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OVERVIEW

Who We Are

We are a global premium consumer-tech brand that empowers digital-to-physical creation. We are the No. 1 global laser-based personal creative tools brand, with a 37% market share in terms of GMV in the first nine months of 2025. We are also the largest and fastest-growing laser engraver and laser cutter brand, with a 47% market share in terms of GMV in the first nine months of 2025 — six times that of the second-largest player and surpassing the combined market shares of brands ranked second through tenth. Our tech-enabled product portfolio includes laser-based personal creative tools, material printers, user-friendly software, and accessories and consumables that help creators bring their ideas to life with confidence.

At xTool, we empower people to explore and exceed their creative potential — turning imagination into meaningful creations that deliver emotional fulfillment, commercial success, and a strong sense of personal achievement.

Since launching our first diode laser engraver and laser cutter in 2021, our products have rapidly gained global traction, with a total of more than 405,000 connected machines deployed worldwide as of September 30, 2025. As our product portfolio has grown and our brand has become increasingly recognized by creators around the world, our aspiration to become a global leader in personal creative tools has likewise strengthened — driven by our mission to redefine physical-world creativity through the power of technology.

Market Opportunities

Creativity is a powerful source of emotional value and reflects a timeless human need. When people create, they are not just making objects — they are expressing identity, meaning, and memories. The idea that creation builds emotional connections is well proven in the digital world through content creation, and it applies even more strongly to physical creation. Designing and making a product gives people a sense of ownership and pride, making the result feel more meaningful than a standard, off-the-shelf item. When this process delivers moments of excitement and ends on a satisfying note, it creates lasting positive memories that keep people engaged and connected.

Historically, physical creation has been limited by a lack of ideas, user-friendly tools, and accessible technology. High-quality solutions were traditionally reserved for industrial settings, requiring complex equipment, training, and higher budgets. Today, technology is reshaping that landscape. Advanced tools for physical creation are becoming more affordable, safer, and easier to use, significantly lowering the barrier to entry. This shift is driving broader adoption across both consumer and commercial use cases. AI-powered tools are further reducing friction in design and human-machine interaction, making physical-world creation simpler, more intuitive, and more inspiring — turning creativity into a universal language.

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According to CIC, the global market for tech-enabled personal creative tools, which can be divided into additive tools and non-additive tools, is expected to grow at a CAGR of 33.8% from 2024 to 2030, reaching US\$39.1 billion in GMV. Additive tools generally refer to 3D printers, and non-additive tools consist of (i) laser-based personal creative tools; (ii) material-printing tools (mainly based on DTF, DTG and UV technologies); and (iii) other tools such as CNC cutters and craft cutters. Advances in precision, portability, and intelligent capabilities across laser engraving, cutting, DTF, and UV technologies are driving the industry into a new era of creative empowerment and tremendous growth.

xTool is at the forefront of this transformation. By redefining what a personal creative tool can be, we are seizing this market opportunity with high-impact solutions that make creativity seamless and rewarding for people around the world.

The Unique xTool Approach

Continuous innovation leads to market-winning products

We design integrated offerings that make creative fabrication intuitive, safe, and accessible. Our solutions support the full cycle of creation — inspiration, design, processing, and sharing:

- **Machines:** We offer purpose-built, easy-to-use desktop laser engravers (CO₂, fiber, diode, infrared, and MOPA) and have recently expanded into laser welders and material printers. Leveraging the DTF technology, we launched our apparel printers. Our flagship products span both consumer and commercial-grade laser engraving and cutting systems, meeting diverse user needs with precision and efficiency. We lead the personal creative tools industry. Driven by continuous innovation, our product portfolio features industry-leading speeds of up to 15,000 mm/s, achieving the fastest processing times through advanced path planning. As of September 30, 2025, we had more than 405,000 connected machines, which had collectively completed approximately 150 million processing sessions since 2022 and up to November 18, 2025.
- **Free Software:** Our cloud-based software platforms are seamlessly integrated with our hardware products; our flagship software, xTool Studio, streamlines the design process and enables cloud-based machine management for the convenience of our users.
- **Accessories & Materials:** We also offer more than 400 laser-compatible materials and a wide range of modular add-ons, allowing users to expand their creative capabilities. Our comprehensive selection of materials and machine-specific accessories enhances the overall user experience. As our product volumes grow, consumables and materials offer high-frequency, high-margin items that encourage repeat purchases.
- **Community:** Atomm is our self-operated free online user community where creators can share, compete, exchange designs, seek inspiration, and collaborate using AI-powered features. The platform fosters engagement, learning, and creativity. Atomm supports user-generated content and co-creation, seamlessly connecting content sharing, community interaction, and product conversion.

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We enable repeatable, high-throughput workflows across signage, packaging, apparel, and prototyping. Features such as automatic material recognition, camera alignment, and 2D-to-3D conversion (including curved-surface engraving, relief embossing and inner engraving) deliver first-pass success and consistent quality, making workflows transferable across modules and product lines — ideal for retail personalization, pop-up events, and small-batch manufacturing.

Building on product leadership, scalable technologies, and deep customer insight, we have expanded beyond engraving into high-growth printing systems, positioning us as the go-to platform for materializing creativity across industries. Our rapid expansion into apparel printing demonstrates our ability to scale across verticals with speed and precision. In June 2025, we delivered our first material printer — an apparel printer that enables vibrant, full-color output for small-batch, personalized fashion with minimal setup. In the first nine months of 2025, our 7.6% market share in the material printing market in terms of GMV ranked third globally.

Premium brand commands high consumer mindshare through compelling value propositions

xTool stands for creativity, craftsmanship, and emotional connection. Our premium brand position is supported by the value we deliver:

- **Leader in Performance:** We deliver high-quality, precise, and reliable results that reduce trial-and-error and maximize output.
- **Versatile Material Compatibility:** Our products support a wide range of materials, enabling diverse creative and commercial applications across multiple use cases.
- **Comprehensive Service & Software:** Users benefit from intuitive free software, responsive after-sales support, and easily accessible learning resources.
- **Vibrant Overseas Community Ecosystem:** Our active and engaging overseas community inspires, connects, and supports users throughout their creative journey. We listen closely to customer feedback — our CEO regularly hosts livestreams and interacts with users on social media platforms in real time.
- **Business Enablement:** xTool empowers users, especially SMB owners, to efficiently launch and scale creative ventures. Our products are designed for fast return on investment, combining ease of use, professional-grade output, and integrated software support. Many users have successfully transformed their creative passions into sustainable businesses.

