, and medical devices	**Core component development technology** • High-speed, high-precision rotary positioning technology **CNC system and intelligent measurement and control technology** • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

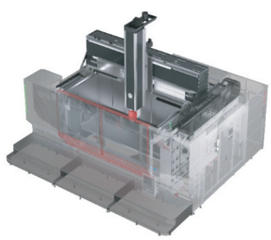
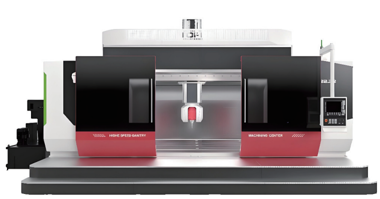
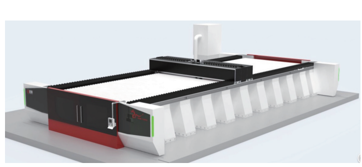
Large-Span Carbon Fiber Composite Five-Axis Machine Tools

Our large-span carbon fiber composite five-axis machine tools refer to advanced five-axis CNC machine tools featuring gantry structures with span ranging from three meters to a maximum of 15 meters, designed for machining of massive monolithic components in the general industrial sector. Unlike conventional metal-based machine tools, with the use of carbon fiber composites across all moving parts, our large-span carbon fiber composites five-axis machine tools exhibit the technological advantages of light weigh properties, high-dynamic performance, extended operating range, micron-level accuracy and advanced thermal and vibration control capabilities. They are applied across industries for manufacturing integrated vehicle body parts for automotives, hull structures for shipbuilding, and large structural components in energy applications etc., where demands exist for production and processing of massive and high-precision structures. We first sold large-span carbon fiber composite five-axis machine tools in FY2025 as the world's first and only manufacturer that sold machine tools which fully applied carbon fiber composite materials across all moving parts.

Our product portfolio includes the Phantom (幻影) series which comprise three product categories of (i) high-speed five-axis gantry machine tools, (ii) high-precision five-axis gantry machine tools and (iii) large-span five-axis gantry machine tools. In FY2025, we first sold six of our large-span carbon fiber composite five-axis machine tools. In particular, (i) two were sold to an automotive manufacturer for machining of automotive integrated die cast structural components, (ii) two were sold to a state-owned research institute specialising in ship transportation technologies for machining vessels, (iii) one was sold to a specialist in carbon fiber composites for machining vehicle prototypes, wind turbine molds and lost foam molds, and (iv) one was sold to a composite materials manufacturer for machining aluminum alloy, steel and titanium alloy structural components, with contract value ranging from RMB2 million to RMB6 million. Sales of our large-span carbon fiber composite five-axis machine tools accounted for 4.2% of our total revenue for FY2025.

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

Large-span carbon fiber composite five-axis machine tools

	Function	Target use scenarios	Core technology applied
High-speed five-axis gantry machine tools (高速五軸龍門機床)  	High-speed machining of large workpieces with a single-beam bridge gantry structure and moving parts made of carbon fiber composites	High-speed machining of post-casting automotive integrated components	**Precision mechanical manufacturing process technology** • High-speed carbon fiber composite machine tool design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology **CNC system and intelligent measurement and control technology** • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology
High-precision five-axis gantry machine tools (高精度五軸龍門機床) 	High-accuracy machining of large-scale, high-geometric workpieces with a double-beam bridge gantry structure and moving parts made of carbon fiber composites	Machining of semiconductor vacuum chambers and automotive molds	**Precision mechanical manufacturing process technology** • High-speed carbon fiber composite machine tool design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology
Large-span five-axis gantry machine tools (大尺寸五軸龍門機床) 	Machining of extra-large workpieces with a double-beam bridge gantry structure and moving parts made of carbon fiber composites	Machining of extra-large components which range from 6m to 15m in width	**Precision mechanical manufacturing process technology** • High-speed carbon fiber composite machine tool design and manufacturing technology **Core component development technology** • High-speed, high-precision rotary positioning technology

Large-span carbon fiber composite five-axis machine tools

Function	Target use scenarios	Core technology applied
		CNC system and intelligent measurement and control technology • Spatial and thermal displacement error measurement and compensation technology • Five-axis synchronised dynamic accuracy measurement and optimization technology

Repair and Maintenance Services

We provide repair and maintenance services in meeting different operational requirements of our customers. For FY2023, FY2024 and FY2025, we generated 1.8%, 0.8% and 0.3% of our total revenue from the provision of repair and maintenance services, respectively.

SALES

As at 31 December 2025, our sales team consisted of 82 employees. They are primarily responsible for frequently communicating with our customers and understanding their feedback on the quality, improvements and market demand of our products and services. To incentivize our sales force, we have implemented a compensation structure that includes a fixed component as well as a performance-based component and also set performance targets for our sales team.

Over the years, we have established an extensive customer base across China, with our sales of products within China accounted for over 98% of the Group's revenue for each year during the Track Record Period, with the remaining revenue derived from Europe. We primarily sell our products through our dedicated sales team, while complementing this with partnerships with sales representatives as part of our plan to expand our market presence in the general industrial market as we expand our product portfolio. In FY2024 and FY2025, our sales to the sales representatives amounted to RMB7.1 million and RMB24.0 million, accounting for 1.3% and 4.1% of our total revenue, respectively. We entered into sales contract with the sales representative only after they have identified specific end-users, with such sales contract requiring delivery to the end-users. We sold our products to three and four sales representatives in FY2024 and FY2025, respectively. While they act as representatives of the end-users, we classify these sales representatives as our customers and sales to them as the sales to our customers. Hence, all our revenue during the Track Record Period was attributable to our direct sales to customers and we consider there is minimal financial impact of partnering with sales representatives to the Group.

During the Track Record Period, we provided products and services to 47, 38 and 44 customers, respectively. Our customers mainly comprise (i) end customers including private enterprises and SOEs in the aviation and aerospace sector and the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing, and (ii) representatives of end users.

To procure customers such as SOEs, we actively pursue tendering opportunities identified through strategic marketing initiatives including industry exhibitions and government procurement platforms. Our tender evaluation process involves assessment of factors including

(i) financial viability, including material costs, labour requirements and projected margins; (ii) technical and operational feasibility, including engineering specifications, production capacity and resource availability; and (iii) logistical requirements, including delivery timelines and installation schedules.

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

	FY2023		**FY2024**		**FY2025**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Revenue from						
– Private enterprises	45,325	13.5	244,566	46.0	390,923	67.6
– State-owned enterprises	288,422	86.2	285,990	53.8	187,055	32.4
– Tertiary institutions	883	0.3	1,000	0.2	–	–
Total	**334,630**	**100.0**	**531,556**	**100.0**	**577,978**	**100.0**

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

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

	FY2023		**FY2024**		**FY2025**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Revenue from						
– Tendering	269,036	80.4	468,770	88.2	483,564	83.7
– Direct negotiations	65,594	19.6	62,786	11.8	94,414	16.3
Total	**334,630**	**100.0**	**531,556**	**100.0**	**577,978**	**100.0**

The number of awarded tenders was five, three and 15 for FY2023, FY2024 and FY2025, respectively. The following table shows the details of our tendering during the Track Record Period:

	FY2023	**FY2024**	**FY2025**
Number of tenders submitted	22	15	39
Number of tenders awarded	5	3	15
Success rate *(Note)*	22.7%	20.0%	38.5%

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

The number of tenders submitted decreased from 22 in FY2023 to 15 in FY2024, as we (i) adopted a more selective approach to tender submissions, and (ii) focused increasingly on the sale of compact general five-axis machine tools which has fewer opportunities in the tendering market. In FY2025, we submitted 39 tenders, as driven by the increase in market demand from the aviation and aerospace sector. The tender success rate increased to 38.5% in FY2025 as a result of the improved alignment between submitted tenders and our expertise.

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

Our sales contract typically contains the following salient terms:

Terms	Description
Quality requirements	Our products must comply with the technical specifications and the relevant national standards for mandatory accuracy requirements and testing methods for CNC machine tools.
Delivery and logistics	We shall be responsible for the delivery of products to the customer's designated site, and associated costs including transportation, installation, inspection, acceptance testing and warranty services. These services are covered within the total contract price. Sales contracts with our customers may contain a delay penalty clause that if there is any delay from the agreed deadline, we may be subject to a fine calculated on a daily/weekly basis, with a ceiling of up to 5% to 20% of the total purchase price generally.
Payment structure	Our sales contracts typically provide for payment by several instalments, with payment schedule varying according to the customer type and/or product type. While we generally adopt the following payment schedule, these terms may be subject to variations based on commercial negotiations: – for SOEs customers, we in general target to follow a "3-3-3-1" payment schedule: (i) 30% deposit upon execution of contract; (ii) 30% upon pre-acceptance approval; (iii) 30% upon final acceptance approval; and (iv) 10% upon fulfilment of warranty service; – for private-sector customers, we in general target to adopt a "4-4-2" payment schedule: (i) 40% upon execution of contract; (ii) 40% upon pre-acceptance approval; and (iii) 20% upon final acceptance approval; and – for compact general industrial five-axis machine tools, we in general target to adopt a "3-6-1" payment schedule: (i) 30% deposit upon execution of contract; (ii) 60% prior to shipment; and (iii) 10% upon fulfilment of warranty service.
Breach of contract	In the event of delayed delivery, we will incur penalty fees deductible from the contract price. Such penalties will be subject to a predetermined maximum cap.

Terms	Description
Product return	In the event any of the products fail to meet the agreed quality, we shall replace or supplement the deficient products. In the event any of the products fundamentally fail to meet the agreed quality, we shall accept full product return, and refund all payments received from the customers.

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

Project Backlog

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

	FY2023 *(RMB'000)*	FY2024 *(RMB'000)*	FY2025 *(RMB'000)*	From FY2025 and up to the Latest Practicable Date *(RMB'000)*
Opening value of backlog as at the beginning of the relevant year/period	**1,247,109**	**995,558**	**572,789**	**660,795**
Add: Newly secured contract value from new project(s)	107,547	131,106	693,616	35,676
Add: Variation orders/work instructions	(4,265)	(3,566)	(16,735)	(1,457)
Less: Value of backlog recognised*(Note)*	354,833	550,309	588,875	10,684
Ending value of backlog as at the end of the relevant year/period	**995,558**	**572,789**	**660,795**	**684,330**

Note: The revenue recognised under all contracts is equivalent to (a) the value of backlog recognised after deducting (b) taxes and surcharges; and (c) the revenue from downstream sales to Chengdu Chenfei attributable to our equity interest.

The taxes and surcharges during FY2023, FY2024, FY2025 and from FY2025 up to the Latest Practicable Date were RMB0.2 million, RMB0.2 million, RMB0.6 million and nil, respectively.

The revenue from downstream sales to Chengdu Chenfei attributable to our equity interest during FY2023, FY2024, FY2025 and from FY2025 up to the Latest Practicable Date were RMB20.0 million, RMB18.5 million, RMB10.3 million and nil, respectively.

In FY2023, our products were sold to a subsidiary of Customer A and subsequently resold to Chengdu Chenfei as the ultimate end-user. In FY2024 and FY2025, we conducted direct sales to Chengdu Chenfei. Chengdu Chenfei was accounted for as an associate of our Company since we hold 14.48% equity interests in it. As such, in accordance with IAS 28, sales made directly and indirectly to Chengdu Chenfei were eliminated in proportion to our interest in Chengdu Chenfei from our revenue recognised during the relevant year/period.

During FY2023, the backlog value decreased from RMB1,247.1 million to RMB995.6 million, due to the completion of a large number of projects which offset the newly awarded contracts. During FY2024, the backlog value further decreased to RMB572.8 million, as revenue recognition from completed projects outpaced new contract awards. During FY2025, the backlog value increased to RMB660.8 million, reflecting the increase in market demand from the aviation and aerospace sector which led to a significant in the number of newly secured contracts. From FY2025 up to the Latest Practicable Date, the backlog increased to RMB684.3 million, primarily attributable to two major sales contracts relating to the sales of aviation and aerospace intelligent manufacturing equipment, with contract value of RMB10.0 million and RMB10.5 million, respectively.

The table below sets forth the ageing analysis of the project backlog based on the date of the contracts as at the dates indicated:

	As at 31 December			As at the Latest Practicable Date
	2023	**2024**	**2025**	**Date**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	88,709	91,078	608,134	464,243
1 to 2 years	417,898	11,986	22,655	190,081
2 to 3 years	372,409	317,027	973	973
3 to 4 years	29,933	106,984	7,682	5,708
4 to 5 years	33,080	17,115	3,197	5,171
Over 5 years	53,530	28,599	18,154	18,154
Total	995,558	572,789	660,795	684,330

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

The following table sets forth particulars of our major completed and ongoing sales contracts, with contract value exceeding RMB50 million, during the Track Record Period and up to the Latest Practicable Date:

No.	Customer	Date of contract *(dd/mm/yyyy)*	Products/services provided by our Group	Contract value *(RMB'000)*	Date of final acceptance *(dd/mm/yyyy)*	Status of contract; and revenue contributed and gross profit margin during the Track Record Period *(Note 1)* *(RMB'000)*		
						FY2023	FY2024	FY2025
1.	A subsidiary of Customer E, namely Chengdu Chenfei	28/5/2021	Aviation and aerospace intelligent manufacturing equipment (12 horizontal flip-type milling five-axis machine tools)	167,500	29/01/2024	Ongoing	Completed; revenue: 128,111 *(Note 2)* Gross profit margin: 57.42%	–
2.	Customer H	18/11/2025	Aviation and aerospace intelligent manufacturing equipment (16 automated drilling and riveting docking equipment)	158,990	N/A	–	–	New
3.	Customer G	18/6/2022	Aviation and aerospace intelligent manufacturing equipment (five dual five-axis mirror milling machine tools)	148,600	28/4/2025	Ongoing	Ongoing	Completed; revenue: 131,439 Gross profit margin: 52.92%
4.	Customer J	26/8/2025	Aviation and aerospace intelligent manufacturing equipment (three friction stir welding five-axis machine tools)	129,500	N/A	–	–	New
5.	A subsidiary of Customer E, namely Chengdu Chenfei	25/1/2022	Aviation and aerospace intelligent manufacturing equipment (six dual five-axis mirror milling machine tools)	109,750	20/4/2025	Ongoing	Ongoing	Completed; revenue: 84,703 *(Note 2)* Gross profit margin: 51.86%

No.	Customer	Date of contract *(dd/mm/yyyy)*	Products/services provided by our Group	Contract value *(RMB'000)*	Date of final acceptance *(dd/mm/yyyy)*	Status of contract; and revenue contributed and gross profit margin during the Track Record Period *(Note 1)* *(RMB'000)*		
						FY2023	**FY2024**	**FY2025**
6.	Customer G	18/6/2022	Aviation and aerospace intelligent manufacturing equipment (five dual five-axis mirror milling machine tools)	91,210	20/1/2025	Ongoing	Ongoing	Completed; revenue: 80,677 Gross profit margin: 54.05%
7.	Customer G	13/12/2021	Aviation and aerospace intelligent manufacturing equipment (five dual five-axis mirror milling machine tools)	74,220	20/1/2025	Ongoing	Ongoing	Completed; revenue: 65,649 Gross profit margin: 32.20%
8.	A subsidiary of Customer A	30/6/2021	Aviation and aerospace intelligent manufacturing equipment (three dual five-axis mirror milling machine tools)	67,280	15/2/2023	Completed; revenue: 51,430 *(Note 2)* Gross profit margin: 61.55%	–	–
9.	Customer H	1/1/2025	Aviation and aerospace intelligent manufacturing equipment (two dual five-axis mirror milling machine tools)	67,260	N/A	–	–	New
10.	Customer G	13/12/2021	Aviation and aerospace intelligent manufacturing equipment (five horizontal flip-type milling five-axis machine tools)	65,450	26/11/2024	Ongoing	Completed; revenue: 57,898 Gross profit margin: 28.98%	–
11.	Customer H	18/11/2025	Aviation and aerospace intelligent manufacturing equipment (14 automated drilling and riveting docking equipment)	58,990	N/A	–	–	New

No.	Customer	Date of contract *(dd/mm/yyyy)*	Products/services provided by our Group	Contract value *(RMB'000)*	Date of final acceptance *(dd/mm/yyyy)*	Status of contract; and revenue contributed and gross profit margin during the Track Record Period *(Note 1)* *(RMB'000)*		
						FY2023	FY2024	FY2025
12.	Relevant Customer X	28/12/2021	Aviation and aerospace intelligent manufacturing equipment (one dual five-axis mirror milling machine tool)	57,980	23/2/2024	Ongoing	Completed; revenue: 51,291 Gross profit margin: 55.02%	–
13.	A subsidiary of Customer A	30/6/2021	Aviation and aerospace intelligent manufacturing equipment (ten aviation and aerospace five-axis machining centers)	54,500	15/2/2023	Completed; revenue: 41,661 *(Note 2)* Gross profit margin: 38.91%	–	–
14.	A subsidiary of Customer A	17/12/2025	Aviation and aerospace intelligent manufacturing equipment	52,800	N/A	–	–	New

Notes:

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

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

PRICING POLICY

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

MARKETING

We strengthen and expand relationships with both existing and potential customers by showcasing the capabilities and advanced applications of our products. Our multifaceted marketing initiatives include participation in industry exhibitions, technical seminars, executing digital marketing campaigns and organising customer site visits. For FY2023, FY2024 and FY2025, our selling and marketing expenses were RMB26.0 million, RMB28.1 million and RMB35.8 million, respectively, representing 7.8%, 5.3% and 6.2% of our revenue for the same years, respectively.

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

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

OUR CUSTOMERS

Overview

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

Our Top Five Customers

Sales to our top five customers for FY2023, FY2024 and FY2025 amounted to approximately RMB310.3 million, RMB422.7 million and RMB463.1 million, respectively, representing approximately 92.7%, 79.5% and 80.1% of our total revenue for each of the years during Track Record Period. Sales to our largest customer for FY2023, FY2024 and FY2025 amounted to approximately RMB195.4 million, RMB129.6 million and RMB277.8 million, representing approximately 58.4%, 24.4% and 48.1% of our total revenue, respectively.

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

FY2023

	Customer	Notes	Products/services provided by our Group	Year in which our business relationship commenced	Revenue contribution *(RMB'000)*	Percentage of our total revenue *(%)*
1	Customer A#	*(1)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2009	195,355	58.4
2	Customer B#	*(2)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2017	54,498	16.3
3	Customer C#	*(3)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2009	25,680	7.7
4	Customer D	*(4)*	Aviation and aerospace intelligent manufacturing equipment	2020	21,886	6.5
5	Customer E#	*(5)*	Aviation and aerospace intelligent manufacturing equipment	2021	12,869	3.8
	Total				310,288	92.7

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

FY2024

	Customer	Notes	Products/services provided by our Group	Year in which our business relationship commenced	Revenue contribution *(RMB'000)*	Percentage of our total revenue *(%)*
1	Customer E#	*(5)*	Aviation and aerospace intelligent manufacturing equipment	2021	129,635	24.4
2	Customer F	*(6)*	Aviation and aerospace intelligent manufacturing equipment	2022	103,415	19.5
3	Customer G	*(7)*	Aviation and aerospace intelligent manufacturing equipment and compact general industrial five-axis machine tools	2021	76,120	14.3
4	Customer B#	*(2)*	Aviation and aerospace intelligent manufacturing equipment	2017	68,419	12.9
5	Customer H	*(8)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2016	45,142	8.4
	Total				422,731	79.5

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

FY2025

	Customer	Notes	Products/services provided by our Group	Year in which our business relationship commenced	Revenue contribution *(RMB'000)*	Percentage of our total revenue *(%)*
1	Customer G	*(7)*	Aviation and aerospace intelligent manufacturing equipment	2021	277,765	48.1
2	Customer E#	*(5)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2021	86,757	15.0
3	Customer A#	*(1)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2009	60,368	10.4
4	Customer H	*(8)*	Aviation and aerospace intelligent manufacturing equipment, repair and maintenance services	2016	19,139	3.3
5	Customer I	*(11)*	Aviation and aerospace intelligent manufacturing equipment and compact general industrial five-axis machine tools	2024	19,097	3.3
	Total				463,126	80.1

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

Notes:

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

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

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

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

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

- We first commenced business relationship with Customer E when we entered into a sales contract with Chengdu Chenfei in a contract sum of RMB167.5 million for the sale of aviation and aerospace intelligent manufacturing equipment, namely 12 horizontal flip-type milling five-axis machine tools in 2021. Due to the level of technical complexity and customization required for the products, the period from signing of contract to final acceptance took 32 months such that they were delivered to Chengdu Chenfei in FY2024, which led to a significant increase in sales amount to Customer E in FY2024.
- In FY2022, we entered into a sales contract with Chengdu Chenfei in a contract sum of RMB109.8 million for the sale of aviation and aerospace intelligent manufacturing equipment, namely six horizontal flip-type milling five-axis machine tools. Due to the level of technical complexity and customization required for the products, the period from signing of contract to final acceptance took 38 months such that they were delivered to Chengdu Chenfei in FY2025.
- In FY2023, we entered into a sales contract with the other subsidiary of Customer E in a contract sum of RMB14.6 million for the sale of aviation and aerospace intelligent manufacturing equipment, namely three aviation and aerospace five-axis machining centers. Since the products were less technically-complexed, the period from signing of contract to final acceptance took 8 months such that they were delivered to the said subsidiary of Customer E in FY2023.

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

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

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

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

(9) Customer I is a limited liability company established in the PRC in 1997 with a registered capital of approximately RMB5.0 million. It is primarily engaged in the sale of machinery and metal materials. We typically granted a credit period of 5 working days to it and the sales to it was settled by bank transfer.

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

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

Shareholders	**Percentage of equity interest** *(approximate)*
Chengdu Xindu Xiangcheng Construction Investment Co., Ltd. (成都市新都香城建設投資有限公司) ("**Chengdu Xiangcheng**") *(1)*	55.5556%
Our Company	14.4833%
Zhonghe Venture Capital Management Co., Ltd. (眾合創業投資管理有限公司) ("**Zhonghe VC**") *(2)*	14.4444%
Shanghai Binghuan Enterprise Management Partnership (Limited Partnership) (上海秉洹企業管理合夥企業 (有限合夥)) ("**Shanghai Binghuan**") *(3)*	4.4444%
Fengrun Intelligent Equipment Co., Ltd. (風潤智能裝備股份有限公司) ("**Fengrun Intelligent Equipment**") *(2)*	2.2222%

Shareholders	Percentage of equity interest *(approximate)*
Chengdu Yongfeng [4]	2.2222%
Ningbo Baosi Energy Equipment Co., Ltd. (寧波鮑斯能源裝備股份有限公司) (“**Ningbo Baosi**”) [5]	2.2222%
Taizheng Intelligent Equipment (Yunnan) Group Co., Ltd. (台正智能設備(雲南)集團有限公司) (“**Taizheng Intelligent Equipment**”) [6]	2.2222%
Wuhan Huazhong Numerical Control Co., Ltd. (武漢華中數控股份有限公司) (“**Wuhan Huazhong**”) [7]	2.1833%
Total	100%

Notes:

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

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

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

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

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

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

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

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

As mentioned above, in FY2022, we entered into a sales contract with Chengdu Chenfei in a contract sum of RMB109.8 million for the sale of aviation and aerospace intelligent manufacturing equipment. Chengdu Chenfei carried out this procurement through an open tender process. The launch of the tender process was approved unanimously at a shareholders’ meeting of Chengdu Chenfei. A professional service provider then administered the tender process, and notified Chengdu Chenfei that we were selected as the successful bidder. The contract and payment terms were approved by all five directors, including the director appointed by our Company, in a resolution of the board of directors of Chengdu Chenfei. According to the PRC Company Law, when the board makes a resolution on a matter with which a director is connected, the vote of that director shall not be counted in the total number of votes. As advised by our PRC Legal Advisor, not counting the vote by the director appointed by our Company, the resolution was nonetheless approved by four of the directors, which constitutes a valid majority, and therefore the resolution of the board of Chengdu Chenfei approving the contract and payment terms with us was valid.

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

Top Five Customers Concentration

We had a concentration of top five customers, with the revenue contribution of our top five customers representing 92.7%, 79.5% and 80.1% of our revenue during the Track Record Period respectively. Sales of aviation and aerospace intelligent manufacturing equipment have been our principal business through which we have accumulated substantial expertise and industry know-how. Our Directors consider that our customer concentration is a result of our strategic decision in establishing business relationship with leading and sizable aviation and aerospace groups with a considerable number of subsidiaries within the same group. Accordingly, on a consolidated basis, a few customers may have already contributed a significant portion of our revenue, especially, given that the domestic aviation and aerospace sector is still at the early stage of development where the industry is concentrated dominated by a limited number of players.

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

OUR SUPPLIERS

Overview

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

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

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

Providers of Parts and Components

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

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

Manufacturing Partners

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

Our Top Five Suppliers

Purchases from our top five suppliers amounted to RMB117.6 million, RMB60.9 million and RMB32.7 million, representing approximately 35.6%, 32.5% and 18.4% of our total purchase for FY2023, FY2024 and FY2025, respectively. Purchases from our largest suppliers amounted to RMB48.4 million, RMB23.1 million and RMB9.1 million, representing 14.6%, 12.3% and 5.1% of our total purchase for FY2023, FY2024 and FY2025, respectively.

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

FY2023

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

FY2024

	Supplier	Notes	Products/services procured by our Group	Year in which our business relationship commenced	Purchase amount *(RMB'000)*	Percentage of our total purchase amount *(%)*
1	Shanghai Anyu Electromechanical Equipment Co., Ltd.* (上海安馭機電設備有限公司)	*(1)*	CNC system	2016	23,123	12.3
2	Shanghai Jinjia Automation Technology Co., Ltd.* (上海津甲自動化科技有限公司)	*(2)*	Mechanical components and CNC system	2014	12,524	6.7
3	Giant Precision Machinery (Kunshan) Co., Ltd.* (蓋特精工機械(昆山)有限公司)	*(3)*	Structural and mechanical components, manufacturing services	2018	9,377	5.0

	Supplier	Notes	Products/services procured by our Group	Year in which our business relationship commenced	Purchase amount *(RMB'000)*	Percentage of our total purchase amount *(%)*
4	Shanghai Hejian Electrical Assembly Equipment Co., Ltd. (上海和建電器成套設備有限公司)	*(6)*	Structural and mechanical components	2014	8,486	4.5
5	Nantong Yisheng Machinery Co., Ltd.* (南通易昇機械有限公司)	*(7)*	Structural and mechanical components	2023	7,428	4.0
	Total				60,938	32.5

FY2025

	Supplier	Notes	Products/services procured by our Group	Year in which our business relationship commenced	Purchase amount *(RMB'000)*	Percentage of our total purchase amount *(%)*
1	Shanghai Jinjia Automation Technology Co., Ltd.* (上海津甲自動化科技有限公司)	*(2)*	Mechanical components and CNC system	2014	9,087	5.1
2	Shanghai Anyu Electromechanical Equipment Co., Ltd.* (上海安馭機電設備有限公司)	*(1)*	Mechanical components and CNC system	2016	8,431	4.7
3	Shanghai Shide Machinery Equipment Co., Ltd.* (上海誓德機械設備有限公司)	*(5)*	Structural and mechanical components, manufacturing services	2013	6,052	3.4
4	Giant Precision Machinery (Kunshan) Co., Ltd.* (蓋特精工機械(昆山)有限公司)	*(3)*	Structural and mechanical components, manufacturing services	2018	4,638	2.6
5	Guangzhou Haozhi Industrial Co., Ltd.* (廣州市昊志機電股份有限公司)	*(8)*	Mechanical components	2021	4,528	2.6
Total					32,736	18.4

Notes:

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

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

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

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

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

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

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

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

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

Overlapping of Major Customers and Suppliers

During the Track Record Period, we had overlapping major customers and suppliers (the "**Overlapping Customer(s) and Supplier(s)**"), which are (i) two of our major customers, namely, Customer B (one of our top five customers during the Track Record Period) and Customer G (one of our top five customers in FY2024 and our largest customer in FY2025); and (ii) two of our major suppliers, namely Chongqing Maixintu Precision Machinery Co., Ltd.* (重慶麥新途精密機械有限公司) ("**Chongqing Maixintu**") (one of our top five suppliers in FY2023) and Guangzhou Haozhi Industrial Co., Ltd.* (廣州市昊志機電股份有限公司) ("**Guangzhou Haozhi**") (one of our top five suppliers in FY2025). The following sets forth sales and purchase amount of the Overlapping Customers and Suppliers during the Track Record Period:

Overlapping Customer and Supplier	Year	Revenue contribution	Approximate percentage of our total revenue	Gross profit	Purchase amount	Approximate percentage of our total purchase
		(RMB'000)	*(%)*	*(RMB'000)*	*(RMB'000)*	*(%)*
Major Customer						
Customer B	FY2023	54,498[(1)]	16.3	11,688	–	–
	FY2024	68,420[(1)]	12.9	29,646	646	0.3
	FY2025	5,644[(1)]	1.0	2,245	33	0.02
Customer G	FY2023	–	–	–	–	–
	FY2024	76,122	14.3	23,813	–	–
	FY2025	277,765	48.1	134,298	10[(2)]	0.006
Major Supplier						
Chongqing Maixintu	FY2023	–	–	–	17,722	5.4
	FY2024	78	0.01	78	–	–
	FY2025	–	–	–	134	0.3
Guangzhou Haozhi	FY2023	–	–	–	5,356	1.6
	FY2024	1,946	0.4	461	3,123	1.7
	FY2025	–	–	–	4,528	2.6

Notes:

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

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

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

For FY2023 and FY2025, we procured structural and mechanical components from Chongqing Maixintu, which is primarily engaged in R&D and sales of CNC machine tools and parts. For FY2024, Chongqing Maixintu purchased repair and maintenance services from us for the production of their own machine tools.

During the Track Record Period, we procured mechanical components from Guangzhou Haozhi, which is primarily engaged in manufacturing and sales of mechanical equipment and mechanical parts. For FY2024, Guangzhou Haozhi purchased compact general industrial five-axis machine tools for machining of its mechanical components.

During the Track Record Period, we sold aviation and aerospace intelligent manufacturing equipment to Customer G, which is primarily engaged in the manufacturing of ship and aviation and aerospace equipment. For FY2025, we procured structural components from a subsidiary of Customer G for the production of aviation and aerospace intelligent manufacturing equipment which will be sold to our other customers.

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

PRODUCTION

Our Production Workflow

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

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

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

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

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

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

Our Production Facilities

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

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

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

Utilisation Rates

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

	Designed Area of Production(1) (sq.m.)	Actual Area Occupied for Production(2) (sq.m.)	Utilisation Rate(3)
FY2023	4,916	4,577	93.1%
FY2024	4,916	3,901	79.4%
FY2025	4,916	3,728	75.8%

Notes:

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

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

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

(3) The utilisation rate, which are for illustration purposes only, of each year is calculated based on the actual area occupied for production and the designed area of production of the Minhang Production Base for the relevant year. The fluctuation of utilisation rate was affected by the production cycles of the various products during the Track Record Period. For instance, our utilisation rate decreased in FY2024 and FY2025 since a significant amount of our projects which were not yet completed during that period of time, particularly those with contracts signed in the second half of 2024 or early 2025, were in the component procurement and preparation stage, and had not commenced the component assembly stage. For details of our production cycle, see "Production – Our production workflow" above.

Our Major Production Machinery and Equipment

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

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

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

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

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

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

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

QUALITY CONTROL

We believe that quality standards are crucial to our success. Therefore, we have implemented a strict quality control system, which has been accredited with various quality management certifications, including ISO 9001 and have a dedicated quality control team to oversee our quality control system.

Quality Control in our Operation and Production Processes

We carry out quality control throughout our entire production process. The major quality control procedures in our operation and production processes are as follows:

Procurement

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

In-process quality testing

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

Finished product testing

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

During the Track Record Period and up to the Latest Practicable Date, there was one incident of order adjustment that materially and adversely affected our business. For details, see "Financial Information – Description of Selected Items of the Consolidated Statements of Financial Position – Inventories" in this prospectus. We normally provide warranties of one to two years as stated in our contracts with customers. Our warranty policy is usually limited to defects or failure of products that do not satisfy product specification or fall short of the quality standards agreed with our customers. As at 31 December 2023, 2024 and 2025, our warranty provision amounted to RMB10.0 million, RMB17.4 million and RMB20.2 million, respectively.

LOGISTICS AND INVENTORY MANAGEMENT

Logistics and Warehouses

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

Inventory Management

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

As at 31 December 2023, 2024 and 2025, our inventory balances (net of provision for impairment loss) amounted to approximately RMB588.5 million, RMB486.1 million and RMB255.4 million of inventories, respectively. During the Track Record Period, the inventory turnover days was approximately 849 days, 583 days and 357 days for FY2023, FY2024 and FY2025, respectively.

INFORMATION SYSTEM

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

EMPLOYEES

As at 31 December 2025, we had a total of 419 employees in the PRC and one employee in Germany. The number of our employees classified by function is as follows:

Function	Number of employees	% of total
Operation and production	126	30.0
R&D	159	37.9
Sales and marketing	82	19.5
Administration and management*(Note)*	53	12.6
Total	420	100.0

Note:

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

Recruitment and Remuneration Policy

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

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

Training

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

Employee Relationship

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

Social Security Plans

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

Labour Dispatch

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

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

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

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

INSURANCE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

ESG Governance

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

Our Board is the highest responsible and decision-making body for our Group's ESG-related management and issues, and bears ultimate obligation for our Group's ESG targets, initiatives, and strategy. For the sake of fulfilling our obligations as a responsible member of the society, we are dedicated to promoting environmental protection, social responsibility, and best corporate governance practices. Therefore, we have integrated ESG matters into corporate management and operations and we are committed to complying with the ESG reporting requirements upon Listing. We attach importance to ESG risk identification and strive to implement risk mitigation measures. We have identified climate-related risks and opportunities, and carried out corresponding mitigating measures, relevant details please refer to section "Response to Climate Change".

Materiality assessment

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

Business Ethics

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

Through multi-channel publicity and education, all employees can understand the significant meaning of anti-corruption work for the development of the enterprise and create a strong anti-corruption culture atmosphere within the enterprise. During the Track Record Period, we ensured compliance with all relevant PRC laws and regulations.

Environmental Responsibility

As an enterprise which specialises in five-axis CNC machine tools, our environmental impact during operation is relatively minimal. Nevertheless, we are well aware that there is an increasing emphasis on environmental protection. Therefore, we strictly comply with the environmental laws and regulations of the PRC and implement environmental protection measures.

Environmental Management Goals

China is committed to enhancing its national contributions through the implementation of more rigorous policies and measures, with the aspiration of reaching carbon peak before 2030 and achieving carbon neutrality by 2060. In response, our Group has established a series of goals, aiming to align with government targets while simultaneously enhancing market competitiveness and strengthening brand image. By integrating sustainable development into our core strategy, we not only position ourselves to better address future environmental challenges but also contribute to realising long-term social and economic benefits within the overarching vision of carbon neutrality.

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

To achieve the above goals, the Group has formulated environmental protection policies, including "Energy Conservation and Consumption Reduction Management Regulations" and "Vehicle Carbon Emission Management Measures", which provide a series of environmental guidelines for employees and corporate operations.

Response to climate change

We recognise that climate change may significantly impact society and our daily operations. Our Group may encounter financial losses and non-financial setbacks due to environmental and climate-related risks which include:

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

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

To better address the climate risks, our Group has issued the *"Extreme Weather Emergency Plan" and the "Work Arrangements Under Special Weather Condition"*. These contingency plans clarify the responsibilities of different departments in extreme weather conditions, detailing warning levels, response measures, emergency procedures, support measures, and training requirements, and listing corresponding management measures to ensure employee safety.

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

Climate-related risk	**Time impact**	**Actual or potential impact**	**Mitigating measures**
Extreme weather like floods and typhoons disrupting the supply chain, affecting the production.	Short-term (1–3 years)	Can cause production interruption, increase production costs, delay order deliveries, reduce customer satisfaction, and thus impact revenue.	Build a diversified supply chain system and establish partnerships with multiple suppliers.
Regulators imposing strengthened disclosure requirements on carbon emissions accounting, green manufacturing standards, etc.,	Short-term (1–3 years)	Causing risks such as regulatory penalties and damage to reputation if fail to meet the requirements.	Regularly invite external experts to guide and review the company's disclosure work.
Customer demanding products with lower energy consumption and higher environmental performance.	Medium-term (4–9 years)	May lead to order losses, a decline in market share, and damage to the company's brand image and reputation within the industry.	Increase investment in green manufacturing technology research and development, optimise product design, and improve product energy efficiency.
Global and domestic carbon neutrality goals drive the industry towards in-depth green transformation, and customers' demands for full-life-cycle green manufacturing services are increasing.	Long term (10 years or more)	May raise operating costs due to higher R&D input. May also lose market competitiveness if fail to keep up with the industry's green transformation pace.	Increase the introduction and cultivation of green manufacturing talents to promote the company's continuous innovation.

Air pollutant management

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

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

		Year ended 31 December		
Air pollutant emission	**Unit**	**2023**	**2024**	**2025**
Nitrogen oxides (NOx)	kg	19.27	17.99	19.22
Sulphur oxides (SOx)	kg	0.16	0.15	0.16
Particulate matter (PM)	kg	1.63	1.53	1.63

Waste management

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

In our operations, the hazardous waste generated by our Group mainly includes used emulsion liquids and their packaging, as well as waste rags. These hazardous substances have the potential to cause harm to the environment and human health if not managed appropriately. We manage these hazardous wastes properly and regularly engage professional third-party organisations to dispose them, ensuring that the entire process does not cause harm to the environment. As for non-hazardous waste, it mainly consists of ordinary office waste and harmless waste materials generated during production. We have signed contract with a qualified waste material recycling company to recycle and process materials such as wood, paper, and plastic from our waste, in order to promote circular economy.

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

		Year ended 31 December		
Waste generation	**Unit**	**2023**	**2024**	**2025**
Hazardous waste	tonne	8.45	6.17	10.02
Intensity of hazardous waste	tonne/million RMB of revenue	0.03	0.01	0.02
Non-hazardous waste	tonne	102.82	110.16	114.57
Intensity of non-hazardous waste	tonne/million RMB of revenue	0.31	0.21	0.20

Use of resources

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

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

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

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

Energy and resources consumption	**Unit**	**Year ended 31 December**		
		2023	**2024**	**2025**
Gasoline consumption	litre	10,160.00	9,140.00	9,725.00
Diesel consumption	litre	840.00	840.00	895.00
Direct energy consumption [1]	MWh	106.58	96.74	102.95
Direct energy consumption intensity	MWh/million RMB of revenue	0.32	0.18	0.18
Electricity consumption	MWh	1,805.46	2,201.58	1,954.88
Electricity consumption intensity	MWh/million RMB of revenue	5.40	4.14	3.38
Water consumption	tonne	5,171.00	4,476.00	3,391.00
Water consumption intensity	tonne/million RMB of revenue	15.45	8.42	5.87

Note:

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

Greenhouse gas emissions

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

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

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

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

GHG emission	Unit	Year ended 31 December 2023	2024	2025
Scope 1				
Greenhouse Gas direct emission(1)	tonne CO_2e	31.85	29.41	30.97
Scope 2				
Greenhouse Gas indirect emission(2)	tonne CO_2e	1,005.28	1,225.84	1,088.48
Scope 3				
other Greenhouse Gas indirect emission(3)	tonne CO_2e	2.00	1.73	1.31
Total Greenhouse Gas Emissions	tonne CO_2e	1,039.13	1,256.98	1,120.76
Total Greenhouse Gas Emissions Intensity	tonne CO_2e/million RMB of revenue	3.11	2.36	1.94

Notes:

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

(2) Scope 2 indirect emission primarily includes the GHG emissions from our usage of purchased electricity. The emission factor is referred from the database of IEA and Chinese average emission factor of the national power grid.

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

Employee Responsibility

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

Employment

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

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

We comprehensively consider factors such as market level, job value, employee performance and skill level to determine employee salaries and bonuses, and strive to provide employees with competitive remuneration packages which include (i) basic salary; (ii) performance bonus; (iii) annual bonus; (iv) other performance incentive bonuses; (v) salaries in cash or non-cash form for short-and long-term incentives; (vi) welfare such as vacations and insurance.

Occupational health and safety

Occupational health and safety (hereinafter referred to as "**OHS**") holds a top-priority position in our corporate operations. We are strictly compliant with a wide range of PRC laws and regulations governing labour, safety, and work-related incidents. We are committed to creating a caring and dynamic work environment, placing the physical and mental well-being of our employees at the forefront. To safeguard everyone's physical health, we regularly arrange comprehensive health check-up services.

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

	Year ended 31 December		
	2023	**2024**	**2025**
Number of work-related fatalities (person)	0	0[(1)]	0
Number of work-related injuries[(2)]	2	6	0
Lost days due to work-related injury (day)[(3)]	111	211	0

Notes:

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

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

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

Development and training

We attach great importance to the career development and growth of talents and formulated the Training Management System and New Employee Training Management System. Quality training is an important means to achieve staff development. We have implemented clear regulations on training plans, training types, training implementation and impact evaluation, and developed a comprehensive training plan every year, covering various topics such as leadership training, professional and technical personnel development, communication ability improvement as well as project management ability strengthening. Post-training evaluations are conducted through written tests, hands-on assessments, or oral defences to measure employee learning outcomes.

Supply Chain Management

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

Community Engagement

We are committed to contributing to the public welfare and sharing our corporate social responsibility. We continue to devote ourselves to public welfare, and during the Track Record Period, we have invested RMB330,000 in total. To promote the core values of our corporate culture, as at 2024, we have made cumulative donations of RMB200,000 to the *Shanghai Minhang District Society for Promotion of the Guangcai Programme* (*上海市閔行區光彩事業促進會*), mainly supporting public welfare projects such as educational assistance for students and assistance to the elderly. In September 2023, we also donated RMB100,000 to the *Love Rescue, Warmth for Thousands of Families project* (*愛心救助,情暖萬家項目*) through the *Shanghai Charity Foundation* (*上海市慈善基金會*).

PROPERTIES

We occupy certain properties in China and overseas primarily as our production facilities, offices and staff dormitories. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as at 31 December 2025, none of our properties has a carrying amount of 15% or more of our consolidated total assets.

Owned Properties

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

Leased Properties

As at the Latest Practicable Date, we leased 14 properties from Independent Third Parties with an aggregate gross floor area of approximately 23,293.74 sq.m. including 15,319.26 sq.m. for our Minhang Production Base in the PRC, which had been used mainly as our production facilities, office and staff dormitory.

As at the Latest Practicable Date, we also leased two properties from Independent Third Party with an aggregated gross floor area of approximately 320.99 sq. m. in Germany. One of the properties had been used as (i) a warehouse of approximately 224.24 sq.m. for temporary storage of fixed assets, primarily consisting of spare IT equipment, and (ii) an office of approximately 56.21 sq.m. for our employee in Germany; whereas the other property of approximately 40.54 sq.m. is also used as warehouse for temporary storage of fixed assets. The office may also, in the future, enable the possible expansion of our sales and marketing network in Germany.

Lease registration and filing

As at the Latest Practicable Date, 11 leased properties in the PRC with an aggregate floor area of 5,450.46 sq.m. used as our production facilities, office and staff dormitories had not been registered and filed with the relevant real estate administration bureaus in the PRC. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in us being required to vacate the leased properties. However, the relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 on each lease agreement that is not registered and filed, and therefore a maximum penalty of RMB110,000 in aggregate. Based on the number of these properties and the cities where they are located, we believe the likelihood that we will be punished due to failure to register and file all the relevant lease agreements at the same time is remote. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any administrative penalties imposed by the competent authorities for failing to complete the registration and filing of the lease agreements. Upon expiry of these lease agreements, we will assess the legal risk when renewing the relevant lease agreements. Hence, our Directors believe that the non-registration of leases described above will not, individually or in the aggregate, materially affect our business and results of operation based on (i) the limited number of leased properties involved; (ii) the likelihood that we will be punished due to the registration and filing is remote; and (iii) there are alternative properties at comparable rental rates on the market.

LICENCES, PERMITS AND CERTIFICATES

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

LEGAL AND COMPLIANCE

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings pending or threatened against our Company or any of the Directors which could have a material and adverse effect on our financial condition or results of operations.

Compliance

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

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

Business Activities with the Certain Suppliers and Customers Subject to International Sanctions

The U.S. and the U.K. governments, have imposed International Sanctions programmes and export control restrictions which are applicable to certain customers and suppliers.

We have engaged Holman Fenwick Willan LLP, our legal advisors as to International Sanctions to review our compliance with International Sanctions and evaluate our sanctions risks. During the Track Record Period, we sold products to certain customers (the "**Relevant Customers**") and purchased/acquired supplies/products from certain supplier (the "**Relevant Suppliers**") (Relevant Customers and Relevant Suppliers together as the "**Relevant Parties**") which are either (i) placed on the list of Specially Designated Nationals and Blocked Person (the "**SDN List**") maintained by the Office of Foreign Assets Control (the "**OFAC**") or subject to asset freeze under The Russia (Sanctions)(EU Exit) Regulations 2019 (the "**UK Regulation**") subsequent to our sales or procurement; or (ii) subject to export control under the Export

Administration Regulations (the "**EAR**") which the Group did not exceed the relevant *de minimis* level of U.S.-origin product. During the Track Record Period, our Group did not conduct (i) any sales or procurement with any entities placed on the SDN list and subject to the UK Regulation at the relevant time; or (ii) any sales which exceed the relevant *de minimis* level of U.S.-origin product under the relevant EAR; and our International Sanctions Legal Advisor did not consider that our Group's businesses with the Relevant Suppliers and the Relevant Customers during the Track Record Period would have implicated any material sanction risks. For illustration purposes, in relation to FY2023, FY2024 and FY2025, (i) our procurement from the Relevant Suppliers amounted to approximately RMB0.07 million, RMB0.65 million and RMB0.04 million, representing approximately 0.03%, 0.20% and 0.01% of our total cost of sales, respectively; and (ii) our total revenue derived from the Relevant Customers was approximately RMB29.55 million, RMB123.65 million and RMB24.87 million, respectively, representing approximately 8.83%, 23.26% and 4.46% of our total revenue, respectively.

Economic sanctions

The U.S. sanctions include list-based sanctions that prohibit U.S. persons to have any dealings with or facilitate dealings with parties designated on the SDN List maintained by the OFAC. U.S. persons are not permitted to have any dealings whatsoever with or facilitate dealings with parties designated on the SDN List unless authorised by the OFAC. Additionally, U.S. persons are prohibited from approving, financing, facilitating or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the U.S.

