
RISK FACTORS

You should carefully consider all of the information in this document including the risks and uncertainties described below before making an [REDACTED] in the [REDACTED]. Our operations involve certain risks, many of which are beyond our control. You should pay particular attention to the fact that most of our business is located in the PRC and we are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, financial condition and operating results could be materially and adversely affected by any of these risks. The [REDACTED] of our [REDACTED] could decline due to any of these risks, and you may lose all or part of [REDACTED]. Additional risks and uncertainties that are not presently known to us, or not expressed or implied below, or that we deem to be immaterial, could also have a material adverse effect on our business, financial condition and operating results.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorised as (1) risks relating to our business and industry; (2) risks relating to the location where we conduct business; and (3) risks relating to the [REDACTED] and our H Shares.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business may be affected by developments in the PRC's automotive sector which are beyond our control.

We provide our automotive testing services mainly to automotive manufacturers and automotive components manufacturers. The volume of projects available to us are subject to the macroeconomic conditions, automotive regulatory requirements and the research and development requirements of our customers. According to the F&S Report, the automotive market is highly competitive and such competition may further intensify in the future as new market participants enter and existing competitors expand their production capacity or enhance their technological capabilities. Sustained or escalating competition within the automotive market may lead to continued downward pressure on vehicle and/or component prices on our customers' end. Consequently, our customers may experience reduced profitability or constrained capital allocation flexibility, which may, in turn, adversely affect their demand for our automotive testing services or their willingness to maintain existing fee levels. Should our customers reduce their outsourced testing budgets, or redirect resources to in-house capabilities, our business, financial performance, and profitability could be materially and adversely affected.

Further, our business performance is correlated with the overall conditions, growth prospects and cyclical trends of the automotive industry. In the event of any downturn or prolonged slowdown in the automotive market, automobile manufacturers may reduce or defer their investments in research and development activities and, as a result, slow down the design, testing and launch of new vehicle models. As our business primarily focused on providing automotive testing services in respect of new model vehicles rather than general or routine testing, our revenue generation is contingent upon our customers' development schedules and pipelines for new model introductions. A contraction in market demand or a decline in consumer spending on vehicles may therefore lead our customers to postpone or scale down their new model development plans, resulting in a lower volume of projects available to us. Any sustained reduction in such project activities could have a material and adverse effect on our business operations, revenue, financial condition and future growth prospects. We cannot guarantee that the automotive market in our current or future service locations can continue to grow or that market downturn will not occur.

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We may be affected by changes in the regulatory environment in which we operate.

There is currently no specific legislation governing our industry in the PRC. If the relevant PRC government agencies impose any licensing or other requirements on our industry in the PRC, extra costs may be incurred as a result of changes to our operational model to comply with such laws and/or regulations, and our business may be materially affected. There can be no assurance that there will not be any changes in the regulatory environment in respect of our industry in the PRC. Failure to obtain or renew such permits, licences, registrations and certificates as planned or any inability to adapt to regulatory changes may result in our inability to provide relevant services and thereby materially and adversely affecting our business, results of operations and financial condition. For further details about the requirements on licences and qualifications, please refer to "Business – Licences and qualifications" and the section headed "Regulatory Overview" in this document.

Changes in government incentives or subsidies to support NEVs could adversely affect our business, financial condition and results of operations.

Our business has benefited from government policies, subsidies and economic incentives that are favourable to the growth of the NEV industry in the PRC. During the Track Record Period, the rapid expansion of the NEV market, supported by such policies, has been a key driver of demand for our automotive testing solutions.

However, these favourable policies are subject to change and may be scaled back, phased out or withdrawn in the near future. Should government subsidies and related incentives be reduced more aggressively than currently anticipated, combined with ongoing price competition and industry consolidation, NEV OEMs may moderate their capital expenditure and research and development spending. This could in turn lead to slower growth in demand for automotive testing solutions, particularly in volume-driven testing segments, and could place downward pressure on the revenue momentum and margins of testing solutions providers such as ourselves.

In addition, changes in government policies or regulations affecting the NEV industry, such as stricter vehicle emission standards, energy consumption requirements, or the reclassification of NEVs for licensing plate purposes, could further influence OEMs' development plans and testing needs. For example, if certain NEV models lose preferential access to license plates in major cities, the resulting reduction in their production volumes could decrease the demand for related testing services. Any significant reduction in OEMs' testing budgets or a shift in their product mix away from the segments in which we have competitive strengths could materially and adversely affect our business, financial condition and results of operations.

We cannot assure you that the current level of government support for the NEV industry will be maintained. Any reduction, elimination or discriminatory application of government subsidies and economic incentives, whether due to policy shifts, fiscal tightening, the perceived maturity of the NEV market, or other factors, may result in diminished competitiveness of the NEV industry generally. These changes could reduce the overall growth of the NEV sector and the level of testing and validation services required by OEMs, which could materially and adversely affect our business, financial condition and results of operations.