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Community-based brand strategy turns users into user-hosts and amplifies reach and loyalty

We have built a brand that empowers consumers, SMB owners, and retailers worldwide. Many users start with a single project and quickly scale to launch side businesses, expand product lines, and streamline production. According to CIC, 80% of users operate our machines at least monthly and 40% use them daily. Today, over 212,000 active users engage across Atomm, with strong adoption in North America and Europe and accelerating momentum in Asia. As of September 30, 2025, more than 40 thousand pieces of work had been shared on Atomm, our self-operated user community. Their shared work and interactions drive organic awareness, trust, and loyalty. This user energy fuels our innovation, amplifies our reach, and sustains our success.

To further deepen our connection with the user community, we have pioneered a unique, asset-light demo room model. Experienced users open their studios and homes to host live demos, offer hands-on training, and provide peer-to-peer support, forming our “xTool Squad” offline community. As of September 30, 2025, we partnered with our user-hosts to establish 470 xTool Squad across 32 countries. According to the CIC, 50% of our users tried our products offline before making a purchase decision. These community-led spaces serve as local hubs of creativity and education, enhancing our brand image by turning users into user-hosts.

GROW WITH xTool Squad

Prohub Story



How Mike Turned His Demo Room Into a Laser Business

After 17 years as a first-tier engineer, Mike Smerka left his full-time job to pursue laser engraving.

With xTool’s machines, he launched a small business and later expanded into a full-service engraving and education facility in Murfreesboro, Tennessee.

Today, Mike continues to innovate and actively supports the local maker community.

Mike Smerka Bio

Laser-savvy. Engraving entrepreneur.
Former IT engineer



Our community-first mindset is amplified by our go-to-market strategy. We engage users directly through our official websites, including xTool.com, delivering a seamless experience from discovery to purchase and support. Revenue generated from our official websites accounts for 62.1% of total revenue in 2024, underscoring strong brand recognition and loyalty.

We complement this with effective sales and marketing through leading e-commerce platforms such as Amazon, where xTool is the No. 1 laser engraver brand, and with strategic retail partnerships. Global brands, including Stanley, Decathlon, Ray-Ban, Mister Minit, Timpson, PRG Golf, among others, use xTool for in-store customization, showcasing our technology in real-world settings and reinforcing our brand equity.

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Our approach integrates product innovation, brand building, and community engagement in a self-reinforcing cycle. As more creators use xTool, their ideas and projects inspire others, fueling creativity and strengthening community connections. This growing engagement further amplifies our position as a go-to platform for the next generation of creators, reinforcing both the value of our products and the vibrancy of our ecosystem.

Our Customer Journey and Community Engagement



“

xTool lasers offer great quality, ease of use, and outstanding support.

I use them in workshops and events for individuals with Down syndrome and autism, creating soccer trophies, special gifts, and custom items for charities.

— Paul Hogan

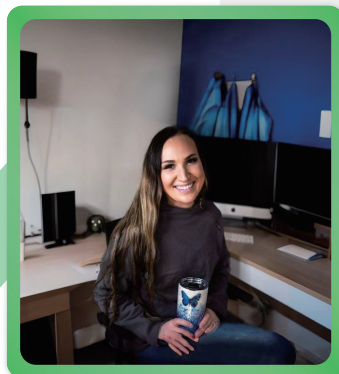


“

A Shanghai Design Enthusiast, Brand Manager

In 122 days, I rapidly transformed creativity and passion into commercial products, thanks to xTool P2 + F1 Ultra. It significantly shortened my prototyping time and reduced communication costs, greatly enhancing my creative efficiency!

— Grey



“

A mother of two starts a side business to pursue her dreams

My name is Megan Keddell, a wife, mother of two, and small business owner. Starting my business helped me reconnect with my creativity, and using the S1 has been an amazing experience.

I encourage every mom to chase their dreams and reclaim a piece of themselves.

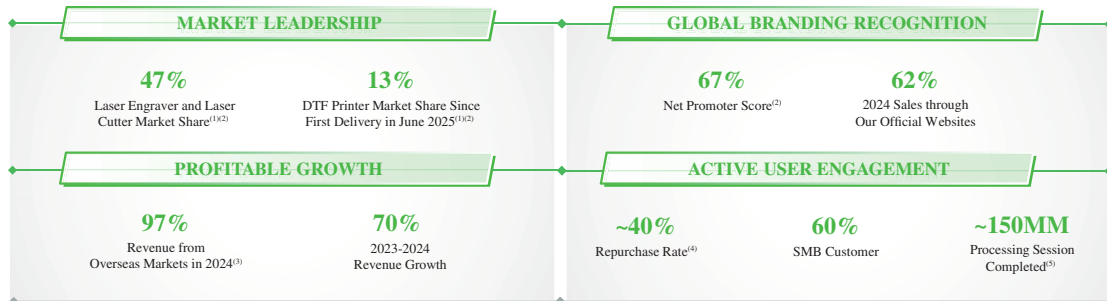
— Megan Keddell

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Note: As of December 22, 2025

Our Achievements



Notes:

- (1) According to CIC
- (2) In terms of GMV in nine months ended September 30, 2025
- (3) Defined as revenue generated from markets outside of Chinese Mainland
- (4) Percentage of customers we acquired since 2022 that made more than one purchase of our products through our official websites, as of October 31, 2025
- (5) Processing session completed as of November 18, 2025 since 2022

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We are a fast-growing, scaled, and profitable business. In 2023, 2024 and the first nine months of 2024 and 2025, we generated:

- **Revenue** of RMB1,456.6 million, RMB2,475.9 million, RMB1,498.4 million, and RMB1,776.7 million, representing growth of 70.0% in 2024 compared to 2023 and 18.6% in the first nine months of 2025 compared to the same period in 2024; and
- **Adjusted net profit (non-IFRS)** of RMB183.1 million, RMB258.5 million, RMB128.8 million and RMB172.3 million, with adjusted net profit margin of 12.6%, 10.4%, 8.6% and 9.7%, respectively. For the calculation of adjusted net profit (non-IFRS), please see “Financial Information — Summary of Key Financial Information — Non-IFRS Measure.”