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

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

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

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

On the basis that (i) our Group has not conducted any business transactions with each of the Relevant Suppliers since it was listed as sanctioned entities by the Relevant Sanctions Authorities of the U.S. or the U.K.; (ii) our Group had settled all the payments to the Relevant Suppliers before they were placed on the SDN List or subject to asset freeze under the U.K. Regulation, and was not involved in any payment, products and services to or from each of the Relevant Suppliers since then; and (iii) since the relevant effective date or the date which the Relevant Suppliers have been placed on the SDN List or subject to asset freeze under the U.K. Regulation, our Group has not ordered and will not order any further supplies or accept any orders from the Relevant Suppliers, the International Sanctions Legal Advisor does not consider our Group's business with the Relevant Suppliers during the Track Record Period would have implicated any material sanction risks.

Export control

Customer H, Relevant Customer W, Relevant Customer X, Relevant Customer Y and Relevant Customer Z ("**EAR Customers**") were included in the "military end user" (the "**MEU**") list in December 2020 as set out in Supplement No. 7 to Part 744 of the EAR, being regulations issued by the Bureau of Industry and Security (the "**BIS**") of the U.S. Department of Commerce relating to the control of certain exports, re-exports, and other activities, which the U.S. considers "represent an unacceptable risk" of using or diverting goods for military end use or to military end users in China, Russia, or Venezuela. To the extent any of our Group's products sold to such EAR Customers fall within the scope of Supplement No. 2 to Part 744 of the EAR, and are transported through the U.S., or incorporated above-threshold U.S.-origin product, they are subject to the EAR, and our Group would be prohibited from providing such goods to the EAR Customers. During the Track Record Period, our sales to Customer H, Relevant Customer W, Relevant Customer X, Relevant Customer Y and Relevant Customer Z amounted to approximately RMB64.31 million, RMB10.44 million, RMB56.94 million, RMB38.43 million, and RMB7.96 million respectively, none of such products were sold in the U.S. or exported from the U.S. directly.

Our Group's sales of computerised, numerical control systems and products aggregated to an amount of approximately RMB178.07 million to the EAR Customers during the Track Record Period. We were advised by the International Sanctions Legal Advisor that our products are not intended for military usages and no goods involved in the sale of products of our Group includes more than the 25% applicable *de minimis* amount of U.S.-origin products, parts, commodities, software or technology under the EAR (being less than 6% by value involves U.S.-origin products of the highest level products), therefore, our products sold to EAR Customers during the Track Record Period were not items that are restricted for MEUs as described in Supplement No. 2 to part 744 of the EAR. In addition, there was no nexus with the U.S. as neither our Company nor any of its subsidiaries, affiliates, agents, directors, officers, or employees engaged in the business transactions or financial dealings relating to the EAR Customers that directly or indirectly involve or benefit a person or entity were a U.S. person. The U.S.-origin products involved in our products for the EAR Customers include a significant portion of materials without significant technology such as lubrication, tubes and pumps; and other general technology products (including a projector and general mechanical parts for robotics).

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

Analysis conclusion

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

- neither of our Company nor any of our subsidiaries was listed as a sanctioned target administered by the Relevant Sanctions Authorities;
- none of our substantial shareholders are located in the Relevant Sanctions Jurisdictions or countries subject to comprehensive sanctions, or was listed as a sanctioned target administered by the Relevant Sanctions Authorities;
- none of any of our counterparties, including customers and suppliers, was listed as a sanctioned target administered by the Relevant Sanctions Authorities at the relevant times; and
- our Group has not conducted any further business transactions with each of the Relevant Suppliers after they were listed as a sanctioned target administered by the Relevant Sanctions Authorities of the U.S. or the U.K.

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

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

Our International Sanctions Legal Advisor is of the view that the involvement by the Listing Committee, the Stock Exchange and its related group companies, our Company's investors and shareholders, the Joint Sponsors and the Overall Coordinators in the Global Offering should not implicate any applicable International Sanctions risk on them.

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

INTERNAL CONTROL AND RISK MANAGEMENT

We have established risk management and internal control systems consisting of policies and procedures that are appropriate for our business operations, and we are dedicated to continuously improving and implementing these systems to ensure our policies and implementation are effective and sufficient. In preparation for the Listing, we have engaged an independent third-party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of our internal controls over financial reporting in March 2025 (the "**Internal Control Review**"). Having considered the report prepared by our Internal Control Consultant, the Directors confirmed that all of the major recommendations provided by the Internal Control Consultant have been followed and corrective actions were taken accordingly to address our internal control deficiencies and weaknesses.

Our Directors are of the view that our enhanced internal control measures are adequate and effective to ensure compliance with relevant laws and regulations going forward. Furthermore, our International Sanctions Legal Advisor is of the view that our enhanced internal control measures concerning Internal Control Measures for Sanctions are adequate and effective. Based on the due diligence work performed by the Joint Sponsors, nothing material has come to the attention of the Joint Sponsors that contradicts the International Sanction Legal Advisor's view on the effectiveness of the Internal Control Measures for Sanctions.

The Internal Control Consultant performed the follow-up reviews in May 2025 to review the status of the management actions taken by us to address the findings of the Internal Control Review (the "**Follow-up Review**"). The Internal Control Consultant did not have any further recommendation in the Follow-up Review. The Internal Control Review and the Follow-up Review were conducted based on information provided by our Group and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Financial Reporting Risk Management

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

Data Privacy and Security Risk Management

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

We also collect certain types of operational data from our customers under the applicable laws and regulations. As such, we have implemented relevant internal procedures and policies to ensure our IT infrastructure is secure enough to protect the data and avoid unauthorised leakage or loss of such data. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material system failure in our IT infrastructure, or any material leakage or loss of end user data. Our IT department is responsible for ensuring the security of our IT infrastructure and our data compliance joint work group is responsible for ensuring that the collection and protection of end user data are in compliance with our internal rules and the applicable laws and regulations.

Human Resource Risk Management

We invest in continuing education and training programmes to ensure that skill sets of our employees are updated constantly. We maintain strict standard in recruiting and we conduct periodic performance reviews for all our employees. We have an employee handbook for all our employees, which contains internal rules and guidelines regarding best commercial practise, confidentiality, work ethics, fraud prevention mechanism, negligence and corruption.

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

International Sanctions Risk Management

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

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

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

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

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

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

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

OVERVIEW

As at the Latest Practicable Date, Dr. Wang controlled approximately 38.7% of the voting power at the general meetings of our Company, comprising (1) approximately 36.8% beneficially owned by him directly and (2) approximately 1.9% beneficially owned by Tuoxian Technology, an employee share ownership platform which is controlled by Dr. Wang as its general partner. Upon the Listing, Dr. Wang will control approximately 32.6% of the voting power at the general meetings of our Company, comprising (i) approximately 30.9% beneficially owned by him directly and (ii) approximately 1.6% beneficially owned by Tuoxian Technology, assuming the Over-allotment Option is not exercised. Therefore, Dr. Wang and Tuoxian Technology are a group of our Controlling Shareholders as at the Latest Practicable Date and will be a group of our Controlling Shareholders upon the Listing.

NO COMPETITION AND CLEAR DELINEATION OF BUSINESS

Our Controlling Shareholders have confirmed that as at the Latest Practicable Date, none of them or any of their respective close associates had any interest in a business that competes or is likely to compete, either directly or indirectly, with our business, which is subject to disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Management Independence

Our business is primarily managed and conducted by our Board and senior management. Upon the completion of the Listing, our Board will comprise of three executive Directors, two non-executive Directors and three independent non-executive Directors. For details, see "Directors and Senior Management" in this prospectus.

Our Directors believe that our Board and senior management is able to manage our business and function independently from our Controlling Shareholders based on the following reasons:

(1) each of our Directors is aware of his/her fiduciary duties as a Director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;

(2) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Directors shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum;

(3) we have three independent non-executive Directors, who have extensive experience in different areas and have been appointed to ensure that the decisions of our Board are made after due consideration of independent and impartial opinions. Certain matters of our Company must always be referred to the independent non-executive Directors for review in accordance with the Listing Rules, the applicable laws and our Articles of Association and internal policies;

(4) our daily management and operations are carried out by our senior management team. Except Dr. Wang himself and save as otherwise disclosed in "Directors and Senior Management" section of this prospectus, our senior management team members are independent from our Controlling Shareholders, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interest of our Group; and

(5) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For details, see "– Corporate Governance" in this section.

Operation Independence

We have established our own organisational structure comprised of individual departments, each with specific areas of responsibilities. We have also established various internal control procedures to facilitate the effective operation of our business. Our Group is not operationally dependent on our Controlling Shareholders. Our Company (through itself or its subsidiaries) holds or enjoys the benefit of all relevant licences and owns all relevant intellectual property and R&D facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and suppliers.

Based on the above, our Directors believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates.

Financial Independence

We have an independent financial system. Our Group's accounting and finance functions are independent of our Controlling Shareholders and their respective close associates. Our Group makes financial decisions according to our own business needs. Our Group's major finance operations are handled by our financial management department, which operates independently from our Controlling Shareholders and their close associates. We do not share any other functions or resources with any of our Controlling Shareholders or their respective close associates.

During the Track Record Period, we primarily financed our business operations through cash generated from our business activities and equity financing activities. As at 31 December 2025, the Group's borrowings of RMB43.3 million were secured by the Group's land use right and property, plant and equipment with aggregate carrying amount of approximately RMB8.0 million and RMB58.4 million, respectively; the Group's borrowings of RMB18.8 million were secured by the Group's land use right with an aggregate carrying amount of approximately RMB45.6 million; and the Group's borrowings of RMB17.3 million were secured by letters of credit. Please see "Financial Information – Indebtedness" and Note 28 of the Accountants' Report as set out in Appendix I to this prospectus. As at 31 December 2025, all guarantees previously provided by Dr. Wang have been released.

Based on the above, our Directors believe that our Group is able to operate with financial independence from our Controlling Shareholders and their close associates.

CORPORATE GOVERNANCE

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of our Shareholders, including:

(1) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(2) our Company has established internal control mechanism to identify connected transactions. After the Listing, our Company will comply with the requirements in connection with connected transactions under the Listing Rules;

(3) where our Directors reasonably request the advice of independent professionals, such as independent financial advisors, the appointment of such independent professional will be made at our Company's expense;

(4) we have appointed Guotai Junan Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance;

(5) we have established the Audit Committee, Remuneration and Appraisal Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code;

(6) our Controlling Shareholders will confirm the status of their non-competing interest, if any, on an annual basis and to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by our Company; and

(7) our Company will disclose decisions (with basis), if any, on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

BOARD OF DIRECTORS

Our Board consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. Our Board is responsible and has general power for the management and conduct of our business. We have entered into service contracts and/or letters of appointment with each of our Directors. Pursuant to the Articles of Association, our Directors are elected and appointed by our Shareholders at a Shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment.

Members of our Board

The table below shows certain information in respect of the members of our Board:

Name	Age	Position/Title	Date of joining our Group	Date of appointment as Director	Key role and responsibility	Relationship with other Directors and senior management
Executive Directors						
Dr. Wang Yuhan (王宇晗)	60	Founder, chairman of the Board, executive Director, and general manager	18 May 2007	18 May 2007	Responsible for overseeing the overall business and product development, management and strategic planning of our Group	Uncle of Mr. Wang Jinsen, our joint company secretary
Mr. Li Yuhao (李宇昊)	50	Executive Director	18 May 2007	18 May 2007	Responsible for overseeing the overall business development, management and strategic planning of our Group	N/A
Mr. Yao Bin (姚彬)	40	Executive Director	10 April 2015	30 April 2025	Responsible for overseeing R&D of our Group in respect of electrical control	N/A
Non-executive Directors						
Mr. Li Qingfeng (李慶豐)	57	Non-executive Director	15 May 2011	1 December 2021	Responsible for providing management and strategic advice to our Group	N/A

Name	Age	Position/Title	Date of joining our Group	Date of appointment as Director	Key role and responsibility	Relationship with other Directors and senior management
Mr. Li Yonghao (李永昊)	39	Non-executive Director	18 July 2021	18 July 2021	Responsible for providing management and strategic advice to our Group	N/A
Independent non-executive Directors						
Dr. Yang Jianguo (楊建國)	69	Independent non-executive Director	Upon the Listing Date	Upon the Listing Date	Supervising and providing independent opinion to our Board	N/A
Dr. Feng Hutian (馮虎田)	61	Independent non-executive Director	26 May 2023	26 May 2023	Supervising and providing independent opinion to our Board	N/A
Ms. Liu Yueheng (劉玥衡)	34	Independent non-executive Director	Upon the Listing Date	Upon the Listing Date	Supervising and providing independent opinion to our Board	N/A

Executive Directors

Dr. Wang Yuhan (王宇晗), aged 60, is our co-founder, and the chairman of our Board, an executive Director and the general manager of our Company. He has served as a Director and the chairperson of our Board since May 2007, and was re-designated as an executive Director on 30 April 2025. He is primarily responsible for the overall business and product development and strategic planning of our Group. Dr. Wang has also held various positions in several subsidiaries of our Group, including as the executive director of Suzhou Top since June 2022 and as the executive director and general manager of Jiaxing Top since March 2023. Dr. Wang is the uncle of Mr. Wang Jinsen, our joint company secretary.

Dr. Wang has over 27 years of experience in academia and mechanical engineering industry. He served as an associate professor in the School of Mechanical Engineering at SJTU, his alma mater, from 1998 to 2008, and was primarily responsible for engineering research and teaching. He has continued to serve as a research fellow of SJTU after our Company was founded in May 2007.

Dr. Wang obtained a master's degree in mechanical manufacturing from Nanjing Institute of Aeronautics and Astronautics (南京航空學院) (now known as Nanjing University of Aeronautics and Astronautics (南京航空航天大學)) in April 1992. He further received a doctorate in mechanical and electronic engineering from SJTU in July 2005.

Dr. Wang has received national and regional awards in recognition of his contributions to technological innovation and scientific research. He was recognised as a Leading Talent of Shanghai (上海市領軍人才) in 2014 and was selected under the Ministry of Science and Technology's Programme for Promoting Innovation and Entrepreneurship Talents (中華人民共和國科學技術部創業人才推進計劃科技創新創業人才) in 2016. Dr. Wang was also awarded the First Prize and the Special Prize of the Shanghai Science and Technology Award (上海市科學技術獎) in 2015 and 2023, respectively, the First Prize of the Defence Science and Technology Progress Award (國防科學技術進步獎一等獎), and the Third Prize of the China Machinery Industry Science and Technology Award (中國機械工業科學技術獎三等獎). He received the Second Prize of the State Scientific and Technological Progress Award (國家科學技術進步獎二等獎) in 2016, and was selected as a leading entrepreneur under the third batch of the National "Ten Thousand Talents Programme" (國家"萬人計劃") in science and technology entrepreneurship in 2018.

Dr. Wang was a supervisor of the following deregistered entities prior to their respective deregistration:

Name of the deregistered entities	Time of deregistration	Principal business of the deregistered entities	Position held and tenure at the deregistered entities
Shanghai Mingneng Electromechanical Co., Ltd. (上海銘能機電有限公司)	February 2007	Sales of security, mechanical and telecommunication equipment	Supervisor (from May 2002 to February 2007)
Shanghai Jinsi CNC Equipment Design Co., Ltd. (上海近思數控裝備設計有限公司)	October 2015	Technology development, technology transfer, technical consultation, technical services in the fields of CNC equipment and software	Supervisor (from December 2006 to October 2015)

Dr. Wang confirmed that the aforementioned entities were solvent and were not involved in any material non-compliance incidents immediately prior to their respective deregistration. There was no wrongful act on his part leading to the deregistration and he is not aware of any actual or potential claim which has been or could potentially be made against him as a result of the deregistration.

Mr. Li Yuhao (李宇昊), aged 50, is our co-founder and an executive Director of our Company. He has served as a Director since May 2007, and was re-designated as an executive Director on 30 April 2025. He is primarily responsible for the overall business development and strategic planning of our Group. He served as the deputy general manager of our Company during the period from 18 May 2007 to 11 February 2025. Mr. Li YH is also the executive director of Top Software since August 2011.

Mr. Li YH has over 27 years of experience in the mechanical engineering industry. During the period from August 1998 to October 2014, he worked at various engineering positions in the School of Mechanical Engineering at SJTU, his alma mater, including as an assistant engineer, as an engineer and as a senior engineer.

Mr. Li YH obtained a bachelor's degree in mechanical manufacturing and automation from SJTU in July 1998. He further obtained a master's degree in mechanical manufacturing and automation from the same university in March 2003.

Mr. Li YH has been the recipient of multiple awards in recognition of his achievements in engineering research. In 2015, Mr. Li YH was awarded both the First Prize of the Defence Science and Technology Progress Award (國防科學技術進步獎一等獎) and the First Prize of the

Shanghai Scientific and Technological Progress Award (上海市科學技術進步獎一等獎). He was further awarded the Second Prize of the State Scientific and Technological Progress Award (國家科學技術進步獎二等獎) in 2016. In 2021, Mr. Li YH was selected as an "Industry Elite" (產業領軍人才) under the Shanghai Industrial Talent Programme (上海產業菁英高層次人才計劃) in recognition of his leadership in industrial innovation.

Mr. Li YH was a supervisor of the following entity prior to the revocation of its business licence:

Name of entity	Time of revocation	Principal business of the entity	Position held
Shanghai Zhuoercheng Automation Equipment Co., Ltd. (上海卓而誠自動化設備有限公司)	February 2007	Instrument manufacturing	Supervisor (from February 2004 to February 2007)

Mr. Li YH confirmed that the aforementioned company was solvent when its business licence was revoked and there was no wrongful act on his part which that led to the revocation of their business licences. Mr. Li YH further confirmed that, as at the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there was no outstanding claims and/or liabilities as a result of the revocation of the business licences of such company.

Mr. Yao Bin (姚彬), aged 40, is our executive Director, employee representative director and the co-technical director of our Company. He joined our Group as a senior engineer of Top Software in April 2015 and was promoted as the co-technical director of our Company in July 2021. He was appointed as our executive Director on 10 April 2025 and is primarily responsible for overseeing R&D of our Group in respect of electrical control.

Prior to joining our Group, Mr. Yao worked as a chief product engineer of Shanghai Weihong Electronic Technology Co., Ltd. (上海維宏電子科技股份有限公司) (300508.SH) during the period from July 2009 to April 2015.

Mr. Yao obtained a bachelor's degree in computer science and technology from University of Science and Technology of China (中國科學技術大學) in July 2009. He further obtained a master's degree in management science and engineering from Southwest Jiaotong University (西南交通大學) in September 2023.

Non-Executive Directors

Mr. Li Yonghao (李永昊), aged 39, is our non-executive Director. He was appointed as our Director since July 2021, and was re-designated as a non-executive Director on 30 April 2025. He is primarily responsible for providing management and strategic advice to our Group.

Mr. Li has over 13 years of experience in accounting and finance industry. From October 2011 to July 2018, he worked as director of the merger and acquisition finance department at Haitong Securities Company Limited (海通證券股份有限公司). Since July 2018, he served as various positions at CDH Shanghai CDH Bai Fu Wealth Management Co., Ltd. (上海鼎暉百孚投資管理有限公司), including as a vice president of the investment department and an executive director from July 2018 to January 2024, and as an investment director since January 2024.

Mr. Li obtained a bachelor's degree in financial engineering from Shanghai University of Finance and Economics (上海財經大學) in July 2008. Mr. Li further obtained a master's degree in finance from Syracuse University in December 2009.

In March 2021, Mr. Li received a notice from the CSRC in accordance with the Administrative Measures for the Material Asset Restructuring of Listed Companies (CSRC Order No. 127) (《上市公司重大資產重組管理辦法》(證監會令第127號)) ("**Restructuring Measures**"), whereby he was notified that he had not exercised professional prudence to conduct necessary due diligence in respect of the acquisition of 51% in the equity interest of Shanghai Hongtou Internet Technology Co., Ltd. (上海宏投網絡科技有限公司) (the "**Target Company**") (the "**Relevant Transaction**"), and was therefore suspended for a period of three months from 23 March 2021 to 22 June 2021 for holding or effectively performing duties, as a financial adviser, in respect of material asset restructuring activities of listed companies (the "**Incident**").

At the material time, Mr. Li was a director of the merger and acquisition finance department at Haitong Securities Company Limited. He advised on Shanghai Fukong Interactive Entertainment Co., Ltd (上海富控互動娛樂股份有限公司), a company formerly listed on the Shanghai Stock Exchange under the stock code 600634 which was then known as Shanghai Zhongji Investment Holding Co., Ltd. (上海中技投資控股股份有限公司)) (the "**Purchaser**") in respect of the Relevant Transaction. The Relevant Transaction was completed in December 2016. In 2019, Mr. Li was enquired by the CSRC about the due diligence work done in respect of the Relevant Transaction. As confirmed by Mr. Li, the CSRC identified a limited partner (the "**Relevant Individual**") of the controlling shareholder of the Target Company as the actual controller of the Target Company, and that the Relevant Individual had been paying social security in the affiliated companies of the actual controller of the Purchaser; while due diligence interview had been conducted by Mr. Li with the Relevant Individual, he was unable to identify that the Relevant Individual was the actual controller of the Target Company, and he was unable to identify that the Relevant Individual had been paying social security in the affiliated companies of the actual controller of the Purchaser. As further confirmed by Mr. Li, the CSRC identified that the Purchaser had entered into cross-guarantee contracts in favour of the actual controller of the Purchaser; while due diligence work had been performed by Mr. Li, including having identified the Purchaser's related-party loan guarantees, and reviewing the relevant guarantee contracts, he was unable to identify the specific cross-guarantee in question, because the cross-guarantee was not properly disclosed by the Purchaser and was not reflected in the Purchaser's financial statements, audit reports, contractual documents, or public announcements. In March 2021, Mr. Li received a notice from the CSRC and was notified that (1) he had not conducted sufficient due diligence in respect of abnormal situations concerning the then actual controller of the Target Company paying social security in the affiliated companies of the actual controller of the Purchaser, and (2) he had not conducted sufficient due diligence in respect of the external guarantee situation of the Purchaser.

As confirmed by Mr. Li, the Incident was due to inadvertent oversight of the applicable rules and regulations under the Restructuring Measures. Other than the temporary suspension order, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there was no outstanding claims and/or liabilities as a result of the Incident. The Directors have considered the background, reasons and the results of the Incident and Directors are of the view that,

(i) the Incident was not intentional and was an inadvertent oversight by Mr. Li of the implication of the Restructuring Measures, which happened almost a decade ago and Mr. Li had not been prohibited to serve as a director of any stock exchange or as a director of a PRC company;

(ii) the Incident does not involve any finding of dishonesty, fraud or criminal liability on the part of Mr. Li nor reflect negatively on his integrity or competency as a director of a listed company. Our PRC Legal Advisers have advised that the incident does not affect Mr. Li's eligibility to act as a director of a listed company under PRC laws;

(iii) as advised by our PRC Legal Advisers, the suspension order lasted for three months and has been lifted since, which does not fall within the category of "serious scenario (情節嚴重)" under the Administrative Measures for the Material Asset Reorganisation of Listed Companies (2020 Revised Version) then in effect and Mr. Li remained qualified to advise on mergers and acquisitions after the suspension;

(iv) other than the suspension, Mr. Li has not been disciplined by the CSRC nor conducted any activities, which may affect his eligibility to act as a director of a listed company;

(v) being a non-executive Director, Mr. Li is primarily responsible for providing management and strategic advice to our Group. As disclosed in Mr. Li's biography above, Mr. Li has accumulated extensive experience in accounting and finance industry. Mr. Li is currently a partner of CDH Shanghai CDH Bai Fu Wealth Management Co., Ltd. (上海鼎暉百孚投資管理有限公司), a reputable and large-scale investment company. It demonstrates the value of his expertise, competence and knowledge and his ability to fulfil his duties in reputable and large-scale investment company despite the Incident;

(vi) Mr. Li has participated in relevant trainings, development and updated to his knowledge and skills to keep up with the latest regulatory developments, including trainings and reading materials on topics such as corporate governance, directors' responsibilities, continuous obligations of listed companies under the Listing Rules and the consequences of violating the Listing Rules and Hong Kong laws;

(vii) our Company has also implemented internal control measures to ensure full compliance with applicable laws and regulations in the future; and

(viii) our Company and the Directors will ensure compliance with all applicable laws and regulations, including but not limited to the Listing Rules, by timely consulting the compliance adviser and seeking independent legal and/or financial advice when necessary (especially before entering into any transaction or corporate action subject to Chapter 14 and Chapter 14A of the Listing Rules).

Therefore, our Directors are of the view that Mr. Li has the character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as a non-executive Director, and the Incident does not impact his suitability as a Director under Rule 3.08 and 3.09 of the Listing Rules. Based on the independent due diligence conducted by the Joint Sponsors, and in particular having taken into account the reasons considered by our Directors as disclosed above as well as the view of our PRC Legal Advisers that the Incident does not affect Mr. Li's eligibility to act as a director of a listed company under PRC laws, the Joint Sponsors are of the view that the Incident is unlikely to impact Mr. Li's suitability as a Director under Rules 3.08 and 3.09 of the Listing Rules.

Mr. Li Qingfeng (李慶豐), aged 57, is our non-executive Director. Mr. Li was appointed as a Supervisor in May 2011, was appointed as a Director since 1 December 2021 and was re-designated as a non-executive Director on 30 April 2025. He is primarily responsible for providing management and strategic advice to our Group.

Mr. Li has over 16 years of experience in business management and investment. From August 1988 to October 2001, he worked as a technician at Hebei Kewei Lighting (Group) Company (河北科威燈具(集團)公司). From April 2007 to August 2022, he worked as a senior investment manager and investment director at Unity Venture Capital Management Co., Ltd. (眾合創業投資管理有限公司).

Mr. Li obtained a diploma qualification in accounting through the National Self-Taught Examination from Hebei University of Economics and Business (河北經貿大學) in December 2003. He further obtained an executive master's degree in business administration from Fudan University (復旦大學) in June 2006.

Mr. Li was a supervisor of the following deregistered entity prior to their respective deregistration:

Name of deregistered entity	Time of deregistration	Principal business of the deregistered entity	Position held
Shanghai Qingmuyuan Trading Co., Ltd. (上海青牧源商貿有限公司)	June 2013	Retail and wholesale	Supervisor (from October 2009 to June 2013)

Mr. Li confirmed that the aforementioned entity was solvent and was not involved in any material non-compliance incidents immediately prior to its deregistration. There was no wrongful act on his part leading to the deregistration and he is not aware of any actual or potential claim which has been or could potentially be made against him as a result of the deregistration.

Independent Non-Executive Directors

Dr. Yang Jianguo (楊建國), aged 69, is our independent non-executive Director. He joined our Company and was appointed as our independent non-executive Director with effect from the Listing Date. He is primarily responsible for providing independent advice on the operations and management of our Group.

Dr. Yang has over 42 years of experience in research and academia. From February 1995 to February 1997, he seated as the visiting scholar and Sino-US joint doctoral student at the Wu Xianming Manufacturing Research Center of the University of Michigan. He returned to work at Mechanical Engineering Department (now known as the School of Mechanical Engineering) of SJTU in September 1998 and served at various positions, including as an associate professor, department head professor, doctoral supervisor, and retired in June 2020 and served as a postgraduate teaching supervisor since then.

Dr. Yang obtained a bachelor's degree in mechanical manufacturing from Shanghai Part-time Industry University (上海市業餘工業大學) (now known as Shanghai Polytechnic University (上海第二工業大學)) in December 1982. He further obtained a master's degree in mechanical manufacturing and received a doctorate from SJTU in March 1992 and December 1998 respectively.

Dr. Feng Hutian (馮虎田), aged 61, is our independent non-executive Director. He was appointed as an independent Director on 26 May 2023 and was re-designated as our independent non-executive Director on 30 April 2025. He is primarily responsible for providing independent advice on the operations and management of our Group.

Dr. Feng has over 36 years of experience in academia and research. Since March 1991, Dr. Feng worked at Nanjing University of Science and Technology (which was known as Huadong Mechanics College (華東工學院)), his alma mater, where he worked at the positions of lecturer, associate professor, and eventually professor since April 2008. He has served as the director of the Key Laboratory of the Ministry of Industry and Information Technology at Nanjing University of Science and Technology (南京理工大學工信部重點實驗室) since December 2016.

Dr. Feng serves as an independent director of Estun Automation Co., Ltd. (南京埃斯頓自動化股份有限公司) (002747.SZ) since July 2020, an independent director of Zhejiang Zhongjian Technology Co., Ltd. (002779.SZ) since January 2024, and an independent director of Kede Numerical Control Co., Ltd. (科德數控股份有限公司) (688305.SH) from December 2025 to February 2026.

Dr. Feng obtained a bachelor's degree in mechanical engineering from Taiyuan Mechanics College (太原機械學院) (now known as North University of China (中北大學)) in July 1986. He further obtained a master's degree in mechanical engineering from Huadong Mechanics College (華東工學院) (now known as Nanjing University of Science and Technology (南京理工大學)) in March 1991, and received a doctorate in mechanical engineering from Nanjing University of Science and Technology (南京理工大學) in December 2000.

Ms. Liu Yueheng (劉玥衡), aged 34, is our independent non-executive Director. She joined our Company and was appointed as our independent non-executive Director with effect from the Listing Date. She is primarily responsible for providing independent advice on the operations and management of our Group.

Ms. Liu has over 10 years of experience in accounting and financial management. From March 2015 to November 2017, she worked as an accounting officer for TISCO Trading (H.K.) Ltd. (太鋼進出口(香港)有限公司), which engages in the business of import and export services of stainless steel, and she was primarily responsible for financial management, control and budgeting. From January 2018 to April 2021, she worked for HKR International Limited (香港興業國際集團有限公司) (480.HK) with her last position as accountant. Since August 2021, she worked as the department manager of the financial market department of China CITIC Financial Assets International Holdings Limited (中國中信金融資產國際控股有限公司) (formerly known as China Huarong International Holdings Ltd.), where she was primarily responsible for asset and debt management.

Ms. Liu obtained a bachelor's degree in financial management from Sichuan Normal University (四川師範大學) in June 2013. She further obtained a master's degree in professional accounting and corporate governance from The City University of Hong Kong (香港城市大學) in October 2014. She is a member of Hong Kong Institute of Certified Public Accountants since January 2023.

CONFIRMATION FROM OUR DIRECTORS

Save as otherwise disclosed above and in this prospectus, each of our Directors confirms with respect to himself or herself that he/ she (i) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management, substantial shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; (iii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (iv) there are no other matters concerning our Director's appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Each of our Directors has confirmed that he/she obtained the legal advice on 6 May 2025 with regards to the requirements under the Listing Rules that are applicable to him/her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange as set out in Rule 3.09D of the Listing Rules and he/she understood his/her obligations as a director of a listed issuer.

Each of our independent non-executive Directors has confirmed (i) his/her independence with regards to each of the factors as set out in Rule 3.13(1) to (8) of the Listing Rules, (ii) he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Hong Kong Listing Rules as at the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointment.

SENIOR MANAGEMENT

The senior management of our Group, together with our executive Directors, are responsible for the day-to-day operations and management of the business of our Group.

Dr. Wang, aged 60, is the chairman of our Board, our executive Director and the general manager of our Company. For details of his biographical details, see "– Board of Directors – Executive Directors" in this section.

Mr. Li YH, aged 50, is our executive Director. For details of his biographical details, see "– Board of Directors – Executive Directors" in this section.

Mr. Yao Bin (姚彬), aged 40, is our executive Director and co-technical director of our Company. For details of his biographical details, see "– Board of Directors – Executive Directors" in this section.

Dr. Zhong Lei (鍾磊), aged 39, is the co-technical director of our Company and is primarily responsible for overseeing R&D of our Group in respect of mechanical hardware. He was appointed as our co-technical director since March 2021 and served as our Supervisor during the period from February 2023 to April 2025.

Dr. Zhong joined our Company in April 2012. He has also held various other positions of our Company, including as the research supervisor, research manager and deputy research director from April 2012 to March 2021.

Dr. Zhong obtained a bachelor's degree in mechanical engineering and automation from SJTU in July 2009. He further obtained a master's degree in mechanical manufacturing and automation from SJTU in March 2012, and received a doctorate in mechanical engineering from SJTU in June 2020.

Mr. Zhang Muqing (張木清), aged 43, is our chief financial officer. He joined our Group in June 2021 and has since served as our chief financial officer. He is primarily responsible for the financial and accounting affairs of our Group.

Mr. Zhang has over 19 years of experience in the accounting and finance industry. Prior to joining our Group, from August 2005 to May 2015, he worked as various accounting position, including as accounting accountant, asset management accountant and general ledger accountant, at Hangzhou H3C Technologies Co., Ltd. (杭州華三通信技術有限公司) (now known as H3C Technologies Co., Ltd. (新華三技術有限公司)). From May 2015 to June 2021, he worked at China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司) and China Minsheng Financial Intelligence Co., Ltd. (中民財智有限公司), with the last position being deputy general manager.

Mr. Zhang obtained a bachelor's degree in accounting from Xiamen University (廈門大學) in July 2005. He is a non-practising member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since July 2013.

Mr. Wang Jinsen (王勁森), aged 35, is our joint company secretary. He joined our Group as the assistant to chairman of our Board and the Board secretary since April 2023 and was promoted to become our joint company secretary in April 2025. Mr. Wang is the nephew of Dr. Wang.

Prior to joining our Group in April 2023, Mr. Wang worked as the secretary to the board of directors of Sichuan Xukang Medical Equipment Co., Ltd. (四川旭康醫療器械有限公司) from February 2016 to July 2017, where he was primarily responsible for assisting in company secretarial affairs. From November 2021 to March 2023, he worked as an investment manager for Unity Venture Capital Management Co., Ltd. (眾合創業投資管理有限公司).

Mr. Wang obtained a bachelor's degree from Dickinson College in May 2013 and obtained a master's degree in music performance from New Jersey City University in May 2015. He was awarded with the qualification of board secretary by Shanghai Stock Exchange in November 2017.

JOINT COMPANY SECRETARIES

Mr. Wang Jinsen (王勁森) was appointed as our joint company secretary on 30 April 2025. For details of his biography, see "Senior Management" in this section.

Mr. Yau Tsz Lun (游子麟) is our joint company secretary. Mr. Yau is a Manager of Company Secretarial Services of Tricor Services Limited. Mr. Yau has over 6 years of experience in the company secretarial field. He has been appointed as company secretary for Nanjing Sinolife United Company Limited (南京中生聯合股份有限公司) (3332.HK) since 23 August 2024, and for C&D International Investment Group Limited (建發國際投資集團有限公司) (1908.HK) since 30 August 2024.

Mr. Yau obtained a master's degree in professional accounting and corporate governance from The City University of Hong Kong (香港城市大學). Mr. Yau is a Chartered Secretary, a Chartered Governance Professional and an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), our Company has formed three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee.

Audit Committee

We have established the Audit Committee pursuant to Rule 3.21 of the Listing Rules with written terms of reference in compliance with paragraph D.3 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board.

The Audit Committee consists of three Directors, namely Ms. Liu Yueheng (劉玥衡), Mr. Li Qingfeng (李慶豐) and Dr. Yang Jianguo (楊建國), with Ms. Liu Yueheng (劉玥衡) being the chairperson. She is an independent non-executive Director and possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules.

Remuneration and Appraisal Committee

We have established the Remuneration and Appraisal Committee pursuant to Rule 3.25 of the Listing Rules with written terms of reference in compliance with paragraph E.1 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Appraisal Committee are to (i) establish, review and provide advice to our Board on our policies concerning remuneration of Directors and senior management officers and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, (ii) to determine the terms of the specific remuneration package of each executive Director and senior management, (iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time, and (iv) to review and approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration and Appraisal Committee consists of three Directors, namely Dr. Feng Hutian (馮虎田), Mr. Li Yuhao (李宇昊) and Dr. Yang Jianguo (楊建國), with Dr. Feng Hutian (馮虎田) being the chairperson.

Nomination Committee

We have established the Nomination Committee pursuant to Rule 3.27A of the Listing Rules with written terms of reference in compliance with paragraph B.3 of Part 2 of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules. The primary duties of the Nomination Committee are to (i) review the structure, size and composition of our Board on a regular basis and make recommendations regarding any proposed changes to the composition of our Board, (ii) identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board and (iii) assess the independence of our independent non-executive Directors and make recommendations on matters relating to the appointment, reappointment and removal of our Directors and succession planning.

The Nomination Committee consists of three members, namely Dr. Wang, Dr. Feng Hutian (馮虎田) and Ms. Liu Yueheng (劉玥衡), with Dr. Wang being the chairperson.

BOARD DIVERSITY POLICY

Our Company is dedicated to fortify the effectiveness of our Board and to uphold high standards of corporate governance through the adoption of a board diversity policy. Our Company actively embraces the benefits of having a diverse Board, recognising that cultivating diversity at the Board level is pivotal in attaining our Company's strategic objectives. To do so, our Company will assess numerous factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. Selection for potential Board candidates will be based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time. The ultimate decisions of Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Board consists of a balanced blend of knowledge, skills and experience, including engineering, academics and research, business management, and finance and accounting. We have three independent non-executive Directors who have distinct industry backgrounds, representing over one-third of our Board members. Further, our Board consists of male and female members, with age range from 34 to 68 years old. A thorough assessment of our Board's membership, structure, and composition has led us to believe that our Board configuration is well-balanced, with Directors possessing a rich tapestry of experiences and skills that fortify our operational excellence.

Continuing our commitment to promoting gender diversity across all levels, our Board diversity policy advocates for a progress increase in the representation of female members on the Board post-Listing, whenever feasible, during the selection and recommendation of suitable candidates for Board appointments. We are also dedicated to fostering gender diversity in mid to senior staff recruitment to cultivate a pipeline of female senior management and potential successors to our Board. Striving for an equitable gender balance in alignment with stakeholder expectations and global best practices is a key objective for us. Given the unique backgrounds of our Directors and our specific operational needs, we are confident that our Board composition post-Listing aligns with the principles outlined in our board diversity policy.

The Nomination Committee is responsible for ensuring the diversity of our Board members. After Listing, the Nomination Committee will periodically review our board diversity policy to ensure its continued effectiveness, with annual disclosures on the implementation of our board diversity policy in our corporate governance report.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors, Supervisors and members of senior management receive compensation in the form of fees, salaries, allowances and benefits in kind, share-based payments, discretionary bonuses and retirement scheme contributions.

For the three years ended 31 December 2023, 2024 and 2025, the aggregate amount of emolument paid or payable to our Directors and Supervisors (including salaries, allowances and benefits in kind, share-based payments, performance-related bonuses and pension scheme contributions), were approximately RMB5.6 million, RMB6.9 million and RMB5.6 million, respectively.

For the three years ended 31 December 2023, 2024 and 2025, the aggregate amount of emolument paid or payable to the five highest paid individuals of our Group who are neither a Director nor a Supervisor of the Company were approximately RMB3.6 million, RMB6.5 million and RMB6.1 million, respectively.

During the Track Record Period, no emolument was paid to, or receivable by, our Directors, Supervisors or the five highest paid individuals of our Group as an inducement to join or upon joining our Group or as a compensation for loss of office in the Track Record Period.

Further, none of our Directors had waived any emolument during the same period. Pursuant to existing arrangements that are currently in force as at the date of this prospectus, the emolument (including salaries, bonuses, allowances and benefits in kind, share-based payments, performance-related bonuses and pension scheme contributions) payable to our Directors and Supervisors by us for the year ending 31 December 2026 are estimated to be no more than approximately RMB6.0 million in aggregate.

Our Board will review and determine the emoluments and compensation packages of our Directors and members of senior management. Following the Listing, our Board will receive recommendations from our Remuneration and Appraisal Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

Save as disclosed above, no other emolument had been paid, or are payable, by any member of our Group to our Directors or Supervisors during the Track Record Period. For additional information on our Directors' and Supervisors' emoluments during the Track Record Period as well as information on the highest paid individuals, please see Notes 9 in the Accountants' Report set out in Appendix I to this prospectus.

COMPLIANCE ADVISOR

Pursuant to Rule 3A.19 of the Listing Rules, we have appointed Guotai Junan Capital Limited as our compliance advisor (the "**Compliance Adviser**"). Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will provide advice when consulted by the Company in relation to the followings: (i) before the publication of any regulatory announcement, circular or financial report; (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues, sales or transfers of treasury shares and share repurchases; (iii) where we procure to use the proceeds from the Global Offering in a manner different form that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and (iv) where the Stock Exchange makes any inquiry to our Company regarding unusual movement in the price or trading volume of our H Shares under Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which our Company distributes our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code and the associated Listing Rules after the Listing.

Pursuant to code provision C.2.1 of Part 2 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Wang currently performs both roles of chairman and chief executive for having been appointed as the chairman of our Board and the general manager of our Company. Our Board believes that vesting the roles of both the chairman of our Board and general manager in the same person has the benefit of (1) ensuring consistent leadership within our Company, (2) enabling more effective and efficient overall strategic planning for our Company, and (3) facilitating the flow of information between the management and our Board. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the general manager of our Company at a time when it is appropriate by taking into account the circumstances of our Company as a whole.

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased at the Offer Price with an aggregate amount of US$110.0 million (approximately HK$862.1 million, calculated based on the exchange rate set out in the section headed "Information about this Prospectus and the Global Offering – Exchange Rate Conversion" in this prospectus (exclusive of brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) (the "**Cornerstone Investment**").

Based on the Offer Price of HK$26.39 per Offer Share, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 32,665,000, representing (i) 50% of the Offer Shares pursuant to the Global Offering and approximately 8.0% of the total issued share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised); or (ii) approximately 43.5% of the Offer Shares pursuant to the Global Offering and approximately 7.8% of the total issued share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is exercised in full).

The Company is of the view that, (i) the Cornerstone Investment will ensure a reasonable size of solid commitment at the beginning of the marketing period of the Global Offering and will provide confidence to the market; and (ii) the Cornerstone Investment demonstrates our Cornerstone Investors' confidence in the Company and its business prospect and it will help raise the profile of the Company. The Company became acquainted with each of the Cornerstone Investors through the business network of the Group or the Overall Coordinators. The Cornerstone Investment will form part of the International Offering, and save as otherwise obtained consent from the Stock Exchange, the Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through qualified domestic institutional investor ("**QDII**"), both the Cornerstone Investors and the QDIIs), and their respective close associates will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed for by the Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through QDII, the QDIIs) will rank pari passu in all respects with the fully paid H Shares in issue following the completion of the Global Offering and to be listed on the Stock Exchange. The Offer Shares to be subscribed for by the Cornerstone Investors will be counted towards the public float of the Company under Rule 8.08 of the Listing Rules.

Immediately following the completion of the Global Offering, (i) none of the Cornerstone Investors will become a substantial shareholder of the Company; (ii) none of the Cornerstone Investors will have any Board representation in the Company solely by virtue of its cornerstone investment, and (iii) equity interests in the Company being beneficially owned by the three largest public Shareholders will be less than 50% for the purpose of Rule 8.08(3) of the Listing Rules.

To the best of the knowledge, information and belief of our Company, each of the Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through a QDII, each of such QDIIs) (i) is independent of our Company, its connected persons and their respective associates; (ii) none of them is accustomed to take and has not taken instructions from the Company, our Directors, chief executive, the Controlling Shareholders, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares; (iii) none of the subscription of the Offer Shares by them is directly or indirectly financed by our Company, our Directors, chief executive, the Controlling Shareholders, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; and (iv) each Cornerstone Investor will be utilising its internal financial resources, financial resources of its shareholders or (in the case of Cornerstone Investors which are funds or investment managers) the assets managed for its investors as its source of funding for the subscription of the Offer Shares, and it has sufficient funds to settle its respective investment under the Cornerstone Investment.

To the best knowledge of our Company and as confirmed by each of the Cornerstone Investors, they made their own independent decisions to enter into the Cornerstone Investment Agreements, and their subscriptions under the Cornerstone Investment would be financed by their own internal resources or (in the case of the Cornerstone Investor which is funds or investment manager) the assets managed for its investors. Save as disclosed below, none of the Cornerstone Investors or their shareholder(s) are listed on any stock exchanges. Each of the Cornerstone Investors has also confirmed that all necessary approvals have been obtained with respect to the Cornerstone Investment and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the Cornerstone Investment. Other than a guaranteed allocation of the relevant Offer Shares at the Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders. Other than the Cornerstone Investment Agreements, as confirmed by each of the Cornerstone Investors, there are no side agreements or arrangements between us and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Listing, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

The total number of Offer Shares to be subscribed for by the Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through QDII, the QDIIs) under the Cornerstone Investment may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering. If the total demand for H shares in the Hong Kong Public Offering falls within the circumstance as set out in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation" in this Prospectus, our Company and the Overall Coordinators have the absolute discretion, but not obliged, to deduct the number of Offer Shares to be subscribed by the Cornerstone Investors on a pro rata basis in accordance with the terms of the Cornerstone Investment Agreements to satisfy the public demands under the Hong Kong Public Offering, after taking into account the requirements under Appendix F1 to the Listing Rules as well as the discretion of the Overall Coordinators (for themselves and on behalf of the International Underwriters) to exercise the Over-allotment Option. Details of the actual number of Offer Shares to be allocated to each of the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around 19 May 2026.

Where delayed delivery takes place, the Overall Coordinators (for themselves and on behalf of the International Underwriters) has the discretion to effect a delayed delivery of the Offer Shares to be subscribed for by each of the Cornerstone Investors that may be affected by such delayed delivery arrangement on a date later than the Listing Date, subject to the conditions contained in the Cornerstone Agreements. Such delayed delivery arrangement is in place to facilitate the over-allocation in the International Offering. There will be no delayed delivery if there is no over-allocation in the International Offering. There will be no deferred settlement of the Offer Shares to be subscribed by the Cornerstone Investors. Each of the Cornerstone Investors has agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's H Shares commence on the Stock Exchange, irrespective of whether there is delayed delivery of the H Shares.