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Our revenue is primarily generated from non-recurring automotive testing services projects, and the amount of revenue and gross profit and our gross profit margins in respect of such projects as well as the type and volume of projects we can secure from our customers, which may vary from year to year.

During the Track Record Period, we primarily engaged in the provision of automotive testing services on a project-by-project basis, which is non-recurring in nature. For the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, we undertook in aggregate of 460, 614, 367 and 393 projects for automotive testing, which generated revenue of approximately RMB112.7 million, RMB154.0 million, RMB70.8 million and RMB69.0 million and accounted for approximately 81.8%, 75.3%, 95.5% and 74.3% of our total revenue respectively. Therefore there is no guarantee of securing new business from our existing customers. The volume and type of automotive testing services projects we can secure may also vary substantially from year to year. Failure to secure new automotive testing services projects from existing customers or establish relationships with new customers could have a negative impact on our business, financial condition, and operating results.

Aside, when negotiating our pricing or tendering for new projects with customers, we may from time to time adopt different strategies in order to remain competitive, which may in turn affect our revenue, gross profit and gross profit margins. For example, factors such as increased market competition or deteriorating market conditions may lead us to lower our prices and margins in order to obtain an automotive testing services project.

Accordingly, our historical growth rate, revenue and gross profit margin may not be indicative of our future performance. For the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, our revenue was approximately RMB137.8 million, RMB204.6 million, RMB74.2 million and RMB92.9 million, respectively. During the corresponding years/period, our gross profit was approximately RMB44.6 million, RMB51.6 million, RMB20.1 million and RMB24.4 million while our gross profit margin was approximately 32.4%, 25.2%, 28.2% and 26.3%, respectively.

We depend on a limited number of customers for a substantial portion of our revenue and may not be able to successfully maintain or develop our business relationships with these customers or new customers.

During the Track Record Period, we derived a significant portion of our revenue from a limited number of customers. During the Track Record Period, the revenue from our five largest customers in each year/period accounted for 35.2%, 42.4% and 50.4% of our revenue for the years ended 31 December 2024 and 2025 and the six months ended 30 June 2026, respectively.

Our customers will generally enter into framework agreements with us that are supplemented by specific agreements/task orders as and when automotive testing services are required. Generally, the specific requirements pertaining to our automotive testing services will be set out in the agreements/task orders. Failure to uphold agreed-upon standards may potentially affect our business relationship with our customers. For more details, please refer to "Failure of or non-compliance with our quality control measures may result in unreliable or inaccurate test results, which may in turn damage our reputation and affect the demand for our services" in this section.

We cannot assure you that we will be able to maintain our business relationship with our major customers on commercially reasonable terms, or at all. According to the F&S Report, automotive manufacturers and automotive components manufacturers will only rely on a selected number of trusted automotive testing service providers. If for any reason our major customers cease to utilise our services, we may be unable to find alternative

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customers for our automotive testing services within a reasonable period of time, or at all, which could result in a significant decrease in our service volume and could materially and adversely affect our results of operations and financial condition.

If for any reason our major customers were to become unwilling or unable to make payments for our services rendered, we may be unable to recover significant amounts of receivables and our cash flows and financial position could be adversely affected. Therefore, we are indirectly subject to the operational risks of our major customers to the extent those risks could cause them to breach their contractual obligations with us or discontinue to acquire our services.

Pricing of our services is subject to certain key factors, and failure to control costs may adversely affect our profitability.

We aim to achieve our target profitability, however our ability to achieve our target profitability is subject to constraints as we must ensure that the pricing of our automotive testing services remains competitive when compared to other players in the industry. For the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, our overall gross profit margin was 32.4%, 25.2%, 28.2% and 26.3%, respectively.

When determining the pricing for our services, we take into account several key factors, including, among others, the then prevailing price of electricity, raw materials and our labour costs. However, our framework agreements with our customers will fix the prices of our services. Accordingly, any increases in the price of electricity, raw materials and our labour costs during the subsistence of our framework agreements will have a material impact upon our profitability.

We will from time to time review the pricing of our services. However, there is no guarantee that we will be able to increase our prices to reflect any increases in the price of electricity, raw materials and our labour costs. Furthermore, there is no guarantee that we can accurately predict fluctuations in the price of electricity, raw materials and our labour costs when determining the pricing for our services with our customers. Where any of the above occurs, our profitability may be materially and adversely affected.

Our business may suffer if our staff costs or subcontracting costs increase significantly.