Our strong brand equity is reflected in high repurchase rates, outstanding net promoter score (“NPS”), and premium pricing. Our products are typically priced 10% – 30% higher than the comparable feature sets, underscoring our premium positioning and superior value. We benefit from strong organic customer interest in our brand and top-of-mind awareness — since 2023, “xTool” has consistently outperformed generic category terms on Google Search, with search interest rising approximately 50% from 2022 to 2024.

Our product suite already empowers hundreds of thousands of active creators worldwide, giving individuals and SMB owners versatile tools for personalized production. We see substantial growth potential among a wider base of hobbyists, emerging entrepreneurs, and professionals seeking new ways to create, share, and monetize their ideas. With strong organic engagement across our community platforms and a rapidly expanding pool of first-time users, we are uniquely positioned to scale further.

COMPETITIVE STRENGTHS

Continually delivering game-changing products with precise positioning

At xTool, product excellence is driven by a steady rhythm of innovation and a deep commitment to supporting our users’ journeys — through every high and low. We have built a reputation for delivering industry-defining, game-changing products that directly address creators’ pain points. Our flagship laser engravers quickly set the benchmark for consumer and commercial desktop machines. For example, our P3 laser cutter introduced the industry’s first automated creation system (“ACS”), combining industrial-grade power with user-friendly design. It also pioneered compact active cooling, solving high-power desktop performance limits. Building on that foundation, we introduced the material printer to simplify garment creation with vibrant, full-color output and intuitive workflows. Our material printer was the first to integrate printing, powder shaking, and drying into a single desktop unit, and its single-sheet feed replaced traditional roll-to-roll printing, improving flexibility and ease of use. More than just tools, our products enable users to express themselves, build businesses, and find purpose, offering inspiration, confidence, and support through both moments of celebration and challenge.

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Our core strength lies in our product definition capability, transforming complex industrial-grade technologies into desktop-level products that consumers can easily master. Each product is thoughtfully designed, easy to use, and precisely positioned to meet the needs of different user groups. We place deep trust in our community’s voice and integrate feedback through our proprietary VOC (voice of the customer) AI system, which allows us to anticipate and address emerging pain points such as complexity, odor, or inconsistent performance. For example, we identified strong demand for higher output and responded by launching the industry’s first 10W laser engraver. We also recognized the need for greater engraving precision and developed a stable rack system powered by our proprietary motion-control technology. This creates a self-reinforcing cycle: user insights fuel product innovation, and innovation strengthens community bonds and brand awareness.

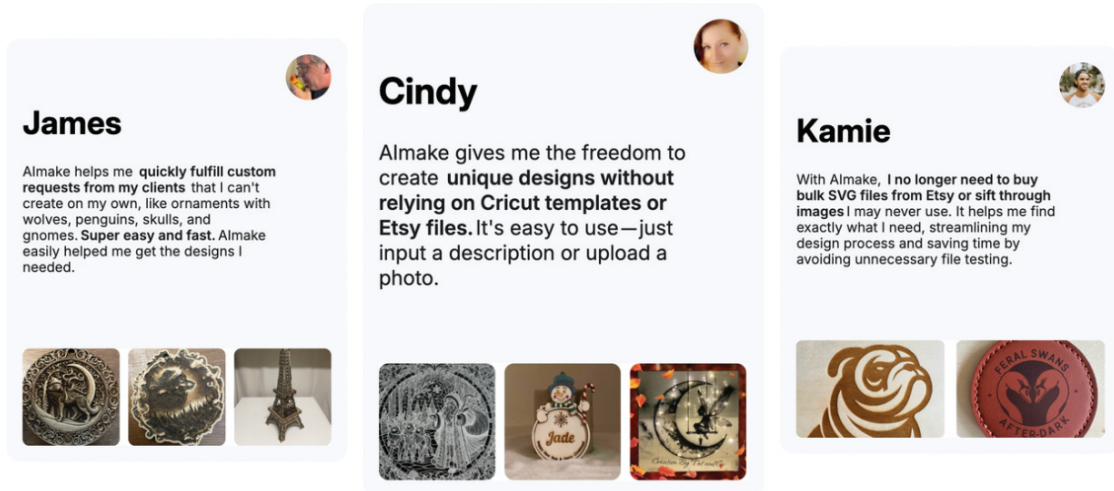
Our industry leadership reflects our product excellence, with rare and category-defining capabilities that justify a premium price and consistently support strong margins and growth. With a growing portfolio that now includes cutting, printing, foiling, drawing, writing, and welding, we are building a comprehensive suite of creation tools that serve both individuals and SMB owners, reinforcing our contribution to the inclusiveness of the global creator economy.

Technology leadership defining industry standards

xTool’s technology advantage lies in the integration of precision optical manufacturing, intelligent CNC control, and AI-driven algorithms, forming a highly adaptable platform that accelerates innovation across product categories. Our technological moat is built on deep hardware—software integration combined with AI-powered intelligent experiences. By insisting on in-house development and connecting all devices through a unified xTool Studio platform, we deliver exceptional ease of use — the core of our user experience advantage. At the center of this intelligent experience is AIMake, the AI-powered engine that links creative intent with smart manufacturing. AIMake remembers each user’s preferences, including materials, styles, and machine models, and continuously learns from usage data to optimize performance. Over time, it evolves into a more personalized and capable AI manufacturing assistant, enhancing both efficiency and user satisfaction.

Looking ahead, we are extending this foundation with modular, transferable technologies such as AI-powered vision systems. Plug-and-play modules, adaptive sensing, and workflow automation further enhance scalability, while open APIs enable third-party innovation. Together, these developments strengthen our ecosystem and accelerate portfolio expansion across a broad range of fabrication domains.

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To further reinforce our leadership in core technologies, we have developed proprietary solutions that directly address long-standing user pain points such as layout optimization, motion control, and print calibration.