THE CORNERSTONE INVESTORS

The table below sets out details of the Cornerstone Investment:

Cornerstone Investor	Subscription amount[(1)]	Number of Offer Shares to be acquired[(2)]	Assuming the Over-Allotment Option is not exercised: Approximate % of the Offer Shares	Assuming the Over-Allotment Option is not exercised: Approximate % of the issued share capital	Assuming the Over-Allotment Option is fully exercised: Approximate % of the Offer Shares	Assuming the Over-Allotment Option is fully exercised: Approximate % of the issued share capital
RBC	US$22,013,000	6,536,200	10.0	1.6	8.7	1.6
3W	US$20,000,000	5,938,500	9.1	1.5	7.9	1.4
Boyu	US$15,000,000	4,453,900	6.8	1.1	5.9	1.1
HHLRA	US$10,000,000	2,969,200	4.5	0.7	4.0	0.7
UBS AM Singapore	US$10,000,000	2,969,200	4.5	0.7	4.0	0.7
CDH	US$10,000,000	2,969,200	4.5	0.7	4.0	0.7
Cithara Fund	US$5,000,000	1,484,600	2.3	0.4	2.0	0.4
Fullgoal Fund	US$2,100,000	623,500	1.0	0.2	0.8	0.1
Fullgoal HK	US$900,000	267,200	0.4	0.1	0.4	0.1
China AMC	US$3,000,000	890,700	1.4	0.2	1.2	0.2
Shanghai Minhang	US$3,000,000	890,700	1.4	0.2	1.2	0.2
TT International	US$3,000,000	890,700	1.4	0.2	1.2	0.2
Mirae Asset	US$3,000,000	890,700	1.4	0.2	1.2	0.2
GSAM	US$3,000,000	890,700	1.4	0.2	1.2	0.2
Total	**US$110,013,000**	**32,665,000**	**50.0**	**8.0**	**43.5**	**7.8**

Notes:

(1) Calculated based on the exchange rate set out in the section headed "Information about this Prospectus and the Global Offering – Exchange Rate Conversion" in this prospectus. The actual investment amount may vary due to the exchange rate prescribed in the relevant Cornerstone Investment Agreement.

(2) Rounded down to the nearest whole board lot of 100 H Shares.

(3) Assuming no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the date of exercise of Over-allotment Option.

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Investment.

1. RBC

RBC Asia Pacific ex-Japan Equity Fund, RBC China Equity Fund, and RP – Fonds Institutionnel - Actions marchés émergents are discretionary funds sub-advised by RBC Global Asset Management (Asia) Limited, which is a member company of RBC Global Asset Management ("**RBC GAM**"), the asset management division of Royal Bank of Canada.

RBC GAM is a provider of global investment management services and solutions to institutional, high-net-worth and individual investors through separate accounts, pooled funds, mutual funds, hedge funds, exchange-traded funds and specialty investment strategies. As at 30 September 2025, the RBC GAM group of companies manage approximately US$560 billion in assets under management and have approximately 1,700 employees located across Canada, the United States, Europe and Asia.

To the best of its knowledge, no single ultimate beneficial owner is holding 30% or more interests in (i) RBC Asia Pacific ex-Japan Equity Fund, or (ii) RBC China Equity Fund or (iii) RP – Fonds Institutionnel – Actions marchés émergents.

2. 3W Fund

3W Fund Management Limited ("**3W Fund**") is incorporated in Hong Kong with limited liability and licensed by the SFC to carry out type 9 (asset management) regulated activity. 3W Fund has agreed to procure 3W Global Fund, over which 3W Fund has discretionary investment management power, to subscribe for such number of the Offer Shares. 3W Global Fund pursues to maximise absolute return and seek long-term capital growth primarily through fundamental investment principle with value approach. 3W Fund is wholly owned by Mr. Weiwei WU. No single investor holds 30% or more interests in 3W Global Fund.

3. Boyu

Aqua Ocean Limited is a company incorporated under the laws of the British Virgin Islands and a controlled subsidiary of Boyu Capital Opportunities Master Fund. Boyu Capital Opportunities Master Fund is an exempted company incorporated under the laws of the Cayman Island and an investment fund managed by Boyu Capital Management (Singapore) Pte. Ltd. ("**Boyu**"). Boyu holds a capital markets services licence and is regulated by the Monetary Authority of Singapore and provides growth and transformational capital for leading companies in sectors including high technology, healthcare, consumer and business services. Boyu is 100% indirectly owned by Boyu Group, LLC, which is in turn ultimately controlled by Mr. Xiaomeng Tong, an Independent Third Party. There is no single investor holding 30% or more interest in Aqua Ocean Limited through Boyu Capital Opportunities Master Fund.

4. HHLRA

HHLRA Advisors, Ltd. ("**HHLRA**") is an exempted company incorporated in the Cayman Islands that acts as the investment manager of investment funds (collectively the "**HHLRA Funds**"), which are limited partnerships formed under the laws of the Cayman Islands. There is no individual limited partner investor who holds an economic interest of 30% or more in the HHLRA Funds. HHLRA intends to hold the Offer Shares through one of the HHLRA Funds, namely HACF, L.P.

HHLRA collaborates with industry-defining enterprises, aiming to establish alignment with sustainable, forward-thinking companies across industrial, consumer, healthcare and business services sectors. HHLRA manages capital for global institutions, including non-profit foundations, endowments, and pensions. HHLRA is entering the cornerstone investment agreement with the Company in its capacity as an investment manager and on behalf of the HHLRA Funds.

5. UBS AM Singapore

UBS Asset Management (Singapore) Ltd. ("**UBS AM Singapore**"), a company incorporated in Singapore in December 1993, has entered into a Cornerstone Investment Agreement with the Company, the Joint Sponsors and the Overall Coordinators, in its capacity as the delegate of the investment manager on a discretionary basis for and on behalf of the underlying clients of the following funds: (i) UBS (Lux) Equity Fund – Greater China (USD); (ii) UBS (Lux) Equity Fund – China Opportunity (USD); (iii) UBS (HK) Fund Series – China Opportunity Equity (USD); (iv) UBS (Lux) Equity SICAV – All China (USD); (v) UBS (CAY) China A Opportunity; and (vi) certain other segregated accounts and mandates. UBS AM Singapore is a wholly owned subsidiary of UBS Asset Management AG, an investment management company, which is wholly ultimately owned by UBS Group AG, which is a company organised under Swiss law as a corporation that has issued shares of common stock to investors. UBS Group AG's shares are listed on the SIX Swiss Exchange (stock code: UBSG) and the New York Stock Exchange (ticker: UBS). No single ultimate beneficial owner holds 30% or more interests in those funds.

6. CDH

CDH Global Frontier Ventures Limited ("**CDH**") is a BVI business company established under the laws of British Virgin Islands and CDH Vision Holdings Limited holds 100% of the shares of CDH. CDH is managed by Nexus Management Company Limited under CDH Investments (鼎暉投資) and is ultimately held as 20.2% by Wu Shangzhi (吳尚志), being the single largest shareholder. There are no shareholders holding 30% or more interest in CDH and CDH Vision Holdings Limited. CDH Investments was established in 2002 with over US$20 billion of assets under management and invests across the alternative asset classes in private equity, venture and growth, private credit, public equities and real estate assets. CDH is an investment vehicle focusing on investments in company(ies) engaging in next-generation technology.

Wu Shangzhi (吳尚志), the single largest shareholder of CDH Investments (鼎暉投資), is the chairman and the ultimate controller of Shanghai CDH Bai Fu Wealth Management Co., Ltd. (上海鼎暉百孚投資管理有限公司) ("**Shanghai CDH**"), to which Mr. Li Yonghao (李永昊) ("**Mr. Li**"), a non-executive Director, is an employee. Given however that (i) Mr. Li does not hold any beneficial interest in CDH, CDH Vision Holdings Limited or CDH Investments (鼎暉投資)); and (ii) Mr. Li does not hold any equity interest or directorship position in Shanghai CDH, Mr. Li does not have any control over, nor the ability to exercise any control or significant influence on, CDH or Mr. Wu, whether directly or indirectly, including over their management, operations or investment decisions.

7. Cithara Fund

Cithara Global Multi-Strategy SPC – Disruptive Innovation Investment Fund SP ("**Cithara Fund**") is an exempted segregated portfolio company incorporated in the Cayman Islands. The Cithara Fund's objective is to deliver risk adjusted absolute return with a focus on long-term capital preservation. The investment manager of Cithara Fund is Cithara Investment International Limited ("**Cithara**"), a company incorporated in Hong Kong in 2016 and licenced to conduct Type 4 (advising on securities) and Type 9 (asset management) of the regulated activities as defined under the SFO. Cithara is ultimately wholly owned by Zhang Jun (張俊) who is an Independent Third Party. Song Yan, an Independent Third Party, is the ultimate beneficial owner of Cithara Fund with more than 30% of beneficial interest. No other ultimate beneficial owner of Cithara Fund holds 30% or more of beneficial interest.

8. Fullgoal HK and Fullgoal Fund

Fullgoal HK

Fullgoal Asset Management (HK) Limited ("**Fullgoal HK**") is a wholly owned subsidiary of Fullgoal Fund Management Co., Ltd. ("**Fullgoal Fund**"), which in turn is owned by Guotai Haitong Securities Co., Ltd. (Stock code: 2611.HK/601211.SH) ("**Guotai Haitong**"). Both Fullgoal HK and Fullgoal Fund are limited liability companies. Fullgoal HK will subscribe for and hold the relevant number of Offer Shares under the Cornerstone Investment Agreement, through multiple funds, on behalf of its clients who are Independent Third Parties on a discretionary basis. No single client is the ultimate beneficial owner with more than 30% of interest of each of the funds, or contributed 30% or more of the total funds used for the Cornerstone Investment made by Fullgoal HK. Established in 2012 in Hong Kong, Fullgoal HK is a wholly owned subsidiary of Fullgoal Fund Management Co., Ltd.. Fullgoal HK has Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) licences issued by the SFC.

Fullgoal Fund

Fullgoal Fund, which is also owned by Guotai Haitong, will subscribe for and hold the relevant number of Offer Shares under the Cornerstone Investment Agreement, through multiple funds, on behalf of its clients who are Independent Third Parties on a discretionary basis. No single client is the ultimate beneficial owner with more than 30% of interest of each of the funds, or contributed 30% or more of the total funds used for the Cornerstone Investment made by Fullgoal Fund. Fullgoal Fund is a fund management company established in China in April 1999, and is one of the first ten fund management companies authorised by the CSRC and other regulatory authorities to obtain full licences to provide asset management services in the PRC. Fullgoal Fund has a registered capital of RMB520 million and its main scope of business includes the provision of traditional fund management services, fund raising, fund sale and asset management solutions to both domestic and overseas clients. Fullgoal Fund is a QDII approved by the relevant PRC authority and is also the first fund management company with foreign equity participation among the first ten fund management companies in China. The relevant funds proposed to subscribe for the Offer Shares under the management of Fullgoal Fund are open-ended publicly raised securities investment funds registered with the CSRC.

The shareholders of Fullgoal Fund include (i) Guotai Haitong Securities Co., Ltd. (國泰海通證券股份有限公司) holding 27.775% in Fullgoal Fund; (ii) Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司) holding 27.775% in Fullgoal Fund; (iii) Bank of Montreal holding 27.775% in Fullgoal Fund, and (iv) Shandong Financial Asset Management Co., Ltd. (山東省金融資產管理股份有限公司), holding 16.675% in Fullgoal Fund.

Given that Fullgoal Fund is owned as to 27.775% by Guotai Haitong and Guotai Junan Securities (Hong Kong) Limited ("**GTJA Securities**"), one of the Overall Coordinators and Underwriters of the Global Offering, is a subsidiary of Guotai Haitong, each of Fullgoal HK and Fullgoal Fund is considered as a member of the same group of companies as GTJA Securities and therefore is a "connected client" of GTJA Securities for the purpose of paragraph 1B of Appendix F1 to the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, its consent under paragraph 1C(1) of Appendix F1 to the Listing Rules to permit us to allocate the Offer Shares to Fullgoal HK and Fullgoal Fund. See "Waivers from Strict Compliance with the Hong Kong Listing Rules – Consent in respect of the Proposed Subscription of Offer Shares by Connected Clients."

9. China AMC

China Asset Management (Hong Kong) Limited (華夏基金(香港)有限公司) ("**China AMC (HK)**") is a wholly-owned subsidiary of China Asset Management Co., Ltd., ("**China AMC**"), which is owned as to 62.2% by CITIC Securities Company Limited (a company listed on the Shanghai Stock Exchange (stock code 600030) and on the Stock Exchange (stock code 6030)). Save for CITIC Securities Company Limited, no other shareholder holds 30% or more equity interests in China AMC. As a top Chinese fund management company in Hong Kong, China AMC (HK) is committed to developing offshore and cross-border asset management businesses by leveraging the expertise of its experienced investment and research teams and its shareholder companies' resources, services and connections in Chinese Mainland. China AMC provides a full range of services to retail and institutional investors home and abroad, covering equity, fixed income, money markets, etc. With more than RMB3.03 trillion in assets under management (including that of subsidiaries) as at June 30, 2025, it is one of the largest asset managers in China. China AMC provides services to National Social Security Fund, corporate pensions, separate accounts, sovereign funds in Europe, America, and Asia, central banks, pensions, banks, asset managers, securities companies and other overseas institutional clients. China AMC (HK) will hold the Offer Shares subscribed through the Cornerstone Placing on behalf of funds managed by it on a discretionary basis. No single beneficial owner holds 30% or more interest in any of the underlying funds of China AMC(HK). To the best knowledge of China AMC (HK), the underlying investors of such funds are Independent Third Parties.

10. Shanghai Minhang

Shanghai Minhang Financial Investment Development Co., Ltd.* (上海閔行金融投資發展有限公司) ("**Shanghai Minhang**") is wholly owned by Shanghai Minhang District State-owned Assets Supervision and Administration Commission (上海市閔行區國有資產監督管理委員會). Shanghai Minhang's wholly-owned subsidiary, Shanghai Dalinghao Wan Xinzhi Linghang Private Equity Investment Fund Partnership Enterprise (Limited Partnership)* 上海大零號灣心致領航私募投資基金合夥企業(有限合夥) will subscribe for our Offer Shares through Shanghai Guotai Haitong Securities Asset Management Co., Ltd. (上海國泰海通證券資產管理有限公司) ("**Shanghai Guotai**") as the investment manager of the "Guotai Haitong Junde QDII 3677 Single Asset Management Plan* (國泰海通君得QDII3677號單一資產管理計劃) ("**Minhang QDII plan**").

Given Shanghai Guotai is wholly owned by Guotai Haitong, Shanghai Guotai is an affiliate and a "connected client" of GTJA Securities for the purpose of paragraph 1B(7) of Appendix F1 to the Listing Rules, and therefore, GTJA Securities is also considered as the connected Distributor in respect of Shanghai Guotai. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, its consent under paragraph 1C(1) of Appendix F1 to the Listing Rules to permit us to allocate the Offer Shares to Shanghai Guotai. See "Waivers from Strict Compliance with the Hong Kong Listing Rules – Consent in respect of the Proposed Subscription of Offer Shares by Connected Clients."

11. TT International

TT International Asset Management Ltd ("**TT International**") is an alpha-driven specialist investment manager investing for sophisticated institutional clients around the world, including sovereign wealth funds, public pension funds and superannuation funds. The ultimate beneficiary of TT International is Sumitomo Mitsui Financial Group Inc., which is a Japanese corporation company whose shares are listed on the Tokyo Stock Exchange, the Nagoya Stock Exchange and the New York Stock Exchange.

TT International is a leading global asset manager specialising in long-only and alternative strategies. Founded in 1988 and after 27 years of being structured as an unlimited liability partnership, in early 2020 it was acquired by Sumitomo Mitsui Financial Group, Inc., a leading Japanese bank. TT International manages USD5.6 billion for some of the world's largest and most sophisticated investors.

TT International is a limited liability company incorporated under the laws of England and Wales on July 9, 2019, having its principal office located at 62 Threadneedle Street, London EC2R 8HP.

12. Mirae Asset

Mirae Asset Securities (HK) Limited ("**Mirae Asset**") has entered into Cornerstone Investment Agreement with our Company.

Mirae Asset Securities (HK) Limited is a wholly owned subsidiary of Mirae Asset Securities Co., Ltd. ("**Mirae Asset Securities**") and was established in Hong Kong in July 2005 and is licenced by the SFC to carry on type 9 (asset management) regulated activity. Mirae Asset Securities is one of the leading investment banks in the Republic of Korea, providing a comprehensive range of financial services, including brokerage, wealth management, investment banking, sales & trading, and principal investments. Mirae Asset Securities is ultimately controlled by Mirae Asset Capital Co., Ltd. and is listed on the Korea Exchange under stock code 006800.KS. Mirae Asset Securities (HK) Limited is the fund manager of, and will subscribe for the Offer Shares on behalf of, a discretionary fund, Mirae Asset Visionary X Fund. All investors in the fund are independent third parties and none of them holds 30% or more interest in the fund.

13. GSAM

Goldman Sachs Asset Management (Hong Kong) Limited ("**GSAM**"), in its capacity as a discretionary investment manager, has agreed to acquire and hold the relevant number of Offer Shares for and on behalf of its managed account clients and funds pursuant to the relevant investment management agreements. There is no single ultimate beneficial owner owning 30% or more in these accounts.

GSAM conducts, in the ordinary course of its business, the provision of investment management services. GSAM is an indirect wholly owned subsidiary of The Goldman Sachs Group, Inc. which is listed on the New York Stock Exchange (Ticker: GS).

CLOSING CONDITIONS

The subscription obligation of each of the Cornerstone Investors under the respective Cornerstone Investment Agreements is subject to, among other things, the following closing conditions:

(a) the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

(b) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares subscribed for by each of the Cornerstone Investors) as well as other applicable waivers and approvals (including waivers and approvals related to the subscription of the H Shares by each of the Cornerstone Investors), and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(c) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(d) the respective representations, warranties, undertakings, acknowledgements and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are (as at the date of the respective Cornerstone Investment Agreement) and will be (as at the Closing (as defined in the respective Cornerstone Investment Agreement) and the delayed delivery date (as applicable)) true, accurate and complete in all respects and not misleading and that there is no breach of such Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from and including the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have subscribed for pursuant to the relevant Cornerstone Investment Agreement, save for in certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

This section presents certain information regarding our share capital prior to and following the completion of the Global Offering.

IMMEDIATELY BEFORE THE GLOBAL OFFERING

As at the Latest Practicable Date, our registered and issued share capital was RMB34,395,179, comprising 343,951,790 Shares with a nominal value of RMB0.10 each.

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following completion of the Global Offering and conversion of Domestic Shares into H Shares, assuming that the Over–allotment Option is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital %
Domestic Shares	37,808,886	9.2
H Shares converted from Domestic Shares *(Note 1)*	306,142,904	74.8
H Shares to be issued under the Global Offering	65,330,000	16.0
Total	409,281,790	100.0

Note:

(1) For details of the identities of the Shareholders whose Domestic Shares will be converted into H Shares upon Listing, see "History and Corporate Structure – Capitalisation" and "History and Corporate Structure – Public Float" in this prospectus.

Immediately following completion of the Global Offering and conversion of Domestic Shares into H Shares, assuming that the Over-allotment Option is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the enlarged issued share capital after the Global Offering %
Domestic Shares	37,808,886	9.0
H Shares converted from Domestic Shares	306,142,904	73.1
H Shares to be issued under the Global Offering	65,330,000	15.6
H Shares to be issued pursuant to the exercise of the Over Allotment Option in full	9,799,500	2.3
Total	419,081,290	100.0

OUR SHARES

Upon completion of the Global Offering and the Conversion of Domestic Shares into H Shares, the Shares will consist of Domestic Shares and H Shares. Domestic Shares and H Shares are all ordinary Shares in the share capital of our Company. Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons. Domestic Shares can only be subscribed for by and traded between legal or natural PRC persons, qualified foreign institutional investors and foreign strategic investors. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and transferred in Renminbi. Domestic Shares and H Shares are regarded as one class of Shares under our Articles of Association. Our Domestic Shares are not listed or traded on any stock exchange.

CONVERSION OF DOMESTIC SHARES INTO H SHARES

If any of the Domestic Shares are to be converted, listed and traded as H Shares on the Stock Exchange, such conversion, listing and trading will need the filling of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange.

Register with the CSRC and Conversion of Domestic Shares into H Shares

In accordance with the Overseas Listing Trial Measures and related guidelines, H-share listed companies which apply for the conversion of Domestic Shares into H shares for and submit listing and circulation on the Stock Exchange shall file with the CSRC materials on key compliance issues. An unlisted domestic joint stock company may apply for Conversion of Domestic Shares into H Shares when applying for an overseas initial public offering. The Company applied for Conversion of Domestic Shares into H Shares filing when filing with the CSRC for an overseas listing on 27 May 2025, and submitted the filing reports, authorization documents of the shareholders of Domestic Shares which applied for the H-share “Full circulation”, undertaking on the compliance of share acquisition and other documents in accordance with the requirements of the CSRC. The Company have received the filing notice from the CSRC dated 2 April 2026 in relation to the registration of the overseas listing and “Full Circulation”, pursuant to which (1) the Company was approved to issue no more than 98,885,800 H Shares with a nominal value of RMB0.10 each, which are all ordinary shares, and the Company may be listed on the Main Board of the Stock Exchange; (2) a total of 306,142,904 Domestic Shares held by the Full Circulation Participating Shareholders were approved to be converted into H Shares, and the relevant Shares may be listed on the Stock Exchange upon completion of the conversion.

Listing Approval by the Stock Exchange

We have applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, (i) our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (ii) the H Shares to be converted from 306,142,904 Domestic Shares, which is subject to the approval by the Stock Exchange. We will perform the following procedures for the conversion of the relevant Domestic Shares into H Shares after receiving the approval of the Stock Exchange: (1) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS.

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

Under the PRC Company Law, Shares which have been in issue before we publicly issue Shares may not be transferred within one year from the date of listing on a stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date. Our Directors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors and such members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are listed and traded, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions or conditions on the transfer of the Shares held by our Directors, members of senior management of our Company and other Shareholders. For details, see "Appendix III – Summary of Articles of Association" in this prospectus.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralised Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, our Company is required to register and deposit our Shares that are not listed on the overseas stock exchange with the CSDC within 15 working days upon the Listing and provide a written report to the CSRC regarding the centralised registration and deposit of our Shares that are not listed on the overseas stock exchange as well as the offering and listing of our H Shares.

To the best of the Directors' knowledge and information, the following persons will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at any general meeting of our Company:

		As at the Latest Practicable Date		Immediately following the completion of the Global Offering and the Conversion of Domestic Shares into H Shares (assuming the Over-allotment Option is not exercised)			
Shareholder	**Nature of interest**	**Number of Domestic Shares** [(1)]	**Approximate percentage of shareholding in the total issued share capital of our Company** %	**Number of Shares** [(1)]	**Description of Shares**	**Approximate percentage of shareholding in our Domestic Shares/ H Shares (as appropriate)** %	**Approximate percentage of shareholding in the total issued share capital of our Company** %
Dr. Wang	Beneficial owner	126,636,770	36.8	12,663,677	Domestic Shares	33.5	3.1
				113,973,093	H Shares	30.7	27.8
	Interest in controlled corporation [(2)]	6,624,610	1.9	0	Domestic Shares	0	0
				6,624,610	H Shares	1.8	1.6
Mr. Li YH	Beneficial owner	32,458,200	9.4	6,491,640	Domestic Shares	17.2	1.6
				25,966,560	H Shares	7.0	6.3
Shanghai Yiding Investment Management Centre (Limited Partnership) (上海誼鼎投資管理中心(有限合夥)) ("**Shanghai Yiding Investment LP**")	Beneficial owner	27,465,430	8.0	4,119,814	Domestic Shares	10.9	1.0
				23,345,616	H Shares	6.3	5.7
Guo Hui (郭輝)	Interest in controlled corporation [(3)]	27,465,430	8.0	4,119,814	Domestic Shares	10.9	1.0
				23,345,616	H Shares	6.3	5.7

		As at the Latest Practicable Date		Immediately following the completion of the Global Offering and the Conversion of Domestic Shares into H Shares (assuming the Over-allotment Option is not exercised)			
Shareholder	**Nature of interest**	**Number of Domestic Shares [(1)]**	**Approximate percentage of shareholding in the total issued share capital of our Company**	**Number of Shares [(1)]**	**Description of Shares**	**Approximate percentage of shareholding in our Domestic Shares/ H Shares (as appropriate)**	**Approximate percentage of shareholding in the total issued share capital of our Company**
			%			%	%
Shanghai Yirun Investment Management Center (Limited Partnership) (上海伊潤投資管理中心(有限合夥)) ("**Shanghai Yirun**")	Interest in controlled corporation [(3)]	27,465,430	8.0	4,119,814	Domestic Shares	10.9	1.0
				23,345,616	H Shares	6.3	5.7
Wang Yu (王禹)	Interest in controlled corporation [(3)]	27,465,430	8.0	4,119,814	Domestic Shares	10.9	1.0
				23,345,616	H Shares	6.3	5.7
Nie Xinyong (聶新勇)	Interest in controlled corporation [(3)]	27,465,430	8.0	4,119,814	Domestic Shares	10.9	1.0
				23,345,616	H Shares	6.3	5.7
Jiaxing CDH Geying Equity Investment Cooperation Enterprise (Limited Partnership (嘉興鼎暉戈迎股權投資合夥企業(有限合夥)) ("**Jiaxing CDH Investment LP**")	Beneficial owner	19,118,750	5.6	0	Domestic Shares	0	0
				19,118,750	H Shares	5.1	4.7
Shanghai CDH Fushun Investment Partnership (Limited Partnership) (上海鼎暉孚舜投資合夥企業(有限合夥)) ("**Shanghai CDH Investment LP**")	Interest in controlled corporation [(4)]	19,118,750	5.6	0	Domestic Shares	0	0
				19,118,750	H Shares	5.1	4.7

Shareholder	Nature of interest	As at the Latest Practicable Date: Number of Domestic Shares [1]	As at the Latest Practicable Date: Approximate percentage of shareholding in the total issued share capital of our Company %	Immediately following the completion of the Global Offering and the Conversion of Domestic Shares into H Shares (assuming the Over-allotment Option is not exercised): Number of Shares [1]	Description of Shares	Approximate percentage of shareholding in our Domestic Shares/ H Shares (as appropriate) %	Approximate percentage of shareholding in the total issued share capital of our Company %
Jiaxing CDH Baifu Enterprise Management Co., Ltd. (嘉興鼎暉百孚企業管理有限公司) ("**Jiaxing CDH Company**")	Interest in controlled corporation [4]	19,118,750	5.6	0	Domestic Shares	0	0
				19,118,750	H Shares	5.1	4.7
Ningbo CDH Investment Partnership (Limited Partnership) (寧波鼎暉柃餉股權投資合夥企業(有限合夥)) ("**Ningbo CDH LP**")	Interest in controlled corporation [4]	19,118,750	5.6	0	Domestic Shares	0	0
				19,118,750	H Shares	5.1	4.7
Shenzhen Hehui Wealth Investment Enterprise (Limited Partnership) (深圳市和輝財富投資企業(有限合夥)) ("**Shenzhen Hehui Investment LP**")	Beneficial owner	11,390,880	3.3	0	Domestic Shares	0	0
				11,390,880	H Shares	3.1	2.8
Shenzhen Zhongyi Hehui Equity Investment Enterprise (Limited Partnership) (深圳市中藝和輝股權投資企業(有限合夥)) ("**Shenzhen Zhongyi Investment LP**")	Beneficial owner	7,385,140	2.2	0	Domestic Shares	0	0
				7,385,140	H Shares	2.0	1.8

Shareholder	Nature of interest	As at the Latest Practicable Date		Immediately following the completion of the Global Offering and the Conversion of Domestic Shares into H Shares (assuming the Over-allotment Option is not exercised)			
		Number of Domestic Shares [(1)]	Approximate percentage of shareholding in the total issued share capital of our Company	Number of Shares [(1)]	Description of Shares	Approximate percentage of shareholding in our Domestic Shares/ H Shares (as appropriate)	Approximate percentage of shareholding in the total issued share capital of our Company
			%			%	%
Shenzhen Hehui Xinda Investment Co., Ltd. (深圳市和輝信達投資有限公司) ("**Shenzhen Hehui Xinda**")	Interest in controlled corporation [(5)]	18,776,020	5.5	0	Domestic Shares	0	0
				18,776,020	H Shares	5.1	4.6
Luo Peng (羅鵬)	Interest in controlled corporation [(5)]	18,776,020	5.5	0	Domestic Shares	0	0
				18,776,020	H Shares	5.1	4.6

Notes:

(1) All interests are long positions.

(2) As at the Latest Practicable Date, Dr. Wang is the general partner of Tuoxian Technology. By virtue of the SFO, Dr. Wang is deemed to be interested in the entire Shares held by Tuoxian Technology.

(3) i. As at the Latest Practicable Date, Guo Hui (郭輝) is the general and executive managing partner of Shanghai Yiding Investment LP. By virtue of the SFO, Guo Hui (郭輝) is deemed to be interested in the 27,465,430 Shares held by Shanghai Yiding Investment LP.

ii. As at the Latest Practicable Date, Shanghai Yirun is a limited partner of Shanghai Yiding Investment LP holding 92% of the partnership interest therein. Therefore, by virtue of SFO, Shanghai Yirun is deemed to be interested in the 27,465,430 Shares held by Shanghai Yiding Investment LP.

iii. As at the Latest Practicable Date, Wang Yu (王禹) is the general and executive managing partner of Shanghai Yirun, which in turn is deemed to be interested in the 27,465,430 Shares held by Shanghai Yiding Investment LP. Therefore, by virtue of SFO, Wang Yu (王禹) is deemed to be interested in the 27,465,430 Shares held by Shanghai Yiding Investment LP.

iv. As at the Latest Practicable Date, Nie Xinyong (聶新勇) is a limited partner of Shanghai Yirun, holding approximately 65.9% partnership interest therein. Since Shanghai Yirun is deemed to be interested in the 27,465,430 Shares held by Shanghai Yiding Investment LP, therefore, by virtue of SFO, Nie Xinyong (聶新勇) is also deemed to be interested in the 27,465,430 Shares held by Shanghai Yiding Investment LP.

(4) i. As at the Latest Practicable Date, Shanghai CDH Investment LP is the general and executive managing partner of Jiaxing CDH Investment LP. Shanghai CDH Investment LP is also the general and executive managing partner of Ningbo CDH LP, which in turn is deemed to be interested in the 19,118,750 Shares held by Jiaxing CDH Investment LP. By virtue of the SFO, Shanghai CDH Investment LP is deemed to be interested in the 19,118,750 Shares held by Jiaxing CDH Investment LP.

ii. As at the Latest Practicable Date, Jiaxing CDH Company is the general and executive managing partner of Jiaxing CDH Investment LP. Therefore, by virtue of SFO, Jiaxing CDH Company is deemed to be interested in the 19,118,750 Shares held by Jiaxing CDH Investment LP. Furthermore, the equity interest of Jiaxing CDH Company is owned 20% each by Li Dan (李丹), Zhao Huaiying (趙懷英), Tan Zihua (譚子華), Fang Xiuli (方秀麗) and Gao Minghai (高明海). To the best knowledge, information and belief of our Directors, none of the aforesaid individuals have control over Jiaxing CDH Company.

iii. As at the Latest Practicable Date, Ningbo CDH LP is a limited partner of Jiaxing CDH Investment LP holding approximately 63.4% of the partnership interest therein. Therefore, by virtue of SFO, Ningbo CDH LP is deemed to be interested in the 19,118,750 Shares held by Jiaxing CDH Investment LP.

(5) i. As at the Latest Practicable Date, Shenzhen Hehui Xinda is the general and executive managing partner of both Shenzhen Hehui Investment LP and Shenzhen Zhongyi Investment LP. Therefore, by virtue of SFO, Shenzhen Hehui Xinda is deemed to be interested in the 18,776,020 Shares held by Shenzhen Hehui Investment LP and Shenzhen Zhongyi Investment LP.

ii. As at the Latest Practicable Date, Luo Peng (羅鵬) is the controlling shareholder of Shenzhen Hehui Xinda, holding approximately 57.7% equity interest therein. Since Shenzhen Hehui Xinda is deemed to be interested in the 18,776,020 Shares held by Shenzhen Hehui Investment LP and Shenzhen Zhongyi Investment LP, Luo Peng (羅鵬) is also deemed to be interested in the 18,776,020 Shares held by Shenzhen Hehui Investment LP and Shenzhen Zhongyi Investment LP.

Save as disclosed above and in "Appendix IV – Statutory and General Information" of this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (and the offering of any additional H Shares pursuant to the Over-allotment Option), have an interest or short position in the Shares or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of our Group.

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

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

OVERVIEW

We are an enterprise specialising in the R&D, design, production and sales of high-end intelligent manufacturing equipment, comprising primarily five-axis CNC machine tools, in China. We focus on developing five-axis CNC machine tools to address the demand for advanced manufacturing in China's aviation and aerospace sector. According to the CIC Report, in 2025, we ranked first in China's aviation and aerospace five-axis CNC machine tool market with a market share of 10.0%, fifth among all suppliers and second among domestic suppliers in China's five-axis CNC machine tool market, with a market share of 3.9%. According to the same source, five-axis CNC machine tools represent a foundational industrial manufacturing equipment, with growing adoption across industries due to their superior precision, efficiency and intelligent machining capabilities. The market size of five-axis CNC machine tools is expected to increase from RMB12.9 billion in 2025 to RMB31.9 billion in 2030, with a CAGR of 19.8%. During the Track Record Period, we had expanded our market presence into the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing.

BASIS OF PREPARATION

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

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations are affected by a number of general factors, including (i) overall economic growth and conditions in China and globally; (ii) technological advancement in the industry in which we operate; and (iii) geopolitical relations. In addition, our business and results of operations have been and will continue to be affected by company-specific factors, which primarily include the following:

Demand from Downstream Market and End Customers

Demand for our intelligent manufacturing equipment, comprising primarily five-axis CNC machine tools depend on the trends and developments in downstream industries, such as the aviation and aerospace sector, and the general industrial sector including automotive, energy, medical equipment, shipbuilding, machine tool equipment and die and mould manufacturing. Regarding the trends and developments of the downstream industries, following the rapid expansion of China's commercial aviation and aerospace industry, the market size of China's five-axis CNC machine tools in the aviation and aerospace sector increased from RMB2,798.1 million in 2020 to RMB4,341.0 million in 2025, and is expected to further increase to RMB10,405.9 million in 2030 at a CAGR of 19.1%. In the automotive sector, the shift towards electrification and intelligent transformation has driven demand for high-precision machining solutions. The market size of China's five-axis CNC machine tools in the automotive sector increases from RMB967.3 million in 2020 to RMB2,184.4 million in 2025, and is forecasted to grow at a CAGR of 22.2% to RMB5,957.8 million by 2030.

Competitive Landscape Within Our Industry

Our financial performance may be affected by the competitive landscape in the global and Chinese five-axis CNC machine tool market. According to the CIC Report, the five-axis CNC machine tool market is highly competitive, with established competitors from Germany and Japan maintaining dominance due to their first-mover advantage and technological leadership. While domestic Chinese enterprises have achieved notable progress in R&D in recent years, they still face challenges in terms of brand recognition, product stability and precision compared to international competitors. Nevertheless, according to the CIC Report, despite the competitive pressure, the aggregate market share of domestic enterprises reached 59.5% in 2025. This figure is projected to rise further to surpassing 78.0% by 2030, driven by continued technological advancement and growing market confidence in domestic capabilities.

Our Product Mix

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

Our R&D Capabilities

Our ability to continue R&D activities, develop new technologies, design new products and enhance existing products is critical to our success. For FY2023, FY2024 and FY2025, we incurred R&D expenses of RMB89.9 million, RMB85.9 million and RMB106.8 million. Specifically, the progress of our technology and product development depends largely on our R&D talents. As at 31 December 2025, our R&D team consisted of 159 employees, representing around 37.9% of total employees. As we believe our market success and financial performance will significantly depend on our ability to maintain our technological leadership, we will continue to invest in proprietary technology development and innovation to grow our competitive strengths against our competitors.

Government Policies Supporting Our Industry

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

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgements related to accounting items. The estimates, assumptions and judgements we applied have a significant impact on our financial position and operational results. Results may differ from these estimates under different assumptions and conditions. Our management continually evaluates such estimates, assumptions and judgements based on historical experience and other assumptions which our management believes to be reasonable under the circumstances. We set forth below accounting policies that we believe involve the most significant estimates, assumptions and judgements used in the preparation of our financial statements. Our material accounting policy information, as well as our key source of estimation uncertainties, which are important for understanding our financial condition and results of operations, are set forth in Notes 2.3 and 3 to the Accountants' Report in Appendix I to this prospectus.

Revenue Recognition

Revenue from contracts with customers

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

(a) Sales of products

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

(b) Repair and maintenance services

The performance obligation is satisfied upon the completion of services and payment is generally due upon finalisation of services. The warranties provided by our Group cannot be purchased by the customers separately. Such warranties are intended to safeguard the customers against existing defects and do not provide any incremental services to the customers.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

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

Inventories

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

Research and Development Costs

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

Property, Plant and Equipment and Depreciation

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

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

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

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

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

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

Share-Based Payments

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

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

Impairment of Non-Financial Assets

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

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

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

Third, our Company's primary customers are state-owned enterprises and government departments, which typically require a multi-level review process for bidding. This leads to a prolonged business development cycle. As at 31 December 2023, we had project backlog amounting to RMB995.6 million. Our utilisation rate was 93.1% in FY2023. Due to our project backlog and capacity utilisation, our Company established Jiaxing Top in 2023 to expand our production capacity.

Fourth, various pre-IPO investors subscribed for our Company's Shares in FY2023. For details, see "History and Corporate Structure – Corporate Development and Major Shareholding Changes" in this prospectus. By the end of December 2023, the valuation reached RMB580 million. The market has shown strong recognition of our Company. From a growth and other perspectives, the valuation of related companies indicates that, despite our Company (as a CGU) reporting losses in FY2023, no impairment indicators were identified as at the respective year ends.

RESULTS OF OPERATIONS

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

	FY2023	FY2024	FY2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue	334,630	531,556	577,978
Cost of sales	(218,819)	(331,677)	(373,620)
Gross profit	115,811	199,879	204,358
Other income and gains	25,106	10,856	25,455
Selling and marketing expenses	(26,022)	(28,107)	(35,572)
Administrative expenses	(59,869)	(66,948)	(65,635)
Research and development expenses	(89,917)	(85,880)	(106,819)
Fair value losses on investments measured at fair value through profit or loss	(7,388)	(4,387)	–
Impairment losses on financial assets, net	(8,933)	(3,963)	(4,098)
Other expenses	(4,621)	(1,387)	(264)
Finance costs	(5,331)	(7,006)	(8,366)
Share of losses of associates	(1,105)	(6,171)	(7,434)
(Loss)/Profit before tax	(62,269)	6,886	1,625
Income tax expense	(71)	–	–
(Loss)/Profit for the year	(62,340)	6,886	1,625
(Loss)/Profit attributable to:			
Owners of the parent	(60,523)	8,882	3,573
Non-controlling interests	(1,817)	(1,996)	(1,948)
(Loss)/Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted *(RMB)*	(0.18)	0.03	0.01

Non-IFRS Measure

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

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

	FY2023	**FY2024**	**FY2025**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/Profit for the year	(62,340)	6,886	1,625
Add:			
Share-based payments expenses	1,291	6,489	8,588
Listing expenses	–	–	14,395
Adjusted net (loss)/profit (non-IFRS measure)	(61,049)	13,375	24,608

KEY COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

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

In FY2023, FY2024 and FY2025, our revenue was RMB334.6 million, RMB531.6 million and RMB578.0 million, respectively. The following table sets forth a breakdown of our revenue by product type for the years indicated.

	FY2023		**FY2024**		**FY2025**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Aviation and aerospace intelligent manufacturing equipment	325,089	97.2	503,434	94.7	512,442	88.7
Compact general industrial five-axis machine tools	3,476	1.0	23,839	4.5	39,440	6.8
Large-span carbon fiber composite five-axis machine tools	–	–	–	–	24,402	4.2
Repair and maintenance services	6,065	1.8	4,283	0.8	1,694	0.3
Total	**334,630**	**100.0**	**531,556**	**100.0**	**577,978**	**100.0**

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

	FY2023			FY2024			FY2025		
	Sales volume *(Units)*	**ASP** *(RMB'000)*	**Price range** *(RMB'000)*	**Sales volume** *(Units)*	**ASP** *(RMB'000)*	**Price range** *(RMB'000)*	**Sales volume** *(Units)*	**ASP** *(RMB'000)*	**Price range** *(RMB'000)*
Aviation and aerospace intelligent manufacturing equipment	55	5,911	248 to 31,800	50	10,069	250 to 51,300	45	11,618	2,170 to 27,000
Compact general industrial five-axis machine tools	3	1,159	973 to 1,400	23	1,036	870 to 1,500	32	1,229	955 to 2,250
Large-span carbon fiber composite five-axis machine tools	–	–	–	–	–	–	6	4,067	1,940 to 5,350

Our revenue increased during the Track Record Period. From FY2023 to FY2024, this was primarily driven by the increase in revenue from the sales of aviation and aerospace intelligent manufacturing equipment, which accounted for over 90% of our revenue for each of the two years. Since the second half of 2023, we began to record revenue from the sales of compact general industrial five-axis machine tools. The revenue generated from sales of compact general industrial five-axis machine tools increased substantially from FY2023 to FY2024. In FY2025, we broadened our offering by introducing our large-span carbon fiber composite five-axis machine tools. Revenue generated from this new type of product accounted for approximately 4.2% of our total revenue for the year.

Cost of Sales

In FY2023, FY2024 and FY2025, our cost of sales was RMB218.8 million, RMB331.7 million and RMB373.6 million, respectively, representing 65.4%, 62.4% and 64.6% of our revenue for the same years, respectively. Our cost of sales primarily consists of (i) raw materials, primarily including parts and components we use in our production; (ii) labour costs; (iii) overhead costs; and (iv) provisions for warranties. The following table sets forth a breakdown of our cost of sales by nature for the years indicated.

	FY2023		FY2024		FY2025	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Raw materials	191,353	90.1	285,384	87.4	287,964	81.1
Labour costs	21,272	10.0	21,784	6.7	24,787	7.0
Overhead costs*(Note)*	18,213	8.6	22,899	7.0	25,444	7.2
Transportation costs	6,950	3.3	7,677	2.4	6,479	1.8
Depreciation of right-of-use assets	5,986	2.8	5,560	1.7	11,552	3.2
Provisions for warranties	8,935	4.2	13,697	4.2	14,388	4.0
Amounts written off for inventories sold	(40,422)	(19.0)	(30,614)	(9.4)	(15,425)	(4.3)
Subtotal	212,287	100.0	326,387	100.0	355,189	100.0
Write-down of inventories to net realisable value	6,532		5,290		18,431	
Total	**218,819**		**331,677**		**373,620**	

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

Gross Profit and Gross Profit Margin

In FY2023, FY2024 and FY2025, we recorded gross profit of RMB115.8 million, RMB199.9 million and RMB204.4 million, respectively, representing gross profit margin of 34.6%, 37.6% and 35.4%, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the years indicated.

	FY2023		FY2024		FY2025	
	Gross profit *(RMB'000)*	**Gross profit margin** *(%)*	**Gross profit** *(RMB'000)*	**Gross profit margin** *(%)*	**Gross profit** *(RMB'000)*	**Gross profit margin** *(%)*
Aviation and aerospace intelligent manufacturing equipment	120,799	37.2	196,767	39.1	214,968	41.9
Compact general industrial five-axis machine tools	662	19.0	6,118	25.7	8,472	21.5
Large-span carbon fiber composite five-axis machine tools	–	–	–	–	(1,536)	(6.3)
Repair and maintenance services	882	14.5	2,284	53.3	885	52.2
Subtotal	**122,343**	**36.6**	**205,169**	**38.6**	**222,789**	**38.5**
Less: impairment losses on inventories	*(6,532)*		*(5,290)*		*(18,431)*	
Total	**115,811**	**34.6**	**199,879**	**37.6**	**204,358**	**35.4**

Other Income and Gains

In FY2023, FY2024 and FY2025, we recorded other income and gains of RMB25.1 million, RMB10.9 million and RMB25.5 million, respectively. Other income and gains primarily consist of government grants and subsidies, investment income from wealth management products, interest income, gain on disposal of investments measured at fair value through profit or loss ("**FVTPL**") and exchange gain. The following table sets forth a breakdown of our other income and gains for the years indicated.

	FY2023 *(RMB'000)*	**FY2024** *(RMB'000)*	**FY2025** *(RMB'000)*
Other income			
Government grants and subsidies	22,338	9,338	23,979
Interest income	2,259	636	330
Gains			
Gain on disposal of investments measured at FVTPL*(Note)*	–	367	–
Exchange gain	314	–	237
Others	195	515	909
Total	**25,106**	**10,856**	**25,455**

Note: Refers to the monetary difference between the consideration of the disposal of Chengdu Yongfeng and the book value of our investment in Chengdu Yongfeng.

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

Selling and Marketing Expenses

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

	FY2023		**FY2024**		**FY2025**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Employee benefit expenses	15,334	58.9	17,229	61.2	20,330	57.2
Business development expenses	3,930	15.1	2,325	8.3	2,767	7.8
Consultation fees	2,301	8.8	477	1.7	115	0.3
Travelling expenses	1,956	7.5	3,090	11.0	3,467	9.7
Advertising and promotion expenses	2,064	7.9	3,349	12.0	6,027	16.9
Others*(Note)*	437	1.8	1,637	5.8	2,866	8.1
Total	**26,022**	**100.0**	**28,107**	**100.0**	**35,572**	**100.0**

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

Administrative Expenses

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

	FY2023		**FY2024**		**FY2025**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Employee benefit expenses	37,678	63.0	40,225	60.1	33,306	50.7
Depreciation and amortisation	9,845	16.4	10,151	15.2	8,545	13.0
Professional services fees	4,731	7.9	6,314	9.4	3,279	5.0
Listing expenses	–	–	–	–	14,395	21.9
Business development expenses	1,441	2.4	1,816	2.7	1,665	2.5
Office expenses	1,030	1.7	847	1.3	621	1.0
Rental expenses	1,171	2.0	2,328	3.5	472	0.7
Others*(Note)*	3,973	6.6	5,267	7.8	3,352	5.1
Total	**59,869**	**100.0**	**66,948**	**100.0**	**65,635**	**100.0**

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

Research and Development Expenses

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

	FY2023		FY2024		FY2025	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Employee benefit expenses	60,530	67.3	63,971	74.4	67,127	62.8
Material costs	11,289	12.6	3,439	4.0	16,376	15.3
Depreciation and amortisation	9,487	10.6	8,827	10.3	8,788	8.2
Travelling expenses	4,641	5.2	4,187	4.9	2,611	2.4
Collaborative R&D costs	2,308	2.6	5,040	5.9	8,962	8.4
Others*(Note)*	1,662	1.7	416	0.5	2,955	2.8
Total	**89,917**	**100.0**	**85,880**	**100.0**	**106,819**	**100.0**

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

Fair Value Losses on Investments Measured at FVTPL

We recorded fair value losses on investments measured at FVTPL of RMB7.4 million, RMB4.4 million and nil in FY2023, FY2024 and FY2025, respectively, which related to our investments in Chengdu Yongfeng and Zhongtuo Technology. The fair value losses on investments measured at FVTPL represented the decrease in value of our investment in Chengdu Yongfeng and the investment loss of our additional capital injection in Zhongtuo Technology in the relevant years during the Track Record Period.