Our staff costs made up a significant portion of our cost of sales, accounting for approximately 16.4%, 11.2%, 13.0% and 13.7% of our total cost of sales for the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, respectively. We strive to attract and retain key personnel, in particular those with specific automotive testing related experiences who are critical to our competitiveness. Competition for these individuals could require us to offer higher compensation and other benefits in order to attract and retain them. We cannot guarantee that our profit margin will not decrease as a result of disproportionate growth in staff costs. As we expect our staff costs to continue to grow along with the general rise in the cost of living in the PRC, our profitability may be adversely affected if we cannot pass on the increased cost to our customers. If we are compelled to increase our service fees, it may compromise our competitiveness in the market.

During the course of provision of our automotive testing services, we would also outsource certain automotive testing works to subcontractors and such subcontracting fees accounted for approximately 13.4%, 18.0%, 27.7% and 14.2% of our total cost of sales for the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, respectively. Our business and profitability may be adversely affected if our subcontracting fees increase. For more details, please refer to "We are dependent on

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third-party suppliers for the supply of electricity and raw materials such as fuel and subcontractors when outsourcing certain works during the course of provision of our Automotive Testing Solutions" in this section.

We face the risk of capacity constraints, which could have a material adverse effect on our business, results of operations and financial condition.

We compete primarily on our ability to provide accurate and timely test results and reliable monitoring services. In general, our agreements/task orders with customers will set out the date upon which we are to provide our testing reports. Any unforeseen increase in the volume of customers and/or task orders could pose challenges on our employees and systems, as they may face difficulties in handling the higher workload and demands, leading to unacceptable turn-around times. During the Track Record Period, the average OEE of our testing facilities was approximately 47.4%, 52.8%, 64.1% and 67.5% respectively. In addition, as the number of our customers and/or task orders increase, our services and systems may not be able to scale accordingly. We may also not be able to hire additional technicians to handle increased volumes. Any failure to handle higher volume of requests and maintain the quality of our services could lead to the loss of customers and have a material adverse effect on our business, results of operations and financial condition.

We are dependent on third-party suppliers for the supply of electricity and raw materials such as fuel and subcontractors when outsourcing certain works during the course of provision of our Automotive Testing Solutions.

Our suppliers mainly provide to us electricity and raw materials such as fuel and there is no guarantee that our suppliers will be able to continue to provide electricity and fuel at required levels or at an acceptable price to satisfy our operational needs. Any interruptions to or material increase in the price at which electricity and fuel is supplied could materially disrupt our operations and adversely affect our business and profitability. For the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, energy and raw material costs accounted for approximately 41.7%, 42.8%, 29.3% and 47.6% of our total cost of sales respectively.

During the course of provision of our automotive testing services, we would outsource certain works to third party subcontractors when we lack sufficient capacity or the relevant testing equipment and machinery to undertake such works. Our subcontracting costs may also be subject to fluctuations which are attributable to a number of factors such as labour cost, number of subcontractors available in the market, and events beyond our control, such as natural disasters, infectious diseases and other inclement factors. For the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, our subcontracting costs accounted for approximately 13.4%, 18.0%, 27.7% and 14.2% of our total cost of sales, respectively.

We cannot assure you that these suppliers or subcontractors will continue to supply electricity and fuel or provide subcontracting services at prices and on terms and conditions acceptable to us. Our reliance on our suppliers or subcontractors may also expose us to the risk of unexpected price increase for purchases, or shortage in supply. We cannot assure that we will be able to pass on our purchase costs to our customers in the future, which may have a material adverse effect on our profitability and results of our operations.

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Failure of or non-compliance with our quality control measures may result in unreliable or inaccurate test results, which may in turn damage our reputation and affect the demand for our services.

The accuracy and reliability of our test results as an automotive testing services provider are critical to the sustainability of our business. Inaccurate or unreliable test results can have detrimental effects on us, our customers, relevant contractors and end-users involved in these projects. Accordingly, we have placed a strong commitment towards ensuring the quality of our service standards and the accuracy of our testing outcomes. We have established quality control policies and procedures setting out the specifications and procedures for our different automotive testing services. For more details, please refer to "Business – Quality control" in this document. Failure of our quality control procedures may result in unreliable or inaccurate test or validation results. For example, failure to maintain our testing equipment and machinery may cause inaccurate and unreliable test results. The occurrence of these incidents may seriously damage our reputation, lead to the loss of business, and make us liable for the economic loss that our customers may suffer.

If we produce inaccurate test results, it may constitute a failure to fulfil our contractual obligations to provide satisfactory and accurate test results to our customers. This could result in potential breach of contract claims. Any such claims, regardless of whether they are ultimately valid, may incur significant costs, harm on our industry reputation and/or result in significant disruption to our operations. Furthermore, if any of such claims ultimately prove to be valid, we may be required to pay substantial monetary damages or penalties, which may have a material adverse impact on our business, financial conditions and results of operations.