- **Layout Optimization:** Our intelligent high-precision auto-nesting algorithm, an industry first in the consumer laser segment, delivers real-time, micron-level layout optimization for complex and irregular designs, improving material utilization and reducing waste.
- **Motion Control:** Our self-developed motion control platform replaces third-party integrated chips with a proprietary solution supporting both open- and closed-loop control, enhancing performance while reducing costs.
- **Print Calibration:** Our in-house material printing control algorithm combines advanced machine vision with AI-based calibration to achieve sub-pixel accuracy and fully automated print alignment, resolving common issues such as misalignment, image shadowing, and ink waste.

These core technologies form a robust competitive moat and position xTool as a pioneer in delivering precision, efficiency, and user-centric innovation in the laser-based personal creative tools and material printing industries. We have consistently led the industry with world-first innovations, including:

- The world's 1st 10W/20W/40W diode laser engravers
- The world's 1st dual-laser integration in a single laser engraver (xTool F1)
- The world's 1st material printer enabling fully automatic single-film printing and baking (xTool Apparel Printer)
- The world's 1st 4-in-1 craft machine (xTool M1 Ultra)

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- The world’s 1st dual-function solution for laser welding and laser CNC cutting (xTool MetalFab)
- The world’s 1st 4-in-1 rotary attachment (xTool RA2 Pro)
- The world’s 1st air purification system using cyclone separation technology (xTool SafetyPro™ AP2)
- AutoPassthrough™ Technology — first-of-its-kind automatic feeding
- ACS System — fully automated processing powered by AI algorithms
- *AIMake* — the world’s 1st crafting AI agent

Our machines deliver best-in-class performance — for example, the F series achieves engraving accuracy of 0.03 mm and the F1 Ultra reaches true speeds of up to 10,000 mm/s. These capabilities are powered by our AI-driven software platform, which automates design workflows, optimizes parameters, and supports advanced features such as 2D-to-3D conversion and batch processing. Our M1 Ultra won the TWICE Picks Award at CES 2025, highlighting its innovative 4-in-1 capability combining blade cutting, laser engraving, pen drawing, and inkjet printing. We have built a rich accessory ecosystem for P3 to meet diverse creative needs and pioneered the integration of an expandable infrared laser module into a CO₂ laser device — solving the long-standing limitation that CO₂ technology could not process metal.

With approximately 56% of our office staff (i.e. excluding production staff) in technical roles, 520 patents, and a growing portfolio of proprietary algorithms, our technology stack forms a defensible moat, ensuring that every advancement translates into product excellence and long-term user value. Our high research efficiency and rapid product development cycle enable us to quickly transform innovation into market-ready solutions, strengthening our competitive advantage and deepening user loyalty.

Global premium brand awareness with direct influence on sales engagement

We have rapidly established ourselves as a household name in the global creation tools industry. We have consecutively won the iF Design Award, Red Dot Award, Good Design Award, IDEA Gold, CES Picks Award, and many other globally recognized honors. Our brand is top-of-mind for creators worldwide, as reflected in Google Search trends — since 2023, “xTool” has consistently outperformed generic category terms, with search interest growing by approximately 50% from 2022 to 2024. This demonstrates strong organic customer interest and brand mindshare.

Our value proposition extends far beyond functionality. Every xTool product embodies superior craftsmanship, cutting-edge technology, and a user-first design philosophy — hallmarks of our commitment to quality and innovation. Customers recognize that our pricing is value-based rather than cost-based, reinforcing the trust and confidence they place in xTool

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and solidifying our position as a leader in the personal creative tools space, where our products are viewed not just as tools, but as trusted partners in their creative journeys. Our products are typically priced 10% — 30% higher than the comparable feature sets, underscoring our premium positioning and superior value.

We primarily sell our products through our xTool official website, complemented by placements on third-party e-commerce platforms and select distributors. Maintaining strong control over our core sales channels gives us full visibility into the customer journey, from online purchase to after-sales support, ensuring every user experiences our brand directly. This approach strengthens engagement and builds long-term customer relationships. In 2024, sales through our official websites contributed 62.1% of our total revenue, highlighting our ability to shape the customer experience and brand perception at every touchpoint.

Beyond digital channels, we invest in immersive offline experiences — many hosted directly by our users. Through demo rooms, pop-up events, and collaborations with global brands, we bring our products directly to consumers, converting curiosity into loyalty. As of September 30, 2025, we have built a network of 470 xTool Squad by leveraging our SMB users’ existing offline presence across 32 countries. Users can enjoy personalized sessions featuring live demonstrations of xTool machines tailored to their interests, hands-on operation, and material testing with customized setting reports. This asset-light, direct-to-customer model deepens local engagement and accelerates adoption, as users naturally become advocates for our brand.

Community-driven ecosystem driving organic growth and user loyalty

At the heart of our success is our passionate creator community. This community-based ecosystem powers organic growth through active participation and peer sharing. Our online community platform, Atomm, serves as a central hub where users can discover design inspirations, access intuitive creation tools, learn from experts, and engage with a vibrant community of creators. By fostering open dialogue and supporting user-led initiatives, we enable customers to share ideas, showcase their work, and help each other grow — turning users into true brand advocates.

We have nurtured a robust, highly engaged community, amassing over 1.5 million followers across mainstream leading social media channels such as Instagram, Tiktok, Facebook, among others, and 2.9 million monthly average visits to our xTool official website during the first nine months of 2025. This presence enables users to exchange ideas and showcase their creations, fosters social advocacy, and provides opportunities to monetize their creativity. Our CEO frequently goes live to introduce new products and actively interacts with users in real time on social media platforms. He also serves as the spokesperson for xTool at CES and IFA, communicating with audiences face-to-face. Direct engagement from the management team builds an active, responsive brand image that strengthens trust, promotes transparency, and enhances user loyalty.

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Beyond building an online community, we recognized the critical role of offline engagement and introduced an innovative, asset-light demo room model to strengthen our connection with users. Through the “xTool Squad,” we invite experienced users to open their studios and homes for live demos, hands-on training, and peer-to-peer support — creating a vibrant offline ecosystem. According to CIC, 50% of our users experienced our products in person before making a purchase. These community-driven spaces act as local hubs for creativity and learning, accelerating adoption and turning passionate users into user-hosts.