Impairment Losses on Financial Assets, Net

We recorded impairment losses on financial assets, net, of RMB8.9 million, RMB4.0 million and RMB4.1 million in FY2023, FY2024 and FY2025, respectively. Such impairment losses for FY2023, FY2024 and FY2025 primarily represent our individual assessed impairment made for expected credit loss of trade receivables of certain customers in the relevant years.

Other Expenses

Our other expenses primarily include (i) loss on disposal of fixed assets, (ii) donations and (iii) loss on disposal of an associate (i.e. Shanghai Qianzhan). We recorded other expenses of RMB4.6 million, RMB1.4 million and RMB264 thousand in FY2023, FY2024 and FY2025, respectively.

Finance Costs

Our finance costs primarily consist of interest on loans and borrowings and interest on lease liabilities. In FY2023, FY2024 and FY2025, our finance costs was RMB5.3 million, RMB7.0 million and RMB8.4 million, respectively.

Share of Losses of Associates

Our share of losses of associates represents the amount of losses attributable to our Group as a result of our investments in associates, namely Chengdu Chenfei and Shanghai Qianzhan. We disposed of our investment in Shanghai Qianzhan in 2023. For details, see "History and Corporate Structure – Acquisitions, Merger and Disposal – Disposal of equity interest in Shanghai Qianzhan". In FY2023, FY2024 and FY2025, our share of losses of associates was RMB1.1 million, RMB6.2 million and RMB7.4 million, respectively. For details, see note 16 to the Accountants' Report in Appendix I to this prospectus.

Income Tax Expenses

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

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

We recorded income tax expenses of RMB71 thousand, nil and nil in FY2023, FY2024 and FY2025 respectively. During the Track Record Period, our effective income tax rate was significantly lower than the statutory tax rate, which was primarily due to the super deductible allowance for research and development expenses. Pursuant to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 200% of research and development costs so incurred as tax deductible expenses when determining assessable profits. For FY2023, FY2024 and FY2025, we, as a company in machine tool industry, were entitled to claim 220% of our research and development costs. For details, see note 10 to the Accountants' Report in Appendix I to this prospectus.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

FY2025 Compared With FY2024

Revenue

Our revenue increased by 8.7% from RMB531.6 million in FY2024 to RMB578.0 million in FY2025, primarily due to the increase in revenue from the sales of compact general industrial five-axis machine tools and the commencement of sales of large-span carbon fiber composite five-axis machine tools.

- Our revenue from the sales of aviation and aerospace intelligent manufacturing equipment remained relatively stable at RMB503.4 million and RMB512.4 million in FY2024 and FY2025, respectively.

- Our revenue from the sales of compact general industrial five-axis machine tools increased by 65.4% from RMB23.8 million in FY2024 to RMB39.4 million in FY2025. This growth is primarily driven by our increased marketing efforts, which led to a year-on-year increase in sales volume by nine units for this category.

- Our revenue from the sales of large-span carbon fiber composite five-axis machine tools increased from nil in FY2024 to RMB24.4 million in FY2025 as we commenced sales of large-span carbon fiber composite five-axis machine tools to our first customer for this product type in March 2025 and sold six units for this product type in FY2025.

- Our revenue from repair and maintenance services decreased by 60.4% from RMB4.3 million in FY2024 to RMB1.7 million in FY2025, primarily due to completion of repair and maintenance service contracts in an aggregate contract sum of RMB1.3 million (VAT inclusive) with Customer H in FY2024 and the absence of new customers in FY2025 for this category.

Cost of sales

Our cost of sales increased by 12.6% from RMB331.7 million in FY2024 to RMB373.6 million in FY2025. This was slightly higher than our rate of growth in revenue in FY2025, primarily due to the decrease in amounts written off for inventories sold from RMB30.6 million in FY2024 to RMB15.4 million in FY2025 and the increase in write-down of inventories to net realisable value from RMB5.3 million in FY2024 to RMB18.4 million in FY2025.

Gross profit and gross profit margin

Our gross profit increased by 2.3% from RMB199.9 million in FY2024 to RMB204.4 million in FY2025, and our gross profit margin decreased from 37.6% in FY2024 to 35.4% in FY2025 due to the reasons discussed below.

- Our gross profit from aviation and aerospace intelligent manufacturing equipment (before write-down of inventories) increased by 9.2% from RMB196.8 million in FY2024 to RMB215.0 million in FY2025, primarily due to increase in gross profit margin for this product type. The gross profit margin (before write-down of inventories) increased from 39.1% in FY2024 to 41.9% in FY2025, mainly due to the increase in ASP, our enhancement in standardisation of our operations and production technologies that gradually shifted towards incorporating less highly-customised parts in the design of certain aviation and aerospace intelligent manufacturing equipment.

- Our gross profit from compact general industrial five-axis machine tools (before write-down of inventories) increased by 38.5% from RMB6.1 million in FY2024 to RMB8.5 million in FY2025, primarily due to the increase in revenue from the sales of compact general industrial five-axis machine tools, partially offset by the decrease in gross profit margin for this product type. The gross profit margin (before write-down of inventories) decreased from 25.7% in FY2024 to 21.5% in FY2025, mainly due to selling of compact general industrial five-axis machine tools at a higher cost in FY2025. We recorded a year-on-year increase in sales volume by nine units for this product type.

- We recorded gross loss from large-span carbon fiber composite five-axis machine tools (before write-down of inventories) of RMB1.5 million with a gross loss margin of 6.3%. We commenced the sales of large-span carbon fiber composite five-axis machine tools in March 2025 and sold a total of six units in FY2025. Due to (i) the significant material costs for carbon fiber, especially before strategic supply chain relationships are established, and (ii) the lower pricing that we set for our initial batch of sales, to incentivise its adoption in the market, we recorded a gross loss.

Other income and gains

Our other income and gains increased by 134.5% from RMB10.9 million in FY2024 to RMB25.5 million in FY2025. Such increase was primarily attributable to the increase in government grants and subsidies from RMB9.3 million in FY2024 to RMB24.0 million in FY2025.

Selling and marketing expenses

Our selling and marketing expenses increased by 26.6% from RMB28.1 million in FY2024 to RMB35.6 million in FY2025, primarily due to (1) the increase in advertising and promotion expenses from RMB3.3 million in FY2024 to RMB6.0 million in FY2025, which was primarily attributable to our participation in a trade fair and exhibition in Beijing in April 2025, and (2) the increase in employee benefit expenses from RMB17.2 million in FY2024 to RMB20.3 million in FY2025, as a result of the addition of sales personnel in FY2025.

Administrative expenses

Our administrative expenses remained relatively stable at RMB67.0 million and RMB65.6 million in FY2024 and FY2025, respectively.

Research and development expenses

Our research and development expenses increased by 24.4% from RMB85.9 million in FY2024 to RMB106.8 million in FY2025. Such increase was primarily attributable to the reasons discussed below.

- Our material costs increased from RMB3.4 million in FY2024 to RMB16.4 million in FY2025. In particular, we incurred material costs of RMB11.8 million in FY2025 for our key ongoing R&D project on the use of carbon fiber composites. The material costs included components and systems purchased during FY2025, in line with our projected schedule to complete the project by the third quarter of 2026.

- Our collaborative R&D costs increased from RMB5.0 million in FY2024 to RMB9.0 million in FY2025. In particular, our newly incurred collaborative R&D costs in FY2025 included RMB2.8 million paid to SJTU as part of our joint R&D on AI-powered CNC systems, which is one of our key R&D areas.

Fair value losses on investments measured at FVTPL, net

Our fair value losses on investments measured at FVTPL, net, decreased by 100% from RMB4.4 million in FY2024 to nil in FY2025, since we had exited our investments in Chengdu Yongfeng in 2024, and the fair value of our investments in Zhongtuo Technology remained at nil during FY2025.

Impairment losses on financial assets, net

Our impairment losses on financial assets, net, remained relatively stable at RMB4.0 million and RMB4.1 million in FY2024 and FY2025, respectively.

Other expenses

Our other expenses decreased by 81.0% from RMB1.4 million in FY2024 to RMB264 thousand in FY2025.

Finance costs

Our finance costs increased by 19.4% from RMB7.0 million in FY2024 to RMB8.4 million in FY2025, primarily due to increase in utilisation of bank borrowings.

Profit for the year

As a result of the foregoing, our profit for the year of RMB6.9 million in FY2024 decreased to a profit for the year of RMB1.6 million in FY2025.

FY2024 Compared With FY2023

Revenue

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

- Our revenue from the sales of aviation and aerospace intelligent manufacturing equipment increased by 54.8% from RMB325.1 million in FY2023 to RMB503.4 million in FY2024, primarily due to sales of horizontal flip-type milling five-axis machine tools and increase in sales of friction stir welding five-axis machine tools to Chengdu Chenfei (a subsidiary of Customer E) and Customer G in FY2024, partially offset by the decrease in sales of aviation and aerospace five-axis machining centers. We did not sell any horizontal flip-type milling five-axis machine tools in FY2023. However, in FY2024, sales of these tools accounted for 36.9% of our total revenue generated from this product type.

- Our revenue from the sales of compact general industrial five-axis machine tools increased by 585.7% from RMB3.5 million in FY2023 to RMB23.8 million in FY2024, primarily due to the increase in sales of compact general industrial five-axis machine tools in line with our strategic expansion in the general industrial sector. Notably, there is a significant increase in number of customers in FY2024 as compared with FY2023. Two of our new customers collectively contributed 37.9% of our total sales for this product type in FY2024, one of whom was a representative of end-users engaging in the sale of electromechanical equipment.

Cost of sales

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

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

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

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

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

- Our gross profit from aviation and aerospace intelligent manufacturing equipment (before write-down of inventories) increased by 62.9% from RMB120.8 million in FY2023 to RMB196.8 million in FY2024, primarily due to (1) the increase in revenue for aviation and aerospace intelligent manufacturing equipment; and (2) our improved gross profit margin for this product type. The gross profit margin (before write-down of inventories) slightly increased from 37.2% in FY2023 to 39.1% in FY2024 primarily because of the continuous increase in efficiency in our production process and procurement of raw materials due to enhancement in standardisation of our operations and production technologies, including modification of our product design to facilitate the use of common components. In addition, we sold horizontal flip-type milling five-axis machine tools in FY2024, which were not sold in FY2023, with a relatively high gross profit margin of 48.6%. Sales of these machine tools accounted for 36.9% of our total revenue generated from this product type in FY2024.

- Our gross profit from compact general industrial five-axis machine tools (before write-down of inventories) increased by 824% from RMB662 thousand in FY2023 to RMB6.1 million in FY2024, primarily due to the increase in revenue for this product type. The gross profit margin (before write-down of inventories) increased from 19.0% in FY2023 to 25.7% in FY2024 primarily due to the reduction in unit cost as a result of better economies of scale from the increase in sales volume. Furthermore, we sold compact general industrial five-axis machine tools to Customer G in FY2024 at high gross profit margin of 50.3% following successful negotiations. Customer G, who had not purchased this product type from us in FY2023, contributed 24.7% of our total gross profit generated from this product type in FY2024.

Other income and gains

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

Selling and marketing expenses

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

Administrative expenses

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

Research and development expenses

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

Fair value losses on investments measured at FVTPL, net

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

Impairment losses on financial assets, net

Our impairment losses on financial assets, net, decreased by 55.6% from RMB8.9 million in FY2023 to RMB4.0 million in FY2024, primarily because we made individual assessed impairment for the expected credit loss of trade receivables of only one customer with an amount of RMB4.1 million in FY2024 while we made such impairment of two customers with a total amount of RMB8.1 million in FY2023 (including RMB0.9 million for aviation and aerospace intelligent manufacturing equipment and RMB7.2 million for compact general industrial five-axis machine tools). Following our impairment policy, we assessed at the end of the financial year that the credit risks on these trade receivables had increased and the reasonable expectation of recovery was low. Consequently, we made full provision on these trade receivables.

The decrease in impairment losses on financial assets, net, was also partly attributable to the increased recovery of previously impaired receivables. Trade receivables we recovered during FY2024 included RMB0.9 million from Customer C, RMB1.7 million from Customer B and a total of RMB1.9 million from Customer A.

Other expenses

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

Finance costs

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

Share of losses of associates

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

(Loss)/Profit for the year

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

CURRENT ASSETS AND CURRENT LIABILITIES

Net Current Assets

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

	As at 31 December			As at 31 March
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets				
Inventories	588,548	486,095	255,354	295,162
Contract assets	10,455	24,392	22,817	23,091
Trade and bills receivables	97,786	60,010	206,008	167,567
Prepayments, other receivables and other assets	74,428	29,041	50,761	71,285
Investments measured at fair value through profit or loss	11,619	–	–	–
Restricted cash	14,222	10,351	12,273	12,835
Cash and cash equivalents	148,386	133,538	208,930	138,022
Total current assets	**945,444**	**743,427**	**756,143**	**707,962**
Current liabilities				
Trade and bills payables	228,429	146,726	111,905	126,583
Other payables and accruals	38,969	45,569	67,520	56,167
Contract liabilities	573,397	341,779	266,008	259,614
Interest-bearing bank and other borrowings	40,111	144,321	184,840	184,349
Lease liabilities	32,297	25,811	19,102	20,557
Tax payable	7	–	–	–
Deferred income	2,102	9,330	6,028	8,213
Provision	9,955	17,395	20,187	17,000
Total current liabilities	**925,267**	**730,931**	**675,590**	**672,483**
Net current assets	**20,177**	**12,496**	**80,553**	**35,479**

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

Our Group's net current assets increased from RMB12.5 million as at 31 December 2024 to RMB80.6 million as at 31 December 2025. The increase was primarily due to (i) decrease in contract liabilities of RMB75.8 million; (ii) increase in trade and bills receivables of RMB146.0 million due to the further increase of fulfilment of our obligations under sales contract in 2025; and (iii) increase in cash and cash equivalents of RMB75.4 million which was partially offset by (i) the decrease in inventories of RMB230.7 million; (ii) increase in bank borrowings (current portion) of RMB40.5 million and (iii) decrease in trade and bills payable of RMB34.8 million.

Our Group's net current assets decreased from RMB80.6 million as at 31 December 2025 to RMB35.5 million as at 31 March 2026. The decrease was primarily due to (i) decrease in cash and cash equivalents by RMB70.9 million and (ii) decrease in trade and bills receivables by RMB38.4 million, which was partially offset by (iii) the increase in inventories by RMB39.8 million.

Sufficiency of Working Capital

Our Directors confirm that, after due and careful enquiry and taking into consideration the financial resources presently available to us, including our expected cash flow generated from our operating activities, the estimated net proceeds from the Global Offering, unutilised banking facilities and cash and cash equivalents as at 31 March 2026, our Group has sufficient working capital for our present requirements and for the next 12 months commencing from the date of this prospectus.

DESCRIPTION OF SELECTED ITEMS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment consists of machinery, specialised equipment, office equipment and electronic devices, leasehold improvements, construction-in-progress and vehicles. As at 31 December 2023, 2024 and 2025, the carrying value of our property, plant and equipment amounted to RMB33.2 million, RMB71.8 million and RMB120.7 million, respectively.

Our property, plant and equipment substantially increased from RMB33.2 million as at 31 December 2023 to RMB71.8 million as at 31 December 2024, primarily due to the increase in construction-in-progress in relation to the construction of our Jiaxing Production Base in FY2024. It then increased to RMB120.7 million as at 31 December 2025, primarily due to the increase in buildings in relation to our Jiaxing Production Base and Zhuanqiao Production Base in FY2025.

Right-of-Use Assets

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

Our right-of-use assets were RMB67.2 million, RMB105.0 million and RMB94.7 million as at 31 December 2023, 2024 and 2025, respectively. The increase in the balance of our right-of-use assets of RMB37.8 million as at 31 December 2024 was mainly due to the addition to land-use rights corresponding to the acquisition of land for our Zhuanqiao Production Base, offset by the depreciation charge to our plant and properties. The decrease in the balance of our right-of-use assets of RMB10.3 million as at 31 December 2025 compared to 31 December 2024 was primarily due to the depreciation charge to our plant and properties.

Other Intangible Assets

Our other intangible assets mainly consist of software, patents, licences and technology, which amounted to RMB31.4 million, RMB29.1 million and RMB27.0 million as at 31 December 2023, 2024 and 2025, respectively. The continual decrease in our other intangible assets was primarily due to the amortisation of our other intangible assets.

Investments in Associates

Our investments in associates represent our investments in entities in which we have significant influence. During the Track Record Period, our investments in associates represented our investments in Chengdu Chenfei. As at 31 December 2023 and 2024 and 2025, we recorded investments in associates of RMB36.9 million, RMB20.0 million and RMB7.3 million, respectively. The decrease in investments from FY2023 to FY2025 in associates was due to (i) the decrease in the share of net assets from RMB47.2 million for FY2023 to RMB33.6 million for FY2025 and (ii) the elimination of down-stream sales from RMB10.3 million for FY2023 to RMB26.3 million for FY2025. For details, see note 16 to the Accountants' Report set forth in Appendix I to this prospectus. We disposed of our investment in Shanghai Qianzhan in 2023. For details, see "History and Corporate Structure – Acquisitions, Merger and Disposal – Disposal of equity interest in Shanghai Qianzhan" in this prospectus.

Inventories

We had inventories of RMB588.5 million, RMB486.1 million and RMB255.4 million as at 31 December 2023, 2024 and 2025, respectively. The following table sets forth the details of our inventories as at the dates indicated.

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	80,350	76,590	81,327
Work in progress	223,395	129,048	134,794
Finished goods	97,573	65,523	61,268
Goods in Transit[1]	261,479	263,688	23,776
	662,797	534,849	301,165
Less: provision for impairment losses on inventories	(74,249)	(48,754)	(45,811)
Total	**588,548**	**486,095**	**255,354**

Note:

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

Our inventories decreased from RMB588.5 million as at 31 December 2023 to RMB486.1 million as at 31 December 2024, primarily due to the decrease in work in progress, as a result of the completion of final acceptance of products delivered to Customer E (our largest customer in FY2024) and Customer G (one of our top five customers in FY2024) in FY2024. Our inventories decreased to RMB255.4 million as at 31 December 2025, primarily attributable to the decrease in goods in transit by RMB239.9 million due to the completion of final acceptance of products delivered to Customer E and Customer G, corresponding to contract value of RMB109.8 million and RMB314.0 million (VAT inclusive), respectively.

Our provision for impairment losses on inventories was RMB74.2 million, RMB48.8 million and RMB45.8 million as at 31 December 2023, 2024 and 2025. The provision for impairment losses on inventories was primarily a result of the one-off impact of an order adjustment incident by Customer D (one of our top five customers in FY2023). The decrease in provision for impairment losses on inventories as at 31 December 2023, 2024 and 2025 was primarily due to the subsequent sale of the inventories manufactured for Customer D at lower prices.

Order adjustment by Customer D

Original Sales Agreement

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

The Original Sales Agreement stipulated delivery of a portion of the products by July 2021, and the remainder by September 2021. However as at December 2021, four four-axis aviation and aerospace intelligent manufacturing equipment with carrying value of RMB11.0 million remained unaccepted (the "**Delayed Acceptance**"). The Delayed Acceptance was primarily because we failed to accurately pre-assess the technical requirements of such four-axis aviation and aerospace intelligent manufacturing equipment required prior to entering into the Original Sales Agreement, especially given four-axis aviation and aerospace intelligent manufacturing equipment is not within our expertise. Four-axis aviation and aerospace intelligent manufacturing equipment consists of one rotary axis, while five-axis aviation and aerospace intelligent manufacturing equipment consists of two rotary axes. As their structure and movement angles differ, their uses also differ. For instance, only five-axis aviation and aerospace intelligent manufacturing equipment is suitable for use on processing certain curved surfaces. Therefore, such expertise that we possessed on five-axis aviation and aerospace intelligent manufacturing equipment was not fully applicable to four-axis equipment. Furthermore, while the engineering of a standard four-axis aviation and aerospace intelligent manufacturing equipment is less complex than that of a five-axis aviation and aerospace intelligent manufacturing equipment, the four-axis aviation and aerospace intelligent manufacturing equipment developed for Customer D was highly-customised as its design was tailored to the specific machining requirements and geometric characteristics of the machined parts of Customer D. Consequently, we do not possess the expertise in this specific four-axis configuration as we do in our core five-axis aviation and aerospace intelligent manufacturing equipment which was developed for wide market applicability.

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

1st Supplemental Agreement

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

2nd Supplemental Agreement

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

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

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

Financial Impact of the Order Adjustment of Customer D

The remaining inventories under the Original Sales Agreement ("**Remaining Inventories**") were subsequently sold to four other customers in FY2023, FY2024 and FY2025.

The table below sets out the financial impact of the order adjustment of Customer D on our Group in FY2022 and during the Track Record Period:

	FY2022	FY2023	FY2024	FY2025
		(RMB' million)		
Revenue from				
– Customer D	–	22.0	–	–
– Sale of Remaining Inventories to other customers	–	1.8	0.5	2.2
Cost of sales				
– Customer D				
– Cost of sales	–	38.1	–	–
– Impairment	36.8	(19.1)	–	–
– Other customers who purchased the Remaining Inventories				
– Cost of sales	–	15.9	4.5	5.3
– Impairment	–	(14.3)	(4.0)	(4.2)
Gross profit from				
– Customer D	(36.8)	3.0	–	–
– Other customers who purchased the Remaining Inventories	–	0.2	0.03	1.1

The table below sets forth the provision for impairment loss resulting from the order adjustment by Customer D in FY2022 and during the Track Record Period:

	As at 31 December			
	2022	2023	2024	2025
	(RMB' million)	*(RMB' million)*	*(RMB' million)*	*(RMB' million)*
Carrying amount at 1 January	18.7	55.5	22.1	18.1
Impairment losses recognised	36.8	–	–	–
Amounts written off for inventories sold	–	(33.4)	(4.0)	(4.2)
Carrying amount at the end of year	55.5	22.1	18.1	13.9

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

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

Underlying reasons for long inventory turnover days

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

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

The period from pre-acceptance approval and final acceptance approval involves multiple stages, each contributing to the extended timeline: (i) **pre-acceptance testing**, where testing on parameters of the product shall be conducted at our production base (expected to range from 3–8 days in general) (if applicable); (ii) **organising shipment**, where after the pre-acceptance approval, the product shall be dissembled, packed and shipped from our production base to the customer's site (expected to range from 5–30 days in general); (iii) **on-site installation** at the customer's site (expected to range from 7–75 days in general); (vi) **on-site commissioning and system calibration**, which include full functional testing and parameter adjustments (expected to range from 2–32 days in general); and (v) **final acceptance testing**.

Final acceptance testing is inherently lengthy due to the high technical complexity of our products, which requires among others, (i) operational training with customers, (ii) testing on multiple parameters with the test piece provided by customers and/or (iii) trial production validation, each depend heavily on customer cooperation. While the product shall be delivered to the customer's site after pre-acceptance testing, the customer shall not be able to use the product until it has passed final acceptance testing, as it is not ready for immediate use while going through the installation, commissioning and system calibration processes as mentioned above. Additionally, since these processes are carried out by our own on-site personnel, we monitor and prevent the customer from using the product until it has passed final acceptance testing. Furthermore, our CNC systems are equipped with a lock function which is activated prior to delivery. The lock function prevents any use of the products by customers until they are unlocked by our personnel upon completion of all procedures required for final acceptance. During the Track Record Period, it took an average of 238 days to complete final acceptance testing after on-site commissioning and system calibration. As advised by CIC, such a prolonged period of final acceptance testing is generally in line with the industry norm, since the technology involved is complex and relatively new in the China market which is in the exploratory phase, and our products generally have designed useful lives of seven to ten years such that they do not face the risk of technological obsolescence during the acceptance process.

Inventory turnover days

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

	Year ended 31 December		
	2023	**2024**	**2025**
Inventory turnover days [(1)]	849	583	357

Note:

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

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

Our inventory turnover days decreased from 849 days in FY2023 to 583 days in FY2024 and 357 days in FY2025. The decrease in our inventory days was primarily due to the increase in efficiency in our product delivery to our customers as a result of the followings:

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

(ii) the launch of our compact general industrial five-axis machine tools had introduced more efficient production cycle, with a production lead time of 1.5 months to three months as compared to the extended cycles required for our aviation and aerospace intelligent manufacturing equipment; and the acceptance process of our compact general industrial five-axis machine tools is also improved due to its reduced technical complexity; and

(iii) we implemented enhanced procurement and inventory management practices by phasing purchase orders according to material lead times and matching component deliveries with assembly schedules.

Additionally, the decrease in our inventory turnover days in FY2025 was due in part to the decrease in our inventories as a result of the completion of final acceptance of products delivered as disclosed above in this section.

Cashflow cycle during the acceptance process

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

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

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

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

During the Track Record Period, our trade receivables turnover days decreased from 97 days in FY2023 to 53 days in FY2024 and increased to 83 days in FY2025. For details, see "– Trade and Bills Receivables" below.

Solutions to mitigate the risks associated with the cashflow cycle

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

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

Inventories ageing*(Note)*

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	328,464	138,947	91,224
1 to 2 years	95,649	247,838	86,921
2 to 3 years	99,209	46,621	46,837
Over 3 years	139,475	101,443	76,183
	662,797	534,849	301,165
Less: allowance for write-down of inventories	(74,249)	(48,754)	(45,811)
Total	588,548	486,095	255,354

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

Inventories are stated at the lower of cost and net realisable value. As at 31 December 2023, 2024 and 2025, our inventories aged over one year amounted to RMB334.3 million, RMB395.9 million and RMB209.9 million, respectively.

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

As at 31 March 2026, RMB19.6 million, or 7.7%, of our inventories as at 31 December 2025 had been utilised or sold, based on the production and delivery schedule.

Trade and Bills Receivables

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

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	97,659	58,364	201,846
Commercial acceptance bills receivable	6,480	6,998	9,900
Bank acceptance notes	4,875	9,156	13,305
	109,014	74,518	225,051
Impairment losses	(11,228)	(14,508)	(19,043)
Net carrying amount	97,786	60,010	206,008

The fluctuation of the balance of trade receivables during the Track Record Period was mainly affected by the payment arrangements and payment schedules of our customers. The decrease in our trade receivables from RMB97.8 million as at 31 December 2023 to RMB60.0 million as at 31 December 2024 was primarily because of the increase in number of contracts completed in FY2024 which had a higher proportion of payment before final acceptance. The increase in our trade receivables to RMB206.0 million as at 31 December 2025 was primarily attributable to the addition of trade receivables of RMB71.3 million due from Chengdu Chenfei (a subsidiary of Customer E, one of our top five customers in FY2025), as it completed final acceptance of aviation and aerospace intelligent manufacturing equipment during the year. For details, see item 5 to "Business – Sales – Major Sales Contracts during the Track Record Period and up to the Latest Practicable Date" in this prospectus. Chengdu Chenfei is an SOE in the aerospace and related industry, and SOEs generally have a longer settlement audit period. For details, see "Summary – Liquidity Management" in this prospectus.

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

The following table sets forth an ageing analysis of our trade receivables based on the date that we have an unconditional right to receive consideration from the customers (i.e. upon final acceptance approval or fulfilment of warranty service) and net of impairment loss, as at the dates indicated:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	49,128	39,914	147,160
1 to 2 years	24,746	486	34,033
2 to 3 years	–	3,228	491
3 to 4 years	59	–	1,198
4 to 5 years	12,300	59	–
Over 5 years	252	252	–
Total	86,485	43,939	182,882

Except for debtors with credit impairment, our Group determines the expected credit losses ("**ECLs**") on a collective basis, grouping by debtors' credit ratings which were derived from external or industry features. The assessments are further adjusted for forward-looking factors specific to the economic environment. We also consider industry features for our customers in relation to business operation and historical status of payments. Individual assessments of recoverability are performed on a regular basis. The commercial acceptance bills receivable aged within six months and bank acceptance bills receivable are considered having very low credit risk. For details, see note 21 to the Accountants' Report set forth in Appendix I to this prospectus.

During the Track Record Period, we recorded impairment loss, net, being recorded in our profit and loss account, of RMB8.6 million, RMB3.3 million and RMB4.5 million for FY2023, FY2024 and FY2025, respectively.

As at 31 December 2025, our accounts receivable were predominantly concentrated within 1 year, with receivables due within 1 year representing 76.1% of the total amount. Our Group maintains long-standing relationships with our key customers. More than half of the account receivables arises from SOEs in the aerospace and related industries, which are considered to have good credit reputation.

During the Track Record Period, our customers' business and operational status have not experienced deterioration. Our Directors are of the view that the ageing profile of accounts receivable remains reasonable, and the provision for expected credit loss is sufficient.

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

	Year ended 31 December		
	2023	**2024**	**2025**
Trade receivables turnover days [(1)]	97	53	83
– For SOEs	108	72	127
– For non-SOEs	29	32	62

Note:

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

Our trade receivables turnover days decreased from 97 days in FY2023 to 53 days in FY2024 mainly because we increased collection efforts for long-ageing receivables. Our trade receivables turnover days subsequently increased to 83 days in FY2025 mainly because of the increase in trade receivables as detailed above.

As at 31 March 2026, RMB12.4 million, or 6.0%, of our trade and bills receivables as at 31 December 2025 had been settled.

Contract Assets

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

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets arising from:			
Sales of CNC machine tools	18,008	38,460	25,744
Impairment	(467)	(1,209)	(759)
Total	17,541	37,251	24,985

Our contract assets are initially recognised for revenue earned from the sales of CNC machine tools related to the receipt of the consideration which is conditional on the fulfilment of the warranty service for sales of equipment. Upon the end of the warranty period, the amounts recognised as contract assets are reclassified to trade receivables. Our contract assets were RMB17.5 million, RMB37.3 million and RMB25.0 million as at 31 December 2023, 2024 and 2025, respectively. The increase in our contract assets from FY2023 to FY2024 was generally in line with our increase in revenue. The decrease in contract assets from FY2024 to FY2025 was primarily due to gradual shift of customer payment structure for some of our customers, in which all contract amount payable shall be settled upon completion of final acceptance. For details, see note 22 to the Accountants' Report set forth in Appendix I to this prospectus.

As at 31 March 2026, RMB2.7 million, or 10.8%, of our contract assets as at 31 December 2025 had been reclassified to trade receivables.

Our Directors consider that we have made sufficient impairment provision for trade receivables and contract assets during the Track Record Period and we did not identify any material recoverability issue, primarily because (i) we did not experience any significant impediment in collecting trade receivables from our customers during the Track Record Period; (ii) the majority of our revenue during the Track Record Period came from customers being state-owned enterprises, which have demonstrated good historical repayment record; and (iii) we have implemented measures in chasing payments for overdue balance and assessed the repayment schedules of customers by having communications with them and we were not aware of circumstances which might cause any material recoverability issues in relation to these trade receivables.

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

Prepayments, Other Receivables and Other Assets

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

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Prepayments for long-term assets	747	1,882	5,218
Current			
Deposits	27,246	11,975	14,103
Prepayments to suppliers	32,921	10,784	19,482
Other tax recoverable	12,810	4,721	13,678
Advances to employees	833	674	1,070
Prepaid expenses	822	1,029	1,084
Listing fees	–	–	1,505
Subtotal	74,632	29,183	50,922
Impairment allowance	(204)	(142)	(161)
Total	75,175	30,923	55,979

Our prepayments, other receivables and other assets decreased from RMB75.2 million as at 31 December 2023 to RMB30.9 million as at 31 December 2024, primarily due to (1) the decrease in deposits due to the reduction in the amount of the aforesaid performance bonds according to construction progress of our Jiaxing Production Base; (2) the decrease in prepayments to suppliers; and (3) the decrease in other tax recoverable due to decrease in purchase of materials. Our prepayments, other receivables and other assets then increased to RMB56.0 million as at 31 December 2025, primarily due to (1) the increase in other tax recoverable of RMB9.0 million, which was mainly attributable to the amount of input VAT generated from purchase of raw materials by us exceeded the amount of output VAT generated from sales of our products; and (2) the increase in prepayments to suppliers of RMB8.7 million.

As at 31 March 2026, RMB3.3 million, or 5.9%, of our prepaid expenses, other receivables, and other assets (net of impairment losses) as at 31 December 2025 had been settled.

Trade and Bills Payables

Our trade and bills payables decreased from RMB228.4 million as at 31 December 2023 to RMB146.7 million as at 31 December 2024, and further decreased to RMB111.9 million as at 31 December 2025. Such decrease was primarily due to the decrease in procurement activities based on our project schedule. We normally settle our trade payables within 30 to 120 days upon receipt of the VAT invoice.

During the Track Record Period, the financial liabilities that are part of our supplier finance arrangements included in trade payables are normally settled on 120-day terms. For details of supplier finance arrangement, see Note 25 of the Accountants' Report as set out in Appendix I to this prospectus. As at 31 December 2023 and 2024, Dr. Wang provided a guarantee to the external finance provider of the supplier finance arrangement. As at 31 December 2025, such guarantee provided by Dr. Wang has been released. All financial liabilities that are part of the supplier finance arrangements are included in trade and bills payables in the statement of financial position and within trade payables. The carrying amount of financial liabilities that are part of the supplier finance arrangements amounted to RMB9.0 million, RMB10.3 million and nil as at 31 December 2023, 2024 and 2025.

As at 31 March 2026, RMB42.2 million, or 37.7%, of our trade and bills payables as at 31 December 2025 had been settled.

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

	Year ended 31 December		
	2023	**2024**	**2025**
Trade payables turnover days [(1)]	347	204	125

Note:

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

Our trade payables turnover days were 347, 204 and 125 days in FY2023, FY2024 and FY2025, respectively, which is primarily due to (i) our faster settlement of trade payables; (ii) the progression of product development of our large-span carbon fiber composite five-axis machine tools; and (iii) decrease in procurement activities based on our project schedule.

Our trade payables (i.e. within 30 to 120 days) turnover days in FY2023 to FY2025 were longer than the normal terms agreed with suppliers due to our established supplier relationships which enable us to use payment instruments such as six-month bank acceptances and one-year letters of credit.

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

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	224,343	129,205	103,516
1 to 2 years	2,361	14,721	5,368
2 to 3 years	305	1,397	2,087
3 to 4 years	481	250	758
4 to 5 years	239	389	37
Over 5 years	700	764	139
Total	228,429	146,726	111,905

Other Payables and Accruals

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

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payable	19,621	23,678	24,360
Due to non-controlling shareholders of a subsidiary[1]	11,062	10,771	11,927
Other tax payables	6	2,028	9,749
Deposits	1,400	1,200	9,680
Accrued expenses	5,489	5,618	8,492
Others	1,391	2,274	3,312
Total	38,969	45,569	67,520

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

Our other payables and accruals increased from RMB39.0 million as at 31 December 2023 to RMB45.6 million in FY2024, primarily due to the increase in payable of performance-related bonus. Our other payables and accruals subsequently increased to RMB67.5 million in FY2025, primarily due to (i) the increase in accrued expenses which mainly represented our listing related expenses incurred but not yet paid; (ii) the increase in deposits, which mainly represented tender deposits paid during the contractor tendering process for our Minhang Production Base project; and (iii) the increase in other tax payables.

As at 31 March 2026, RMB29.3 million, or 43.4%, of our other payables and accrued expenses as at 31 December 2025 had been settled.

Contract Liabilities

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

We recorded contract liabilities of RMB573.4 million, RMB341.8 million and RMB266.0 million as at 31 December 2023, 2024 and 2025, respectively.

Our contract liabilities decreased from RMB573.4 million as at 31 December 2023 to RMB341.8 million as at 31 December 2024 primarily due to a total of RMB252.2 million being recognised as revenue from Chengdu Chenfei (a subsidiary of Customer E), Customer F (one of our top five customers in FY2024) and Customer G (one of our top five customers in FY2024). Our contract liabilities further decreased to RMB266.0 million as at 31 December 2025 primarily due to a total of RMB375.0 million being recognised as revenue from Chengdu Chenfei (a subsidiary of Customer E) and Customer G (one of our top five customers in FY2025). As at 31 March 2026, RMB0.2 million, or 0.1%, of our contract liabilities as at 31 December 2025 had been recognised as revenue.

Investments Measured at FVTPL

We had investments measured at FVTPL of RMB11.6 million, nil and nil as at 31 December 2023, 2024 and 2025, respectively, representing our unlisted equity investments in Chengdu Yongfeng. Such investment was subject to level 3 fair value measurement. This asset was valued using market approach. For details, see Note 40 of the Accountants' Report as set out in Appendix I to this prospectus. We disposed of our investment in Chengdu Yongfeng in FY2024. Please see "History and Corporate Structure – Acquisitions, Merger and Disposal – Disposal of equity interest in Chengdu Yongfeng".

Restricted Cash

Our restricted cash during the Track Record Period were related to deposits demanded to be pledged by banks when we request banks to issue performance guarantees to our customers to guarantee the performance of our contracts and bank acceptance bills to our suppliers to settle our trade payables. Our restricted cash decreased from RMB14.2 million as at 31 December 2023 to RMB10.4 million as at 31 December 2024. The general decrease in the balance of restricted cash was primarily because we established the supplier finance arrangements since FY2023 and hence reduced the use of bank acceptance bills. For details of the supplier finance arrangements, see Note 24 of the Accountants' Report as set out in Appendix I to this prospectus. Our restricted cash slightly increased to RMB12.3 million as at 31 December 2025. This was attributable to RMB2.9 million in frozen funds due to lawsuits, as one customer obtained a pre-litigation property preservation order in relation to a contractual dispute.

Provision

We provide warranties in relation to the sales of CNC machine tools for general repairs of defects occurring during the warranty period. The amount of the provision for the warranties is estimated based on sales and past experience of the level of repairs and maintenance. The estimation basis is reviewed on an ongoing basis and revised where appropriate. Our provision increased from RMB10.0 million as at 31 December 2023 to RMB17.4 million as at 31 December 2024 and RMB20.2 million as at 31 December 2025, primarily due to increase in sales. For details, see Note 30 in the Accountants' Report set out in Appendix I to this prospectus.

Cash and Cash Equivalents

Our cash and cash equivalents decreased from RMB148.4 million as at 31 December 2023 to RMB133.5 million as at 31 December 2024 primarily due to (i) the increase in our investment in property, plant and equipment, and land use rights, and (ii) the changes in our cash used in operating activities; while partially offset by (iii) proceeds we received from our equity financing as well as bank borrowings. Our cash and cash equivalents subsequently increased to

RMB208.9 million as at 31 December 2025 primarily due to (i) proceeds we received from bank borrowings and (ii) the changes in our cash from operating activities; while partially offset by (iii) the increase in our investment in property, plant and equipment. For details, see "– Liquidity and Capital Resources – Cash Flows."

LIQUIDITY AND CAPITAL RESOURCES

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

Cash Flows

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

	FY2023	**FY2024**	**FY2025**
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows (used in)/from operating activities	(258,112)	(53,939)	25,394
Net cash flows used in investing activities	(14,516)	(93,781)	(38,564)
Net cash flows from financing activities	75,017	132,388	88,562
Cash and cash equivalents at beginning of year	346,823	148,386	133,538
Effect of foreign exchange rate changes, net	(826)	484	–
Cash and cash equivalents at end of year	**148,386**	**133,538**	**208,930**

Net cash flows (used in)/from operating activities

In FY2025, we had net cash flows from operating activities of RMB25.4 million, primarily attributable to our profit before tax of RMB1.6 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising (a) write-down of inventories to net realisable value of RMB18.4 million; (b) warranty provision of RMB14.4 million; and (c) depreciation of right-of-use assets of RMB14.2 million and (ii) changes in working capital, primarily comprising (a) decrease in inventories of RMB206.5 million, offset by (b) increase in trade and bills receivables of RMB150.5 million and (c) decrease in contract liabilities of RMB76.3 million. In FY2025, with (i) the changes in our customer payment structure, namely the adoption of more front-loaded payment schedules such as the "4-4-2" model for private-sector customers and the "3-6-1" model for compact general industrial five-axis machine tools and (ii) the progression of our R&D projects, we have been enhancing our operating cash flow and liquidity.

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

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

Net cash flows used in investing activities

In FY2025, we had net cash flows used in investing activities of RMB38.6 million, primarily attributable to purchases of items of property, plant and equipment of RMB37.1 million mainly for our Jiaxing Production Base.

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

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

Net cash flows from financing activities

In FY2025, we had net cash flows from financing activities of RMB88.6 million, primarily attributable to proceeds from interest-bearing bank and other borrowings of RMB323.3 million, partially offset by repayment of interest-bearing bank and other borrowings of RMB211.1 million.

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

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

Cash Conversion Cycle

During the Track Record Period, we are exposed to liquidity risk due to a long cash conversion cycle, as a result of our Group's high inventory turnover days which were substantially higher than the trade payable turnover days. The prolonged conversion cycle could lead to liquidity pressure and potential breach of contract if supplier payment obligations are not met. During the Track Record Period and up to the Latest Practicable Date, we did not have any material issue of cash conversion from our business activities and there was no breach of contract claims made against us arising from our payment obligations. Going forward, our Group will implement the following measures to optimise the conversion cycle: (i) in terms of payables management, we will strengthen our relationship with suppliers to maintain favourable payment terms, and increase the use of bank acceptances and letters of credit to preserve liquidity; and (ii) in terms of receivables management, we will incorporate improved payment terms in sales contracts, and enhance project management by assigning project managers to oversee acceptance process and coordinate site preparation to prevent customer-side delays.

INDEBTEDNESS

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

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current				
Interest-bearing bank and other borrowings	40,111	144,321	184,840	184,349
Lease liabilities	32,297	25,811	19,102	20,557
	72,408	**170,132**	**203,942**	**204,906**
Non-current				
Interest-bearing bank and other borrowings	–	38,066	109,810	151,487
Lease liabilities	58,555	43,522	32,655	31,627
	58,555	**81,588**	**142,465**	**183,114**
Total	**130,963**	**251,720**	**346,407**	**388,020**

Interest-Bearing Bank and Other Borrowings

We had interest-bearing bank loans of RMB40.1 million, RMB182.4 million, RMB294.7 million and RMB335.8 million as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively. Our total bank loans increased from RMB40.1 million as at 31 December 2023 to RMB182.4 million as at 31 December 2024 and RMB294.7 million as at 31 December 2025, mainly for financing our working capital and construction of our Jiaxing Production Base. For details, see Note 28 to the Accountants' Report set forth in Appendix I to this prospectus. As at 31 March 2026, our committed unutilised banking facilities amounted to RMB69.4 million. The following table sets forth a breakdown of the repayable period of our bank loans.

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Bank loans repayable				
Within one year	40,111	144,321	184,840	184,450
In the second year	–	8,000	50,029	59,129
In the third to fifth years, inclusive	–	30,066	59,781	80,345
More than five years	–	–	–	11,913
Total	40,111	182,387	294,650	335,837

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

It ranged from 32 to 58 basis points below the Loan Prime Rate for the current portion of bank loans, and from 35 to 75 basis points below the Loan Prime Rate for the non-current portion of bank loans, as at 31 December 2025.

As at 31 December 2025, our Group's borrowings of RMB43.3 million were secured by our Group's land use right and property, plant and equipment with an aggregate carrying amount of approximately RMB8.0 million and RMB58.4 million, respectively; our Group's borrowings of RMB18.8 million were secured by our Group's land use right with an aggregate carrying amount of approximately RMB45.6 million; and our Group's borrowings of RMB17.3 million were secured by letters of credit. As at 31 December 2025, all guarantees previously provided by Dr. Wang have been released.

Our bank loans contain standard terms, conditions and covenants that are customary for commercial bank loans in China, and may restrict or otherwise adversely affect our operations. These covenants may restrict, among other things, the use of proceeds related to the bank loans, and our ability to engage in change-in-control transactions. Furthermore, some of our bank borrowings are subject to the fulfilment of covenants relating to certain of our financial ratios, as are commonly found in loan arrangements with financial institutions. Under the terms of certain loan agreements, we are required to comply with a financial covenant that requires our asset-liability ratio to not be higher than 80% and the current ratio to not be lower than 1.0. As at the Latest Practicable Date, we were in compliance with the covenant under such agreement. Our Directors confirm that we did not experience any difficulty in obtaining bank loans or other borrowings, default in payment of bank loans or other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

Our lease liabilities were primarily related to lease contracts for various items of plant and properties used in our operations. Our lease liabilities were RMB90.9 million, RMB69.3 million, RMB51.8 million and RMB52.2 million as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively. For details, see Note 14(b) to the Accountants' Report set forth in Appendix I to this prospectus.

Save as disclosed above, as at 31 March 2026, being the indebtedness statement date, we had no bank loans or other borrowings, or any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases, guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since 31 March 2026 and up to the Latest Practicable Date.

CAPITAL COMMITMENT

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

	FY2023	FY2024	FY2025
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Properties, plant and equipment	623	2,827	64,030

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time during our ordinary course of business and on terms comparable to the terms of transactions with other entities that are not related parties. For details, see Note 37 to the Accountants' Report set forth in Appendix I to this prospectus. Our Directors are of the view that our related party transactions during the Track Record Period were conducted in the ordinary course of business at arm's length with reference to normal commercial terms, and would not distort our track record results or make our historical results not reflective of our future performance.

CONTINGENT LIABILITIES

As at 31 December 2025 and 31 March 2026, our Company is a defendant in a lawsuit initiated by one customer seeking RMB2.9 million. Our Directors believe that our Company has a valid defence against the allegation and, accordingly, we have not provided for any claim arising from the litigation. During the Track Record Period and up to the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings pending or threatened against our Company or any of our Directors which could have a material and adverse effect on our financial condition or results of operations.

Our Directors confirm that there had been no material changes to our contingent liabilities since 31 March 2026 and up to the date of this prospectus.