As at 31 December 2024 and 2025 and as at 30 June 2026, there were no provision nor contingent liabilities recognised related to our automotive testing services. The occurrence of such liabilities could adversely impact our reputation, business operations, and financial results.

Unsatisfactory performance and/or unavailability of our subcontractors may adversely affect our operations and profitability.

During the Track Record Period, we engaged a number of subcontractors to carry out certain automotive testing works and for the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, our subcontracting fees accounted for approximately 13.4%, 18.0%, 27.7% and 14.2% of our total cost of sales. Please refer to "Business – Subcontracting" in this document for details of subcontracting.

While we will closely monitor the works of our subcontractors, there is no assurance that we will be able to control the quality, safety and environmental protection standards of the works to be performed by our subcontractors to the same extent as the works performed by our own employees at all times. Any underperformance or non-performance of our subcontractors could lead to failure by the subcontractors to meet our quality, safety and environmental protection standards, which, in turn, may result in our liability to third parties and will have a material adverse effect on our business, results of operations, financial condition and reputation. Meanwhile, we may not be able to find replacement of the under-performing subcontractors on terms acceptable to us who are able to perform. There is also no assurance that our Group will always be able to secure services from suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. Any failure to retain suitable subcontractor at a reasonable cost or seek replacements of our existing subcontractors on favourable terms, or at all, may have a material adverse effect on our business, financial condition, results of operations and prospects.

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Our Group experienced a high level of turnover days for trade receivables and contract assets during the Track Record Period, and our operating cash flow position may deteriorate due to any prolonged time between receipt of payments from our customers and payments to our suppliers.

Our Group relies on our suppliers to provide the necessary materials for our projects and we rely upon the cash inflows from our customers to meet the payment obligations to our suppliers. However, our Group’s operating cash inflows are dependent upon a variety of factors including formal acceptance by our customers of our testing reports and the prompt settlement of our invoices.

As at the end of the years ended 31 December 2024 and 2025 and as at 30 June 2026, our trade receivables and contract asset, net of loss allowance amounted to RMB100.4 million, RMB121.0 million and RMB126.3 million respectively, representing approximately 20.3%, 21.3% and 22.6% of our total assets, respectively. Further, for the years ended 31 December 2024 and 2025 and for the six months ended 30 June 2026, the turnover days of our trade receivables and contract assets were 257.0 days, 197.5 days and 243.7 days respectively. According to the F&S Report, prolonged payment cycle is a common phenomenon throughout the entire automotive testing services industry. Given our prolonged trade receivables and contract assets turnover days, our operating cash flow position may be significantly affected which may in turn affect our ability to fund our day to day operations.

Further, as our trade payables generally have a shorter credit period, we may be required to settle our trade payables prior to receiving cash inflows from our customers. For the years ended 31 December 2024 and 2025 and for the six months ended 30 June 2026, our trade payable turnover days were 111.4 days, 117.9 days and 141.8 days, respectively. Such a cash flow mismatch may also impact upon our liquidity position and may affect our ability to fund any future capital expenditures, thus affecting our future growth and prospects. For details, please see “Financial Information – Trade receivables” in this document for further details about our trade receivables.

We had net current liabilities and net liabilities during the Track Record Period.

As of 31 December 2024 and 2025 and as of 30 June 2026, we had net current liabilities of approximately RMB285.9 million, RMB36.4 million and RMB18.6 million respectively. We also had net liabilities of approximately RMB24.5 million as of 31 December 2024, a net asset of approximately RMB254.9 million as of 31 December 2025 and a net assets of approximately RMB258.5 million as of 30 June 2026.

Our net current liability and net liability positions as of 31 December 2024 were primarily attributable to redemption liabilities of approximately RMB247.8 million, which arose due to certain investment agreements we had entered into with investors. As of 31 December 2025, such redemption liabilities had been reduced to nil following the execution of a supplemental agreement with the relevant investors. For details, please refer to Note 25 to the Accountants’ Report in Appendix I to this document. Though we have entered into a supplemental agreement with these investors pursuant to which their redemption rights have been terminated, we may have net current liabilities and net liabilities in the future due to various other reasons. For details, please refer to “History, development and corporate structure – Rights of the Pre-[REDACTED] Investors”. Having significant net current liabilities and net liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financing needs, we may need to rely on additional external borrowings. If adequate funds are not

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available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans. As a result, our business, financial condition and results of operations will be materially and adversely affected.

We recorded net loss and accumulated loss during the Track Record Period, which may continue in the future

We recorded net loss of RMB23.7 million, RMB19.8 million, RMB7.3 million and net profit of approximately RMB3.6 million, for the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, respectively. Our adjusted net profit (non-IFRS measure), calculated by adding back equity-settled share-based payment expenses, [REDACTED] and changes in carrying amount of redemption liabilities amounted to RMB5.0 million, RMB17.4 million and RMB8.4 million, respectively, for the years ended 31 December 2024 and 2025 and the six months ended 30 June 2026. We may continue to incur net losses in the foreseeable future. Due to our historical net loss, we recorded accumulated losses of RMB60.2 million, RMB80.1 million and RMB76.4 million as of 31 December 2024 and 2025 and as of 30 June 2026, respectively. We cannot assure you we will recover our accumulated losses in the near future.