Our online and offline communities work in harmony to create a unified, immersive experience. Digital platforms spark inspiration and enable global sharing, while in-person interactions add depth and authenticity. Insights gathered from in-person interactions feed back into digital conversations, enriching content and fostering deeper trust. This seamless integration ensures creativity flows across channels — users who discover products online can validate them offline, and those who learn hands-on can share their expertise digitally — building a dynamic, self-sustaining community that accelerates adoption and strengthens brand advocacy worldwide.

Our community’s impact shows in results. Within 7 months since the launch of our first apparel printer, 36% of apparel printer customers were our laser engravers users. We have achieved an overall repurchase rate of nearly 40% since 2022 through our xTool official website. High volumes of positive reviews and peer recommendations expand our reach and reinforce brand leadership.

Diverse revenue streams rooted in deepened user engagement

Our business model is anchored by increasingly diverse revenue streams driven by deepened user engagement.

Our foundation is built on the sale of high-quality machines, each representing a meaningful investment from passionate creators. This ensures that our customer base consists of committed users who fully leverage our platform. During the Track Record Period, we were more focused on delivering right products to penetrate SMB markets. As a result, our bundle average selling price continues to rise. Specifically, our bundle average selling price for laser-based personal creative tools and accessories increased from RMB11,862 in 2023 to RMB15,893 in 2024, and increased from RMB15,635 for the nine months ended September 30, 2024 to RMB21,096 in the nine months ended September 30, 2025, reflecting users’ willingness to adopt advanced models and bundled solutions.

Beyond the initial purchase, we offer a wide range of materials and accessories — spanning laser-compatible materials to machine-specific add-ons. These high-frequency, high-margin products work seamlessly within our ecosystem, maintaining user engagement and extending the lifecycle of each machine. As of September 30, 2025, we had more than 405,000 connected machines, which had collectively completed approximately 150 million processing sessions since 2022 and up to November 18, 2025.

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Looking ahead, we are exploring opportunities in software monetization overseas, including subscription-based services for advanced design tools and one-off purchases of premium content. This would create new recurring revenue streams while enabling creators overseas to monetize their work in new ways. Supported by a globalized supply chain, we deliver these innovations efficiently and reliably, ensuring scalability, responsiveness, and consistent product quality across regions.

Together, these three pillars, namely, hardware, consumables, and software, create a robust and synergistic business model. We operate on a capital-light basis with minimal upfront investment, prioritizing scalable hardware — software ecosystems that deliver rapid payback. Future-proof investments and accelerated monetization cycles drive strong returns on invested capital.

Resilient and visionary management team

Our company is led by a seasoned management team that has navigated both challenges and milestones to shape our position as a global leader in consumer and commercial personal creative tools. At the helm is our founder, Mr. Wang Jianjun — a Forbes China “30 Under 30” entrepreneur with 115 patents. Mr. Wang Jianjun oversees our product development, technology, and marketing functions, ensuring that strategy and execution are closely aligned to consistently deliver superior customer outcomes.

We foster a youthful, open culture that emphasizes collaboration, rapid iteration, and accountability. Our leadership team has demonstrated resilience across market cycles, maintaining strategic focus and operational discipline. Their commitment to R&D and product excellence continues to drive our growth, enabling us to broaden our product portfolio, expand our addressable market, and redefine industry standards.

Our management’s vision, technical expertise, and global perspective are the foundations of our competitive advantage and long-term success.

OUR GROWTH STRATEGIES

Solidify technology leadership

We intend to further strengthen our technology leadership by continuously investing in the foundational capabilities that power our creative hardware and software ecosystem. Our R&D efforts will focus on enhancing high-precision motion control systems, advanced optical components, print architecture, and processing path algorithms, which collectively determine the accuracy, speed, reliability, and automation level of our products. Through a deeply integrated hardware-software development model, we aim to optimize overall system performance, shorten innovation cycles, and enhance cross-product compatibility, enabling us to deliver consistently superior user experiences.

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Looking forward, we plan to expand our AI-driven technological capabilities to elevate product intelligence and workflow automation. Our roadmap includes the development of proprietary modules for visual recognition, 3D modeling, generative content creation, material detection, and automated parameter optimization. We will also continue upgrading our computational design engines to support seamless 2D-to-3D conversion and intelligent process recommendations. These advancements are expected to significantly simplify creative workflows, broaden user creativity, and lower the learning barrier for both individual creators and small-business users.

By sustaining long-term investment in core technologies and AI-native product capabilities, we aim to reinforce our competitive edge and improve resilience across industry cycles. We believe that leadership in underlying technologies, combined with a strong ability to commercialize innovation across multiple product categories, will enable us to remain at the forefront of the personal creative tools industry and continue expanding our addressable market.

Expand product portfolio

We plan to broaden our product portfolio by leveraging our deep domain expertise and user insights to address a wider range of creative scenarios. While maintaining our premium brand positioning, we intend to introduce compact, affordable, and easy-to-use entry-level products that make creative hardware more accessible to new users. By expanding our reach into beginner and hobbyist segments, we aim to grow our overall user base, enhance brand awareness, and create an on-ramp for long-term customer engagement within our ecosystem.

In addition to new entry-level devices, we will continue to explore adjacent product categories and complementary solutions that support crafting with a broader spectrum of materials and applications. This includes enhancements to our existing product family as well as the development of new capabilities that expand what users can create. For example, we recently launched the UV edition of our F2 Ultra laser engraver, enabling high-precision engraving on specialized materials such as glass, crystal, acrylic, wood, metal, and plastics. Going forward, we expect to introduce more advanced and differentiated products that unlock new use cases and deepen our value proposition.

By continuously enriching our product lineup and expanding into adjacent creative domains, we aim to strengthen the overall value of our ecosystem and reinforce our position as a versatile and innovative leader in the personal creative tools industry. We believe that a broader product portfolio, supported by robust hardware, software, and AI-driven capabilities, will enhance customer stickiness, increase cross-selling opportunities, and further accelerate the adoption of our solutions across different user groups and market segments.

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Strengthen brand and grow user community

We intend to further strengthen our brand presence by deepening our engagement with both new and existing users. To build a more vibrant and loyal community, we plan to produce curated regional content tailored to local interests and creative cultures. By combining online initiatives with offline experiences such as workshops, creator meetups, and live demonstrations, we aim to foster stronger brand recognition, improve user satisfaction, and cultivate a sense of belonging among creators at all skill levels.