KEY FINANCIAL RATIOS

	For the year ended/As at 31 December		
	2023	**2024**	**2025**
Net profit/(loss) margin [1]	(18.6%)	1.3%	0.3%
Return on equity [2]	(46.7%)	4.1%	0.9%
Return on assets [3]	(5.6%)	0.7%	0.2%
Interest coverage [4]	(10.7)	2.0	1.2
Current ratio [5]	1.0	1.0	1.1
Quick ratio [6]	0.4	0.4	0.7
Gearing ratio [7]	98.1%	148.9%	192.7%

Notes:

(1) Represents profit/(loss) for the financial year divided by revenue for the same financial year.

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

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

(4) Represents profit/(loss) before tax and finance costs divided by finance costs for the financial year.

(5) Represents total current assets divided by total current liabilities as at the end of the financial year.

(6) Represents total current assets less inventories divided by total current liabilities as at the end of the financial year.

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

Net Profit/(Loss) Margin

We recorded a turnaround from a net loss margin of 18.6% in FY2023 to a net profit margin of 1.3% in FY2024, primarily due to (i) the increase in our gross profit margin from 34.6% in FY2023 to 37.6% in FY2024, which was primarily attributable to the increase in revenue for aviation and aerospace intelligent manufacturing equipment and general industrial five-axis machine tools. These were partially offset by the decrease in our other income and gains.

We recorded a decrease in net profit margin to 0.3% in FY2025, primarily due to (1) the decrease in our gross profit margin to 35.4% in FY2025 and (2) the increase in our research and development expenses by 24.4% in FY2025. For details, see "– Year to Year Comparison of Results of Operations – FY2025 compared with FY2024" in this section.

Return on Equity

Our return on equity improved from -46.7% in FY2023 to 4.1% in FY2024, primarily due to our turnaround from loss to profit as a result of our increase in gross profit of RMB84.1 million in that year. Our return on equity slightly decreased to 0.9% in FY2025, in line with the lower profit for the year.

Return on Assets

Our return on assets improved from -5.6% in FY2023 to 0.7% in FY2024, primarily due to our turnaround from loss to profit as a result of our increase in revenue in that year. Our return on assets decreased to 0.2% in FY2025, in line with the lower profit for the year.

Interest Coverage

Our interest coverage improved from -10.7 in FY2023 to approximately 2.0 in FY2024, primarily due to our turnaround from loss to profit as a result of our increase in revenue in that year. Our interest coverage decreased to 1.2 in FY2025, in line with the lower profit for the year.

Current Ratio and Quick Ratio

Our current ratio remained stable at 1.0 as at 31 December 2023 and 2024 and 1.1 as at 31 December 2025. Our quick ratio remained stable at 0.4 as at 31 December 2023 and 2024. Our quick ratio subsequently increased to 0.7 as at 31 December 2025, which was primarily attributable to the decrease in inventories.

Gearing Ratio

Our gearing ratio increased from 98.1% as at 31 December 2023. Our gearing ratio then increased to 148.9% as at 31 December 2024, primarily due to the increase in interest-bearing bank borrowings by RMB142.3 million. Our gearing ratio increased to 192.7% as at 31 December 2025, primarily due to the increase in interest-bearing bank borrowings by RMB112.3 million.

DISCLOSURE ABOUT FINANCIAL RISK

Our principal financial instruments, other than bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for our operations. Our Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations. The main risks arising from our financial instruments are foreign currency risk, credit risk and liquidity risk. For details, see Note 41 to the Accountants' Report included in Appendix I to this prospectus.

OFF-BALANCE SHEET ARRANGEMENTS

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

LIQUIDITY MANAGEMENT

We are subject to liquidity risk arising from cash flow mismatch. In order to manage our liquidity position in view of our working capital requirement for business operation and the possible cash flow mismatch associated with the high inventory turnover days which were substantially higher than the trade payables turnover days, we have implemented the following measures: (i) our finance department is responsible for the overall monitoring of our current and expected liquidity requirements on a monthly basis to ensure that we maintain sufficient financial resources to meet our liquidity requirements; (ii) we have established policies and objectives for cash invested in inventories, trade receivables and other current assets as well as trade payables on an annual basis; (iii) our finance department monitors the ageing analysis of both trade receivables and payables at the end of each month. The ageing analysis of both trade receivables and payables will be submitted to our senior management for review and approval regularly; (iv) we have improved our production lead time through accumulating experience in the production of our aviation and aerospace intelligent manufacturing equipment; (v) we have launched our compact general industrial five-axis machine tools which had introduced a more efficient production cycle and a shortened acceptance process due to its reduced technical complexity; (vi) we have implemented enhanced procurement and inventory management practices by phasing purchase orders according to material lead times and matching component deliveries with assembly schedules; and (vii) we have introduced different milestone-based payment schedules with improved payment terms along with our expansion to private-sector customers and launch of compact general industrial five-axis machine tools.

For details, see "– Description of Selected Items of the Consolidated Statements of Financial Position – Inventories – Solutions to mitigate the risks associated with the cashflow cycle" and "– Liquidity and Capital Resources – Cash Conversion Cycle" in this section.

DIVIDEND POLICY

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

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

DISTRIBUTABLE RESERVE

As at 31 December 2025, we did not have any distributable reserves.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

LISTING EXPENSES

The total listing expenses are estimated to be approximately HK$117.6 million, representing 6.8% of the total gross proceeds from the Global Offering, based on the Offer Price of HK$26.39 per H Share the Over-allotment Option is not exercised. These listing expenses mainly comprise legal and other professional fees paid and payable to the professional parties, commissions payable to the Underwriters, and printing and other expenses for their services rendered in relation to the Listing and the Global Offering. For FY2023, FY2024 and FY2025, our listing expenses charged to our statements of profit or loss and other comprehensive income were nil, nil and RMB14.4 million, respectively. We expect that approximately RMB23.8 million (HK$27.2 million) of listing expenses will be further charged to our statements of profit or loss and other comprehensive income. We expect that approximately RMB64.8 million (HK$74.0 million) relating to listing expenses directly attributable to the issue of shares will be deducted from equity.

The following table sets forth a breakdown of the listing expenses for the Global Offering at the Offer Price of HK$26.39 per H Share (assuming the Over-allotment Option is not exercised).

Listing Expenses	**Based on an Offer Price of HK$26.39 per Share** *(HK$'000)*
Non-underwriting related expenses	
Legal and audit expenses	18,333
Other expenses	30,355
Underwriting related expenses	68,962
Total	**117,650**

UNAUDITED PRO FORMA FINANCIAL INFORMATION

For details, see Unaudited Pro Forma Financial Information as set forth in Appendix II to this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2025, and there has been no event since 31 December 2025 that would materially affect the information as set out in the Accountants' Report included in Appendix I to this prospectus.

FUTURE PLANS

For a detailed description of our future plans, see "Business – Our Strategies" in this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering, after deducting the underwriting fees and expenses payable by us in the Global Offering, of approximately HK$1,606.4 million (i.e. approximately RMB1,406.9 million), assuming (i) an Offer Price of HK$26.39 per H Share, being the Offer Price, and (ii) no exercise of the Over-allotment Option. In line with our strategies, we intend to use our net proceeds from the Global Offering for the purposes in the amounts and timeframe set forth below.

	For the period from the Listing Date to 31 December 2026	**For the period from 1 January 2027 to 31 December 2027**	**After 1 January 2028**	**Total**	**Approximate % of net proceeds**
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	
R&D advancement					
– Development of new materials and structural design	14.9	28.3	73.0	116.1	8.3
– Development of AI-powered CNC system	22.3	101.0	398.9	522.2	37.1
– Development of forward design simulation platform technology	16.5	40.6	91.4	148.6	10.6
– Development of intelligent sensing and measurement system	10.9	23.0	48.3	82.2	5.8
Subtotal	**64.6**	**192.9**	**611.6**	**869.1**	**61.8**
Expansion of sales and marketing network					
– Establishment of sales channel	0.4	20.1	11.1	31.6	2.2
– Marketing and brand promotion	10.0	20.0	20.0	50.0	3.6
– Localization of sales and marketing efforts	–	36.5	26.3	62.8	4.5
Subtotal	**10.4**	**76.6**	**57.4**	**144.4**	**10.3**
Strategic acquisitions and investments	–	70.0	100.0	170.0	12.1
Repayment of bank borrowings	71.0	6.0	6.9	83.9	6.0
General working capital	139.5	–	–	139.5	9.9
Total	**285.5**	**345.5**	**775.9**	**1,406.9**	**100.0**

- approximately RMB869.1 million (i.e. approximately HK$992.4 million), representing 61.8% of the net proceeds, will be allocated for R&D advancement. In particular,

  – approximately RMB116.1 million (i.e. approximately HK$132.6 million), representing 8.3% of the net proceeds, will be used for the **development of new materials and structural designs**, namely development of lightweight carbon fiber composites and 3D-printed cellular structures for moving components of our products, of which (i) approximately RMB40.3 million will be used for acquiring hardware such as testing and inspection machinery and equipment; (ii) approximately RMB20.0 million will be used for acquiring software for (1) design, (2) simulation and (3) product lifecycle management; and (iii) approximately RMB55.9 million will be used for part of the staff costs of additional 57 R&D personnel;

    - The major hardware we intend to acquire include: (i) multi-line laser test system (多線激光測試系統) for calibrating machine tool errors, (ii) three-dimensional coordinate measuring machine (三坐標測量機) for testing geometric accuracy and tolerance of raw materials, (iii) laser interferometer (激光干涉儀) for calibrating positioning accuracy of linear/rotary axes and (iv) laser measurement system (激光測量系統) for aligning machine tools geometrically. These hardware have estimated costs of RMB20.0 million, RMB16.3 million, RMB6.0 million and RMB4.0 million, respectively.

      The hardware has an estimated useful life of around ten years. While the Group has similar hardware in use with estimated useful life ranging from ten to 13 years and similar software in use with estimated indefinite useful life, additional units are required to meet the growing demands during the R&D, production calibration and quality assurance stages for the development of new materials and structural designs;

    - The additional 57 R&D personnel we intend to hire include: (i) eight materials process specialists, responsible for leading material innovation and development of composites; (ii) 10 software engineers, responsible for developing simulation tools for screening materials; (iii) four manufacturing specialists, responsible for developing production methods for complex material-structure system; (iv) 19 mechanical structure engineers, responsible for designing and validating mechanical structure; (v) seven testing specialists, responsible for validating performance under extreme cutting conditions and (vi) nine electrical engineers, responsible for leading production line integration and optimising manufacturing system for new material implementation.

  – approximately RMB522.2 million (i.e. approximately HK$596.2 million), representing 37.1% of the net proceeds, will be used for the **development of AI-powered CNC system** to simplify the complex, multi-stage five-axis machining operations, of which (i) approximately RMB150.0 million will be used for acquiring intellectual property rights; (ii) approximately RMB255.3 million will be used for acquiring hardware such as testing and inspection machinery and equipment; (iii) approximately RMB47.2 million will be used for acquiring software for (1) 3D modelling, (2) AI management and (3) system integration; and (iv) approximately RMB69.8 million will be used for part of the staff costs of additional 117 R&D personnel;

- The major hardware we intend to acquire include: (i) AI-CNC system test platform (AI-CNC系統測試平台) for verifying stability and precision of AI algorithms in machining, (ii) graphics processing unit compute clusters (大模型訓練硬件模塊) for accelerating parallel computations for large model training and (iii) scanning measurement system for test platform (測試平台掃描測量系統) for verifying accuracy of machined parts and collecting data for process optimization. These hardware have estimated costs of RMB30.0 million, RMB7.5 million and RMB10.0 million, respectively.

  The hardware has an estimated useful life of around ten years. Except for the additional machine tools to be acquired for testing of processing with AI-CNC technology, which have an estimated useful life of around ten years, the Group does not have similar hardware and software in use.

- The additional 117 R&D personnel we intend to hire include: (i) 49 AI R&D engineers, responsible for developing AI modules, data pipelines, and embedded algorithm implementation; (ii) 31 motion control engineers, responsible for designing high-precision control algorithms and AI-hardware communication interfaces; (iii) 14 test engineers, responsible for validating performance under extreme cutting conditions; (iv) 11 AI specialists, responsible for leading AI/ML framework design and CNC control integration strategies and 12 CAM specialists, responsible for integrating CAD/CAM with AI systems and developing intelligent post-processors.

– approximately RMB148.6 million (i.e. approximately HK$169.6 million), representing 10.6% of the net proceeds, will be used for the **development of forward design simulation platform technology** for five-axis machine tools, which digitally predicts and optimises machine performance before production begins to allow us to refine designs upfront, of which (i) approximately RMB40.8 million will be used for acquiring hardware such as testing and inspection machinery and equipment; (ii) approximately RMB18.9 million will be used for acquiring software for design and engineering simulation; and (iii) approximately RMB88.9 million will be used for part of the staff costs of additional 77 R&D personnel;

- The major hardware we intend to acquire include: (i) tracker (跟蹤儀) for measuring 3D volumetric accuracy, (ii) telescoping laser ballbar (可伸縮激光球杆儀) for verifying dynamic accuracy of mid-to-small machine tools and (iii) interferometer (干涉儀) for linear error measurement. These hardware have estimated costs of RMB24.0 million, RMB12.0 million and RMB10.0 million, respectively.

  The hardware has an estimated useful life range of around 15 years. While the Group has similar hardware in use with estimated useful life ranging from eight to ten years and similar software in use with estimated indefinite useful life, additional units are required to meet the growing demands during the development of forward design simulation platform technology;

- The additional 77 R&D personnel we intend to hire include: (i) 19 system engineers, responsible for leading integrated machine design framework and cross-disciplinary problem resolution; (ii) 19 mechanical designers, responsible for developing high-rigidity modular structures and innovative components; (iii) 11 motion control algorithm engineers, responsible for creating five-axis RTCP compensation algorithms for nanoscale interpolation accuracy; (iv) five servo systems specialists, responsible for configuring high-dynamic servo drives to eliminate creep and vibration; (v) ten thermal compensation engineers, responsible for building thermal error digital twins with multi-sensor real-time compensation; (vi) five hydraulics/lubrication engineers, responsible for designing hydrostatic bearing systems and AI-driven lubrication strategies and (vii) eight test engineers, responsible for validating performance under extreme cutting conditions.

– approximately RMB82.2 million (i.e. approximately HK$93.9 million), representing 5.8% of the net proceeds, will be used for the **development of intelligent sensing and measurement system** which features automatic calibration technology and on-machine workpiece measurement technology, of which (i) approximately RMB8.8 million will be used for acquisition of hardware such as testing and inspection machinery and equipment; (ii) approximately RMB15.3 million will be used for acquisition of software for design and engineering simulation; and (iii) approximately RMB58.2 million will be used for part of the staff costs of additional 71 technical staff;

- The major hardware we intend to acquire include: (i) spindle analyzer (主軸檢測儀) for calibrating and evaluating the dynamic stability of machine tools and (ii) rotary axis tester (旋轉軸測試儀) for detecting motion errors and evaluating rotation accuracy of machine tools. These hardware have estimated costs of RMB7.5 million and RMB1.5 million, respectively.

  The hardware has an estimated useful life of around 15 years. While the Group has similar hardware in use with estimated useful life ranging from eight to 12 years and similar software in use with estimated indefinite useful life, additional types and units of testing hardware and engineering software are required to meet the growing demands during the development of intelligent sensing and measurement system;

- The additional 71 R&D personnel we intend to hire include: (i) 20 hardware engineers, responsible for designing sensor circuits and signal conditioning modules; (ii) 20 algorithm engineers, responsible for developing AI calibration models and data filtering; (iii) 12 embedded engineers, responsible for programming low-power sensor firmware; (iv) seven backend engineers, responsible for building cloud data storage and analysis platforms; (v) four frontend engineers, responsible for creating visualisation dashboards; (vi) four test engineers, responsible for validating performance under extreme cutting conditions and (vii) four process engineers, responsible for optimising sensor mass-production yield.

  For details of our strategies in relation to R&D advancement, see "Business – Our Strategies – Technological advancements through R&D" in this prospectus.

- approximately RMB144.4 million (i.e. approximately HK$164.9 million), representing 10.3% of the net proceeds, will be allocated for expansion of sales and marketing network, of which (i) approximately RMB31.6 million will be used for establishment of sales channels including building up of overseas sales teams and expansion of customer base; (ii) approximately RMB50.0 million will be used for marketing and brand promotion; and (iii) approximately RMB62.8 million will be used for localization of sales and marketing efforts including translation of product materials, products certification and standards compliance, development and maintenance of multilingual website, and training for employees;

For details of our strategies in relation to expansion of sales and marketing network, see "Business – Our Strategies – Expansion of sales and marketing network" in this prospectus.

- approximately RMB170.0 million (i.e. approximately HK$194.1 million), representing 12.1% of the net proceeds, will be allocated for possible acquisitions of and investments in manufacturers of key components, such as servo drives and direct-drive torque motors, which form the technological backbone of our precision machining capabilities and future product development. Our acquisition strategy targets established suppliers with annual revenues within the range of RMB10.0 million to RMB100.0 million, and we intend to acquire a majority stake of such key component manufacturers. As advised by CIC, there are not fewer than 50 companies in the PRC operating at this scale which could potentially enhance our technology portfolio. As at the Latest Practicable Date, we had not identified any acquisition or investment or enter into any definitive acquisition or investment agreement;

- approximately RMB83.9 million (i.e. approximately HK$95.7 million), representing 6.0% of the net proceeds, will be allocated for partial repayment of interest-bearing bank borrowings of our Group to improve our financial position and liquidity:

Nature of bank loans	**Principal amounts**	**Interest rate**	**Due date**	**Purpose of bank loans**
Bank working capital loans	RMB95.0 million	2.25% to 2.75%	30 May 2026 to 18 February 2028	Working capital

- approximately RMB139.5 million (i.e. approximately HK$159.3 million), representing 9.9% of the net proceeds, will be allocated for working capital and general corporate purposes.

If the Over-allotment Option is exercised in full, we will receive the additional net proceeds of approximately HK$248.2 million (based on an Offer Price of HK$26.39 per Offer Share), after deducting the underwriting fees and expenses payable by us in connection with the Global Offering.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, to the extent permitted by applicable law and regulations, we will only deposit those net proceeds into short-term interest-bearing accounts at licenced commercial banks and/or other authorised financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules. Our Directors consider that the net proceeds from the Global Offering together with the internal resources of our Group will be sufficient to finance the implementation of our Group's business plans as set out in this section.

HONG KONG UNDERWRITERS

Guotai Junan Securities (Hong Kong) Limited

CCB International Capital Limited

SBI China Capital Financial Services Limited

BOCI Asia Limited

CMB International Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 6,533,000 Hong Kong Offer Shares (subject to re-allocation described below) for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price. Subject to: (a) the Listing Committee granting the listing of, and permission to deal in, our H Shares in issue and to be issued as mentioned in this prospectus and such listing and permission not subsequently being revoked; and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been entered into and becoming unconditional and not having been terminated.

Grounds for termination

The Joint Sponsors, the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may, in their sole and absolute discretion terminate the Hong Kong Underwriting Agreement with immediate effect by notice in writing to our Company at any time prior to 8:00 a.m. on the Listing Date (the "**Termination Time**") if any of the following events shall occur prior to the Termination Time:

(a) there develops, occurs, exists or comes into effect:

  (i) any change or prospective change (whether or not permanent) in the business or in the financial or trading position of our Group; or

  (ii) any event, circumstance, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a local, national, regional or international emergency or war, political change, calamity, crisis, epidemic, pandemic, outbreaks, escalation, adverse mutation or aggravation of diseases (including, without limitation, COVID-19 (and such related/mutated form), Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), comprehensive sanctions, strikes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations, interruptions or accidents or delay in transportation) or other state of emergency in whatever form, in or affecting, directly or indirectly Hong Kong, China, the United States, Singapore, the United Kingdom, the European Union (as a whole), Japan or other jurisdictions relevant to our Group or the Global Offering (each a "**Relevant Jurisdiction**" and collectively, the "**Relevant Jurisdictions**"); or

(iii) any change or development involving a prospective change or development, or any event, circumstance or series of events likely to result in or representing any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market matters or conditions, equity securities or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any Relevant Jurisdictions; or

(iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Shenzhen Stock Exchange, the Shanghai Stock Exchange, the Tokyo Stock Exchange, or the Singapore Stock Exchange; or

(v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or any public, regulatory, taxing, administrative or governmental, agency or authority, any self-regulatory organisation or any securities exchange authority, other authority and any court at the national, provincial, municipal or local level of the jurisdictions in which the Company is incorporated or the H Shares are to be listed or the Group's business is carried out or the Group's asset is held, including (without limitation) the PRC and Hong Kong (as the case may be) (each an "**Governmental Authority**" and collectively, the "**Governmental Authorities**")), New York (imposed at Federal or New York State level or by other competent Authority), or any of the other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(vi) all law(s), rule(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), code(s), policy(ies), consent(s), judgement(s), decree(s) or ruling(s) of any Governmental Authority whether national, federal, provincial, regional, state, municipal or local, domestic or foreign (including but not limited to the CSRC, the Stock Exchange and the SFC) of all relevant jurisdictions (including but not limited to Hong Kong and the PRC) (including but not limited to the CSRC

Rules, the Listing Rules, the Code of Conduct, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance) (the "**Laws**") or any change or development involving a prospective change in existing Laws or any event or circumstance resulting in a change or development involving a prospective change in the interpretation or application thereof by any court or other competent Authority in or affecting any of the Relevant Jurisdictions; or

(vii) the imposition of sanctions or export controls in whatever form, directly or indirectly, on our Company or any of the Controlling Shareholders or by or on any Relevant Jurisdiction, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(viii) any change or development involving a prospective change or amendment in or affecting all forms of taxation whenever (present or future) created, imposed or arising and whether of Hong Kong, China, the United States or of any other part of the world and, without prejudice to the generality of the foregoing, includes all forms of taxation on or relating to profits, salaries, interest and other forms of income, taxation on capital gains, sales and value added taxation, business tax, estate duty, death duty, capital duty, stamp duty, payroll taxation, withholding taxation, rates and other taxes or charges relating to property, customs and other import and excise duties, and generally any taxation, fee, assessment, duty, impost, levy, rate, charge or any amount payable to taxing, revenue, customs or fiscal Authorities whether of Hong Kong, China, the United States or of any other part of the world, whether by way of actual assessment, withholding, loss of allowance, deduction or credit available for relief or otherwise, and including all interest, additions to tax, penalties or similar liabilities arising in respect of any taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, the Renminbi and/or Hong Kong dollar or a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares; or

(ix) any contravention by any member of our Group or any Director of any Laws application to any member of our Group and/or the Global Offering; or

(x) any non-compliance of this Prospectus (or any other documents used in connected with the contemplated offering, allotment, issue, subscription or sale of any of the Offer Shares), the CSRC Filings (as defined in the Hong Kong Underwriting Agreement) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or

(xi) any demand by creditors for repayment of indebtedness or a valid and effective order or petition for the winding up or liquidation of any member of the Company or any principal subsidiary of the Company or any composition or arrangement made by the Company or any principal subsidiary of the Company with its creditors or a scheme of arrangement entered into by the Company or any principal subsidiary of the Company or any resolution for the winding-up of the Company or any principal subsidiary of the Company or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of the Company or any principal subsidiary of the Company or anything analogous thereto occurring in respect of the Company or any principal subsidiary of the Company; or

(xii) any materialisation of any of the risks set out in the section headed "Risk Factors" of this Prospectus; or

(xiii) other than with prior written consent of the Joint Sponsors and the Overall Coordinators, the issue or requirement to issue by the Company of any supplement or amendment to this Prospectus (or to any other documents used in connection with the contemplated offer and sale of the H Shares) pursuant to the Companies Ordinance, the Companies (WUMP) Ordinance or the Listing Rules or any other applicable Laws or any requirement or request of the Stock Exchange, the SFC and/or the CSRC; or

(xiv) there is a breach of any of the obligations imposed upon any of the Company or the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable; or

which in each case individually or in aggregate at the sole and absolute opinion of the Joint Sponsors, the Overall Coordinators, (for themselves and on behalf of the Hong Kong Underwriters) or any of them: (1) has or will or may or could be expected to have a Material Adverse Effect (as defined in the Hong Kong Underwriting Agreement) or (2) has or will or may or could be expected to have a Material Adverse Effect on the success or marketability of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest or the distribution of material part of the Offer Shares under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable or incapable or not commercially viable for the Global Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents (as defined in the Hong Kong Underwriting Agreement); or (4) has or will or may or could be expected to have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of any material part of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) any of the Joint Sponsors, the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall become aware of the fact that, or have reasonable cause to believe that:

(i) any statement contained in any of this prospectus, the disclosure package, the preliminary offering circular, the final offering circular, the CSRC Filings (as defined in the Hong Kong Underwriting Agreement), the formal notice, and/or in any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) which our Company has approved for issue or use by or on behalf of our Company in connection with the Global Offering (including any supplement or amendment thereto) (the "**Offer Related Documents**") was, when it was issued, or has become, untrue, incorrect or incomplete in any material respect, misleading or deceptive, or that any forecast, estimate, expression of opinion, intention or expectation contained in any such documents is not fair and honest and based on reasonable assumptions or reasonable grounds; or

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or material misstatement in, any of Offer Related Documents; or

(iii) there is a material breach of, or any event or circumstance rendering untrue, incorrect or incomplete in any material respect or misleading, any of the warranties given by our Company or our Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable; or

(iv) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than subject to customary conditions), revoked or withheld; or

(v) the CSRC Filings and the published filing results in respect of the CSRC Filings on its website have been revoked, withdrawn, rejected or terminated; or

(vi) our Company withdraws this prospectus, the preliminary offering circular, the final offering circular or the Global Offering; or

(vii) any experts (other than the Joint Sponsors) described under "Statutory and General Information – 5. Other Information – G. Qualification of Experts" in Appendix IV to this prospectus has withdrawn its consent to the issue of this prospectus with the inclusion of its report, letters, and/or opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(viii) there is a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including pursuant to any exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(ix) a significant portion of the orders placed or confirmed in the book building process have been withdrawn, terminated or cancelled or the investment commitments by any cornerstone investors, have been withdraw, terminated or cancelled or if any cornerstone investor is unlikely to fulfil its obligation under the respective agreement(s); or

(x) any prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or

(xi) any litigation, dispute, legal action, claim, regulatory investigation or legal proceeding or action being threatened or instigated or announced against any member of our Group, any executive Director, our Company or the Controlling Shareholders; or

(xii) any Director or any member of senior management of our Company named in this Prospectus is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company or there is the commencement by any governmental, political or regulatory body of any investigation or other action against any Director or member of senior management of our Company in his or her capacity as such or any member of our Group or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action; or

(xiii) that the Chairman of the Board, any Director or any member of senior management of our Company named in this Prospectus seeks to retire, or is removed from office or vacating his/her office.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By our Company

In accordance with Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into our equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except pursuant to the Global Offering, the exercise of the Over-allotment Option and/or under the circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Global Offering, or the Over-allotment Option, it/he shall not and shall procure that the relevant registered Shareholder(s) controlled by it/him shall not, (a) in the period commencing on the date by reference to which disclosure of its/his shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) (the "**Authorised Institution**") in respect of, any of our securities that it/he is shown to beneficially own in this prospectus (the "**Relevant Shares**"); or (b) in the period of six months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that person or group of persons would cease to be a controlling shareholder.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the First Six-Month Period referred to in Rule 10.07(1)(a) of the Listing Rules, it/he will:

(a) when it/he pledges or charges any Relevant Shares in favour of an Authorised Institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and

(b) when it/he receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged Relevant Shares will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and make a public disclosure in relation to such information by way of an announcement in accordance with the Listing Rules.

Undertakings given to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), we will not, without the prior written consent of the Joint Sponsors, the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create a mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares or other securities of our Company; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other shares or securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares or other securities of our Company); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall ensure that it will not create a disorderly or false market in the securities of our Company. The warrantors (being our Controlling Shareholders and other than our Company) undertakes to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries to procure our Company to comply with the undertakings in the Hong Kong Underwriting Agreement.

By our Controlling Shareholders

Our Controlling Shareholders have undertaken to each of our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, except as pursuant to the Global Offering (including the issue of H Shares pursuant to the exercise of the Over-allotment Option) without the prior written consent of the Joint Sponsors, the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries) and unless in compliance with the requirements of the Listing Rules (including Rule 10.07(3) of the Listing Rules and Note (2) to Rule 10.07(2) of the Listing Rules),

(i) it/he/she will not, and will procure that the relevant registered holder(s) will not, at any time during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (an "**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, or any such other securities or any interest in any of the foregoing, as applicable) (the "**Relevant Shares**") or any interest in any company or entity holding, directly or indirectly, any of the Relevant Shares (the "**Holding**

Entity"), or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Shares or the interest in any Holding Entity, or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(ii) it/he/she will not, and will procure that the relevant registered holder(s) will not, during the Second Six-Month Period, enter into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he/she will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company; and

(iii) until the expiry of the Second Six-Month Period, in the event that it/he/she enters into any of the transactions specified in (i)(a), (b) or (c) above or offers to or agrees to or announce any intention to effect any such transaction, it/he/she will take all reasonable steps to ensure that it/he/she will not create a disorderly or false market in the securities of our Company.

Notwithstanding anything to the contrary contained in the above, our Controlling Shareholders shall not be prevented from conducting any of the actions in relation to any Relevant Shares as set out in the above if it/he would remain as the sole beneficial owner (whether direct or indirect) of such Relevant Shares as a result of any such action.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, within the period commencing on the date of this prospectus and ending on the date which is 12 months after the Listing Date, it/he will immediately inform our Company, the Joint Sponsors, the Overall Coordinators and the Joint Global Coordinators of:

(i) any pledges or charges of any Shares or other securities (including any interests therein) of our Company beneficially owned by it/him, together with the number of Shares or other securities (including any interests therein) of our Company so pledged or charged and the purpose for which such pledge or charge is to be created; and

(ii) any indication received by it/him, either verbal or written, from the pledgee or chargee of any Shares or other securities (including any interests therein) of our Company pledged or charged that such Shares or other securities (including any interests therein) of our Company so pledged or charged will be disposed of.

Notwithstanding anything to the contrary contained in the above, our Controlling Shareholders shall not be prevented from the disposal of any of the Shares in respect of which it/he is shown in this prospectus to be a beneficial owner (whether direct or indirect) in the following circumstances: (i) pursuant to a pledge or charge in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan; (ii) pursuant to a power of sale under the pledge or charge (granted pursuant to (i) above); or (iii) in any other exceptional circumstances to which the Stock Exchange has given its prior approval.

Underwriters' interest in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group. Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our H Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Joint Sponsors' Independence

The Joint Sponsors satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

The International Offering

International Underwriting Agreement

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares initially being offered pursuant to the International Offering. For details, see "Structure and Conditions of the Global Offering – The International Offering" in this prospectus.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters and the Capital Market Intermediaries the Over-Allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) from the Listing Date until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to issue and allot up to an aggregate of 9,799,500 additional Offer Shares, representing 15.0% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover, among other things, any over-allocations in the International Offering, if any.

Total Commission and Expenses

The Underwriters and the Capital Market Intermediaries will receive an underwriting commission equal to 2.16% of the aggregate Offer Price of all the Offer Shares, including Offer Shares to be issued pursuant to the Over-Allotment Option (the "**Fixed Fees**"). Our Company may, at our sole and absolute discretion, pay to all the Underwriters and the Capital Market Intermediaries an incentive fee not exceeding 1.84% of the Offer Price of all the Offer Shares (including Offer Shares to be issued pursuant to the Over-Allotment Option) (collectively, the "**Discretionary Fees**"). The ratio of Fixed Fees and Discretionary Fees payable to all Underwriters and the Capital Market Intermediaries is therefore approximately 54:46. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters (and not the Hong Kong Underwriters). No additional fee will be payable by our Company to the Underwriters and the Capital Market Intermediaries. The Joint Sponsors will, in addition, receive a fee acting as the sponsor to the Listing and will be reimbursed for their expenses.

Assuming the Over-Allotment Option, if any, is not exercised and based on an Offer Price of HK$26.39, the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, AFRC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses, payable by our Company relating to the Global Offering, are estimated to amount in aggregate to HK$117.6 million in total and are payable by us.

Joint Sponsors' Fee

A total amount of US$780,000 is payable by our Company as sponsor fees to the Joint Sponsors.

Indemnity

We have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries (for themselves and on trust for its directors, supervisors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including liabilities under the U.S. Securities Act, losses arising from their performance of their obligations under the Underwriting Agreements and any breach by us of the Underwriting Agreements, as the case may be.

Over-Allotment and Stabilization

Details of the arrangements relating to the stabilization and Over-allotment Option, if any, are set forth in "Structure and Conditions of the Global Offering – Stabilization", and "Structure and Conditions of the Global Offering – Over-allotment Option".

Activities by Syndicate Members

The Hong Kong Underwriters and the International Underwriters (together, the "**Syndicate Members**") and their respective affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their respective affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members or their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities in relation with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to issues by the Syndicate Members or their respective affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members or their respective affiliates will be subject to certain restrictions, including the following: (a) the Syndicate Members or their respective affiliates (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and (b) the Syndicate Members or their respective affiliates must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO which includes the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, derivative and other services to us and our affiliates, for which the Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-allotment Option):

(i) the Hong Kong Public Offering of initially 6,533,000 H Shares in Hong Kong as described below in the subsection headed "– The Hong Kong Public Offering" in this section below; and

(ii) the International Offering of an aggregate of initially 58,797,000 H Shares to be offered outside the United States in reliance on Regulation S. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Joint Global Coordinators, as representatives of the International Underwriters, have an option to require the Company to issue and allot up to an aggregate of 9,799,500 additional H Shares, representing 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both. The Offer Shares will represent approximately 16.0% of the enlarged issued share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 17.9% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the subsection headed "– The International Offering – Over-allotment Option" below. The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the subsection headed "– The Hong Kong Public Offering – Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 6,533,000 H Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering. The Hong Kong Offer Shares will represent approximately 1.6% of the Company's registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offering is subject to the conditions as set out in the subsection headed "– Conditions of the Global Offering" below.

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications to be received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B (with any odd lots being allocated to pool A). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly.

For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 3,266,500 Hong Kong Offer Shares (being 50% of the 6,533,000 Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Overall Coordinators. Subject to the allocation cap described in the subsequent paragraph, the Overall Coordinators may in its discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Overall Coordinators will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate. In the event of reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering in the circumstances where (a) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, or (b) the

International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then up to 3,266,500 Offer Shares may be reallocated from the International Offering to the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase up to 9,799,500 Offer Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option) in accordance with Chapter 4.14 of the Guide for New Listing Applicants. In the circumstance where the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are undersubscribed, there will be no reallocation from the International Offering to the Hong Kong Public Offering, and no over-allocation of H Shares to the Hong Kong Public Offering.

Given the initial allocation of the Offer Shares to the Hong Kong Public Offering and the International Offering follows Mechanism B set out under paragraph 2 of Chapter 4.14 of the Guide and the provision of Paragraph 4.2(b) of Practice Note 18 of the Listing Rules, no mandatory clawback or reallocation mechanism is required to increase the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Tuesday, 19 May 2026.

Where the International Offer Shares are undersubscribed, if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and the Underwriting Agreements.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) under the International Offering.

The listing of the H Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering may be are required to pay, on application (subject to application channels), the Offer Price of HK$26.39 per Hong Kong Offer Share in addition to any brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable on each Hong Kong Offer Share, amounting to a total of HK$2,665.61 for one board lot of 100 H Shares. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares".

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of 58,797,000 H Shares representing approximately 90% of the total number of Offer Shares under the Global Offering and 14.4% of the Company's enlarged share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the subsection headed "– Book Building" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell the Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and our Shareholders as a whole.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered the International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that he/she/it is excluded from any application of the Hong Kong Offer Shares under the International Offering.

Reallocation

The total number of the Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Overall Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Overall Coordinators have the right, exercisable at any time from the Listing Date until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, to require the Company to issue and allot up to an aggregate of 9,799,500 additional Offer Shares, representing 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price, to cover over-allocation in the International

Offering. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 2.3% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made. The Overall Coordinators may also cover any over-allocations by purchasing the H Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations.

STABILIZATION

Stabilization is a usual practice used by underwriters in many markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases to be made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering.

The number of the H Shares that may be over-allocated will not exceed the number of the H Shares that may be sold under the Over-allotment Option, namely, 9,799,500 H Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocation for the purpose of preventing or minimising any reduction in the market price of the H shares;

(b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimising any deduction in the market price;

(c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimising any reduction in the market price;

(e) selling the H Shares to liquidate a long position held as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Sunday, 14 June 2026. As a result, demand for the H Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the H Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by applicants. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

BOOK BUILDING

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring the International Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Overall Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price stated below in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of the Company (**https://www.topnc.com.cn**) notices of the reduction, the cancellation of the Global Offering and the relaunch of the Global Offering at the revised number of Offer Shares and/or the revised Offer Price. This notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as set out in this Prospectus, as well as any other financial information which may change as a result of the reduction.

We will, as soon as practicable following the decision to make the reduction, in addition to publishing the notice, issue a supplemental Prospectus containing details in relation to the change in the number of Offer Shares being offered and/or the Offer Price. The Global Offering will be cancelled and subsequently relaunched on FINI pursuant to the supplemental Prospectus.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include such information as agreed with the Stock Exchange which may change materially as a result of any such reduction. In the absence of any such notice of reduction published as described in this paragraph, the number of Offer Shares will not be reduced.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around 18 May 2026.

These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed "Underwriting" in this prospectus.

ADMISSION OF THE H SHARES INTO CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 20 May 2026, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 20 May 2026. The H Shares will be traded in board lots of 100 H Shares each and the stock code of the H Shares will be 7688.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);

(ii) the execution and delivery of the International Underwriting Agreement on or around 18 May 2026; and

(iii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of the Company (**https://www.topnc.com.cn**) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate Company account(s) with the receiving banks or other licenced bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Tuesday, 19 May 2026 but will only become valid evidence of title at 8:00 a.m. on Wednesday, 20 May 2026 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus has not been exercised. Investors who trade the Offer Shares prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews> New Listings > New Listing Information" section, and our website at https://www.topnc.com.cn.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address (for the **HK eIPO White Form** service only).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director, supervisor or any of his/her close associates.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Tuesday, 12 May 2026 and end at 12:00 noon on Friday, 15 May 2026 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	**Platform**	**Target Investors**	**Application Time**
HK eIPO White Form service	**www.hkeipo.hk**	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Tuesday, 12 May 2026 to 11:30 a.m. on Friday, 15 May 2026, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Friday, 15 May 2026, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit **electronic application instructions** on your behalf through HKSCC's FINI system in accordance with your instruction.	Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Participant's stock account.

The **HK eIPO White Form** service and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorised to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorised the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. HKID card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. LEI registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.

2. The applicant's full name as shown on their identity document must be used and the surname, given name, middle and other names (if any) must be input in the same order as shown on the identity document. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card (including both Hong Kong Residents and Hong Kong Permanent Residents), the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint account holders on FINI is capped at 4[*(Note)*] in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of the company;
   - control more than half of the voting power of the company; or
   - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

Note: Subject to change, if our Articles of Association and applicable company law prescribe a lower cap.

For those applying through HKSCC EIPO channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size	100 H Shares
Permitted number of Hong Kong Offer Shares for application and amount payable on application/ successful allotment	Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below. The Offer Price is HK$26.39 per H Share. If you are applying through the HKSCC EIPO channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your broker or custodian.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment *HK$*
100	2,665.61	2,000	53,312.29	10,000	266,561.44	300,000	7,996,842.95
200	5,331.23	2,500	66,640.36	20,000	533,122.86	400,000	10,662,457.25
300	7,996.84	3,000	79,968.43	30,000	799,684.30	500,000	13,328,071.58
400	10,662.47	3,500	93,296.50	40,000	1,066,245.72	600,000	15,993,685.89
500	13,328.08	4,000	106,624.57	50,000	1,332,807.16	700,000	18,659,300.20
600	15,993.68	4,500	119,952.65	60,000	1,599,368.59	800,000	21,324,914.52
700	18,659.30	5,000	133,280.72	70,000	1,865,930.02	900,000	23,990,528.84
800	21,324.91	6,000	159,936.87	80,000	2,132,491.45	1,000,000	26,656,143.16
900	23,990.53	7,000	186,593.01	90,000	2,399,052.88	2,000,000	53,312,286.30
1,000	26,656.14	8,000	213,249.15	100,000	2,665,614.31	3,266,500(1)	87,072,291.60
1,500	39,984.22	9,000	239,905.29	200,000	5,331,228.64		

Notes:

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** service) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under "– A. Application for Hong Kong Offer Shares – 3. Information Required to Apply". If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply further for any Offer Shares in the Global Offering.

6. Terms and Conditions of an Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorise us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(iii) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "**Relevant Persons**"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share

Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under "– G. Personal Data – 3. Purposes" and "– G. Personal Data – 4. Transfer of personal data";

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in "– B. Publication of Results";

(x) confirm that you are aware of the situations specified in "– C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares";

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** service or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and the **HK eIPO White Form** Service Provider and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		**Date/Time**
website:	From the "**Allotment Results**" page at **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a "search by ID" function. The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result**.	24 hours, from 11:00 p.m. on Tuesday, 19 May 2026 to 12:00 midnight on Monday, 25 May 2026 (Hong Kong time)
	The Stock Exchange's website at **www.hkexnews.hk** and our website at **https://www.topnc.com.cn** which will provide links to the above mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Tuesday, 19 May 2026 (Hong Kong time)

Platform		Date/Time
Telephone	+852 3691 8488 – the allocation results telephone enquiry line provided by the H Share Registrar	between 9:00 a.m. and 6:00 p.m., from Wednesday, 20 May 2026 to Tuesday, 26 May 2026 (Hong Kong time) on a business day

For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from 6:00 p.m. on Monday, 18 May 2026 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Monday, 18 May 2026 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **https://www.topnc.com.cn** by no later than 11:00 p.m. on Tuesday, 19 May 2026 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to "– A. Application for Hong Kong Offer Shares – 5. Multiple Applications Prohibited" on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted H Shares

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their Designated Bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid at 8:00 a.m. on Wednesday, 20 May 2026 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	HK eIPO White Form service	**HKSCC EIPO channel**
Despatch/collection of Share certificate[(1)]		
For application of 1,000,000 Hong Kong Offer Shares or more	Collection in person at the H Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.	H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account
	Time: 9:00 a.m. to 1:00 p.m. on Wednesday, 20 May 2026 (Hong Kong time)	No action by you is required
	If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop.	
	Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.	
	Note: If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk	

Note:

(1) In case a Severe Weather Signal in force is hoisted in the morning on Tuesday, 19 May 2026, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "– E. Severe Weather Arrangements".

	HK eIPO White Form service	HKSCC EIPO channel
For application of less than 1,000,000 Hong Kong Offer Shares	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk Date: Tuesday, 19 May 2026	

Refund mechanism for surplus application monies paid by you

Date	Wednesday, 20 May 2026	Subject to the arrangement between you and your broker or custodian
Responsible party	H Share Registrar	Your broker or custodian
Application monies paid through single bank account	**HK eIPO White Form** e-Auto Refund payment instructions to your designated bank account	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Friday, 15 May 2026 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions, (collectively, "**Severe Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 15 May 2026.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in "Expected Timetable", an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **https://www.topnc.com.cn** of the revised timetable.

If a Severe Weather Signal is hoisted on Tuesday, 19 May 2026, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository's service counter so that they would be available for trading on Wednesday, 20 May 2026.

If a Severe Weather Signal is hoisted on Tuesday, 19 May 2026, for application of less than 1,000,000 Hong Kong Offer Shares, the despatch of physical H Share certificates will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Tuesday, 19 May 2026 or on Wednesday, 20 May 2026).

If a Severe Weather Signal is hoisted on Wednesday, 20 May 2026, for application of 1,000,000 Hong Kong Offer Shares or more, physical H Share certificates will be available for collection in person at the H Share Registrar's office after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, 20 May 2026 or on Thursday, 21 May 2026).

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the H Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the H Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and

- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving banks and overseas principal share registrar;

- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;

- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and

- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate Information" or as notified from time to time, for the attention of the company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report received from our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in the prospectus.

Ernst & Young Limited
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

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香港鰂魚涌英皇道979號
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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI TOP NUMERICAL CONTROL TECHNOLOGY CO., LTD., GUOTAI JUNAN CAPITAL LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED.