We are subject to credit risk arising from trade receivables

As of 31 December 2024 and 2025 and as of 30 June 2026, we had trade receivables (net of loss allowance) of RMB31.3 million, RMB56.6 million and RMB59.2 million, respectively. The trade receivables and contract assets turnover days as at 31 December 2024 and 2025 and 30 June 2026 were 257.0 days, 197.5 days and 243.7 days respectively. We may be exposed to credit risk with our counterparties and may not be able to collect all of such receivables due to a variety of factors that are outside of our control. If the relationship between us and any of our counterparties is terminated or deteriorated, or if our counterparties experience financial or operational difficulties, the recoverability of our receivables may be negatively affected.

We may be subject to the risk of obsolescence for our inventory

Our inventory primarily comprises (i) raw materials which is mainly hydrocarbon fluids; (ii) work in progress consist primarily of testing facility solutions equipment and overseas testing work that were not yet delivered to the client's and final customer acceptance was not yet obtained and (iii) finished goods which are mainly TCUs and urea pumps. To minimize overstocking and obsolescence, our procurement team closely monitors inventory levels via our ERP system.

As of 31 December 2024 and 2025 and 30 June 2026, our inventory turnover days were 44.1 days, 41.5 days and 67.8 days. We may face obsolescence risks due to any unexpected project cancellations, delays in client site preparations, or failure to obtain final customer acceptance. If we fail to manage inventory effectively, we may face declining inventory values or slow-moving stock, impacting our financial condition and our operations.

If our Group's preferential tax treatments become unavailable or if the calculation of our Group's tax liability is successfully challenged by the PRC tax authorities, its results of operations would be materially and adversely affected

During the Track Record Period, our Group enjoyed a number of preferential tax treatments. Pursuant to the EIT Law, companies established in the PRC is subject to PRC EIT at a standard rate of 25% during the Track Record Period. Pursuant to the Administrative Measures for Determination of High-Tech Enterprises (Guokefahuo [2016] No. 32)* (高新技術企業認定管理辦法), our Company, along with our subsidiaries Shanghai Hexia, Shanghai Jundao and Shanghai Junzhi, were entitled to High Tech Enterprises* (高新

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技術企業) qualification and enjoyed a preferential income tax rate of 15% during the Track Record Period. Our Company and Shanghai Junzhi qualified as High Tech Enterprises in 2023, which is valid for three years until 2026. Shanghai Hexia qualified as a High Tech Enterprises in November 2022, and the qualification was subsequently renewed in 2025 and the valid period was extended to 2028. Certain subsidiaries of our Group meet the conditions as small-scaled minimal profit enterprise and were qualified for the entitlement of preferential tax treatment of 75% exemption of taxable income and application of income tax rate of 20%.

For further details on the tax regime our Group is subject to, please refer to “Taxation and foreign exchange” in Appendix III to this document. It is the relevant PRC government authorities’ discretion to decide when, under what conditions, or whether the preferential tax treatment should be granted to our Group. There is no assurance that the laws or regulations, or governmental policies in relation to our Group’s preferential tax treatments will not change, or that its current eligibility to enjoy preferential tax treatment will not be cancelled. If there is any reduction, suspension, discontinuation or cancellation of our Group’s preferential tax treatments, which may adversely affect the recoverability of our Group’s tax recoverable, business, financial condition and profitability would be materially and adversely affected.

We may fail to protect our testing facilities, which could have a material adverse effect on our business, results of operations and financial condition.

Our key assets are our testing facilities and our testing equipment. Our operations are therefore dependent in part upon our ability to protect the laboratorial operations against physical damage from explosions, fire, floods, hurricanes, earthquakes, power loss, telecommunication failures, break-ins and similar events. The occurrence of any of these events could result in loss of properties and interruptions, delays or cessations in service to customers, which could have a material adverse effect on our business, results of operations and financial condition.

Our business may be materially and adversely affected by unforeseen technological development in the automotive industry.

During the Track Record Period, majority of our revenue was derived from provision of automotive testing services. According to the F&S Report, in recent years, the technological advancements in the PRC’s automotive industry has been evolving rapidly, such as the development of electric vehicles, autonomous driving technologies, ADAS, connectivity features, and new energy. Given the rapidly-changing technological landscape in the automotive industry and majority of our customers are automotive manufacturers and automotive component manufacturers, our competitiveness therefore depends on our technical know-how regarding the latest technologies, and our ability to keep abreast of these technological trends, to understand the changing needs, preferences and requirements of our customers and to adapt our service offerings accordingly.