In parallel, we will continue to develop structured programs that encourage overseas user participation and reward high-quality creative output. This includes formalizing revenue-sharing arrangements for top overseas creators, strengthening partnerships with influencers and small-business owners, and expanding interactive overseas community initiatives that highlight user achievements and promote peer-to-peer learning. Through these programs, we aim to increase repeat engagement, raise material attachment rates, and drive higher lifetime value across our user base.

By investing in community-building and creator empowerment, we expect to enhance monetization opportunities throughout our ecosystem while reinforcing our position as a trusted and inspiring brand in the personal creative tools industry. A strong and active user community not only strengthens loyalty but also fuels organic growth, expands our brand reach, and accelerates the adoption of our products across different markets and user groups.

Accelerate global expansion with localized expertise

We plan to accelerate our global expansion by strengthening our presence in key international markets, including the United States, Europe, and East Asia. To better serve local creators and small businesses, we are investing in building dedicated regional teams and infrastructure that can provide tailored marketing, localized product positioning, and regulatory and compliance alignment. By enhancing our region-specific after-sales service and technical support capabilities, we aim to build greater trust, relevance, and long-term loyalty among users in different markets.

To deepen customer engagement and drive adoption, our international strategy also includes expanding our offline “xTool Squad” network, which enables prospective users to experience hands-on product demonstrations and receive peer-to-peer guidance in their local communities. We will complement these efforts with localized workshops and creator events that showcase real use cases and connect users with one another. These initiatives are designed to reduce the learning curve, inspire creative applications, and strengthen xTool’s visibility and credibility in each region.

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In parallel, we will optimize our digital channels with in-language onboarding, localized content, and targeted promotional campaigns that reflect regional cultural preferences and user needs. By improving logistics efficiency, shortening delivery cycles, and refining regional sales operations, we aim to enhance customer experience and improve commercial productivity across global markets. Through sustained investment in localized expertise, community activation, and regional infrastructure, we believe we can accelerate our global penetration and solidify xTool as a leading creative-tool brand worldwide.

Drive operational excellence and supply chain resilience

We aim to enhance operational excellence by further strengthening the flexibility, efficiency, and resilience of our global production and supply chain network. Our manufacturing base in Thailand began mass production in January 2025, marking an important milestone in diversifying our global manufacturing footprint. As part of our broader global strategy, we will continue to optimize the operational efficiency of the Thailand facility and drive improvements across our end-to-end production processes.

In parallel, we are accelerating localized sourcing initiatives to improve cost efficiency and mitigate supply chain risks. This includes developing a more regionally balanced supplier ecosystem, refining process controls, and streamlining logistics to achieve best-in-class cost structures across our product lines. By enhancing coordination across procurement, production planning, and inventory management, we aim to strengthen our ability to adapt to market fluctuations and ensure stable product availability for global customers.

To elevate our overall operational capabilities, we will continue expanding our service infrastructure through xTool Squad that provide installation, training, and after-sales support. These service nodes enhance user experience and reduce maintenance turnaround times. Furthermore, we plan to advance circular-economy initiatives such as refurbishment and take-back programs, which not only promote sustainability but also expand access to our products at different price points. Through these combined efforts in manufacturing, supply chain, and service operations, we aim to build a more resilient, efficient, and sustainable operational platform that supports our long-term global growth.

BUSINESS

OUR BUSINESS MODEL

Our business model is built around enabling creativity through the integration of our hardware products, software platforms, and user community. We focus on laser-based personal creative tools and material printers as well as compatible accessories, helping consumers, SMB owners, and retail brand stores turn ideas into high-quality products efficiently and accurately. As of the Latest Practicable Date, our products were sold in over 80 countries and regions.

The table below sets forth sales volume and bundle average selling prices of our products during the Track Record Period:

	For the years ended December 31,				For the nine months ended September 30,			
	2023		2024		2024		2025	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	<i>(unit)</i>	<i>(RMB)</i>	<i>(unit)</i>	<i>(RMB)</i>	<i>(unit)</i>	<i>(RMB)</i>	<i>(unit)</i>	<i>(RMB)</i>
Laser-based personal creative tools and accessories bundle .	106,774	11,862	138,830	15,893	85,948	15,635	71,929	21,096
Material printers and accessories bundle .	–	–	–	–	–	–	2,029	49,621
Total	<u>106,774</u>	<u>–</u>	<u>138,830</u>	<u>–</u>	<u>85,948</u>	<u>–</u>	<u>73,958</u>	<u>–</u>

Our ecosystem connects xTool machines with xTool Studio, our unified software platform that supports users throughout the creative process — from design to final production. Atomm, our vibrant design and community platform with contents, further strengthens user engagement by offering inspiration, tutorials, creation tools, and a space for users to share and learn from each other. Our innovative “xTool Squad” offline community operated by our users allow potential customers to experience our products in person, creating a closer connection with our brand and technology.

Our R&D approach combines hardware and software innovation. We continue to enhance our capabilities in areas such as high-precision motion control systems, advanced optical components, print architecture, and processing path algorithms. We invest in computer vision recognition, image enhancement, artificial intelligence generated content (“AIGC”), and AI agent to make the creative process easier and more intelligent. We follow a structured development process that reviews each product’s technical feasibility, commercial value, and user experience.

BUSINESS

We use a hybrid production model. During the Track Record Period, we produced most products through in-house manufacturing. We operate two self-owned manufacturing facilities in China and Thailand, supported by internal systems that cover production safety, quality control, and responsibility management. For certain products, we also engage third-party OEM manufacturers which give us additional flexibility in managing capacity.

Our sales model is primarily online, supported by a diversified omnichannel strategy. Our official websites, including xTool.com, is our core platform where overseas users can learn about products, make purchases, access support, and engage with the community. We also sell our products through major global e-commerce platforms such as Amazon, AliExpress, eBay and Tmall. In addition to our online sales channel, we also sell our products through offline channels including third-party distributors.

By combining an integrated ecosystem, flexible production, strong R&D capabilities, and global sales channels, we believe we are well positioned to capture future growth opportunities and continue expanding our user base.