Introduction

We report on the historical financial information of Shanghai Top Numerical Control Technology Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-3 to I-76, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-3 to I-76 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 12 May 2026 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong
12 May 2026

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing as issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000
REVENUE	5	334,630	531,556	577,978
Cost of sales		(218,819)	(331,677)	(373,620)
Gross profit		115,811	199,879	204,358
Other income and gains	5	25,106	10,856	25,455
Selling and marketing expenses		(26,022)	(28,107)	(35,572)
Administrative expenses		(59,869)	(66,948)	(65,635)
Research and development expenses		(89,917)	(85,880)	(106,819)
Fair value losses on investments measured at fair value through profit or loss, net		(7,388)	(4,387)	–
Impairment losses on financial and other assets, net		(8,933)	(3,963)	(4,098)
Other expenses		(4,621)	(1,387)	(264)
Finance costs	7	(5,331)	(7,006)	(8,366)
Share of losses of an associate	16	(1,105)	(6,171)	(7,434)
(LOSS)/PROFIT BEFORE TAX	6	(62,269)	6,886	1,625
Income tax expense	10	(71)	–	–
(LOSS)/PROFIT FOR THE YEAR		(62,340)	6,886	1,625
(Loss)/profit attributable to:				
Owners of the parent		(60,523)	8,882	3,573
Non-controlling interests		(1,817)	(1,996)	(1,948)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted *(RMB)*	12	(0.18)	0.03	0.01

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	(62,340)	6,886	1,625
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations	(798)	478	(1,009)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	(798)	478	(1,009)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(63,138)	7,364	616
Attributable to:			
Owners of the parent	(61,321)	9,360	2,564
Non-controlling interests	(1,817)	(1,996)	(1,948)
	(63,138)	7,364	616

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	33,151	71,803	120,663
Right-of-use assets	14	67,160	104,998	94,684
Other intangible assets	15	31,368	29,097	26,965
Investments in an associate	16	36,927	20,020	7,303
Contract assets	22	7,086	12,859	2,168
Prepayments, other receivables and other assets	23	747	1,882	5,218
Total non-current assets		176,439	240,659	257,001
CURRENT ASSETS				
Inventories	20	588,548	486,095	255,354
Contract assets	22	10,455	24,392	22,817
Trade and bills receivables	21	97,786	60,010	206,008
Prepayments, other receivables and other assets	23	74,428	29,041	50,761
Investments measured at fair value through profit or loss	18	11,619	–	–
Restricted cash	24	14,222	10,351	12,273
Cash and cash equivalents	24	148,386	133,538	208,930
Total current assets		945,444	743,427	756,143
CURRENT LIABILITIES				
Trade and bills payables	25	228,429	146,726	111,905
Other payables and accruals	26	38,969	45,569	67,520
Contract liabilities	27	573,397	341,779	266,008
Interest-bearing bank borrowings	28	40,111	144,321	184,840
Lease liabilities	14	32,297	25,811	19,102
Tax payable		7	–	–
Deferred income	29	2,102	9,330	6,028
Provision	30	9,955	17,395	20,187
Total current liabilities		925,267	730,931	675,590
NET CURRENT ASSETS		20,177	12,496	80,553
TOTAL ASSETS LESS CURRENT LIABILITIES		196,616	253,155	337,554

	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	28	–	38,066	109,810
Lease liabilities	14	58,555	43,522	32,655
Deferred income	29	4,541	2,511	15,315
Total non-current liabilities		63,096	84,099	157,780
Net assets		133,520	169,056	179,774
EQUITY				
Equity attributable to owners of the parent				
Share capital	31	34,395	34,395	34,395
Reserves	33	103,058	140,590	153,256
		137,453	174,985	187,651
Non-controlling interests		(3,933)	(5,929)	(7,877)
Total equity		133,520	169,056	179,774

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent								
	Share capital	**Share premium and other reserve***	**Share -based payment reserve***	**Specific reserve***	**Exchange fluctuation reserve***	**Accumulated losses***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 31	*Note 33*	*Note 32*	*Note 33*	*Note 33*				
As at 1 January 2023	34,013	504,428	6,116	7,022	(569)	(417,118)	133,892	(2,116)	131,776
Loss for the year	–	–	–	–	–	(60,523)	(60,523)	(1,817)	(62,340)
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(798)	–	(798)	–	(798)
Total comprehensive loss for the year	–	–	–	–	(798)	(60,523)	(61,321)	(1,817)	(63,138)
Share-based payments *(note 32)*	–	–	1,291	–	–	–	1,291	–	1,291
Shareholders' capital injection	382	63,209	–	–	–	–	63,591	–	63,591
Appropriation and utilisation of specific reserve	–	–	–	(552)	–	552	–	–	–
As at 31 December 2023	34,395	567,637	7,407	6,470	(1,367)	(477,089)	137,453	(3,933)	133,520

Year ended 31 December 2024

	Attributable to owners of the parent								
	Share capital	Share premium and other reserve*	Share-based payment reserve*	Specific reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 31	*Note 33*	*Note 32*	*Note 33*	*Note 33*				
As at 1 January 2024	34,395	567,637	7,407	6,470	(1,367)	(477,089)	137,453	(3,933)	133,520
Profit for the year	–	–	–	–	–	8,882	8,882	(1,996)	6,886
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	478	–	478	–	478
Total comprehensive income for the year	–	–	–	–	478	8,882	9,360	(1,996)	7,364
Share-based payments *(note 32)*	–	–	6,489	–	–	–	6,489	–	6,489
Shareholders' Contribution**	–	21,683	–	–	–	–	21,683	–	21,683
Appropriation and utilisation of specific reserve	–	–	–	(139)	–	139	–	–	–
As at 31 December 2024	34,395	589,320	13,896	6,331	(889)	(468,068)	174,985	(5,929)	169,056

Year ended 31 December 2025

	Attributable to owners of the parent								
	Share capital	Share premium and other reserve*	Share-based payment reserve*	Specific reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 31	*Note 33*	*Note 32*	*Note 33*	*Note 33*				
As at 1 January 2025	34,395	589,320	13,896	6,331	(889)	(468,068)	174,985	(5,929)	169,056
Profit for the year	–	–	–	–	–	3,573	3,573	(1,948)	1,625
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(1,009)	–	(1,009)	–	(1,009)
Total comprehensive income for the year	–	–	–	–	(1,009)	3,573	2,564	(1,948)	616
Share-based payments *(note 32)*	–	–	8,588	–	–	–	8,588	–	8,588
Shareholders' Contribution**	–	1,514	–	–	–	–	1,514	–	1,514
Appropriation and utilisation of specific reserve	–	–	–	(65)	–	65	–	–	–
As at 31 December 2025	34,395	590,834	22,484	6,266	(1,898)	(464,430)	187,651	(7,877)	179,774

* These reserve accounts represent the total consolidated reserves of RMB103,058,000, RMB140,590,000 and RMB153,256,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

** Mr. Wang Yuhan granted restricted share to eligible employees, the subscription payment received included a contribution of RMB73.22 and RMB7.32 per share to the Company as at 31 December 2024 and 2025, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES				
(Loss)/profit before tax		(62,269)	6,886	1,625
Adjustments for:				
Finance costs	7	5,331	7,006	8,366
Share of losses of associates		1,105	6,171	7,434
Interest income	5	(2,259)	(636)	(330)
Fair value losses on investments measured at fair value through profit or loss	6	7,388	4,387	–
Loss/(gain) on disposal of items of property, plant and equipment	6	3,543	115	(94)
Loss/(gain) on lease term termination	14	–	2	(51)
Gain on disposal of equity investments at fair value through profit or loss	5	–	(367)	–
Loss on disposal of investment in an associate		170	–	–
Impairment loss recognised on financial and other assets, net	6	8,933	3,963	4,098
Write-down of inventories to net realisable value	6, 20	6,532	5,290	18,431
Foreign exchange (gain)/loss		(314)	89	(237)
Depreciation of property, plant and equipment	6, 13	12,638	12,452	11,291
Amortisation of intangible assets	6, 15	6,543	5,332	5,759
Depreciation of right-of-use assets	6, 14	13,653	15,851	14,193
Charge of share-based compensation costs	6, 32	1,291	6,489	8,588
Warranty provision	6, 30	8,935	13,697	14,388
Amortisation of deferred income		(1,261)	(415)	(180)
Elimination of down-stream sales		10,291	10,736	5,283
		20,250	97,048	98,564

	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000
(Increase)/decrease in inventories		(151,319)	95,057	206,549
(Increase)/decrease in trade and bills receivables		(31,984)	32,194	(150,528)
(Increase)/decrease in prepayments, other receivables and other assets		(11,685)	45,376	(20,616)
(Increase)/decrease in contract assets		(10,424)	(20,451)	12,716
Increase/(decrease) in trade and bills payables		36,491	(78,167)	(57,500)
(Decrease)/increase in other payables and accruals		(33,741)	6,325	21,780
Decrease in contract liabilities		(71,686)	(231,619)	(76,250)
Decrease/(increase) in restricted cash		2,990	3,872	(1,922)
Increase in deferred income		1,988	5,613	9,682
Decrease in provision		(8,689)	(6,257)	(11,596)
Cash (used in)/from operations		(257,809)	(51,009)	30,879
Interest paid		(235)	(2,923)	(5,485)
Income tax paid		(68)	(7)	–
Net cash flows (used in)/from operating activities		(258,112)	(53,939)	25,394
CASH FLOWS USED IN INVESTING ACTIVITIES				
Proceeds from disposal of items of property, plant and equipment		60	10	171
Purchases of items of property, plant, equipment		(13,137)	(51,357)	(37,064)
Additions to other intangible assets		(540)	(3,114)	(1,915)
Additions to land use right		(8,363)	(47,555)	(86)
Purchases of equity investments at fair value through profit or loss		(130)	–	–
Proceeds from disposal of equity investments at fair value through profit or loss		–	7,599	–
Disposal of an associate		5,335	–	–
Interest received		2,259	636	330
Net cash flows used in investing activities		(14,516)	(93,781)	(38,564)

	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from issue of shares		63,591	–	–
Shareholders' contribution		–	21,683	1,514
Lease payments		(28,574)	(31,484)	(23,913)
Proceeds from interest-bearing bank borrowings		40,000	197,189	323,251
Repayment of interest-bearing bank borrowings		–	(55,000)	(211,100)
Payment of listing fee		–	–	(1,190)
Net cash flows from financing activities		75,017	132,388	88,562
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(197,611)	(15,332)	75,392
Cash and cash equivalents at beginning of year		346,823	148,386	133,538
Effect of foreign exchange rate changes, net		(826)	484	–
Cash and cash equivalents at end of year		148,386	133,538	208,930
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	24	162,608	143,889	221,203
Less: Restricted cash	24	(14,222)	(10,351)	(12,273)
Cash and cash equivalents as stated in the statements of cash flows and statements of financial position		148,386	133,538	208,930

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	25,571	25,656	47,018
Right-of-use assets	14	57,964	96,575	86,649
Other intangible assets	15	4,519	5,604	6,828
Investments in associates	16	36,927	20,020	7,303
Contract assets	22	7,086	12,859	2,168
Prepayments, other receivables and other assets	23	219	150	800
Investments in subsidiaries	17	74,000	84,000	84,000
Total non-current assets		206,286	244,864	234,766
CURRENT ASSETS				
Inventories	20	559,220	461,479	202,537
Contract assets	22	10,455	24,392	22,817
Trade and bills receivables	21	97,253	56,430	205,477
Prepayments, other receivables and other assets	23	109,788	65,964	95,252
Investments measured at fair value through profit or loss	18	11,619	–	–
Restricted cash		10,333	6,668	11,698
Cash and cash equivalents	24	145,043	130,973	190,367
Total current assets		943,711	745,906	728,148
CURRENT LIABILITIES				
Trade and bills payables	25	192,189	121,370	71,255
Other payables and accruals	26	97,798	95,828	104,536
Contract liabilities	27	558,983	327,976	256,949
Interest-bearing bank borrowings	28	40,111	144,305	165,413
Lease liabilities	14	31,539	25,619	19,102
Deferred income	29	2,102	9,330	5,641
Provision	30	9,955	17,395	20,187
Total current liabilities		932,677	741,823	643,083
NET CURRENT ASSETS		11,034	4,083	85,065
TOTAL ASSETS LESS CURRENT LIABILITIES		217,320	248,947	319,831

	Notes	2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	28	–	6,000	68,689
Lease liabilities	14	58,517	43,522	32,655
Deferred income	29	4,541	2,511	15,315
Total non-current liabilities		63,058	52,033	116,659
Net assets		154,262	196,914	203,172
EQUITY				
Share capital	31	34,395	34,395	34,395
Reserves	33	119,867	162,519	168,777
Total equity		154,262	196,914	203,172

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Shanghai Top Numerical Control Technology Co., Ltd. was incorporated as a limited liability company on 18 May 2007. The registered office of the Company is located at No. 888, Guanghua Road, Minhang District, Shanghai, the People's Republic of China (the "PRC"). On 23 November 2016, the Company was converted into a joint stock company with limited liability.

During the Relevant Periods, the Company and its subsidiaries (collectively, the "Group") were involved in the following principal activities:

- research and development, production and sales of Computer Numerical Control ("CNC") machine tools
- provision of repair and maintenance service for CNC machine tools

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of the major subsidiary is set out below:

Name	*Note*	**Place and date of incorporation/ registration and place of operation**	**Issued ordinary/ registered share capital**	**Percentage of equity attributable to the Company** %	**Principal activities**
Directly held:					
Top CNC Technology (Jiaxing) Co., Ltd. ("**Jiaxing Top**") 拓璞數控技術(嘉興)有限公司	(1)	PRC/ Chinese mainland 9 September 2023	RMB100,000,000	100.00	Manufacturing CNC machine tools

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

Note:

(1) No audited financial statement has been prepared for this entity since its date of incorporation.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been consistently adopted by the Group in the preparation of the Historical Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for investments measured at fair value through profit or loss, which have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and amended IFRS Accounting Standards, if applicable, when they become effective.

Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[1]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[1]
IFRS 18	*Presentation and Disclosure in Financial Statements*[2]
IFRS 19 and its amendments	*Subsidiaries without Public Accountability: Disclosures*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 21	*Translation to a Hyperinflationary Presentation Currency*[2]
Annual Improvements to IFRS Accounting Standards - Volume 11	*Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[1]

1 Effective for annual periods beginning on or after 1 January 2026
2 Effective for annual/reporting periods beginning on or after 1 January 2027
3 No mandatory effective date yet determined but available for adoption

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below.

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies*, *Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and statement of cash flows and additional disclosure will be included in the financial statements.

The Group has already commenced an assessment of the impact of these new and revised IFRS Accounting Standards, which are relevant to the Group's operations. According to the preliminary assessment made by the directors, except for IFRS 18 which is still under assessment, no significant impact on the financial performance and financial position of the Group is expected when other new and revised IFRS Accounting Standards become effective.

2.3 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each of reporting period.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 5 years, which is mainly determined by reference to the licenced period of the purchased software.

Patents, licences and technology

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years, which is mainly determined by reference to the period during which such assets are expected to bring economic benefits to the Group.

Research and development costs

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land use right	50 years
Plant and properties	1.25 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings, machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Trade receivables and bills receivable

Trade receivables and bills receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of accounts receivable is expected in one year or less, they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables and bills receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables and the majority of bills receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Certain of the bills receivable were held within a business model with the objective of both holding to collect contractual cash flows and selling and were classified as financial assets measured at fair value through other comprehensive income. See "Impairment of financial assets" below for further information about the Group's impairment policies.

Trade payables and bills payable

Trade payables and bills payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables and bills payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of reporting period, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Except for debtors that are credit-impaired are assessed for ECLs individually, collective assessment is performed by grouping debtors based on external credit ratings and the industry features of debtors.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Classification as equity and financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and equity instrument.

A financial liability is any liability that is (a) a contractual obligation (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or (b) a contract that will or may be settled in the entity's own equity instruments and is: (i) a non derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks.

Provisions

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

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

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

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

Sales of CNC machine tools

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

Repair and maintenance services

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

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

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

Several employee incentive schemes are operated for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined based on recent capital injection price or market-based valuation techniques, further details of which are given in note 32 to the Historical Financial Information.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Other employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of an overseas subsidiary are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of an overseas subsidiary which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

As at 31 December 2023, 2024 and 2025, the Group has unused tax losses of RMB692,553,000, RMB758,223,000 and RMB843,383,000 in respect of which no deferred tax assets have been recognised, respectively. These tax losses related to the Company and subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The Company and subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

Further details on deferred taxes are disclosed in note 19 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Share-based payments

The Group operates employee incentive schemes for the purpose of providing incentives to the Company's directors and the Group's employees. The restricted shares are subject to a minimum service period of 5 years or until the Company successfully completes an initial public offering and its shares get listed on a stock exchange ("IPO and Listing"), whichever occurs later. Further details are contained in note 32 to the Historical Financial Information.

Provision for expected credit losses on trade receivables, commercial acceptance bills receivable, contract assets and other receivables

The trade receivables, commercial acceptance bills receivable, contract assets and other receivables that are credit-impaired are assessed for ECLs individually. Collective assessment is performed by grouping debtors based on external credit ratings and the industry features of debtors. The information about the ECLs on the Group's receivables and contract assets are disclosed in notes 21, 22 and 23 to the Historical Financial Information.

Estimation of provision for warranty claims

The warranty period is generally 1 to 2 years after the control of goods is transferred to the customers. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trend that might suggest that past information about cost may differ from future claims.

Estimated fair value of investments measured at fair value through profit or loss

The fair value of financial investments that are not traded in an active market, such as unlisted investments measured at fair value is determined using valuation techniques. The Group uses its judgement to select methods and make assumptions that are consistent with the characteristics of the assets considered by market participants in the transactions of related assets. The Group uses the relevant observable inputs as much as possible and uses unobservable input value if the relevant observable inputs cannot be obtained or are not feasible, such as estimation of liquidity adjustments. The key assumptions adopted on the valuation methodologies are set out in note 40 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

Management has determined the operating segment based on the information reviewed by the Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment. The chief operating decision maker has been identified as the executive directors of the Company.

For management purposes, the Group is not organised into business units based on their products and services and only has one reportable operating segment. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Almost all the non-current assets of the Group are physically located in Chinese mainland. The geographical location of customers is based on the location at which the customers operate, and almost all of the revenue of the Group was derived from operations in Chinese mainland during the Relevant Periods.

Information about major customers

Revenue from the external customers that have contributed over 10% of the total revenue of the Group for the years ended 31 December 2023, 2024 and 2025 were as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Customer Group A	54,498	68,419	*
Customer Group B[(a)]	195,355	*	60,307
Customer Group C	*	129,635	86,731
Customer D	–	103,415	–
Customer E	–	76,120	277,765
Total	249,853	377,589	424,803

* Less than 10% of the Group's revenue

(a) Revenue from the end user, Chengdu Chenfei Zhijiang Technology Co., Ltd. ("**Chengdu Chenfei**"), an associate of the Group, amounted to RMB126,839,000 for the year ended 31 December 2023.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers	334,630	531,556	577,978

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
Sales of CNC machine tools	328,565	527,273	576,284
Repair and maintenance services	6,065	4,283	1,694
Total	334,630	531,556	577,978

Since almost all of the revenue of the Group was derived from operations in Chinese mainland during the Relevant Periods, revenue from the overseas markets of the Group is assessed as not material.

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Timing of revenue recognition			
Goods or services transferred at a point in time	334,630	531,556	577,978

(b) ***Performance obligations***

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	203,048	361,914	310,069

Information about the Group's performance obligations is summarised below:

Sales of CNC machine tools and spare parts

The performance obligation is satisfied upon acceptance and the payment terms generally vary from 12 to 24 months after signing of contract.

Repair and maintenance services

The Group provides repair services to customers. Such services are recognised at the point in time as the Group has completed the services.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Amounts expected to be recognised as revenue:			
Within one year	513,847	515,359	318,134
After one year	481,711	57,430	342,661
Total	995,558	572,789	660,795

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Government grants and subsidies	22,338	9,338	23,979
Interest income	2,259	636	330
Total other income	24,597	9,974	24,309
Gains			
Gain on disposal of investments measured at fair value through profit or loss	–	367	–
Exchange gain	314	–	237
Others	195	515	909
Total gains	509	882	1,146
Total	25,106	10,856	25,455

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

		Year ended 31 December		
		2023	2024	2025
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Cost of goods sold*		193,065	296,661	321,941
Depreciation of property, plant and equipment	13	12,638	12,452	11,291
Depreciation of right-of-use assets	14	13,653	15,851	14,193
Amortisation of other intangible assets	15	6,543	5,332	5,759
Research and development costs*		19,440	16,316	36,188
Lease payments not included in the measurement of lease liabilities	14	2,471	2,669	1,945
Employee benefit expense (including directors' and chief executive's remuneration *(note 8)*):		139,298	146,759	132,649
Wages and salaries		110,697	112,167	101,792
Share-based payment	32	1,291	6,489	8,588
Pension scheme contributions and social welfare		27,310	28,103	26,337
Impairment of financial and other assets, net		8,933	3,963	4,098
Write-down of inventories to net realisable value	20	6,532	5,290	18,431
Warranty provision	30	8,935	13,697	14,388
Loss/(gain) on disposal of items of property, plant and equipment		3,543	115	(94)
Fair value losses on investments measured at fair value through profit or loss		7,388	4,387	–
Listing expense		–	–	14,395

* The depreciation of property, plant and equipment, the depreciation of right-of-use assets and the amortisation of other intangible assets related to manufacturing and research and development for the Relevant Periods are included in "Depreciation of property, plant and equipment", "Depreciation of right-of-use assets" and "Amortisation of other intangible assets", respectively. The labour costs related to manufacturing and research and development for the Relevant Periods are included in "Employee benefit expense".

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on loans and borrowings	514	3,519	6,394
Interest on lease liabilities	4,817	3,829	2,595
Total interest expense on financial liabilities not at fair value through profit or loss	5,331	7,348	8,989
Less: Interest capitalised	–	(342)	(623)
Total	5,331	7,006	8,366

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

Directors', chief executive's and supervisors' remuneration for the Relevant Periods is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Fees	339	360	210
Other emoluments:			
Salaries, bonuses, allowances and benefits in kind	4,650	3,731	2,668
Performance related bonuses*	215	1,777	230
Share-based payment expenses	172	821	2,363
Pension scheme contributions	588	597	388
Subtotal	5,625	6,926	5,649
Total	5,964	7,286	5,859

* Certain executive directors of the Company are entitled to bonus payments which are determined by key performance indicators.

During the Relevant Periods, certain directors were granted restricted shares, in respect of their services to the Group, under the restricted share award scheme of the Company, further details of which are set out in note 32 to the Historical Financial Information. The difference between the fair value of the shares granted and the subscription price was recorded in the share-based payment reserve within equity with the corresponding "share-based payment expenses" in profit or loss over the vesting period. The amount of the share-based payment expenses during the Relevant Periods is included in the above directors', chief executive's and supervisors' remuneration disclosures.

The remuneration of each director/supervisor of the Company paid/payable by the Group (including emoluments for services as employees of the group entities prior to becoming the directors/supervisors of the Company) for the Relevant Periods is set out as follows:

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
Mr. Zhu Xiangyang (i)	43	–	–
Mr. Tang Limin (i)	43	–	–
Mr. Huang Jun (ii)	43	–	–
Mr. Yan Endian (iii)	70	120	60
Mr. Liu Zhifeng (iii)	70	120	30
Mr. Feng Hutian (iii)	70	120	120
Total	339	360	210

(i) On 20 June 2017, 31 December 2019 and 22 December 2022, Mr. Zhu Xiangyang and Mr. Tang Limin were appointed and re-appointed as independent non-executive directors of the Company. The terms of office of independent directors, Mr. Zhu Xiangyan and Mr. Tang Limin were 6 years and expired on 26 May 2023.

(ii) On 22 December 2022, Mr. Huang Jun was appointed as independent non-executive director of the Company. Mr. Huang Jun resigned on 26 May 2023.

(iii) On 26 May 2023, Mr. Yan Endian, Mr. Liu Zhifeng and Mr. Feng Hutian were appointed as independent non-executive directors of the Company. Mr. Yan Endian resigned on 11 April 2025. Mr. Liu Zhifeng resigned on 28 March 2025.

(b) The chief executive, executive directors, non-executive directors and supervisors

	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Share-based payment expenses *RMB'000*	Pension scheme contributions and social welfare *RMB'000*	Total remuneration *RMB'000*
Year ended 31 December 2023					
Chief executive:					
Mr. Wang Yuhan (i)	1,646	25	46	159	1,876
Executive directors:					
Mr. Li Yuhao (ii)	849	42	–	143	1,034
Mr. Bi Qingzhen (ii)	832	–	–	–	832
Subtotal	1,681	42	–	143	1,866
Non-executive directors:					
Mr. Li Yonghao (iii)	–	–	–	–	–
Mr. Li Qingfeng (iv)	–	–	–	–	–
Ms. Tang Huan (v)	–	–	–	–	–
Subtotal	–	–	–	–	–
Supervisors:					
Mr. Liu Chongyi (vi)	–	–	–	–	–
Mr. Song Zhipeng (vii)	523	48	63	143	777
Mr. Zhong Lei (viii)	800	100	63	143	1,106
Subtotal	1,323	148	126	286	1,883
Total	4,650	215	172	588	5,625

	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Share-based payment expenses *RMB'000*	Pension scheme contributions and social welfare *RMB'000*	Total remuneration *RMB'000*
Year ended 31 December 2024					
Chief executive:					
Mr. Wang Yuhan (i)	1,566	1,500	537	159	3,762
Executive directors:					
Mr. Li Yuhao (ii)	846	–	–	146	992
Mr. Bi Qingzhen (ii)	–	–	–	–	–
Subtotal	846	–	–	146	992
Non-executive directors:					
Mr. Li Yonghao (iii)	–	–	–	–	–
Mr. Li Qingfeng (iv)	–	–	–	–	–
Ms. Tang Huan (v)	–	–	–	–	–
Subtotal	–	–	–	–	–
Supervisors:					
Mr. Liu Chongyi (vi)	–	–	–	–	–
Mr. Song Zhipeng (vii)	520	59	107	146	832
Mr. Zhong Lei (viii)	799	218	177	146	1,340
Subtotal	1,319	277	284	292	2,172
Total	3,731	1,777	821	597	6,926
Year ended 31 December 2025					
Chief executive:					
Mr. Wang Yuhan (i)	1,557	123	2,052	159	3,891
Executive directors:					
Mr. Li Yuhao (ii)	170	–	–	36	206
Mr. Bi Qingzhen (ii)	–	–	–	–	–
Mr. Yao Bin (ix)	504	80	662	97	1,343
Subtotal	674	80	662	133	1,549
Non–executive directors:					
Mr. Li Yonghao (iii)	–	–	–	–	–
Mr. Li Qingfeng (iv)	–	–	–	–	–
Ms. Tang Huan (v)	–	–	–	–	–
Subtotal	–	–	–	–	–
Supervisors: (x)					
Mr. Liu Chongyi (vi)	–	–	–	–	–
Mr. Song Zhipeng (vii)	173	–	(429)	48	(208)
Mr. Zhong Lei (viii)	264	27	78	48	417
Subtotal	437	27	(351)	96	209
Total	2,668	230	2,363	388	5,649

(i) On 31 December 2019 and 22 December 2022, Mr. Wang Yuhan was appointed and re-appointed as the chief executive director and the chairman of the board of directors of the Group.

(ii) On 31 December 2019 and 22 December 2022, Mr. Li Yuhao and Mr. Bi Qingzhen were appointed and re-appointed as executive directors of the Group. Mr. Bi Qingzhen resigned in April 2025.

(iii) On 18 July 2021 and 22 December 2022, Mr. Li Yonghao was appointed and re-appointed as a non-executive director of the Group.

(iv) On 1 December 2021, Mr. Li Qingfeng was appointed as a non-executive director of the Group.

(v) On 12 December 2022, Ms. Tang Huan was appointed as a non-executive director of the Group. Ms. Tang Huan resigned on 30 April 2025.

(vi) On 1 December 2021, Mr. Liu Chongyi was appointed as the supervisory board chairman of the Group.

(vii) On 31 December 2019, Mr. Song Zhipeng was appointed as a supervisor of the Group who had been elected by the employee congress. Mr. Song Zhipeng ceased to be a supervisor on 30 April 2025. Mr. Song Zhipeng resigned on 31 May 2025.

(viii) On 22 December 2022, Mr. Zhong Lei was appointed as a supervisor of the Group.

(ix) On 30 April 2025, Mr. Yao Bin was appointed as an executive director of the Group.

(x) The Company abolished its supervisory board on 30 April 2025.

There was no arrangement under which a director, the chief executive or a supervisor waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included one director and one supervisor at 31 December 2023, one director at 31 December 2024, and two directors at 31 December 2025, details of whose remuneration are set out in note 8 above.

Details of the remuneration of the remaining two, two and three highest paid employees who are neither a director nor a supervisor of the Company are as follows:

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	2,653	2,984	2,382
Performance related bonuses	191	595	852
Share-based payment expenses*	317	2,467	2,557
Pension scheme contributions	429	471	292
Total	3,590	6,517	6,083

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees		
	2023	**2024**	**2025**
Nil to HK$1,000,000	–	–	–
HK$1,000,001 to HK$1,500,000	3	–	–
HK$1,500,001 to HK$2,000,000	–	3	1
HK$2,000,001 to HK$2,500,000	–	1	2
Total	3	4	3

* During the Relevant Periods, certain directors were granted restricted shares, in respect of their services to the Group, under the restricted share award scheme of the Company, further details of which are set out in note 32 to the Historical Financial Information. The difference between the fair value of the shares granted and the subscription price was recorded in the share-based payment reserve within equity with the corresponding "share-based payment expenses" in profit or loss over the vesting period. The amount of the share-based payment expenses during the Relevant Periods is included in the above employees' remuneration disclosures.

10. INCOME TAX

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

Chinese mainland

The subsidiaries incorporated in Chinese mainland are subject to tax at the statutory rate of 25% on the taxable profits determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008, except for those subject to preferential tax set out below:

The Company was granted the qualification of High and New Technology Enterprise ("HNTE"). Accordingly, the Company was entitled to a preferential corporate income tax rate of 15% during the Relevant Periods.

Certain subsidiaries of the Group have applied the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy announced by the PRC's State Administration of Taxation. Pursuant to the policy announced by the PRC's State Administration of Taxation, during the period from 1 January 2023 to 31 December 2025, the portion of annual taxable income amount of a Small-Scaled Minimal Profit Corporate which does not exceed RMB1,000,000 shall be computed at a reduced rate of 25% as taxable income amount, and shall be levied at a reduced tax rate of 20%.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	71	–	–
Total tax expense for the year	71	–	–

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before tax	(62,269)	6,886	1,625
Tax at the statutory tax rate	(15,567)	1,722	406
Effect of preferential tax rates	15,822	6,555	8,506
Losses attributable to associates	276	1,543	1,859
Elimination of down-stream sales	2,573	2,684	1,321
Expenses not deductible for tax	1,028	867	386
Super deduction on research and development expenses (a)	(22,572)	(22,252)	(27,109)
Tax losses and deductible temporary differences not recognised	18,511	8,881	14,631
Tax expense at the Group's effective tax rate	71	–	–

(a) Super deductible allowance was for qualified research and development costs. According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises in the machine tool industry engaging in research and development activities are entitled to claim 220% of their research and development costs so incurred as tax deductible expenses when determining their assessable profits for the year ended 31 December 2023, 2024 and 2025.

11. DIVIDENDS

No dividends have been paid or declared by the Company during the Relevant Periods.

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share is based on the loss/profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 340,311,000, 343,952,000 and 343,952,000 in issue during the years ended 31 December 2023, 2024 and 2025, respectively, as adjusted to reflect the rights issue and share split during the Relevant Periods.

	2023	2024	2025
(Loss)/Earnings			
(Loss)/Earnings attributable to ordinary equity holders of the parent *(RMB'000)*	(60,523)	8,882	3,573
Shares			
Weighted average number ('000) of ordinary shares in issue during the year	340,311	343,952	343,952
(Loss)/Earnings per share			
Basic and diluted *(RMB)*	(0.18)	0.03	0.01

The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Machinery	Office equipment and electronic devices	Vehicles	Specialised equipment	Leasehold improve-ments	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023							
At 1 January 2023:							
Cost	23,452	11,420	3,844	15,064	10,171	6,907	70,858
Accumulated depreciation	(10,483)	(7,108)	(2,192)	(6,488)	(5,551)	–	(31,822)
Net carrying amount	12,969	4,312	1,652	8,576	4,620	6,907	39,036
At 1 January 2023, net of accumulated depreciation	12,969	4,312	1,652	8,576	4,620	6,907	39,036
Additions	1,343	878	479	2,529	89	5,314	10,632
Depreciation provided during the year	(5,288)	(2,338)	(478)	(2,295)	(2,239)	–	(12,638)
Exchange realignment	23	2	2	–	–	–	27
Transfers	4,969	–	–	–	1,757	(6,726)	–
Disposal	(1,875)	(22)	(45)	(3)	–	(1,961)	(3,906)
At 31 December 2023, net of accumulated depreciation	12,141	2,832	1,610	8,807	4,227	3,534	33,151
At 31 December 2023:							
Cost	24,210	11,925	4,164	17,585	12,017	3,534	73,435
Accumulated depreciation	(12,069)	(9,093)	(2,554)	(8,778)	(7,790)	–	(40,284)
Net carrying amount	12,141	2,832	1,610	8,807	4,227	3,534	33,151

	Machinery RMB'000	Office equipment and electronic devices RMB'000	Vehicles RMB'000	Specialised equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024							
At 1 January 2024:							
Cost	24,210	11,925	4,164	17,585	12,017	3,534	73,435
Accumulated depreciation	(12,069)	(9,093)	(2,554)	(8,778)	(7,790)	–	(40,284)
Net carrying amount	12,141	2,832	1,610	8,807	4,227	3,534	33,151
At 1 January 2024, net of accumulated depreciation	12,141	2,832	1,610	8,807	4,227	3,534	33,151
Additions	8,864	279	318	1,795	44	39,857	51,157
Depreciation provided during the year	(4,767)	(1,908)	(523)	(2,852)	(2,402)	–	(12,452)
Exchange realignment	(6)	(1)	–	–	–	–	(7)
Transfers	39	–	–	–	301	(340)	–
Disposal	(4)	(17)	(21)	(4)	–	–	(46)
At 31 December 2024, net of accumulated depreciation	16,267	1,185	1,384	7,746	2,170	43,051	71,803
At 31 December 2024:							
Cost	32,891	11,868	4,345	19,359	12,362	43,051	123,876
Accumulated depreciation	(16,624)	(10,683)	(2,961)	(11,613)	(10,192)	–	(52,073)
Net carrying amount	16,267	1,185	1,384	7,746	2,170	43,051	71,803

	Buildings RMB'000	Machinery RMB'000	Office equipment and electronic devices RMB'000	Vehicles RMB'000	Specialised equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2025								
At 1 January 2025:								
Cost	–	32,891	11,868	4,345	19,359	12,362	43,051	123,876
Accumulated depreciation	–	(16,624)	(10,683)	(2,961)	(11,613)	(10,192)	–	(52,073)
Net carrying amount	–	16,267	1,185	1,384	7,746	2,170	43,051	71,803
At 1 January 2025, net of accumulated depreciation	–	16,267	1,185	1,384	7,746	2,170	43,051	71,803
Additions	–	7,738	737	294	966	142	50,343	60,220
Depreciation provided during the year	(1,509)	(4,471)	(686)	(434)	(2,701)	(1,490)	–	(11,291)
Exchange realignment	–	8	–	–	–	–	–	8
Transfers	59,896	(2,136)	–	–	–	5,630	(63,390)	–
Disposal	–	(58)	(8)	–	(11)	–	–	(77)
At 31 December 2025, net of accumulated depreciation	58,387	17,348	1,228	1,244	6,000	6,452	30,004	120,663
At 31 December 2025:								
Cost	59,896	37,631	12,279	4,608	20,302	17,859	30,004	182,579
Accumulated depreciation	(1,509)	(20,283)	(11,051)	(3,364)	(14,302)	(11,407)	–	(61,916)
Net carrying amount	58,387	17,348	1,228	1,244	6,000	6,452	30,004	120,663

As at 31 December 2025, the Group was in the process of obtaining the relevant property ownership certificates for certain buildings with an aggregate net carrying amount of approximately RMB58,387,000.

The Company

	Machinery	Office equipment and electronic devices	Vehicles	Specialised equipment	Leasehold improve-ments	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023							
At 1 January 2023:							
Cost	22,613	10,982	3,343	15,064	10,171	6,907	69,080
Accumulated depreciation	(10,087)	(6,711)	(2,035)	(6,487)	(5,551)	–	(30,871)
Net carrying amount	12,526	4,271	1,308	8,577	4,620	6,907	38,209
At 1 January 2023, net of accumulated depreciation	12,526	4,271	1,308	8,577	4,620	6,907	38,209
Additions	814	483	8	324	89	1,321	3,039
Depreciation provided during the year	(5,134)	(2,276)	(405)	(2,221)	(1,938)	–	(11,974)
Transfers	4,969	–	–	–	646	(5,615)	–
Disposal	(1,720)	(19)	–	(3)	–	(1,961)	(3,703)
At 31 December 2023, net of accumulated depreciation	11,455	2,459	911	6,677	3,417	652	25,571
At 31 December 2023:							
Cost	23,111	11,094	3,351	15,380	10,906	652	64,494
Accumulated depreciation	(11,656)	(8,635)	(2,440)	(8,703)	(7,489)	–	(38,923)
Net carrying amount	11,455	2,459	911	6,677	3,417	652	25,571
31 December 2024							
At 1 January 2024:							
Cost	23,111	11,094	3,351	15,380	10,906	652	64,494
Accumulated depreciation	(11,656)	(8,635)	(2,440)	(8,703)	(7,489)	–	(38,923)
Net carrying amount	11,455	2,459	911	6,677	3,417	652	25,571
At 1 January 2024, net of accumulated depreciation	11,455	2,459	911	6,677	3,417	652	25,571
Additions	8,302	208	242	1,384	44	637	10,817
Depreciation provided during the year	(4,452)	(1,755)	(385)	(2,340)	(1,754)	–	(10,686)
Transfers	39	–	–	–	301	(340)	–
Disposal	(4)	(17)	(21)	(4)	–	–	(46)
At 31 December 2024, net of accumulated depreciation	15,340	895	747	5,717	2,008	949	25,656
At 31 December 2024:							
Cost	31,254	10,985	3,458	16,743	11,251	949	74,640
Accumulated depreciation	(15,914)	(10,090)	(2,711)	(11,026)	(9,243)	–	(48,984)
Net carrying amount	15,340	895	747	5,717	2,008	949	25,656

	Machinery	Office equipment and electronic devices	Vehicles	Specialised equipment	Leasehold improve-ments	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2025							
At 1 January 2025:							
Cost	31,254	10,985	3,458	16,743	11,251	949	74,640
Accumulated depreciation	(15,914)	(10,090)	(2,711)	(11,026)	(9,243)	–	(48,984)
Net carrying amount	15,340	895	747	5,717	2,008	949	25,656
At 1 January 2025, net of accumulated depreciation	15,340	895	747	5,717	2,008	949	25,656
Additions	1,612	472	202	707	12	26,653	29,658
Depreciation provided during the year	(4,075)	(508)	(289)	(2,088)	(1,327)	–	(8,287)
Transfers	(2,136)	–	–	–	–	2,136	–
Disposal	(1)	(8)	–	–	–	–	(9)
At 31 December 2025, net of accumulated depreciation	10,740	851	660	4,336	693	29,738	47,018
At 31 December 2025:							
Cost	30,143	11,287	3,660	17,440	10,988	29,738	103,256
Accumulated depreciation	(19,403)	(10,436)	(3,000)	(13,104)	(10,295)	–	(56,238)
Net carrying amount	10,740	851	660	4,336	693	29,738	47,018

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and properties used in its operations. Leases of plant and properties generally have lease terms between 1.25 and 10 years. Other equipment generally has lease terms of 12 months or less or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

	Land use right *RMB'000*	**Plant and properties** *RMB'000*	**Total** *RMB'000*
As at 1 January 2023	–	70,954	70,954
Additions	8,363	1,496	9,859
Depreciation charge	(71)	(13,582)	(13,653)
As at 31 December 2023 and 1 January 2024	8,292	58,868	67,160
Additions	47,555	6,341	53,896
Depreciation charge	(1,141)	(14,710)	(15,851)
Decrease arising from lease term termination	–	(207)	(207)
As at 31 December 2024 and 1 January 2025	54,706	50,292	104,998
Additions	86	4,296	4,382
Depreciation charge	(1,142)	(13,051)	(14,193)
Decrease arising from lease term termination	–	(503)	(503)
As at 31 December 2025	53,650	41,034	94,684

As at 31 December 2023, 2024 and 2025, the Group's land use right with aggregate carrying amounts of nil, RMB8,121,000 and RMB53,650,000, respectively, were pledged to secure interest-bearing bank borrowings granted to the Group (note 28).

The Company

	Land use right *RMB'000*	**Plant and properties** *RMB'000*	**Total** *RMB'000*
As at 1 January 2023	–	70,954	70,954
Depreciation charge	–	(12,990)	(12,990)
As at 31 December 2023 and 1 January 2024	–	57,964	57,964
Additions	47,555	5,484	53,039
Depreciation charge	(970)	(13,287)	(14,257)
Decrease arising from lease term termination	–	(171)	(171)
As at 31 December 2024	46,585	49,990	96,575
Additions	–	4,296	4,296
Depreciation charge	(970)	(12,789)	(13,759)
Decrease arising from lease term termination	–	(463)	(463)
As at 31 December 2025	45,615	41,034	86,649

(b) ***Lease liabilities***

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

The Group

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	113,113	90,852	69,333
New leases	1,496	6,341	4,296
Accretion of interest recognised during the year	4,817	3,829	2,595
Decrease arising from lease term termination	–	(205)	(554)
Payments	(28,574)	(31,484)	(23,913)
Carrying amount at 31 December	90,852	69,333	51,757
Analysed into:			
Current portion	32,297	25,811	19,102
Non-current portion	58,555	43,522	32,655

The Company

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	113,113	90,056	69,141
New leases	–	5,484	4,296
Accretion of interest recognised during the year	4,775	3,782	2,594
Decrease arising from lease term termination	–	(172)	(423)
Payments	(27,832)	(30,009)	(23,851)
Carrying amount at 31 December	90,056	69,141	51,757
Analysed into:			
Current portion	31,539	25,619	19,102
Non-current portion	58,517	43,522	32,655

The maturity analysis of lease liabilities is disclosed in note 41.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

The Group

	2023 *RMB'000*	**2024** *RMB'000*	**2025** *RMB'000*
Interest on lease liabilities	4,817	3,829	2,595
Depreciation charge of right-of-use assets	13,653	15,851	14,193
Expenses relating to short-term leases	201	196	246
Expenses relating to leases of low-value assets	2,270	2,473	1,699
Loss/(gain) on a lease term termination	–	2	(51)
Subtotal	20,941	22,351	18,682
Less: Capitalized	(14)	(171)	(975)
Total amount recognised in profit or loss	20,927	22,180	17,707

The Company

	2023 *RMB'000*	**2024** *RMB'000*	**2025** *RMB'000*
Interest on lease liabilities	4,775	3,782	2,594
Depreciation charge of right-of-use assets	12,990	14,257	13,759
Expenses relating to short-term leases	181	194	215
Expenses relating to leases of low-value assets	1,173	2,099	1,166
(Gain)/loss on a lease term termination	–	(1)	40
Subtotal	19,119	20,331	17,774
Less: Capitalized	–	–	(889)
Total amount recognised in profit or loss	19,119	20,331	16,885

15. OTHER INTANGIBLE ASSETS

The Group

	Software *RMB'000*	Patents, licences and technology *RMB'000*	Total *RMB'000*
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation and impairment	2,864	34,507	37,371
Additions	540	–	540
Amortisation provided during the year	(1,135)	(5,408)	(6,543)
At 31 December 2023	2,269	29,099	31,368
At 31 December 2023 and at 1 January 2024:			
Cost	12,157	43,805	55,962
Accumulated amortisation and impairment	(9,888)	(14,706)	(24,594)
Net carrying amount	2,269	29,099	31,368
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	2,269	29,099	31,368
Additions	3,139	–	3,139
Disposal	(78)	–	(78)
Amortisation provided during the year	(924)	(4,408)	(5,332)
At 31 December 2024	4,406	24,691	29,097
At 31 December 2024 and at 1 January 2025:			
Cost	12,941	43,805	56,746
Accumulated amortisation and impairment	(8,535)	(19,114)	(27,649)
Net carrying amount	4,406	24,691	29,097
31 December 2025			
Cost at 1 January 2025, net of accumulated amortisation	4,406	24,691	29,097
Additions	3,627	–	3,627
Amortisation provided during the year	(1,641)	(4,118)	(5,759)
At 31 December 2025	6,392	20,573	26,965
At 31 December 2025:			
Cost	16,692	43,805	60,497
Accumulated amortisation and impairment	(10,300)	(23,232)	(33,532)
Net carrying amount	6,392	20,573	26,965

The Company

	Software *RMB'000*	Patents, licences and technology *RMB'000*	Total *RMB'000*
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	2,864	4,301	7,165
Additions	539	–	539
Amortisation provided during the year	(1,134)	(2,051)	(3,185)
At 31 December 2023	2,269	2,250	4,519
At 31 December 2023 and at 1 January 2024:			
Cost	10,788	10,243	21,031
Accumulated amortisation	(8,519)	(7,993)	(16,512)
Net carrying amount	2,269	2,250	4,519
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	2,269	2,250	4,519
Additions	3,139	–	3,139
Disposal	(78)	–	(78)
Amortisation provided during the year	(924)	(1,052)	(1,976)
At 31 December 2024	4,406	1,198	5,604
At 31 December 2024 and at 1 January 2025:			
Cost	11,630	10,243	21,873
Accumulated amortisation	(7,224)	(9,045)	(16,269)
Net carrying amount	4,406	1,198	5,604
31 December 2025			
Cost at 1 January 2025, net of accumulated amortisation	4,406	1,198	5,604
Additions	3,627	–	3,627
Amortisation provided during the year	(1,641)	(762)	(2,403)
At 31 December 2025	6,392	436	6,828
At 31 December 2025:			
Cost	15,257	10,243	25,500
Accumulated amortisation	(8,865)	(9,807)	(18,672)
Net carrying amount	6,392	436	6,828

16. INVESTMENTS IN AN ASSOCIATE

The Group and The Company

	2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
Share of net assets	47,218	41,047	33,613
Elimination of down-stream sales	(10,291)	(21,027)	(26,310)
Total	36,927	20,020	7,303

(a) Particular of the Group's associate

Name of entity	Country of incorporation/ registration and operations	Proportion of ownership interest 2023	2024	2025	Principal activity
Chengdu Chenfei Zhijiang Technology Co., Ltd. ("Chengdu Chenfei") 成都辰飛智匠科技有限公司*	PRC/Chinese mainland	14.48%	14.48%	14.48%	Aerospace components fabrication

The above investment is directly held by the Company.

* During the Relevant Periods, Chengdu Chenfei had five directors, one of which was appointed by the Company. Pursuant to the articles of association of Chengdu Chenfei, the Group has significant influence over Chengdu Chenfei. Therefore, Chengdu Chenfei was accounted for as an associate of the Group.

(b) The following table illustrates the aggregate financial information of the Group's associates that are considered not individually material for the Relevant Periods:

	2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
Share of the associate's losses for the year	(1,105)	(6,171)	(7,434)
Share of the associate's total comprehensive loss	(1,105)	(6,171)	(7,434)
Elimination of down-stream sales	(10,291)	(10,736)	(5,283)
Aggregate carrying amount of the Group's investments in the associate	36,927	20,020	7,303

The Group's and the Company's transactions with the associates are disclosed in note 37.