While we intend to intensify our research and development efforts, we cannot assure you that we will be able to offer automotive testing services that will address the changing needs of our customers in an effective and timely manner. Further, our competitors may also strengthen their research and development capabilities and provide more advanced services or solutions. If the competition intensifies, the services we provide may lose their competitiveness and we may not be able to achieve the growth as expected and our business, results of operations may be adversely affected.

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Our business may suffer if we fail to respond to changes in technical requirements under regulatory and industrial standards.

Our industry is subject to changes in technical requirements under regulatory and industrial standards. Our success will depend, among other things, on our ability to acquire or license new and improved testing equipment. We will need to purchase relevant equipment in order to keep ourselves competitive in light of technological advances or regulatory or industrial developments in the automotive testing services industry. We may not be able to negotiate acceptable terms with suppliers of new or updated technologies and equipment for automotive testing. In such event, we may lose business to our competitors who are able to offer them more reliable and advanced automotive testing services, and our business and financial positions will be materially and adversely affected.

Any adverse publicity in the market may materially and adversely affect our business.

Our continued success is dependent upon our ability to maintain our credibility and reputation in the market as an independent and trustworthy provider of automotive testing services. We cannot guarantee that we will be free from adverse publicity which could have a negative effect upon our credibility and reputation among our customers. For instance, any alleged error or mistake in our works may damage our reputation. We cannot guarantee that our association with any potentially adverse publicity events will not have an adverse effect upon public opinion and a consequential impact on our business.

Our business depends on the continued service of our senior executives, and our business may be severely disrupted if we lose their services.

Our business success and future development are attributable to the expertise and experience of our senior management team. We cannot assure that we will be able to continue retaining the service of the senior executives. If we lose our senior executives, we might not be able to replace them in a timely manner or at all. In addition, we cannot assure you that they will not join a competitor or form a competing business. If any of our senior executives joins a competitor or forms a competing company, our business may be adversely affected. We may be unable to attract or retain replacement personnel required to achieve our business objectives, and failure to do so could severely disrupt our business and prospects.

We may be adversely affected by fluctuations in oil and fuel prices, or by limitations in oil and fuel supplies.

We may be adversely affected by significant increases in fuel prices or limitations on fuel supplies. Our operations, particularly automotive testing services and whole vehicle testing, rely on a stable supply of electricity and fuel. Prices for petroleum-based products, including gasoline and diesel, have experienced significant volatility in recent years. Spikes in oil and fuel prices may increase our utility overhead costs, and regional fuel shortages could delay out testing schedules. During the Track Record Period and up to the Latest Practicable Date, we experienced no material disruption or financial impact from oil volatility or shortages. However, we cannot guarantee there will not be disruption to our operation should there be future fluctuation in oil and fuel prices, or limitation in oil and fuel supplies. For measures which our Group takes to mitigate these risks, please refer to the section headed "Business – Raw materials suppliers".

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We are subject to certain operational risks and hazards such as natural disasters, industrial accidents, occupational hazards and other safety-related incidents.

We are subject to numerous operational risks and hazards beyond our control that may cause significant business interruptions, personal injuries, property or environmental damage. We are exposed to common operational risks including natural disasters and severe weather conditions such as earthquakes and storms, industrial accidents such as vehicle collisions, explosions and fires, unexpected maintenance or technical problems and key equipment malfunction, and occupational hazards to our employees. Such incidents may interrupt our operations and cause damage and injuries to our properties and staff. Should any of these risks occurs and we fail to take necessary responsive measures in a timely manner, our business may be temporarily interrupted or suspended, which could lead to increased labour costs, reputational damage and financial losses. Furthermore, any mismanagement, improper handling or violation of our operational procedure in the course of our service could result in accidents involving serious damage to our employees and property. If we fail to exercise sufficient caution on safety matters, our business operations and financial positions will be materially and adversely affected.

We may not be able to protect our intellectual property rights and expenses incurred in protecting our intellectual property rights may adversely affect our business.

We primarily rely on a combination of patent, trademark and copyright registrations as well as confidentiality agreements to safeguard our intellectual property rights. As at Latest Practicable Date, we have registered 7 trademarks, 101 patents and 27 software copyrights in the PRC which are or may be material to our Group’s business. For further details as to our intellectual property rights, please refer to “Statutory and General Information – 2. Intellectual property rights of our Group” in Appendix VI to this document.

Despite our efforts and measures to protect our intellectual property rights, we cannot assure you that third parties will not gain unauthorised access to our proprietary technology or know-how. The unauthorised use of any of the foregoing intellectual property used in our business operations could diminish the value of our brand and its market acceptance, competitive advantages or goodwill.