OUR PRODUCTS

Overview

We are a global premium consumer-tech brand with a core focus on consumer and commercial-grade laser-based personal creative tools and material printers business. During the Track Record Period, our diversified product portfolio empowers consumers, SMB owners, and retail brand stores to transform ideas into precise and high-quality products with efficiency and creativity. By expanding a versatile product portfolio that supports both personal and commercial applications, we aim to achieve comprehensive market coverage and build a long-term robust growth engine.

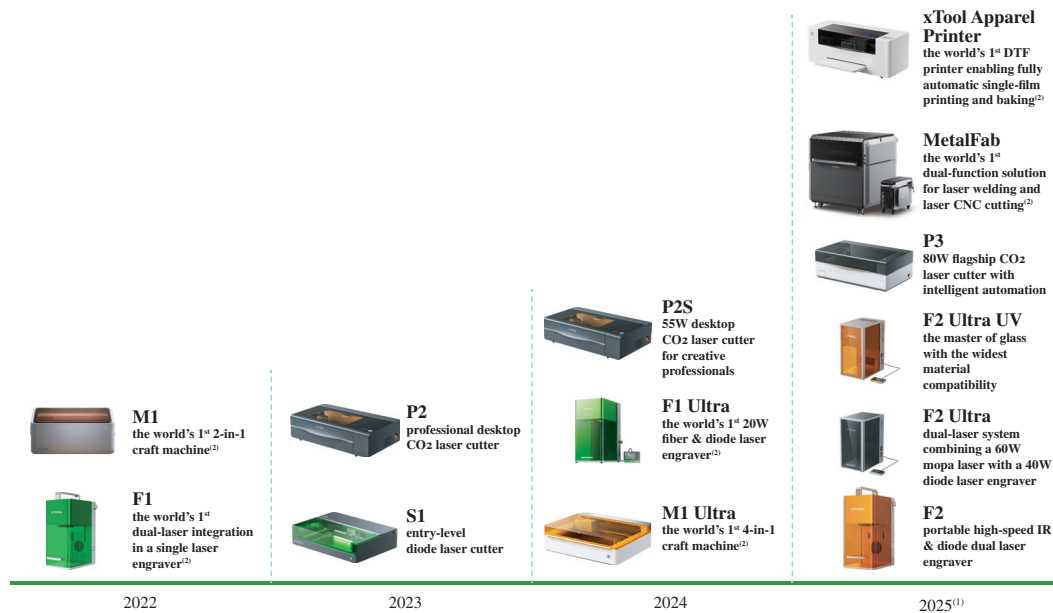
Our products exemplify state-of-the-art design and engineering excellence, seamlessly integrating technological innovation with aesthetic sophistication. Our design philosophy emphasizes user-centric functionality, precision craftsmanship, and continuous innovation, which together have positioned our products at the forefront of global industrial design. Over the years, we have received worldwide recognition through numerous prestigious awards, including the iF Design Award, Red Dot Award, Good Design Award, and IDEA Gold Award. Our products have also been honored across the international consumer electronics arena with accolades such as the CES Innovation Awards, CES Picks Awards, and nominations for the IFA Innovation Awards and the Edison Awards. These honors underscore our enduring commitment to pioneering design and delivering products that set new benchmarks for performance, usability, and visual appeal.

BUSINESS

During the Track Record Period, we derive revenue primarily from (i) laser-based personal creative tools, which are our core business lines, consisting of (a) laser engraver and laser cutter, and (b) laser welder and CNC cutter, (ii) material printers, and (iii) consumables that complement our core product lines. The following table sets forth a breakdown of our revenue by type of products for the periods indicated.

	Years Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except percentages)</i>				<i>(unaudited)</i>		<i>(unaudited)</i>	
Laser-based personal creative tools and accessories	1,266,526	86.9	2,206,380	89.1	1,343,823	89.7	1,517,430	85.4
Material printers and accessories	-	-	-	-	-	-	100,680	5.7
Consumables and others	190,110	13.1	269,481	10.9	154,544	10.3	158,556	8.9
Total	<u>1,456,636</u>	<u>100.0</u>	<u>2,475,861</u>	<u>100.0</u>	<u>1,498,367</u>	<u>100.0</u>	<u>1,776,666</u>	<u>100.0</u>

The following diagrams illustrate our key product offering milestones:



Notes:

- (1) As of the Latest Practicable Date
- (2) According to CIC

BUSINESS

Laser-based Personal Creative Tools

We have built a full-stake laser-based personal creative tools centered on high-precision motion architecture design, motion control technology, and high-precision optical design. Our laser-based personal creative tools include laser engraver and laser cutter, and laser welder and CNC cutter.

Laser Engraver and Laser Cutter

Our laser engraver and laser cutter are categorized into several series, each targeting different market segments, including the P series, F series, and M series, with each designed to meet distinct user needs and application scenarios. The following table summarizes key differences of the three major series.

Series	Core Laser Type	Typical User Group	Key Strengths	Typical Use Cases
P series	High-power CO ₂ (e.g., 80W)	Professional workshops and small factories	Deep cutting, large format, industrial- grade workflow	Furniture, signage, thick wood/acrylic cutting, batch production
F series	Fiber + diode hybrid	SMBs and retail brand stores	Ultra-fast engraving, metals-capable, compact	Jewelry, metal engraving, pop-ups, fast on-site personalization, and customization
M series	Diode laser + blade + inkjet + pen modules (4-in-1)	Individual creators	Multi-function, broad material range, all-in- one design	Crafts, stickers, light cutting, apparel customization, home studios

P Series

Our P series products are intelligent, high-performance laser engravers designed for professional creators and SMB owners. The product lineup, including the P3 and the P2S, caters to a wide range of needs from entry-level to high-end applications, delivering an optimal balance between advanced performance and user-friendly experience.