17. INVESTMENTS IN SUBSIDIARIES

The Company

	2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
Investments, at cost	74,954	84,954	84,954
Impairment loss on investment in a subsidiary	(954)	(954)	(954)
Investments in subsidiaries	74,000	84,000	84,000

18. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and The Company

	2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
An unlisted equity investment	11,619	–	–

Unlisted equity investments were measured at fair value using significant unobservable inputs (Level 3). The movements in fair value measurements within Level 3 during the Relevant Periods are as follows:

	2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
Unlisted equity investments at fair value through profit or loss at 1 January	18,877	11,619	–
Additions	130	–	–
Total losses recognised in the statement of profit or loss	(7,388)	(4,387)	–
Disposal	–	(7,232)	–
Unlisted equity investments at fair value through profit or loss at 31 December	11,619	–	–

19. DEFERRED TAX

The Group

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Lease liabilities *RMB'000*	Losses available for offsetting against future taxable profits *RMB'000*	Total *RMB'000*
At 1 January 2023	10,643	394	11,037
Deferred tax charged to profit or loss during the year	(1,749)	(367)	(2,116)
Gross deferred tax assets at 31 December 2023	8,894	27	8,921
Deferred tax (charged)/credited to profit or loss during the year	(1,348)	1	(1,347)
Gross deferred tax assets at 31 December 2024	7,546	28	7,574
Deferred tax charged to profit or loss during the year	(1,391)	(28)	(1,419)
Gross deferred tax assets at 31 December 2025	6,155	–	6,155

Deferred tax liabilities

	Fair value adjustment arising from financial assets at FVTPL	**Right-of-use assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	394	10,643	11,037
Deferred tax credited to profit or loss during the year	(394)	(1,722)	(2,116)
Gross deferred tax liabilities at 31 December 2023	–	8,921	8,921
Deferred tax credited to profit or loss during the year	–	(1,347)	(1,347)
Gross deferred tax liabilities at 31 December 2024	–	7,574	7,574
Deferred tax credited to profit or loss during the year	–	(1,419)	(1,419)
Gross deferred tax liabilities at 31 December 2025	–	6,155	6,155

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	–	–	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	–	–

Deferred tax assets have not been recognised in respect of the following items:

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	692,553	758,223	843,383
Deductible temporary differences	190,655	188,138	155,023
Total	883,208	946,361	998,406

The Group has tax losses arising in Chinese mainland of RMB668,385,000, RMB733,492,000 and RMB814,533,000 as at 31 December 2023, 2024 and 2025, respectively, that will expire in five to ten years for offsetting against future taxable profits.

The Group has tax losses arising in Germany of EUR3,089,000, EUR3,301,000 and EUR3,503,000 as at 31 December 2023, 2024 and 2025, respectively, that are available indefinitely for offsetting against future taxable profits of the company in which the loss arose.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Company

The Company has tax losses arising in Chinese mainland of RMB652,758,000, RMB714,387,000 and RMB792,966,000 as at 31 December 2023, 2024 and 2025, respectively, that will expire in five to ten years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

20. INVENTORIES

The Group

	2023 *RMB'000*	**2024** *RMB'000*	**2025** *RMB'000*
Raw materials	80,350	76,590	81,327
Work in progress	223,395	129,048	134,794
Finished goods	97,573	65,523	61,268
Goods in transit*	261,479	263,688	23,776
	662,797	534,849	301,165
Less: provision for impairment losses on inventories	(74,249)	(48,754)	(45,811)
Total	588,548	486,095	255,354

The Company

	2023 *RMB'000*	**2024** *RMB'000*	**2025** *RMB'000*
Raw materials	70,104	68,062	68,880
Work in progress	201,297	110,880	95,931
Finished goods	96,766	63,961	59,761
Goods in transit*	261,281	263,480	23,776
	629,448	506,383	248,348
Less: provision for impairment losses on inventories	(70,228)	(44,904)	(45,811)
Total	559,220	461,479	202,537

* Refers to finished products which have passed pre-acceptance testing by the customer or internal testing when pre-acceptance testing by the customer is not required, and are in the process of transit to or assembly at the site of the customer, yet to pass final acceptance.

Inventories are expected to be completed within the normal operating cycle, recovered after more than one year from the end of the Relevant Periods.

The movements in provision

The Group

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	107,935	74,249	48,754
Impairment losses recognised *(note 6)*	6,532	5,290	18,431
Amounts written off	(40,442)	(30,614)	(21,739)
Exchange realignment	224	(171)	365
Carrying amount at 31 December	74,249	48,754	45,811

The Company

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	104,138	70,228	44,904
Impairment losses recognised	6,532	5,290	18,350
Amounts written off	(40,442)	(30,614)	(17,443)
Carrying amount at 31 December	70,228	44,904	45,811

21. TRADE AND BILLS RECEIVABLES

The Group

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables (i)	97,659	58,364	201,846
Commercial acceptance bills receivable (ii)	6,480	6,998	9,900
Bank acceptance notes (iii)	4,875	9,156	13,305
	109,014	74,518	225,051
Impairment losses	(11,228)	(14,508)	(19,043)
Net carrying amount	97,786	60,010	206,008

The Group's trading terms with its customers are mainly based on payments as scheduled. The Group's credit terms vary among different customers. Credit term is negotiated and agreed with each customer. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

(i) An ageing analysis of the Group's trade receivables, based on the date that the Group has an unconditional right to receive consideration from the customers and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	49,128	39,914	147,160
1 to 2 years	24,746	486	34,033
2 to 3 years	–	3,228	491
3 to 4 years	59	–	1,198
4 to 5 years	12,300	59	–
Over 5 years	252	252	–
Total	86,485	43,939	182,882

The movements in the impairment losses on trade receivables are as follows:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	2,616	11,174	14,425
Impairment losses, net	8,558	3,251	4,539
At end of year	11,174	14,425	18,964

Except for debtors with credit impairment, the Group determines the ECLs on those items on a collective basis, grouped by debtors' credit ratings which derived from external or industry features, and adjusted for forward-looking factors specific to the economic environment.

As part of the Group's credit risk management, except for the debtors' external credit ratings, the Group considers industry features for its customers in relation to its business operation and historical status of payments. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis within lifetime ECLs (not credit-impaired) as at 31 December 2023, 2024 and 2025.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	2023			2024			2025		
	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*
Individual assessment	100.00%	8,355	8,355	100.00%	12,942	12,942	100.00%	11,788	11,788
Collective approach									
External credit ratings:									
Ba2-B1	–	–	–	1.68%	20,390	342	1.90%	22,740	431
Industry:									
Aerospace & defense	3.03%	47,466	1,439	2.20%	6,605	145	1.64%	28,069	461
Other industries	3.30%	41,838	1,380	5.41%	18,427	996	4.51%	139,249	6,284
Total		97,659	11,174		58,364	14,425		201,846	18,964

(ii) An ageing analysis of the Group's commercial acceptance bills receivable, based on the date of receipt of the bills and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	6,426	6,915	9,821

The movements in the impairment losses on commercial acceptance bills receivable are as follows:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	90	54	83
Impairment losses, net	(36)	29	(4)
At end of year	54	83	79

The Group's bills receivable aged within six months and were not past due.

(iii) Bank acceptance bills receivable are considered as having very low credit risk and the loss allowance is assessed to be minimal.

The Company

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables (i)	97,098	57,826	201,258
Commercial acceptance bills receivable (ii)	6,480	6,998	9,900
Bank acceptance notes (iii)	4,875	6,062	13,305
	108,453	70,886	224,463
Impairment losses	(11,200)	(14,456)	(18,986)
Net carrying amount	97,253	56,430	205,477

(i) An ageing analysis of the Company's trade receivables, based on the date that the Company has an unconditional right to receive consideration from the customers and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	48,595	39,914	147,160
1 to 2 years	24,746	–	33,993
2 to 3 years	–	3,228	–
3 to 4 years	59	–	1,198
4 to 5 years	12,300	59	–
Over 5 years	252	252	–
Total	85,952	43,453	182,351

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
At beginning of year	2,616	11,146	14,373
Impairment losses, net	8,530	3,227	4,534
At end of year	11,146	14,373	18,907

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

	2023			2024			2025		
	Average credit loss rate	Gross carrying amount *RMB'000*	Expected credit losses *RMB'000*	Average credit loss rate	Gross carrying amount *RMB'000*	Expected credit losses *RMB'000*	Average credit loss rate	Gross carrying amount *RMB'000*	Expected credit losses *RMB'000*
Individual assessment	100.00%	8,355	8,355	100.00%	12,942	12,942	100.00%	11,788	11,788
Collective approach									
External credit ratings:									
Ba2-B1	–	–	–	1.68%	20,390	342	1.90%	22,740	431
Industry:									
Aerospace & defense	3.03%	47,466	1,439	2.20%	6,605	145	1.64%	28,069	461
Other industries	3.28%	41,277	1,352	5.28%	17,889	944	4.49%	138,661	6,227
Total		97,098	11,146		57,826	14,373		201,258	18,907

(ii) An ageing analysis of the Company's commercial acceptance bills receivable, based on the date of receipt of the bills and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
Within 1 year	6,426	6,915	9,821

The movements in the loss allowance for impairment of commercial acceptance bills receivable are as follows:

	2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
At beginning of year	90	54	83
Impairment losses, net	(36)	29	(4)
At end of year	54	83	79

The Company's bills receivable aged within six months and were not past due.

(iii) Bank acceptance bills receivable are considered as having very low credit risk and the loss allowance is assessed to be minimal.

22. CONTRACT ASSETS

The Group and the Company

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Contract assets arising from:			
Sales of CNC machine tools	18,008	38,460	25,744
Impairment	(467)	(1,209)	(759)
Total	17,541	37,251	24,985

Contract assets from related parties are disclosed in note 37.

Contract assets are initially recognised for revenue earned from the sales of CNC machine tools related to the receipt of the consideration which is conditional on the fulfilment of the warranty service for sales of equipment. Upon the end of the warranty period, the amounts recognised as contract assets are reclassified to trade receivables.

The expected timing of recovery or settlement for contract assets as at the end of each of the Relevant Periods is as follows:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within one year	10,455	24,392	22,817
After one year	7,086	12,859	2,168
Total	17,541	37,251	24,985

The movements in the loss allowance for impairment of contract assets are as follows:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	149	467	1,209
Impairment losses, net *(note 6)*	318	742	(450)
At end of year	467	1,209	759

Except for debtors with credit-impairment, the Group determines the ECLs on those items on a collective basis, grouped by debtors' credit ratings which derived from external or industry features, and adjusted for forward-looking factors specific to the economic environment.

As part of the Group's credit risk management, except for the debtors' external credit ratings, the Group considers industry features for its customers in relation to its business operation and historical status of payments. The following table provides information about the exposure to credit risk for contract assets which are assessed on a collective basis within lifetime ECLs (not credit-impaired) as at 31 December 2023, 2024 and 2025.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2023			2024			2025		
	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carrying amount	Expected credit losses	Average credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*
Collective approach									
External credit ratings:									
Ba2-B1	1.10%	3,900	43	2.21%	2,848	63	4.30%	908	39
Industry:									
Aerospace & defense	1.38%	3,839	53	1.67%	11,406	190	2.06%	12,570	259
Other industries	3.61%	10,269	371	3.95%	24,206	956	3.76%	12,266	461
Total		18,008	467		38,460	1,209		25,744	759

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Prepayments for long-term assets	747	1,882	5,218
Current:			
Deposits	27,246	11,975	14,103
Prepayments to suppliers	32,921	10,784	19,482
Other tax recoverable	12,810	4,721	13,678
Advances to employees	833	674	1,070
Prepaid expenses	822	1,029	1,084
Listing fee	–	–	1,505
Subtotal	74,632	29,183	50,922
Impairment allowance	(204)	(142)	(161)
Total	75,175	30,923	55,979

The balances are unsecured, non-interest-bearing and have no fixed terms of repayment.

The Group performs impairment assessment under the ECL model on other receivables and deposits, which are subject to impairment assessment under IFRS 9. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Company

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Prepayments for long-term assets	219	150	800
Current:			
Deposits	27,005	11,482	12,513
Prepayments to suppliers	31,477	9,750	18,773
Other tax recoverable	11,417	–	–
Advances to employees	833	673	1,068
Prepaid expenses	447	767	747
Due from subsidiaries	38,801	43,402	60,768
Listing fee	–	–	1,505
Subtotal	109,980	66,074	95,374
Impairment allowance	(192)	(110)	(122)
Total	110,007	66,114	96,052

24. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Group

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	162,608	143,889	221,203
Less: Restricted cash:			
Pledged for letters of performance guarantee	(6,393)	(9,057)	(8,940)
Pledged for bank acceptance bills	(7,829)	(1,294)	(425)
Frozen funds due to lawsuits	-	–	(2,908)
Cash and cash equivalents	148,386	133,538	208,930

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents			
Denominated in RMB	148,018	133,532	207,563
Denominated in EUR	368	6	1,367
Total	148,386	133,538	208,930
Restricted cash denominated in RMB	14,222	10,351	12,273

The Company

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents			
Denominated in RMB	145,043	130,973	190,367

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2023, 2024 and 2025, the Group and the Company have assessed the credit risk of cash and bank balances to be minimal as they were placed in reputable financial institutions.

25. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date and accrual date, is as follows:

The Group

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	224,343	129,205	103,516
1 to 2 years	2,361	14,721	5,368
2 to 3 years	305	1,397	2,087
3 to 4 years	481	250	758
4 to 5 years	239	389	37
Over 5 years	700	764	139
Total	228,429	146,726	111,905

The trade payables are non-interest-bearing and are normally settled within 30 to 120 days upon receipt of the VAT invoice.

The financial liabilities that are part of the Group's supplier finance arrangements included in trade payables are normally settled on 120-day terms.

The Group has established supplier finance arrangements that are offered to some of the Group's key suppliers in Chinese mainland. Participation in the arrangements is at the suppliers' own discretion. Suppliers that participate in the supplier finance arrangements will receive early payments or payments at the original due dates on invoices sent to the Group from the Group's external finance provider. If suppliers choose to receive early payments, they pay a fee to the finance provider. In order for the finance provider to pay the invoices, the goods must have been received or supplied and the invoices must have been approved by the Group. Payments to suppliers ahead of or at the invoice due date are processed by the finance provider and, in all cases, the Group settles the original invoice by paying the finance provider in line with the original invoice maturity date or at a later date as agreed with the finance provider. Payment terms with suppliers have not been renegotiated in conjunction with the arrangements. Mr. Wang Yuhan provides a guarantee to the finance provider.

All financial liabilities that are part of the supplier finance arrangements are included in trade and bills payables in the statement of financial position and within trade payables.

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of financial liabilities that are part of the supplier finance arrangements included in:			
Trade and bills payables	9,000	10,262	–
Of which suppliers have received payments	8,870	10,113	–

For financial liabilities that are part of the supplier finance arrangements included in trade and bills payables, there were no significant non-cash changes in the carrying amounts of these financial liabilities.

The Company

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	189,038	110,758	64,854
1 to 2 years	1,426	8,707	4,481
2 to 3 years	305	502	986
3 to 4 years	481	250	758
4 to 5 years	239	389	37
Over 5 years	700	764	139
Total	192,189	121,370	71,255

26. OTHER PAYABLES AND ACCRUALS

The Group

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payable	19,621	23,678	24,360
Due to non-controlling shareholders of a subsidiary	11,062	10,771	11,927
Other tax payables	6	2,028	9,749
Deposits	1,400	1,200	9,680
Accrued expenses	5,489	5,618	8,492
Others	1,391	2,274	3,312
Total	38,969	45,569	67,520

Except for the principal amounts of EUR1,325,000 due to a non-controlling shareholder of a subsidiary that bears interest at rates of 1% to 2.5%, other payables and accruals are non-interest-bearing, unsecured and payable on demand.

The Company

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payable	19,244	23,218	24,017
Other tax payables	–	2,028	9,596
Deposits	1,200	1,200	9,680
Accrued expenses	5,145	5,292	7,957
Due to subsidiaries	70,845	61,858	49,998
Others	1,364	2,232	3,288
Total	97,798	95,828	104,536

Other payables are non-interest-bearing, unsecured and repayable on demand.

27. CONTRACT LIABILITIES

The Group

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
CNC machine tools	573,397	341,779	266,008

The Company

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
CNC machine tools	558,983	327,976	256,949

Contract liabilities from related parties are disclosed in note 37.

Contract liabilities represented advances received to deliver products and services.

Contract liabilities are expected to be recognised as revenue within normal operating cycle.

28. INTEREST-BEARING BANK BORROWINGS

The Group

	31 December 2023		
	Effective interest rate (%)	**Maturity**	*RMB'000*
Current			
Bank loans – secured	LPR-55BP~LPR-30BP	2024	40,111

	31 December 2024		
	Effective interest rate (%)	**Maturity**	*RMB'000*
Current			
Bank loans – secured	LPR-55BP~LPR-5BP	2025	140,299
Current portion of long-term bank loans			4,022
Total – current			144,321
Non-current			
Bank loans – secured	LPR-75BP~LPR-55BP	2026–2029	38,066
Total			182,387

	31 December 2025		
	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank loans – unsecured	LPR-58BP~LPR-32BP	2026	145,104
Bank loans – secured	1.15–1.30	2026	17,280
Current portion of long-term bank loans			22,456
Total – current			184,840
Non-current			
Bank loans – unsecured	LPR-70BP~LPR-35BP	2027-2028	49,929
Bank loans – secured	LPR-75BP~LPR-65BP	2027–2030	59,881
Total - non-current			109,810
Total			294,650

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans repayable:			
Within one year	40,111	144,321	184,840
In the second year	–	8,000	50,029
In the third to fifth years, inclusive	–	30,066	59,781
Total	40,111	182,387	294,650

As at 31 December 2023 and 2024, the Group's borrowings of RMB40,111,000 and RMB150,305,000, respectively, were guaranteed by Mr. Wang Yuhan solely.

As at 31 December 2024, the Group's borrowings of RMB32,082,000 were secured by the Group's land use right and property, plant and equipment with aggregate carrying amount of approximately RMB8,121,000 and RMB42,102,000, respectively, and guaranteed by Mr. Wang Yuhan.

As at 31 December 2025, the Group's borrowings of RMB43,268,000 were secured by the Group's land use rights and property, plant and equipment with aggregate carrying amount of approximately RMB8,035,000 and RMB58,387,000, respectively.

As at 31 December 2025, the Group's borrowings of RMB18,775,000 were secured by the Group's land use rights with an aggregate carrying amount of approximately RMB45,615,000.

As at 31 December 2025, the Group's borrowings of RMB17,280,000 were secured by letters of credit.

Under the terms of the unsecured long-term bank loans of RMB9,900,000 with maturity date of 13 February 2028, the Company is required to comply with a financial covenant that the asset-liability ratio shall not be higher than 80% and the current ratio shall not be lower than 1.0. The Company was in compliance with the covenant under such credit agreement.

The Company

	31 December 2023		
	Effective interest rate (%)	**Maturity**	*RMB'000*
Current			
Bank loans – secured	LPR-55BP~LPR-30BP	2024	40,111

	31 December 2024		
	Effective interest rate (%)	**Maturity**	*RMB'000*
Current			
Bank loans – secured	LPR-55BP~LPR-5BP	2025	140,299
Current portion of long-term bank loans			4,006
Total – current			144,305
Non-current			
Bank loans – secured	LPR-55BP	2026	6,000
Total			150,305

	31 December 2025		
	Effective interest rate (%)	**Maturity**	*RMB'000*
Current			
Bank loans – unsecured	LPR-58BP~LPR-32BP	2026	145,104
Current portion of long-term bank loans			20,309
Total – current			165,413
Non-current			
Bank loans – unsecured	LPR-70BP~LPR-35BP	2027–2028	49,929
Bank loans – secured	LPR-65BP	2028–2030	18,760
Total - non-current			68,689
Total			234,102

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans repayable:			
Within one year	40,111	144,305	165,413
In the second year	–	6,000	43,029
In the third to fifth years, inclusive	–	–	25,660
Total	40,111	150,305	234,102

As at 31 December 2023 and 2024, the Company's borrowings of RMB40,111,000 and RMB150,305,000, respectively, were guaranteed by Mr. Wang Yuhan solely.

As at 31 December 2025, the Company's borrowings of RMB18,775,000 were secured by the Company's land use right with an aggregate carrying amount of approximately RMB45,615,000.

Under the terms of the unsecured long-term bank loans of RMB9,900,000 with maturity date of 13 February 2028, the Company is required to comply with a financial covenant that the asset-liability ratio shall not be higher than 80% and the current ratio shall not be lower than 1.0. The Company was in compliance with the covenant under such credit agreement.

29. DEFERRED INCOME

The Group

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Government grants			
Asset-related grants (a)	341	161	123
Reimbursement of future expenses (b)	4,200	2,350	15,192
Subtotal	4,541	2,511	15,315
Current:			
Government grants			
Asset-related grants (a)	415	180	38
Reimbursement of future expenses (b)	1,687	9,150	5,990
Subtotal	2,102	9,330	6,028
Total	6,643	11,841	21,343

The Company

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Government grants			
Asset-related grants (a)	341	161	123
Reimbursement of future expenses (b)	4,200	2,350	15,192
Subtotal	4,541	2,511	15,315
Current:			
Government grants			
Asset-related grants (a)	415	180	38
Reimbursement of future expenses (b)	1,687	9,150	5,603
Subtotal	2,102	9,330	5,641
Total	6,643	11,841	20,956

(a) Asset-related grants

The asset-related grants were the subsidies received from the government in relation to the Group's property, plant and equipment.

(b) Reimbursement of future expenses

Government grants as reimbursement of future expenses were subsidies received in relation to the Group's future research and development activities.

30. PROVISION

The Group and the Company

	Warranties
	RMB'000
At 1 January 2023	9,709
Additional provision *(note 6)*	8,935
Amounts utilised during the year	(8,689)
At 31 December 2023 and 1 January 2024	9,955
Additional provision *(note 6)*	13,697
Amounts utilised during the year	(6,257)
At 31 December 2024 and 1 January 2025	17,395
Additional provision *(note 6)*	14,388
Amounts utilised during the year	(11,596)
At 31 December 2025	20,187

The amount of the provision for the warranties is estimated based on sales and past experience of the level of repairs and maintenances. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

31. SHARE CAPITAL

Shares

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid:			
Share capital	34,395	34,395	34,395

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital
		RMB'000
At 1 January 2023	34,013,292	34,013
Shareholders' capital injection (a)	381,887	382
At 31 December 2023 and 1 January 2024	34,395,179	34,395
At 31 December 2024 and 1 January 2025	34,395,179	34,395
Share split (b)	309,556,611	–
At 31 December 2025	343,951,790	34,395

(a) Pursuant to the shareholders' resolution dated 5 December 2023, shareholders of the Company agreed to increase the registered capital from RMB34,013,292 to RMB34,395,179 (34,395,179 shares with a nominal value of RMB1.00 each).

(b) Pursuant to the shareholders' resolution dated 15 May 2025, each share of the Company with a par value of RMB1.00 was subdivided into ten shares with a par value of RMB0.10 each, resulting in 343,951,790 issued shares while maintaining the total registered capital at RMB34,395,179.

32. SHARE-BASED PAYMENTS

To provide incentives and rewards to eligible participants who contribute to the Group's operations, the actual controller of the Company, Mr. Wang Yuhan, designed and established an employee shareholding platform for the Company to operate restricted share award schemes (collectively, the "**Schemes**"). Eligible participants of the Schemes, including members of senior management, mid-level managers and other employees of the Group, were determined by the board and approved by shareholders' meeting. The actual controller of the Company acted as the general partner of the platform was obliged to repurchase the shares of the resigned eligible participants and then reallocate these shares to other eligible participants.

On 22 November 2018, 420,000 shares were granted to eligible participants (the "**Scheme 1**") through the employee shareholding platform of the Schemes. Pursuant to the shareholders' resolution dated 20 December 2018, shareholders of the Company agreed to convert the share premium to share capital. After this conversion, the original 420,000 shares increased to 662,461 shares. These shares were granted at a subscription price of RMB6.78 per share. The grant date fair value of the shares of the Scheme was RMB29.22 per share which was determined based on investors' recent capital injection price.

On 29 December 2023, the Company granted 299,680 shares to eligible participants (the "**Scheme 2**") at a subscription price of RMB80.00 per share. The grant date fair value of the shares of the Scheme was RMB90.00 per share which was determined based on investors' recent capital injection price.

On 24 October 2025, the Company granted 748,220 shares to eligible participants (the "**Scheme 3**") at a subscription price of RMB8.00 per share. The grant date fair value of the shares of the Scheme was RMB15.00 per share which was determined using a market-based valuation technique, taking into account the terms and conditions upon which the shares were granted. Key assumptions, such as market multiple, were determined by the directors with best estimate.

The shares held by the employee shareholding platform of Scheme 1 and Scheme 2 will be vested at service periods of 5 years or IPO and Listing, whichever occurs later.

During the year ended 31 December 2025, the Group entered into a supplementary agreement with certain employees to amend the exercise date of Scheme 2, under which the shares held by the employee shareholding platform of Scheme 2 will be vested 1 year after the IPO and Listing, consistent with Scheme 3. No incremental fair value was granted as a result of such modification.

Movements in the number of awarded shares granted and the respective weighted average grant date fair values were as follows:

	2023		**2024**		**2025**	
	Weighted average grant date fair value *RMB*	**Number of shares**	**Weighted average grant date fair value** *RMB*	**Number of shares**	**Weighted average grant date fair value** *RMB*	**Number of shares**
At 1 January	29.22	372,245	56.72	662,461	56.72	662,461
Granted during the year	90.00	299,680	–	–	15.00	748,220
Forfeited during the year	29.22	(9,464)	–	–	69.53	(103,027)
Effect of share split*	-	–	–	–	–	5,507,190
At 31 December	56.72	662,461	56.72	662,461	6.11	6,814,844

* Details of the share split are included in note 31.

Share-based payment expenses relating to employees recognised for the Relevant Periods are as follows:

	2023 *RMB'000*	**2024** *RMB'000*	**2025** *RMB'000*
Administrative expenses	822	2,877	3,167
Research and development expenses	216	3,235	4,532
Selling expenses	167	194	522
Cost of sales	86	183	367
Total	1,291	6,489	8,588

33. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information.

(i) Share premium and other reserve

The share premium and other reserve of the Group mainly represents the premium in issuing shares and the premium in acquisition of non-controlling interest.

(ii) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

(iii) Share-based payment reserve

The share-based payment reserve represents the equity-settled share awards as set out in note 32 to the Historical Financial Information.

(iv) Specific reserve

Pursuant to the relevant PRC regulations, the Group is required to transfer production and maintenance funds at fixed rates based on relevant bases to a specific reserve account. The production and maintenance funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of production and maintenance funds utilised would be transferred from the specific reserve account to accumulated losses.

The Company

	Share premium and other reserve *RMB'000*	Share-based payment reserve *RMB'000*	Specific reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
As at 31 December 2022 and 1 January 2023	504,668	6,116	7,022	(406,667)	111,139
Total comprehensive loss for the year	–	–	–	(55,772)	(55,772)
Share-based payments	–	1,291	–	–	1,291
Shareholders' capital injection	63,209	–	–	–	63,209
Appropriation and utilisation of specific reserve	–	–	(552)	552	–
As at 31 December 2023 and 1 January 2024	567,877	7,407	6,470	(461,887)	119,867
Total comprehensive income for the year	–	–	–	14,480	14,480
Share-based payments	–	6,489	–	–	6,489
Shareholders' contribution	21,683	–	–	–	21,683
Appropriation and utilisation of specific reserve	–	–	(451)	451	–
As at 31 December 2024 and 1 January 2025	589,560	13,896	6,019	(446,956)	162,519
Total comprehensive income for the year	–	–	–	(3,844)	(3,844)
Share–based payments	–	8,588	–	–	8,588
Shareholders' capital injection	1,514	–	–	–	1,514
Appropriation and utilisation of specific reserve	–	–	(677)	677	–
As at 31 December 2025	591,074	22,484	5,342	(450,123)	168,777

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2023, 2024 and 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,496,000, RMB6,341,000 and RMB4,296,000, respectively, in respect of lease arrangements for plant and properties.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings	Lease liabilities	Amount due to non-controlling shareholders	Listing fee payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	7,660	113,113	10,828	–	131,601
Changes from financing cash flows	40,000	(28,574)	(534)	–	10,892
Exchange fluctuation	–	–	604	–	604
New leases	–	1,496	–	–	1,496
Settlement with bills receivable	(7,660)	–	–	–	(7,660)
Interest expense	111	4,817	164	–	5,092
At 31 December 2023	40,111	90,852	11,062	–	142,025
Changes from financing cash flows	142,189	(31,484)	–	–	110,705
Exchange fluctuation	–	–	(457)	–	(457)
New leases	–	6,341	–	–	6,341
Interest expense	87	3,829	166	–	4,082
Lease term termination	–	(205)	–	–	(205)
At 31 December 2024	182,387	69,333	10,771	–	262,491
Changes from financing cash flows	112,151	(23,913)	–	(1,190)	87,048
Exchange fluctuation	–	–	983	–	983
New leases	–	4,296	–	–	4,296
Interest expense	112	2,595	173	–	2,880
Lease term termination	–	(554)	–	–	(554)
Addition	–	–	–	1,505	1,505
At 31 December 2025	294,650	51,757	11,927	315	358,649

(c) Total cash outflow for leases

The total cash outflow for leases included in the statements of cash flows is as follows:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	7,288	6,498	4,540
Within financing activities	28,574	31,484	23,913
Total	35,862	37,982	28,453

35. CONTINGENT LIABILITIES

The Company is currently a defendant in a lawsuit seeking RMB2,908,000. The directors, based on the advice from the Group's legal counsel, believe that the Company has a valid defence against the allegation and, accordingly, the Group has not provided for any claim arising from the litigation. As of 31 December 2023, 2024 and 2025, the Group is not a party to any other material legal or administrative proceedings.

36. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Properties, plant and equipment	623	2,827	64,030

37. RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties:

The Group

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
An associate:			
Sales of goods or services			
Chengdu Chenfei	*	129,635	86,731

These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

* CNC machine tools sales to Chengdu Chenfei were ordered by a third-party (mentioned as Customer Group B in note 4) amounting to RMB126,839,000 for the year ended 31 December 2023.

(b) Outstanding balances with related parties:

The Group

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
An associate:			
Trade-related:			
Contract liabilities:			
Chengdu Chenfei	168,992	20,299	–
Trade-related:			
Contract assets:			
Chengdu Chenfei	–	8,375	5,488
Trade-related:			
Trade receivables:			
Chengdu Chenfei	–	–	79,713

(c) Other transactions with related parties:

The Group

	2023 RMB'000	2024 RMB'000	2025 RMB'000
Guarantees provided by a related party:			
Mr. Wang Yuhan	49,111	192,649	–

These guarantees from related parties have been released as at 31 December 2025.

(d) Compensation of key management personnel of the Group

	2023 RMB'000	2024 RMB'000	2025 RMB'000
Fees	339	360	210
Salaries, bonuses, allowances and benefits in kind	4,650	3,731	2,668
Performance related bonuses	215	1,777	230
Share-based payments	172	821	2,363
Pension scheme contributions	588	597	388
Total compensation paid to key management personnel	5,964	7,286	5,859

Further details of directors', the chief executive's and supervisors' emoluments are included in note 8 to Historical Financial Information.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

The Group

Financial assets

	2023 RMB'000	2024 RMB'000	2025 RMB'000
Financial assets at amortised cost			
Trade and bills receivables	92,911	55,958	204,042
Financial assets included in prepayments, other receivables and other assets	27,042	11,833	13,942
Restricted cash	14,222	10,351	12,273
Cash and cash equivalents	148,386	133,538	208,930
Subtotal	282,561	211,680	439,187
Financial assets at fair value through profit or loss			
Investments measured at fair value through profit or loss	11,619	–	–
Financial assets at fair value through other comprehensive income			
Bills receivables	4,875	4,052	1,966
Total	299,055	215,732	441,153

Financial liabilities

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost			
Trade and bills payables	228,429	146,726	111,905
Financial liabilities included in other payables and accruals	12,462	11,971	21,607
Interest-bearing bank borrowings	40,111	182,387	294,650
Total	281,002	341,084	428,162

39. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in Chinese mainland (the "Endorsed Bills") with carrying amounts of nil, RMB3,094,000 and RMB9,765,000 as at 31 December 2023, 2024 and 2025, respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amounts of the trade payables settled by the Endorsed Bills during the Relevant Periods to which the suppliers have recourse were nil, RMB3,094,000 and RMB9,765,000 as at 31 December 2023, 2024 and 2025, respectively.

Transferred financial assets that are derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in Chinese mainland (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of nil, RMB6,974,000 and RMB22,656,000 as at 31 December 2023, 2024 and 2025, respectively. The Derecognised Bills had a maturity of one to nine months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the "Continuing Involvement"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the Relevant Periods, the Group has not recognized any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the years or cumulatively. The endorsement has been made evenly throughout the years.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, lease liabilities and short-term interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of unlisted investments measured at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to book ("P/B") multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group has bank acceptance notes issued by banks in Chinese mainland measured at fair value through other comprehensive income. The Group has estimated the fair value of these bank acceptance notes by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023, 2024 and 2025:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Financial assets				
Investments measured at fair value through profit or loss				
An unlisted equity investment	Market approach	Discount for lack of marketability ("DLOM")	31 December 2023: 16.07%	1% increase or decrease in DLOM would result in decrease or increase in fair value by RMB138,000

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

The Group and the Company

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Significant observable inputs (Level 2)			
Financial assets at fair value through other comprehensive income	4,875	4,052	1,966
Significant observable inputs (Level 3)			
Investments measured at fair value through profit or loss	11,619	–	–

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

As the Group's major businesses are in Chinese mainland, the majority of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group was not exposed to material foreign currency risk during the Relevant Periods.

Interest rate risk

The Group's bank balances expose to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. The management of the Company considers the Group's exposure to interest rate risk in respect of bank balances and interest-bearing bank and other borrowings is not significant.

If the interest rate of bank borrowings had increased/decreased by 50 basis points and all other variables were held constant, the profit after tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB57,000, RMB401,000 and RMB1,186,000 for the years ended 31 December 2023, 2024 and 2025, respectively.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without specific verification procedures.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on debtors' external credit ratings and industry features, and year-end staging classification.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	109,014	109,014
Contract assets*	–	–	–	18,008	18,008
Financial assets included in prepayments, other receivables and other assets					
– Normal**	27,246	–	–	–	27,246
Restricted cash					
– Not yet past due	14,222	–	–	–	14,222
Cash and cash equivalents					
– Not yet past due	148,386	–	–	–	148,386
Total	189,854	–	–	127,022	316,876

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	74,518	74,518
Contract assets*	–	–	–	38,460	38,460
Financial assets included in prepayments, other receivables and other assets					
– Normal**	11,975	–	–	–	11,975
Restricted cash					
– Not yet past due	10,351	–	–	–	10,351
Cash and cash equivalents					
– Not yet past due	133,538	–	–	–	133,538
Total	155,864	–	–	112,978	268,842

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	225,051	225,051
Contract assets*	–	–	–	25,744	25,744
Financial assets included in prepayments, other receivables and other assets					
– Normal**	14,103	–	–	–	14,103
Restricted cash					
– Not yet past due	12,273	–	–	–	12,273
Cash and cash equivalents					
– Not yet past due	208,930	–	–	–	208,930
Total	235,306	–	–	250,795	486,101

* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 and note 22.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and lease liabilities.

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023						
Interest-bearing bank borrowings	40,932	–	–	–	–	40,932
Lease liabilities	36,103	17,580	14,364	29,266	3,770	101,083
Trade and bills payables	228,429	–	–	–	–	228,429
Financial liabilities included in other payables	12,462	–	–	–	–	12,462
Total	317,926	17,580	14,364	29,266	3,770	382,906

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024						
Interest-bearing bank borrowings	147,565	9,253	7,937	23,813	–	188,568
Lease liabilities	26,166	14,364	14,364	18,673	–	73,567
Trade and bills payables	146,726	–	–	–	–	146,726
Financial liabilities included in other payables	11,971	–	–	–	–	11,971
Total	332,428	23,617	22,301	42,486	–	420,832

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2025						
Interest-bearing bank borrowings	189,989	52,627	31,407	31,597	–	305,620
Lease liabilities	21,104	15,970	14,902	3,771	–	55,747
Trade and bills payables	111,905	–	–	–	–	111,905
Financial liabilities included in other payables	21,607	–	–	–	–	21,607
Total	344,605	68,597	46,309	35,368	–	494,879

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank borrowings, trade and bills payables, other payables and accruals and lease liabilities, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	228,429	146,726	111,905
Other payables and accruals	38,969	45,569	67,520
Interest-bearing bank borrowings	40,111	182,387	294,650
Lease liabilities	90,852	69,333	51,757
Less: Cash and cash equivalents	(148,386)	(133,538)	(208,930)
Net debt	249,975	310,477	316,902
Equity attributable to owners of the parent	137,453	174,985	187,651
Capital and net debt	387,428	485,462	504,553
Gearing ratio	65%	64%	63%

42. EVENTS AFTER THE RELEVANT PERIODS

There were no significant events for which disclosures or adjustments are required after the end of the Relevant Periods.

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2025.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to owners of the Company as at 31 December 2025 as if the Global Offering had taken place on 31 December 2025.

The unaudited pro forma statement of adjusted consolidated net tangible assets attributable to owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 December 2025 or any future dates following the Global Offering.

	Consolidated net tangible assets attributable to owners of the Company as at 31 December 2025	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company per share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$26.39 per share	160,686	1,420,406	1,581,092	3.86	4.41

Notes:

(1) The consolidated net tangible assets attributable to owners of the parent as at 31 December 2025 is arrived at after deducing intangible assets of RMB26,965,000 from the consolidated net assets attributable to owners of the parent of RMB187,651,000 as at 31 December 2025, as shown in Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$26.39 per share, after deduction of the underwriting fees and other related expenses payable by the Company (excluding the listing expense that have been charged to profit or loss during the Track Record Period) and does not take into account of any shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB0.87581.

(3) The unaudited pro forma adjusted consolidated net tangible assets per share is calculated based on total 409,281,790 shares in issue assuming the Global Offering had been completed on 31 December 2025, representing 343,951,790 shares in issue as at 31 December 2025 and 65,330,000 H shares to be issued pursuant to the Global Offering.

(4) For the purpose of this unaudited pro forma statement of adjusted consolidated net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.87581. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2025.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

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To the Directors of Shanghai Top Numerical Control Technology Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shanghai Top Numerical Control Technology Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net tangible assets as at 31 December 2025, and related notes as set out on pages II-1 of the prospectus dated 12 May 2026 issued by the Company (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 December 2025 as if the transaction had taken place at 31 December 2025. As part of this process, information about the Group's financial position, has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2025, on which an accountants' report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* as issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* as issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 as issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong

12 May 2026

SUMMARY OF ARTICLES OF ASSOCIATION

This appendix contains a summary of the main provision of the Articles of Association of our Company adopted on 15 May 2025, which will take effect from the date of the Listing of H Shares on the Stock Exchange. The main purpose of this appendix is to provide potential investors with an overview of the Articles of Association of our Company, so it may not contain all the information that is important to potential investors.

SHARES AND REGISTERED CAPITAL

The Company shall issue shares under the principles of openness, fairness and impartiality and shares of the same class shall carry the equal rights. Shares of the same class issued at the same time shall be issued under the same condition and at the same price. Shares subscribed by any entity or individual shall be paid for at the same consideration.

INCREASE AND REDUCTION OF CAPITAL AND REPURCHASE OF SHARES

Increase of Capital

The Company may, based on its operating and development needs, increase its capital in the following ways pursuant to the requirements of laws and regulations and subject to the resolutions separately passed at the general meetings:

(i) by public offering of shares;

(ii) by non-public offering of shares;

(iii) by allotting bonus shares to its existing shareholders;

(iv) by converting common reserve fund into share capital;

(v) by any other means which is stipulated by law and administrative regulations, the Listing Rules, other regulatory rules of the stock exchange where the Company is listed, and other methods approved by the CSRC or other relevant national regulatory authorities.

Reduction of Capital

The Company may reduce its registered capital in accordance with the provisions of the Articles of Association. The Company shall reduce its registered capital in accordance with the PRC Company Law, the Listing Rules and other relevant regulations as well as the procedures stipulated in the Articles of Association.

The Company shall inform its creditors of the reduction in capital within ten (10) days and make public announcements in newspapers within thirty (30) days after the resolution approving the reduction has been adopted. The creditors shall, within thirty (30) days since the date of receiving a written notice or within forty five (45) days since the date of the public announcement for those who have not received a written notice, be entitled to require the Company to pay off its debts in full or to provide a corresponding guarantee.

The registered capital of the Company following the reduction of capital shall not fall below the minimum statutory requirement.

Repurchase of Shares

The Company shall not repurchase its shares in accordance with the laws and regulations, the Articles of Association and the relevant provisions of the securities regulatory authorities of the place where the Company's shares are listed, except in the following circumstance:

(i) to reduce its registered capital;

(ii) to merge with another company that holds the shares;

(iii) to utilise shares in the employee share ownership plans or share incentive plans;

(iv) to acquire the shares upon request by shareholders who vote against any resolution adopted at the general meeting on the merger or division of the Company;

(v) to use the shares in the conversion of the convertible corporate bonds issued by the Company;

(vi) necessary for the Company to protect its value and the shareholders' equity.

Where the Company repurchases its shares under the circumstances set out in items (i) and (ii) of the preceding paragraph, it shall be subject to the resolution of the general meeting. where the Company repurchases its shares under the circumstances set out in items (iii), (v) and (vi) of the preceding paragraph, it shall be subject to the resolution of the Board meeting attended by more than two-thirds (2/3) of the directors in accordance with the provisions of the Articles of Association or the authorization of the general meeting.

The shares repurchased by the Company in accordance with the paragraph 1 shall be processed in the following ways: for the circumstance in item (i), such shares shall be cancelled in ten days after the date of repurchase. for the circumstance in item (ii) or (iv), such shares shall be transferred or cancelled in six months. for the circumstance in item (iii), (v) or (vi), the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred to employees or cancelled in three years.

TRANSFER OF SHARES

Shares issued by the Company prior to its public offering shall not be transferred within one (1) year as at the date on which the shares are listed and traded in a stock exchange.

The Directors and senior management of the Company shall regularly declare the number of shares held by them and the relevant changes. The number of shares transferred each year during their term of office shall not exceed 25% of the total number of shares in the same class of the Company held by them. The shares of the Company held by them shall not be transferred within one (1) year as at the listing date of the shares of the Company. The shares of the Company held by them shall not be transferred within six months after their departure. Where the rules of the stock exchange where the Company's shares are listed have other provisions on the transfer of shares, such provisions shall also be complied with.

The Company shall not accept its own shares as collateral.

RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

Shareholders

The Company shall establish a register of shareholders with the information provided by the securities registration authority. The register of shareholders shall be sufficient evidence of the holding of the shares of the Company by the shareholders. A shareholder shall enjoy the rights and assume the obligations attached to the class of shares held. Shareholders holding the same class of shares shall be entitled to the same rights and assume equal obligations.

Rights and Obligations of Shareholders

Shareholders of the Company shall entitle the following rights:

(i) to the Company for dividends and other forms of profit distribution according to the proportion of shares they hold;

(ii) to request, convene, hold, participate or authorise proxies to attend shareholders' general meeting, speak at the meeting and to exercise voting rights according to the proportion of shares they hold;

(iii) to supervise the business operations of the Company and to make suggestions or inquiries;

(iv) to transfer, give or pledge the shares held by them in accordance with the laws and regulations, and the Articles of Association;

(v) to inspect or make copies of Articles of Association, all of the register of shareholders, stubs of corporate bonds, minutes of shareholders' general meetings, resolutions of the Board meetings, financial and accounting reports. Shareholders who satisfy the prescribed criteria may also inspect the Company's accounting books and accounting vouchers;

(vi) to participate in the distribution of the remaining property of the Company according to the proportion of shares they hold when the Company is terminated or liquidated;

(vii) to require the Company to buy back its shares in the event that shareholders objecting to resolutions of the general meeting concerning merger or division of the Company;

(viii) other rights set out in laws and regulations, the Listing Rules and the Articles of Association.

A shareholder requesting for inspection of information or access to materials according to the Articles of Association shall produce to the Company written documents evidencing the class and number of shares that the shareholder holds. The Company shall provide such information and materials as requested by the shareholder after confirming the identity of the shareholder.

Shareholders of the Company shall assume the following obligations:

(i) to abide by the laws and regulations and the Articles of Association;

(ii) to make a capital contribution according to the shares they subscribe for and the capital contribution method;

(iii) not to withdraw shares unless otherwise provided by laws and regulations;

(iv) not to abuse their shareholders' rights to harm the Company's or other shareholders' interests. not to abuse the Company's legal person status or the shareholders' limited liability to harm the interests of the Company's creditors;

(v) other obligations to be assumed by the Shareholders according to the laws and regulations, the Listing Rules, other regulatory rules of the stock exchange where the Company is listed, and the Articles of Association.

If a shareholder abuses his/her shareholder rights and causes a loss to the Company or other shareholders, he or she shall be held liable for damages in accordance with laws. If a shareholder abuses the independent legal person status of the Company or the limited liability of shareholders in order to evade debts and thereby seriously damages the interests of the Company's creditors, he or she shall assume joint and several liability for the Company's debts.

SHAREHOLDERS' GENERAL MEETING

General rules for the Shareholders' General Meeting

The general meeting acts as the supreme authority of the Company which, according to laws, exercises the following functions and power:

(i) to elect and replace the directors assumed by non-representatives of the employees and decide on matters relating to the remuneration of the directors;

(ii) to review and approve the reports of the Board of Directors;

(iii) to review and approve the Company's profit distribution plans and loss recovery plans;

(iv) to decide on the increase or reduction of the Company's registered capital;

(v) to decide on the issue of bonds by the Company;

(vi) to decide on merger, division, dissolution, liquidation of the Company, or changes in the form of the Company;

(vii) to amend these Articles of Association;

(viii) to decide on the engagement or dismissal of the accounting firms of the Company;

(ix) to review and approve the security-related matters stipulated in Article 47;

(x) to review the matters of purchase and/or sale by the Company within one year of significant assets exceeding 30% of the latest audited total assets of the Company;

(xi) to review and approve the change of the use of the raised funds;

(xii) to review share incentive plans and employee stock ownership plans;

(xiii) to consider and decide on other matters that are required to be resolved by the general meeting pursuant to laws, administrative regulations, departmental rules, the Listing Rules, or the Articles of Association.

The Shareholders' Meeting may, by resolution, delegate authority to the Board of Directors to adopt resolutions regarding the issuance of corporate bonds.