Failure to maintain safe a testing environment and/or implement safety management measures may lead to property damage, personal injuries or fatal accidents. Our financial performance and business prospect may be adversely affected by such injury claims and litigations.

Although we have established occupational health and safety related internal controls in order to provide a safe and healthy working environment to our employees and to comply with the relevant laws and regulations, we cannot assure that our employees will strictly implement all of our safety management measures and procedures during the execution of our customers’ projects, or that our measures are effective at all. In the event that we fail to maintain safe work sites and/or implement safety management measures resulting in the occurrence of serious personal injuries or fatal accidents, our reputation may be adversely affected. We may also be prosecuted by the relevant government authorities and subject to extensive fines and penalties.

Our employees who suffer from bodily injuries or death as a result of accidents occurred or diseases contracted during the course of their employment may also claim against us for damages and/or compensation under the Administrative Regulations on Work Injury Insurance (《工傷保險條例》). During the Track Record Period and up to the Latest Practicable Date, there were no material safety incidents and work-related injuries or fatalities at our testing facilities.

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Regardless of the merits of such claims, we may need to divert management resources and incur costs to handle these claims, which may affect our corporate image and reputation, especially if they become public, and may adversely affect our revenue, results of operations and financial conditions. Additionally, the outcome of any claim is subject to the relevant parties’ negotiation, the decision of the court or the relevant arbitration authorities, and the results may be unfavourable to us. In such case, we may be required to pay damages, compensations or fines and our financial conditions may be adversely affected.

Our insurance coverage may not be sufficient to cover all losses or potential claims which would affect our business, financial condition and results of operations.

During the Track Record Period, we had purchased and maintained insurance covering enterprise property insurance, vehicle insurance, group incident insurance, employer liability insurance and commercial medical insurance. For details, please refer to “Business – Insurance” in this document. We cannot guarantee that the insurance policies taken out by us are sufficient to cover all potential risks and losses.

Certain types of risks, such as risks in relation to customer concentration, our ability to obtain new contracts, our ability to retain and attract personnel, availability and performance of subcontractors, cost management, credit risk and liquidity risk, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Insurance policies covering losses from acts of war, terrorism or natural catastrophes are also either unavailable or cost prohibitive. As a result, we may have to pay out of our own resources for any uninsured financial or other losses, damages and liabilities, litigation or business disruption. If our business operations are disrupted or interrupted for a substantial period of time, we may incur costs and losses that may materially and adversely affect its business, financial conditions and results of operations.

We are subject to potential adverse effects in respect of defects in our existing properties leased in the PRC.

As at the Latest Practicable Date, we had leased five material properties in the PRC, and one material property in Singapore with an aggregate gross floor area of approximately 14,835.0 sq.m from third parties as premises of office spaces and testing facilities. As at the Latest Practicable Date, save for our Jiashan Testing Facility, these lease agreements had not been registered with the relevant competent authorities in accordance with applicable law and regulations in the PRC. As advised by our PRC Legal Advisor, if we or the landlords fail to register such lease agreements for our leased buildings as required by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for each of the unregistered lease agreement.

For details, please refer to “Business – Properties” in this document. There can be no assurance that the relevant government authorities would not impose administrative penalties on us as a result of the non-registration of these lease agreements. Any imposition of administrative penalties due to such failures may adversely affect our business operations and financial condition.

RISKS RELATING TO THE LOCATION WHERE WE CONDUCT BUSINESS

Changes in the economic, political and social conditions in the PRC could affect our business and prospects.

All of our business, assets and operations are located in the PRC, and therefore, our business, financial condition, results of operations and prospects are affected to a large extent by the general political, economic and social developments in the PRC. Our business has been and will continue to be affected by the PRC’s economy, which in turn is

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increasingly influenced by the global economy. The uncertainties in the global economy and the geo-political or social environment in various regions around the world would continue to influence the PRC's economic growth and may cause uncertainties to our prospects. Future changes in economic, political, social, and regulatory conditions may continue to influence our business, financial condition, results of operations and prospects.

There may be changes regarding the interpretation and enforcement of laws, rules and regulations where we conduct business.

Our operations are in the PRC and are subject to the PRC laws and regulations. The Chinese legal system is a civil law system based on written statutes. Unlike the common law legal system, prior court decisions in a civil law system can only be used as a reference. Since the PRC Government started economic reforms, the PRC has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial transactions, taxation and trade. These laws and regulations are subject to changes in application and interpretation.

Holders of our H Shares may be subject to PRC income tax on dividends from us or on any gain realised on the transfer of our H Shares.