The Company shall convene an extraordinary general meeting within two (2) months in any of the following cases:

(i) when the number of Directors is less than the number prescribed by the PRC Company Law or less than two-thirds (2/3) of the amount required by these Articles of Association;

(ii) when the Company's uncovered losses amount to one-third (1/3) of the total paid-up share capital;

(iii) when shareholders, individually or collectively, holding more than ten percent (10%) of the voting shares of the Company request;

(iv) when the Board of Directors deems it's necessary;

(v) when the Audit Committee deems it's necessary;

(vi) Other circumstances as stipulated by laws, regulations, the Listing Rules, other regulatory rules of the stock exchange where the Company is listed or these Articles of Association.

The Convening of the General Meeting

With the approval of a majority of all Independent non-executive Directors, the Independent non-executive Directors shall have the right to propose to the Board of Directors the convening of an extraordinary general meeting. In response to a proposal by an Independent non-executive Directors to convene an extraordinary general meeting, the Board of Directors shall, in accordance with the laws and regulations, the Listing Rules, other regulatory rules of the stock exchange where the Company is listed and these Articles of Association, provide written feedback within ten (10) days after receiving the proposal to agree or disagree with the convening of the extraordinary general meeting. If the Board of Directors agrees to convene an extraordinary general meeting, it will issue a notice of the convening of the general meeting within five (5) days after making a resolution of the Board of Directors.

The Audit Committee has the right to propose to the Board of Directors to convene an extraordinary general meeting, and shall make such proposal in writing. The Board of Directors shall, in accordance with the laws and regulations, the Listing Rules, other regulatory rules of the stock exchange where the Company is listed and these Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of an extraordinary general meeting within ten (10) days after receiving the proposal.

Shareholders who individually or collectively hold more than ten percent (10%) of the shares of the Company may sign written requests to the Board of Directors for the convening of an extraordinary general meeting. The Board of Directors shall, in accordance with the laws and regulations, the Listing Rules, other regulatory rules of the stock exchange where the Company is listed and these Articles of Association, provide written feedback within ten (10) days after receiving the request, whether it agrees or does not agree to convene an extraordinary general meeting.

If the Board of Directors agrees to convene an extraordinary general meeting, it shall, within five (5) days after making a resolution of the Board of Directors, issue a notice to convene the general meeting, and any changes to the original request in the notice shall be subject to the consent of the shareholders concerned.

If the Board of Directors does not agree to convene an extraordinary general meeting, or does not provide feedback within ten (10) days after receiving the request, shareholders, individually or collectively, holding more than ten (10) percent of the shares of the Company shall have the right to propose to the Audit Committee the convening of an extraordinary general meeting, and shall submit their request in writing to the Audit Committee.

If the Audit Committee agrees to convene an extraordinary general meeting, it shall, within five (5) days after receiving the request, issue a notice convening the general meeting, and any changes to the original proposal in the notice shall be subject to the consent of the shareholders concerned.

If the Audit Committee fails to issue a notice of a general meeting within the prescribed period, it shall be deemed not to convene and preside over the general meeting. Shareholders who individually or collectively hold more than ten percent (10%) of the shares of the Company for more than ninety (90) consecutive days may convene and preside over the general meeting on their own. The shareholding of the convening shareholder shall not be less than ten percent (10%) before the announcement of the resolution of the general meeting.

Notices of the Shareholders' General Meeting

The convener shall notify all shareholders of the time, place and matters to be considered at the meeting at least twenty-one (21) calendar days prior to the annual general meeting, and shall notify all shareholders of the time, place and matters to be considered at the meeting fifteen (15) calendar days prior to the extraordinary general meeting.

The notice of the general meeting shall meet the following requirements:

(i) the time, venue and duration of the meeting;

(ii) subject matters and proposals submitted for consideration and approval at the meeting;

(iii) it shall be clearly stated that all holders of ordinary shares are entitled to attend general meetings, and may appoint a proxy in writing to attend and vote at the meeting on their behalf. Such proxy need not be a shareholder of the Company;

(iv) the equity registration date of the shareholders who are entitled to attend on the general meetings;

(v) name(s) and telephone number(s) of the standing contact person(s) for the affairs of meetings;

(vi) the time and procedures for voting via the internet or by other means;

(vii) the requirements stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's stock is listed, and this Articles of Association.

Resolutions at the General Meeting

The resolutions of a general meeting are classified into ordinary resolutions and special resolutions.

Ordinary resolutions of the general meeting shall be adopted by more than half (1/2) of the voting rights held by the shareholders (including shareholders' proxies) present at the general meeting.

Special resolutions of the general meeting shall be adopted by more than two-thirds (2/3) of the voting rights held by the shareholders (including shareholders' proxies) present at the general meeting.

The following matters shall be resolved by way of ordinary resolution of the general meeting:

(i) work reports of the Board of Directors;

(ii) proposals formulated by the Board of Directors for distribution of profits or loss recovery plans;

(iii) appointment and removal of directors of the Board of Directors, and their remuneration and method of payment of their remuneration;

(iv) engagement or dismissal of the accounting firms of the Company;

(v) all matters required to be approved by a general meeting other than those required to be approved by way of special resolution under any laws, regulations, Listing Rules, regulatory rules of the place where the shares of the Company are listed or these Articles of Association.

The following matters shall be resolved by way of special resolution of the general meeting:

(i) the increase or reduction of the registered capital by the Company.

(ii) the merger, spin-off, division, dissolution, or liquidation of the Company.

(iii) the amendment to these Articles of Association.

(iv) the amount of purchase and the sale of major assets or the guarantee by the Company within one year exceeds 30% of the latest audited total assets of the Company.

(v) the share incentive plans.

(vi) other matters which the laws, regulations, securities regulatory rules of the place where the shares of the Company are listed or these Articles of Association require to be adopted by special resolutions.

Shareholders (including shareholders' proxies), may exercise voting rights in the amount of the voting shares they represent and each share shall have one vote. In the exercise of voting rights, a shareholder (including a shareholder proxy) entitled to two or more votes may exercise such votes separately and is not obligated to cast all votes uniformly for the same resolution (whether as affirmative, negative, or abstaining votes).

Shares held by the Company do not carry any voting rights and shall not be counted in the total number of voting shares represented by shareholders present at a general meeting.

When a connected transaction is considered at a general meeting, the connected shareholders and their close associates shall abstain from voting, and the number of voting shares represented by them shall not be counted in the total number of valid votes.

DIRECTORS AND THE BOARD OF DIRECTORS

Directors

Non-Employee Representative Directors shall be elected or replaced at the general meeting for a term of three (3) years and may be re-elected upon the expiration of the term. Employee representative director shall be elected or replaced at the employee representatives meeting for a term of three (3) years and may be re-elected upon the expiration of the term.

The general manager or other senior management members may concurrently serve as Directors, provided that the total number of Directors who concurrently serve as general manager or other senior management members and Directors who are employee representatives shall not exceed half (1/2) of the total number of Directors of the Company.

Board of Directors

The Directors of the Company are divided into executive Directors, non-executive Directors and independent non-executive Directors. The number of independent non-executive Directors shall represent at least one-third (1/3) of the members of the Board of Directors. At least one independent non-executive director must possess appropriate professional qualifications or accounting or related financial management expertise, and at least one independent non-executive director must ordinarily reside in Hong Kong.

The Company shall have a Board of Directors, which shall consist of eight (8) Directors and shall have one (1) chairman of the Board.

The Board of Directors of the Company shall include one director who is a representative of the employees. The employee representative director shall be elected democratically by the employees of the Company through the employees' congress, general meeting of employees, or other forms of democratic election.

The Board of Directors shall exercises the following functions and powers:

(i) to convene general meetings and report on its work to the general meetings;

(ii) to implement the resolutions of the general meeting;

(iii) to determine the business operation plans and investment plans of the Company;

(iv) to formulate the profit distribution plans and loss recovery plans of the Company;

(v) to formulate proposals for the increase or reduction of the Company's registered capital, the issuance of bonds or other securities of the Company and listing of shares of the Company;

(vi) to formulate plans for material acquisitions, purchase of shares of the Company or merger, division, dissolution, liquidation or change of corporate form of the Company;

(vii) within the scope of authorization granted by the general meeting, to decide on matters such as the Company's external investments, acquisition or disposal of assets, asset pledges, provision of external guarantees, entrusted wealth management, and connected transactions;

(viii) to determinate the setup of the Company's internal management organisations;

(ix) to decide on the appointment or dismissal of the Company's general manager, secretary to the Board of Directors and other senior management members, and to decide on matters over the remunerations and rewards or punishments thereof. And to decide on the appointment or dismissal of the Company's deputy general manager, chief financial officer and other senior management as well as their remunerations and rewards or punishments according to the nomination of the general manager;

(x) to formulate the basic management policies of the Company;

(xi) to formulate the amendment to the Articles of Association;

(xii) to manage the information disclosure of the Company;

(xiii) to advice the general meeting to engage or replace the accounting firm that provides audits for the Company;

(xiv) to listen to the work report of the manager of the Company and inspect the work of the manager;

(xv) other functions and powers conferred by laws and regulations, the Listing Rules of the place where the Company's shares are listed and these Articles of Association.

The chairman of the Board shall exercise the following functions and powers:

(i) to preside over general meetings and to convene and preside over meetings of the Board;

(ii) to supervise and inspect the implementation of the resolutions of the Board;

(iii) to propose the convening of an extraordinary meeting of the Board;

(iv) to sign important documents of the Board and other documents that should be signed by the legal representative of the company;

(v) To exercise the powers of the legal representative;

(vi) in the event of force majeure emergency such as the occurrence of a major natural disaster, to exercise special disposal authority over the affairs of the Company in accordance with the provisions of the law and the interests of the Company, and to report to the Board and the general meeting of shareholders of the Company afterwards;

(vii) other functions and powers conferred by the Board.

The Board of Directors shall convene at least four meetings each year, approximately once every quarter, and such meetings shall be convened by the chairman of the Board. The notice of a regular Board meeting shall be sent to all Directors at least fourteen (14) days before the date of the meeting.

Shareholders representing more than one tenth of all voting rights, more than one thirds of all directors or the Audit Committee may propose the holding of an extraordinary meeting of the Board. The chairman of the Board shall, within 10 days of receipt of such proposal, convene and preside over the meeting of the Board of Directors.

The notice of an extraordinary meeting of the Board shall be given to all directors at least 3 days prior to the meeting.

Voting at Board meetings is conducted by open ballot, with each Director having one vote. Resolutions of the Board of Directors shall be passed by more than half of all Directors.

AUDIT COMMITTEE

The Board of Directors shall set up an Audit Committee, and set up other relevant special committees such as Nominating, Compensation and Evaluation Committees as needed, which shall perform their duties in accordance with this Articles of Association and the Board of Directors' authorization. The Audit Committee shall exercises the following powers:

(i) review the financial condition, examine its financial information, assess the truthfulness, completeness, and accuracy of financial data, and inspect the implementation and effectiveness of internal monitoring systems.

(ii) take the lead in communicating and overseeing external audits, supervising internal audits, evaluating and refining the company's internal control system, and making relevant recommendations.

(iii) conduct risk assessments of major investment projects underway in the company.

(iv) monitor the conduct of directors and senior management in performing their duties, and recommend the removal of those who violate laws, administrative regulations, the articles of association, or shareholders' meeting resolutions.

(v) demand that directors and senior management correct actions that harm the company's interests.

(vi) propose the convening of extraordinary shareholders' meetings, and convene and chair shareholders' meetings if the board of directors fails to do so.

(vii) submit proposals to shareholders' meetings.

(viii) initiate litigation against directors and senior management as stipulated in Article 189 of the Company Law.

(ix) other powers as specified in this Articles of Association.

All members of the special committees are directors. All members of the Audit Committee must be non-executive or independent non-executive directors, with independent non-executive directors making up more than half of its members. At least one member must be an independent non-executive director with the appropriate professional qualifications as defined by the Hong Kong Listing Rules, or with expertise in accounting or related financial management.

GENERAL MANAGER

The Company shall have one (1) general manager, who shall be appointed or dismissed by the Board of Directors.

The Company shall have several deputy general managers who shall be appointed or dismissed by the Board of Directors upon nomination by the general manager.

The general manager shall be directly accountable to the Board of Directors and exercise the following functions and powers:

(i) to be in charge of the operation and management of the Company, to organise and implement the resolutions of the Board of Directors, and to report on his/her work to the Board of Directors.

(ii) to organise and implement the Company's annual business plan and investment plan.

(iii) to draft the plan for establishment of the Company's internal management organisation.

(iv) to draft the Company's basic management policies.

(v) to formulate the detailed rules and regulations of the Company.

(vi) to request the Board of Directors to appoint or dismiss deputy general manager and chief financial officer of the Company.

(vii) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors.

(viii) to draft the Company's employee compensation, benefits, rewards and penalties, and to decide on the employment and dismissal of the Company's employees.

(ix) to propose the convening of an extraordinary meeting of the Board of Directors.

(x) to draft the Company's development plan, major investment projects, and annual production and business plans.

(xi) to draft the Company's post-tax profit distribution plans, loss recovery plans, and plans for using the Company's assets as collateral for financing.

(xii) to approve the various expense expenditures in the daily operation and management of the Company.

(xiii) to draft proposals for increasing or decreasing the Company's registered capital and issuing corporate bonds.

(xiv) other functions and powers conferred by the Articles of Association and the Board of Directors.

SECRETARY TO THE BOARD

The Company shall have one (1) Board secretary. The Board secretary shall be a senior management member of the Company.

The Company shall have a secretary to the Board of Directors, whose responsibilities include preparing general meetings and Board meetings of the Company, maintaining documents and managing shareholder information of the Company, and handling the information disclosure of the Company.

The secretary to the Board of Directors shall comply with relevant provisions of the laws and regulations, departmental rules, other regulatory rules of the stock exchange where the Company is listed and these Articles of Association.

BORROWING POWER

The Articles of Association do not contain any specific provision regarding the manner in which the Directors may exercise the right to borrow money or the manner in which such a right is given provided that the Board of Directors shall be entitled to formulate proposals for the Company to issue bonds and to list its shares, and that such bond issues must be approved by the shareholders by a special resolution at the shareholders' general meeting.

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall formulate its own financial and accounting systems in accordance with the laws, regulations, securities regulatory rules of the stock exchange where the Company is listed and the requirements of relevant state departments.

The Company shall submit, disclose, and/or deliver to shareholders its annual reports, interim reports, preliminary results announcements, and other financial disclosure documents in accordance with the Listing Rules and other regulatory rules.

PROFIT DISTRIBUTION

The Company shall implement a continuous and stable profit distribution policy. The profit distribution of the Company shall emphasise providing reasonable investment returns to investors. The objective of the cash dividend policy is to achieve steadily increasing dividends.

A reasonable portion of the Company's profits shall be distributed, provided that adequate funds are reserved to meet its operational needs and future development.

The Company may implement interim cash dividends.

Form of profit distribution: the Company may distribute profits in the form of cash, shares or a combination of cash and shares. If the conditions for cash dividends are satisfied, priority shall be given to cash dividends for profit distribution.

The Company is not required to distribute profits if:

(i) the audit report on it for the most recent year is either a non-unqualified opinion or an unqualified opinion with a significant uncertainty paragraph relating to going concern;

(ii) the asset-liability ratio at the end of the most recent fiscal year is higher than 70%;

(iii) the operating cash flow is negative in the most recent fiscal year;

(iv) any other circumstances that the Company deems inappropriate for distribution occurs.

INTERNAL AUDIT

The Company implements an internal audit system and has established the internal audit department with full-time auditors to conduct internal audit and supervision on the Company's financial revenues and expenditures and economic activities.

The internal audit system of the Company and the duties of the auditors shall be implemented upon approval by the Board. The person in charge of audit shall be accountable and report to the Board.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company may be dissolved for any of the following reasons:

(i) the term of business operation prescribed in the Articles of Association expires or any other circumstance for dissolution prescribed in the Articles of Association occurs.

(ii) the general meeting resolves to dissolve the Company.

(iii) dissolution is required due to merger or division of the Company.

(iv) the Company is revoked of its business licence, ordered to close down or annulled according to law due to violation of laws and regulations.

(v) there is severe difficulty in the operation and management of the Company, and the continued existence of the Company will have material prejudice to the interests of its shareholders and there is no other way to resolve, shareholders who hold an aggregate of over ten percent (10%) of the whole voting rights can make a petition to the people's court to dissolve the Company.

Where any of the circumstances prescribed in items (i) or (ii) occurs, and has not distributed its assets to shareholders, the Company may continue to exist by amending these Articles of Association.

If the Company is dissolved under items (i), (ii), (iv), and (v), a liquidation committee shall be established within fifteen (15) days from the occurrence of the cause for dissolution, and liquidation shall commence accordingly. The liquidation committee shall be composed of the directors, unless otherwise provided in these Articles of Association or a resolution of the shareholders' general meeting appoints other persons.

If the liquidation committee is not established within the prescribed period, or fails to carry out liquidation after being established, interested parties may apply to the people's court to designate relevant personnel to form a liquidation committee and proceed with the liquidation.

The liquidation committee shall notify the creditors within ten (10) days from the date of its establishment, and shall make a public announcement within sixty (60) days via newspapers or the National Enterprise Credit Information Publicity System. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the notice, or within forty-five (45) days from the date of the public announcement if no notice is received.

If, after verifying the Company's assets and preparing a balance sheet and an asset register, the liquidation committee determines that the Company's assets are insufficient to satisfy its debts, it shall, in accordance with applicable laws, apply to the people's court for bankruptcy liquidation.

Upon acceptance of the application by the court, the liquidation committee shall transfer the liquidation matters to the liquidator appointed by the court.

Following the completion of the liquidation, the liquidation committee shall prepare a liquidation report, which shall be submitted to the shareholders' general meeting or the people's court for confirmation, and filed with the Company registration authority for application of deregistration.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association under any of the following circumstances:

(i) after the PRC Company Law or relevant laws and regulations are amended, the provisions of the Articles of Association are in conflict with the provisions of the amended ones.

(ii) there has been a change to the Company, resulting in inconsistency with the contents in the Articles of Association.

(iii) the general meeting decides to amend the Articles of Association.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation of our Company

Our Company was established as a limited liability company under the laws of the PRC on 18 May 2007 and was converted into a joint stock company with limited liability on 23 November 2016. Our head office and principal place of business in the PRC is at No. 888, Guanghua Road, Minhang District, Shanghai, the PRC.

We have established a place of business in Hong Kong at Room 1917, 19/F, Lee Garden One, 33 Hysan Road, Causeway Bay, Hong Kong, and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 3 June 2025. Mr. Yau Tsz Lun (游子麟), our joint company secretary, is the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong under Part 16 of the Companies Ordinance. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. An overview of the relevant aspects of laws and regulations of the PRC is set out in "Regulatory Overview" in this prospectus. A summary of our Articles of Association is set out in Appendix III to this prospectus.

B. Changes in the Share Capital of our Company

The following changes in the share capital of our Company took place during the two years immediately preceding the date of this prospectus:

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

(b) Immediately following the completion of the Global Offering and the Conversion of the Domestic Shares into H Shares, assuming that the Over-allotment Option is not exercised, our registered share capital will be increased to RMB40,928,179, divided into 37,808,886 Domestic Shares and 371,472,904 H Shares, fully paid up or credited as fully paid up, representing approximately 9.89% and approximately 90.11% of our enlarged share capital, respectively.

(c) Immediately following the completion of the Global Offering and the Conversion of Domestic Shares into H Shares, assuming that the Over-allotment Option is fully exercised, our registered share capital will be increased to RMB41,908,119, divided into 37,808,886 Domestic Shares and 381,272,304 H Shares, fully paid up or credited as fully paid up, representing approximately 9.75% and approximately 90.25% of our enlarged share capital, respectively.

For details, see "History and Corporate Structure" in this prospectus. Save as disclosed above, there has been no alteration in the share capital within two years immediately preceding the date of this prospectus.

C. Resolutions Passed by Our Shareholders' General Meeting in relation to the Global Offering

At the shareholders' general meeting held on 15 May 2025 the following resolutions, among others, were duly passed:

(a) the issuance by our Company of the H Shares of nominal value of RMB0.1 each and such H Shares being listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued shall not be more than 20% of the total issued share capital of our Company as enlarged by the Global Offering, and the grant to the underwriters (or their representatives) of the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;

(c) subject to the completion of the Global Offering, the adoption of the Articles of Association which shall become effective on the Listing Date, and authorization to the Board to amend the Articles of Association for the purpose of the Company's Listing; and

(d) authorization of the Board to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

D. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, see "Appendix III – Summary of Articles of Association" in this prospectus.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(a) the share transfer agreement dated 2 April 2025 entered into among Jiangsu Jianyin Investment Co., Ltd. (江蘇建銀投資有限公司) ("**Jiangsu Jianyin**"), Mr. Liu Gang (劉鋼) ("**Mr. Liu**") and our Company, in respect of the transfer of 60,574 Shares from Mr. Liu to Jiangsu Jianyin, at a consideration of RMB7,924,896;

(b) the share transfer agreement dated 2 April 2025 entered into among Jiangsu Jianyin, Mr. Liu and our Company, in respect of the transfer of 99,427 Shares from Mr. Liu to Jiangsu Jianyin, at a consideration of RMB13,008,034;

(c) the share transfer agreement dated 2 April 2025 entered into among Tianjin Winfund Specialised No. 3 Venture Capital Partnership (Limited Partnership) (天津元藩專精叁號創業投資合夥企業(有限合夥)) ("**Tianjin Winfund**"), Mr. Liu and our Company, in respect of the transfer of 72,747 Shares from Mr. Liu to Tianjin Winfund, at a consideration of RMB9,517,490; and

(d) a cornerstone investment agreement dated 8 May 2026 entered into among our Company, RBC Global Asset Management (Asia) Limited (as sub-investment manager on behalf of each fund listed in schedule 2 thereto), Guotai Junan Capital Limited, CCB International Capital Limited and Guotai Junan Securities (Hong Kong) Limited, in respect of the subscription of H Shares at the Offer Price in the aggregate amount of US dollar 22,013,000 or the US dollar equivalent of HK$172,492,682.66;

(e) a cornerstone investment agreement dated 8 May 2026 entered into among our Company, 3W Fund Management Limited, Guotai Junan Capital Limited, CCB International Capital Limited and Guotai Junan Securities (Hong Kong) Limited, in respect of the subscription of H Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent to US dollar 20,000,000;

(f) a cornerstone investment agreement dated 8 May 2026 entered into among our Company, Aqua Ocean Limited, Guotai Junan Capital Limited, CCB International Capital Limited and Guotai Junan Securities (Hong Kong) Limited, in respect of the subscription of H Shares at the Offer Price in the aggregate amount of US dollar 15,000,000 or the US dollar equivalent of HK dollar 117,539,192.29;

(g) a cornerstone investment agreement dated 8 May 2026 entered into among our Company, HHLR Advisors, Ltd., Guotai Junan Capital Limited, CCB International Capital Limited and Guotai Junan Securities (Hong Kong) Limited, in respect of the subscription of H Shares at the Offer Price in the aggregate amount of US dollar 10,000,000 or the US dollar equivalent of HK dollar 78,359,461.53;

(h) a cornerstone investment agreement dated 8 May 2026 entered into among our Company, UBS Asset Management (Singapore) Ltd. (in its capacity as the delegate of the investment manager for and on behalf of the investors listed in schedule 3 thereto), Guotai Junan Capital Limited, CCB International Capital Limited and Guotai Junan Securities (Hong Kong) Limited, in respect of the subscription of H Shares at the Offer Price in the aggregate amount of US dollar 10,000,000 or the US dollar equivalent of HK dollar 78,359,461.53;

(i) a cornerstone investment agreement dated 8 May 2026 entered into among our Company, CDH Global Frontier Ventures Limited, Guotai Junan Capital Limited, CCB International Capital Limited and Guotai Junan Securities (Hong Kong) Limited, in respect of the subscription of H Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent to US dollar 10,000,000;

(j) a cornerstone investment agreement dated 8 May 2026 entered into among our Company, Cithara Global Multi-Strategy SPC – Disruptive Innovation Investment Fund SP, Guotai Junan Capital Limited, CCB International Capital Limited and Guotai Junan Securities (Hong Kong) Limited, in respect of the subscription of H Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent to US$5,000,000;

(k) a cornerstone investment agreement dated 8 May 2026 entered into among our Company, Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司), Guotai Junan Capital Limited, CCB International Capital Limited and Guotai Junan Securities (Hong Kong) Limited, in respect of the subscription of H Shares at the Offer Price in the aggregate amount of US dollar 2,100,000 or the US dollar equivalent of HK dollar 16,455,486.9213;

(l) a cornerstone investment agreement dated 8 May 2026 entered into among our Company, Fullgoal Asset Management (HK) Limited, Guotai Junan Capital Limited, CCB International Capital Limited and Guotai Junan Securities (Hong Kong) Limited, in respect of the subscription of H Shares at the Offer Price in the aggregate amount of US dollar 900,000 or the US dollar equivalent of HK dollar 7,052,351.54;

(m) a cornerstone investment agreement dated 8 May 2026 entered into among our Company, China Asset Management (Hong Kong) Limited (華夏基金 (香港) 有限公司), Guotai Junan Capital Limited, CCB International Capital Limited and Guotai Junan Securities (Hong Kong) Limited, in respect of the subscription of H Shares at the Offer Price in the aggregate amount of US dollar 3,000,000 or the US dollar equivalent of HK dollar 23,507,838.47;

(n) a cornerstone investment agreement dated 8 May 2026 entered into among our Company, 上海大零號灣心致領航私募投資基金合夥企業(有限合夥) Shanghai Dalinghao Wan Xinzhi Linghang Private Equity Investment Fund Partnership Enterprise (Limited Partnership), Guotai Junan Capital Limited, CCB International Capital Limited and Guotai Junan Securities (Hong Kong) Limited, in respect of the subscription of H Shares at the Offer Price in the aggregate amount of US dollar 3,000,000 or HK dollar 23,507,838.46;

(o) a cornerstone investment agreement dated 8 May 2026 entered into among our Company, TT International Asset Management Ltd, acting as agent on behalf of its clients as principals, Guotai Junan Capital Limited, CCB International Capital Limited and Guotai Junan Securities (Hong Kong) Limited, in respect of the subscription of H Shares at the Offer Price in the aggregate amount of US dollar 3,000,000 or the US dollar equivalent of HK dollar 23,507,838.46;

(p) a cornerstone investment agreement dated 8 May 2026 entered into among our Company, Mirae Asset Securities (HK) Limited, Guotai Junan Capital Limited, CCB International Capital Limited and Guotai Junan Securities (Hong Kong) Limited, in respect of the subscription of H Shares at the Offer Price in the aggregate amount of US dollar 3,000,000 or the US dollar equivalent of HK dollar 23,507,838.46;

(q) a cornerstone investment agreement dated 8 May 2026 entered into among our Company, Goldman Sachs Asset Management (Hong Kong) Limited, Guotai Junan Capital Limited, CCB International Capital Limited and Guotai Junan Securities (Hong Kong) Limited, in respect of the subscription of H Shares at the Offer Price in the aggregate amount of US dollar 3,000,000 or the US dollar equivalent of HK dollar 23,507,838.46; and

(r) the Hong Kong Underwriting Agreement.

B. Our Intellectual Property Rights

As at the Latest Practicable Date, our Company has registered, or has applied for the registration of the following intellectual property rights which were material to our Group's business.

Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which we considered to be material to our business:

No.	Trademark	Place of registration	Class	Registration number	Trademark owner	Trademark expiry date
1	拓璞	PRC	7	11548395	Our Company	6 March 2034
2	topnc	PRC	7	11548408	Our Company	6 March 2034
3	topnc	PRC	9	33990295	Our Company	13 June 2029
4	topnc	PRC	12	34013133	Our Company	13 June 2029
5	topnc	PRC	35	33991083	Our Company	13 June 2029
6	topnc	PRC	37	34003302	Our Company	13 June 2029
7	topnc	PRC	40	34011749	Our Company	13 June 2029
8	topnc	PRC	41	33990803	Our Company	13 June 2029
9	topnc	PRC	42	33994457	Our Company	13 June 2029
10		PRC	9	34001103	Our Company	13 June 2029
11		PRC	12	33991053	Our Company	13 June 2029
12		PRC	35	33994961	Our Company	13 June 2029
13		PRC	37	33990757	Our Company	13 June 2029
14		PRC	40	33996592	Our Company	13 June 2029
15		PRC	41	33991562	Our Company	13 June 2029

No.	Trademark	Place of registration	Class	Registration number	Trademark owner	Trademark expiry date
16		PRC	42	33996643	Our Company	13 June 2029
17		PRC	7	7922913	Our Company	13 February 2031
18	拓璞 TOPNC	PRC	7	34000525	Our Company	20 June 2029
19	拓璞 TOPNC	PRC	9	33993484	Our Company	13 September 2029
20	拓璞	PRC	37	33996058	Our Company	27 September 2029
21	拓璞	PRC	40	33998549	Our Company	27 September 2029
22	拓璞	PRC	41	33990795	Our Company	27 September 2029
23	拓璞	PRC	42	34004764	Our Company	27 September 2029
24	拓璞	PRC	12	40139850	Our Company	20 March 2030
25	拓璞	PRC	41	40283798	Our Company	28 March 2030
26	拓璞	PRC	37	40296457	Our Company	27 March 2030
27	拓璞	PRC	40	40299653	Our Company	28 March 2030
28	拓璞	PRC	35	40129289	Our Company	27 May 2030
29	拓璞	PRC	42	40293288	Our Company	27 August 2030
30	拓璞	PRC	9	40125027	Our Company	20 September 2030

No.	Trademark	Place of registration	Class	Registration number	Trademark owner	Trademark expiry date
31	拓璞 TOPNC	Hong Kong	7	306895838	Our Company	11 May 2035
32		PRC	7	84347943	Our Company	20 October 2035

Patent

As at the Latest Practicable Date, we have registered the following patents which we considered to be material to our business:

No.	Patent description	Place of registration	Patent no.	Patent type	Patent owner	Patent application date	Patent expiry date
1.	Integrated Riveting Device and Method for Large Cylindrical Segment Components (大型筒段構件的整體鉚接裝置及其方法)	The PRC	ZL201210143811.8	Invention	Our Company	10 May 2012	9 May 2032
2.	End Effector for High-Precision Hole Making and Dimple Forming of Robot and Measuring Method (用於機器人高精度制孔與鍃窩的末端執行器及測量方法)	The PRC	ZL201711056976.0	Invention	Our Company	27 October 2017	26 October 2037
3.	Method and device for automatically generating aircraft skin mirror image milling tool path track (飛機蒙皮鏡像銑削刀路軌跡自動生成方法及裝置)	The PRC	ZL201910862189.8	Invention	Our Company	12 September 2019	11 September 2039
4.	Contact-Based Surface Panel Normal Direction Measurement and Countersink Depth Compensation Device and Method (接觸式曲面壁板法向測量與鍃窩深度補償裝置及測量方法)	The PRC	ZL202010202323.4	Invention	Our Company	20 March 2020	19 March 2040

No.	Patent description	Place of registration	Patent no.	Patent type	Patent owner	Patent application date	Patent expiry date
5.	Adhesive Bonding Structure and Method for Composite Materials (複合材料膠接結構及方法)	The PRC	ZL202211048728.2	Invention	Our Company	30 August 2022	29 August 2042
6.	Mirror Milling Device for Processing Arched Ring-Shaped Thin-Walled Workpieces (用於拱形環狀薄壁工件加工的鏡像銑削裝置)	The PRC	ZL202310306147.2	Invention	Our Company	27 March 2023	26 March 2043
7.	Mill-Turn Composite Electric Spindle (車銑複合電主軸)	The PRC	ZL202222569986.7	Utility Model	Our Company	27 September 2022	26 September 2032
8.	Swivel Head Device for Machining Centers Suitable for Difficult-to-Machine Materials (適用於難加工材料的加工中心擺頭裝置)	The PRC	ZL202210758225.8	Invention	Our Company	30 June 2022	29 June 2042
9.	Measuring and Control Device and Method for Upsetting Force and Advancing Resistance in Friction Stir Welding Machine Tool (一種攪拌摩擦焊機床頂鍛力及前進抗力測控裝置及方法)	The PRC	ZL201410682966.8	Invention	Our Company, Capital Aerospace, SJTU	24 November 2014	23 November 2034
10.	The mirror image method for milling and system of covering processing (蒙皮加工的鏡像銑削方法與系統)	The PRC	ZL201710571555.5	Invention	Our Company, SJTU	13 July 2017	12 July 2037
11.	Real-Time Measurement System and Method for Thin-Walled Parts (薄壁件實時測量系統及方法)	The PRC	ZL201710736334.9	Invention	Our Company, SJTU	24 August 2017	23 August 2037
12.	Friction Stir Welding Device and Method for Large-Diameter Low-Rigidity Fuel Tanks (大直徑低剛度燃料貯箱的攪拌摩擦焊接裝置及焊接方法)	The PRC	ZL201710980343.2	Invention	Our Company, Capital Aerospace	19 October 2017	18 October 2037

No.	Patent description	Place of registration	Patent no.	Patent type	Patent owner	Patent application date	Patent expiry date
13.	Dual-Fork AB Swivel Head Dual-Arm Structure with W-Axis and Dual-Fork AB Swivel Head (具有W軸的雙叉AB擺頭雙臂結構及雙叉AB擺頭)	The PRC	ZL202211253427.3	Invention	Our Company	13 October 2022	12 October 2042

As at the Latest Practicable Date, we have filed the following patent applications which are pending, published and material to our business:

No.	Patent description	Place of application	Application no.	Application type	Name of applicant	Patent application date
1.	Box Frame Structure Composed of Composite Panels and Metal Frames and Its Manufacturing Method (複合材料板和金屬框架組成的盒體框架結構及生產方法)	The PRC	202410739838.6	Invention	Our Company	7 June 2024
2.	Spatial Positioning Thermal Error Compensation Method for CNC Machine Tools and Five-Axis Machines (數控機床空間定位熱誤差補償方法及五軸機床)	The PRC	202411222425.7	Invention	Our Company	2 September 2024
3.	Mirror Milling Device and Machining Method for Arched Annular Thin-Walled Workpieces	The United States	PCT/CN2023/119578	Invention	Our Company	24 April 2024
4.	Box Frame Structure Based on Segmented Composite Panels and Its Manufacturing Method	The United States	PCT/CN2024/103824	Invention	Our Company	5 July 2024

Domain name

As at the Latest Practicable Date, we have registered the following domain name which we considered to be material to our business:

No.	Domain Name	Name of Registered Proprietor	Validity Period
1.	topnc.com.cn	Our Company	From 5 July 2007 to 5 July 2030
2.	topmill.com.cn	Our Company	From 16 September 2011 to 16 September 2030

Copyright

As at the Latest Practicable Date, we have registered the following copyrights which we considered to be material to our business:

No.	Name of Copyright	Place of Registration	Registration No.	Owner	Registration Date
1	TOP Dragon (TOP龍)	PRC	00666239	Our Company	15 November 2018
2	Flying Dragon on the Sky (飛龍在天)	PRC	00666238	Our Company	15 November 2018

Software copyright

As at the Latest Practicable Date, we have registered the following software copyrights which we considered to be material to our business:

No.	Software description	Registration no.	Copyright owner	Registration date
1.	Top Multi-Axis Motion Controller Software V1.0 (拓璞多軸運動控制器軟件V1.0)	2014SR012537	Top Software	27 January 2014
2.	Top Automated Drilling and Riveting Process Software V2.0 (拓璞自動鑽鉚工藝軟件V2.0)	2014SR106400	Top Software	26 July 2014
3.	Top Constant Pressure Control Software V1.0 (拓璞恒壓力控制軟件V1.0)	2019SR0374930	Top Software	23 April 2019
4.	Top Dual Five-Axis Mirror Milling Surface Machining Path Planning Software V1.0 (拓璞雙五軸鏡像銑曲面加工路徑規劃軟件V1.0)	2019SR0473333	Top Software	16 May 2019
5.	Post-Processing Software for Mirror Milling Equipment V7.7 (適用於鏡像銑削的設備後置程序處理軟件V7.7)	2019SR1449058	Our Company	30 December 2019

No.	Software description	Registration no.	Copyright owner	Registration date
6.	Measurement Reconstruction, Surface Profile Precision Matching and Adaptive Machining Software for Low-Rigidity Aircraft Skins V1.0 (弱剛性蒙皮測量重構、曲面輪廓精度匹配與自適應加工軟件V1.0)	2019SR1454513	Our Company	30 December 2019
7.	Top Machining Process Data Analysis Software for Mirror Milling V1.0 (拓璞適用於鏡像銑削的加工過程數據分析軟件V1.0)	2020SR0650348	Our Company	18 June 2020
8.	RDS300/RDS210 Robot Offline Programming Process Software for Automatic Drilling Systems V1.0 (RDS300/RDS210機器人自動制孔系統離線編程工藝軟件V1.0)	2023SR0316218	Our Company	13 March 2023
9.	Top Upper Computer Software for Composite Skin Cone Segment Automatic Drilling and Riveting System V1.0 (拓璞複合材料蒙皮錐體艙段自動鑽鉚系統上位機軟件V1.0)	2023SR0391569	Our Company	30 December 2022
10.	Top Upper Computer Software for Five-Axis Mill-Turn CNC System V1.0 (拓璞五軸車銑複合數控系統上位機軟件V1.0)	2023SR1176356	Our Company	28 September 2023
11.	Spatial Error Compensation Software for High Spatial Positioning Accuracy Machine Tools V2.0 (高空間定位精度機床空間誤差補償軟件V2.0)	2024SR1948575	Our Company	2 December 2024

3. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SUBSTANTIAL SHAREHOLDERS

A. Particulars of Service Contracts

Each of our Directors has entered into a service contract or a letter of appointment with our Company. Each service contract is for an initial term of three years. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of the Directors has or is proposed to enter into a service contract or a letter of appointment with any member of our Group, other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

B. Remuneration of Directors and Supervisors

The aggregate amounts of remuneration (including salaries, bonuses, allowances and benefits in kind, share-based payments, performance-related bonuses and pension scheme contributions) paid to our Directors and Supervisors for the year ended 31 December 2023, 2024 and 2025 were approximately RMB5.6 million, RMB6.9 million and RMB5.6 million, respectively. None of our Directors or Supervisors had waived any remuneration during the same period. Save as disclosed above, no other payments have been made or are payable in respect of the three years ended 31 December 2025 by any member of our Group to any of our Directors or Supervisors.

During the Track Record Period, no remuneration was paid to our Directors or Supervisors as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors, or our Supervisors for the Track Record Period for the loss of office as director or supervisor of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors and Supervisors for the year ending 31 December 2026 to be approximately RMB6.0 million.

Agency Fees or commissions paid or payable

Save as disclosed in "Underwriting" in this prospectus, no commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of our Company or any of our subsidiaries have been granted within two years immediately preceding the issue of this prospectus.

4. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of Directors

Save as disclosed below, immediately following the completion of the Global Offering and the Conversion of Domestic Shares into H Shares (assuming that the Over-allotment Option is not exercised), none of our Directors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules to be notified to our Company, once the H Shares are listed on the Stock Exchange.

Name of Director	Our Company/ associated company	Capacity/ Nature of interest	Number of Domestic Shares (1)	Approximate percentage of shareholding in the total issued share capital of our Company %	Number of Shares (1)	Description of Shares	Approximate percentage of shareholding in our Domestic Shares/H Shares (as appropriate) %	Approximate percentage of shareholding in the total issued share capital of our Company %
Dr. Wang	Our Company	Beneficial owner	126,636,770	36.8	12,663,677	Domestic Shares	33.4	3.1
					113,973,093	H Shares	30.7	27.8
		Interest in controlled corporation (2)	6,624,610	1.9	0	Domestic Shares	0	0
					6,624,610	H Shares	1.8	1.6
Mr. Li YH	Our Company	Beneficial owner	32,458,200	9.4	6,491,640	Domestic Shares	17.2	1.6
					25,966,560	H Shares	7.0	6.3

Notes:
(1) All interests are long positions.
(2) As at the Latest Practicable Date, Dr. Wang is the general partner of Tuoxian Technology. Under the SFO, Dr. Wang is deemed to be interested in the entire Shares held by Tuoxian Technology.

Up to the Latest Practicable Date, none of the Directors or their respective spouses and children under 18 years of age had been granted by our Company or had exercised any rights to subscribe for shares or debentures of our Company or any of its associated corporations.

B. Substantial Shareholders

Save as disclosed below and in "Substantial Shareholders" in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares and underlying Shares of our Company, which following the completion of the Global Offering, would fall to be disclosed to our Company under the provisions of Divisions 2 an 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company or any member of our Group.

C. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our H Shares are listed;

(b) none of our Directors, Supervisors or any of the experts referred to under paragraph headed "– E. Other Information – 8. Qualification of experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) taking no account of any Shares which may be taken up under the Global Offering, so far as is known to our Directors or chief executive of our Company, no person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Global Offering, have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Company or its subsidiaries.

B. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any outstanding material litigation or arbitration which may have material and adverse effect on the Global Offering and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

C. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our H Shares. Each of the Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will be paid by our Company a total fee of US$780,000 to act as the sponsors in connection with the Listing.

D. Compliance Advisor

Our Company has appointed Guotai Junan Capital Limited as the compliance advisor upon the Listing in compliance with Rule 3A.19 of the Listing Rules.

E. Preliminary Expenses

We have not incurred any material preliminary expenses.

F. Promoters

For details, see "History and Corporate Structure – Corporate Development and Major Shareholding Changes" in this prospectus.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

G. Qualification of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this prospectus, are as follows:

Name	Qualification
Guotai Junan Capital Limited	Licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO
CCB International Capital Limited	Licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

Name	Qualification
Ernst & Young	Certified public accountants; Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Holman Fenwick Willan LLP	International Sanctions Legal Advisor
Jingtian & Gongcheng	Company's PRC Legal Advisor
Rödl GmbH Rechtsanwaltsgesellschaft Steuerberatungsgesellschaft	Legal advisers to our Company as to German law
China Insights Industry Consultancy Limited	Industry consultant

H. Consents of Experts

Each of the experts named in paragraph G of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

Save as disclosed in this prospectus, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe.

I. Taxation of Holders of H Shares

Dealings in H Shares registered on our Company's H Shares register of members will be subject to Hong Kong stamp duty, the current rate charged on each purchaser and seller is 0.10% of the consideration or, if higher, the value of the H Shares being sold or transferred. Intending holders of H Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in H Shares. It is emphasised that none of our Company, Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of H Shares resulting from their subscription for, purchase, holding or disposal of or dealing in H Shares.

J. No Material and Adverse Change

Our Directors confirm that there has been no material and adverse change in the financial or trading position of our Group since 31 December 2025 (being the date to which the latest consolidated financial statements of our Group were prepared), except as otherwise disclosed in this prospectus.

K. Binding Effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

L. Related Party Transactions

Our Group entered into certain related party transactions within the two years immediately preceding the date of this prospectus as mentioned in Note 36 of the Accountants' Report as set forth in Appendix I to this prospectus.

M. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, see "Summary of Articles of Association" as set forth in Appendix III to this prospectus.

N. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus:

  (i) no share or loan capital of our Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

  (ii) no share or loan capital of our Group is under option or is agreed conditionally or unconditionally to be put under option;

  (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Group; and

  (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;

(b) there are no founder, management or deferred shares or any debentures in our Group;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) no part of the equity and debt securities of our Company, if any, is currently listed on or dealt in on any other stock exchange or trading system nor is any listing or permission to list on any stock exchange other than the Stock Exchange is currently being or agreed to be sought;

(f) there is no arrangement under which future dividends are waived or agreed to be waived;

(g) none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(h) all necessary arrangements have been made to enable the H shares to be admitted into CCASS for clearing and settlement.

O. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

P. Employee Share Ownership Platform

Set out below is the partnership structure, as at the Latest Practicable Date, of Tuoxian Technology, our employee share ownership platform established in December 2018 in recognition of the contributions of our employees and to incentivise our employees to further promote our development:

Name	Position	Capacity of partnership interest in Tuoxian Technology	Approximate percentage of partnership interest (%)
Dr. Wang	Chairman of our Board, executive Director and general manager	General partner	2.4
Mr. Yao Bin (姚彬)	Executive Director and co-technical director	Limited partner	8.3
Dr. Zhong Lei (鍾磊)	Co-technical director	Limited partner	3.6
Mr. Wang Jinsen (王勁森)	Joint company secretary	Limited partner	3.0
Mr. Zhang Muqing (張木清)	Chief financial officer	Limited partner	1.9
44 other persons (1)	Employees of our Group	Limited partner	80.8

Note:

(1) The 44 limited partners comprise current employees of our Group who are not Directors, supervisors or connected persons of our Company. As at the Latest Practicable Date, none of the limited partners held more than 30% of the partnership interests in Tuoxian Technology.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were: (a) the written consents referred to in "Appendix IV – Statutory and General Information – 5. Other Information – H. Consents of Experts" in this prospectus; and (b) copies of each of the material contracts referred to "Appendix IV – Statutory and General Information – 2. Further Information about our Business – A. Summary of our Material Contracts" in this prospectus.

2. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **https://www.topnc.com.cn** during a period of 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountants' Report of our Group from Ernst & Young, the text of which is set out in Appendix I;

(c) the report on the unaudited pro forma financial information of our Group from Ernst & Young, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements our Company for the three financial years ended 31 December 2023, 2024 and 2025;

(e) the PRC legal opinion issued by Jingtian & Gongcheng, our legal advisor on PRC law in respect of certain general corporate matters of our Group and the property interests of our Group;

(f) the legal opinion issued by Holman Fenwick Willan LLP in respect of certain international sanctions matters;

(g) the German legal opinion issued by Rödl GmbH Rechtsanwaltsgesellschaft Steuerberatungsgesellschaft, our legal advisor on German law in respect of certain aspects of our subsidiary in Germany;

(h) the industry report issued by China Insights Industry Consultancy Limited, our industry research consultant, from which information in "Industry Overview" in this prospectus is extracted;

(i) the PRC Company Law, the PRC Securities Law and the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies together with their unofficial English translations;

(j) the written consents referred to in "Appendix IV – Statutory and General Information – 5. Other Information – H. Consents of Experts" in this prospectus;

(k) the material contracts referred to in "Appendix IV – Statutory and General Information – 2. Further Information about our Business – A. Summary of our Material Contracts" in this prospectus; and

(l) the service contracts and letters of appointment with our Directors referred to in "Appendix IV – Statutory and General information – 3. Further information about our Directors, Chief Executives and Substantial Shareholders – A. Particulars of Service Contracts" in this prospectus.

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