As is customary with all major economies, the PRC has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realised on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. Under the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realised by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Although our business operations are in China, it is unclear whether dividends we pay with respect to our H Shares, or the gain realised from the transfer of our H Shares, would be treated as income derived from sources within the PRC and as a result be subject to PRC income tax. If PRC income tax is imposed on gains realised through the transfer of our H Shares or on dividends paid to our non-resident investors, the value of [REDACTED] may be adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

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

Substantially all of our assets and our Directors are located in the PRC. It may not be possible for investors to serve those individuals or us in the PRC with legal documents. On 14 July 2006, the Supreme People's Court of the PRC and Hong Kong Special Administrative Region Government entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可

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和執行當事人協議管轄的民商事案件判決的安排》) (the “**Arrangement**”), which was taken into effect on 1 August 2008. Pursuant to which a party with an enforceable final court judgment rendered by any designated Mainland court or any designated Hong Kong Special Administrative Region court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the relevant Mainland court or Hong Kong Special Administrative Region court. Similarly, a party with an enforceable final judgment rendered by a Mainland court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong Special Administrative Region court or a Mainland court is expressly identified as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a Hong Kong Special Administrative Region court’s verdict in the PRC if the parties to the dispute did not agree to a written choice of court agreement. On 18 January 2019, the Supreme People’s Court of the PRC and Hong Kong Department of Justice entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商案件判決的安排》) (the “**New Arrangement**”), which seeks to establish a bilateral legal mechanism that provides clarity and certainty for the recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and mainland China, based on criteria other than a written choice of court agreement. The Arrangement was superseded upon the effectiveness of the New Arrangement on 29 January 2024 but remained applicable to a “written choice of court agreement” entered into before the Arrangement taking effect. However, we cannot assure you that all final judgments will be recognised and effectively enforced by the relevant PRC court.

RISKS RELATING TO THE [REDACTED] AND OUR H SHARES

As there has been no prior [REDACTED] for our Shares, the [REDACTED] and [REDACTED] our Shares following the [REDACTED] may be volatile.

Prior to completion of the [REDACTED], there has been no public market for our Shares. We cannot guarantee that an active trading market for our Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the price at which our Shares will be traded following completion of the [REDACTED]. The market price of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

Purchasers of our [REDACTED] in the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of our [REDACTED] is expected to be higher than the net tangible book value per Share immediately prior to the [REDACTED]. Therefore, purchasers of our [REDACTED] in the [REDACTED] will experience an immediate dilution in net tangible asset value per Share. In addition, in order to expand our business, we may consider [REDACTED] and issuing additional Shares in the future. Purchasers of our Shares in the [REDACTED] may experience further dilution in their shareholding percentage.

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Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the [REDACTED], our Controlling Shareholders will remain to have substantial control over their interests in the share capital of our Company. Subject to the Articles of Association, GEM Listing Rules and other applicable laws and regulations, our Controlling Shareholders by virtue of their controlling beneficial ownership of the share capital of our Company, will be able to exercise substantial control and exert substantial influence over our business or otherwise on matters of significance to other Shareholders and us by voting at the general meeting of the Shareholders. The interests of our Controlling Shareholders may differ from the interests of other Shareholders and the Shareholders are free to exercise their votes according to their interests. To the extent that the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed by the actions of our Controlling Shareholders.

Certain facts, forecast and statistics contained in this document are derived from publicly available official government sources and they may not be reliable.

Certain facts, forecasts and statistics in this document relating to the PRC, the PRC economy and industries relevant to us have been derived from various official government publications and publicly available sources. We have taken reasonable care in the reproduction or extraction of the official government publications for the purpose of disclosure in this document. However, the information from official government sources has not been prepared or independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecast and statistics, particularly in the section headed "Industry Overview", which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods, or discrepancies between published information and market practice, the statistics herein may be inaccurate or incomparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, [REDACTED] should give consideration as to how much weight or importance they should attach to or place on such facts, forecast and statistics.

Our management has substantial discretion regarding how to use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may use the [REDACTED] from the [REDACTED] in ways that you may not agree with or that do not yield a favourable return to our Shareholders. By [REDACTED] in our [REDACTED], you are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [REDACTED] from this [REDACTED]. For details, please refer to the section headed "Future Plans and [REDACTED]" in this document.

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[REDACTED] should read the entire document carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this document.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to or subsequent to the publication of this document, there has been or may be press and media coverage regarding us and the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this document or is inaccurate. We have not authorised the publication of any such information contained in the unauthorised press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of the information in the media is inconsistent or conflicts with the contents of this document, we expressly disclaim it. Accordingly, prospective [REDACTED] should only rely on the information included in this document and not on any of the information in press articles or other media coverage in deciding whether or not to purchase the [REDACTED].

Forward-looking information is subject to risks and uncertainties.

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors described in this document. Subject to the ongoing disclosure obligations of the GEM Listing Rules or other requirements of the Hong Kong Stock Exchange, we do not intend to publicly update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. [REDACTED] should not place undue reliance on such forward-looking statements and information.