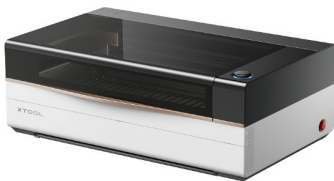
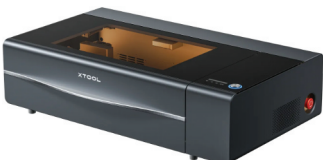
- *P3 Laser Cutter.* Launched in 2025, the P3 Laser Cutter is a next-generation desktop laser system developed for small- and medium-sized business production. It combines industrial-grade performance with advanced automation and safety features, offering a laser tube lifespan of up to 10,000 hours. The P3 is designed to deliver consistent, high-efficiency output in a compact desktop form factor.

BUSINESS

- ***Automatic Creation System (“ACS”) for simplified operation.*** The P3 is equipped with a fully ACS that streamlines workflows traditionally associated with professional laser equipment. Powered by dual-camera visual interaction, single-point LiDAR, and a high-performance processing core, ACS automates material recognition, precision focusing, positioning, parameter selection, and processing previews, enabling intuitive “one-touch” operation and reducing the learning curve for users.
- ***Industry-grade active cooling for uninterrupted productivity.*** A miniature water-cooling compressor — functioning as a built-in “mini air conditioner” for the laser module — provides stable heat dissipation for continuous operation. This integrated solution achieves industrial-level cooling performance without the size and complexity of traditional external chillers, enabling the P3 to maintain peak power output during extended, high-volume production runs.
- ***Expandable accessory ecosystem for diverse applications.*** The P3 supports a broad ecosystem of accessories designed to expand creative and production capabilities. Notably, its optional infrared (“IR”) laser module overcomes the metal-processing limitations of CO₂ systems, allowing a single device to perform dual-type laser functions. Additional accessories — such as an auto-press feeder for ultra-long materials and a high-capacity air purifier — enhance workflow flexibility and environmental safety, enabling the P3 to scale with user needs from personal creation to commercial production.
- ***P2S Laser Cutter.*** Launched in September 2024, the P2S 55W desktop CO₂ laser cutter is a professional-grade models engineered with intelligent features that streamline complex creative processes. It delivers exceptional cutting power, capable of slicing through all-color acrylic (maximum 0.79-inch), wood (maximum 0.71-inch), leather and more. The P2S also features a large bed size and supports an automatic straight-through function of up to 118 inches, making it ideal for large-scale cutting applications.


BUSINESS

The following table sets forth our P series products.

Model	Product	Specifications and Value Proposition	Retail Price Range
P3		<ul style="list-style-type: none"> • Flagship CO₂ Laser Cutter with Intelligent Automation for users seeking higher productivity, broader material compatibility, and a more automated and secure workflow • 1,200mm/s Speed & 36” x 18” Area • Exclusive ACS Smart Workflow: automating positioning, focus, ranging, and lifting • 4-Camera Vision for complete safety monitoring • Unlock 3D previews with the Magswap RA3 & full-scale previews with the Conveyor Feeder 	<p>US\$6,299- US\$6,999</p>
P2S		<ul style="list-style-type: none"> • 55W Ultimate CO₂ Laser Pro designed for creative professionals, focusing on intelligent features that simplify complex creation • Cuts all-color acrylic (20mm in one pass), wood, leather, and more • 26” x 14” bed size, 600mm/s, smart batch processing • Dual cameras, 118” AutoPassthrough, 3D curve engraving 	<p>US\$3,249- US\$3,399</p>

BUSINESS

We offer the following accessory suitable for P series laser machines:

Category	Accessory	Picture	Function
Conveyor Feeder	Intelligent Conveyor Feeder		automate the continuous feeding and unloading of materials, ensuring smooth, uninterrupted production

F Series


Featuring a galvanometer-based structure, the F series stands out as the fastest high-speed engraver in its class, according to CIC, and it supports almost all materials, offering great versatility across a wide range of materials. It is ideally suited for on-site customization in retail or exhibition settings, as well as for batch engraving applications. The F series lineup includes the F2, F2 Ultra and F2 Ultra UV.

- F2 Laser Engraver.* The F2 is equipped with a 15W diode laser and a 5W infrared laser. With the dual laser system, the F2 can engrave a wide range of materials, including all types of metal, wood, leather, dark acrylic, stone, and more. Engineered for precision metal cutting and engraving, the F2 is tailored to meet the needs of jewelry makers, shop owners, and craft professionals. As our most portable laser engraver, it is ideal for on-the-go creation at markets and events. Equipped with an industrial-grade galvo system, it ensures exceptional detail reproduction and true 1:1 photo engraving quality.
- F2 Ultra Laser Engraver.* The F2 Ultra was launched in July 2025. Featuring a 60W MOPA fiber laser and a 40W diode laser, the F2 Ultra is designed for users seeking maximum versatility across different materials and applications. It supports 100+ consistent color marking on metals, deep engraving, cutting, and processing of non-metal materials. With full metal engraving capabilities, it supports color engraving, embossing, and cutting materials, such as brass, stainless steel, and more.



BUSINESS

- *F2 Ultra UV Laser Engraver.* The F2 Ultra UV redefines precision laser processing with its exceptional compatibility, capable of handling specialized materials such as glass, crystal, and ceramics. It delivers a wide array of effects on transparent surfaces, from subsurface 3D engraving to embossing and cutting, all with micron-level accuracy. The system ensures a pristine “cold-processing” finish, free of burn marks or discoloration. The F2 Ultra UV efficiently supports batch, rotary, and curved-surface processing. Its fully safety design ensures confident operation for every user, while the combination of high performance and intuitive operation makes sophisticated customization both simple and efficient.

The following table sets forth our F series products.


Model	Product	Specifications and Value Proposition	Retail Price Range
F2		<ul style="list-style-type: none"> • Portable High-speed IR & Diode Dual Laser Engraver, suitable for in-store, on-site customization • Portable, 6,000mm/s, 50MP Camera • Support almost all materials, including all metal, wood, leather, dark acrylic, stone and more • Overheat protection, access-control key, laser light proof cover, built-in fan 	US\$1,349- US\$1,499

BUSINESS

Model	Product	Specifications and Value Proposition	Retail Price Range
F2 Ultra		<ul style="list-style-type: none"> • Dual-laser system combining a 60W MOPA laser with a 40W diode laser, pushing the boundaries of MOPA laser capabilities • Over 100 consistent colors on metals • 48MP Dual Cameras: Precise alignment and fine detail, even on tiny items • Color engraving, emboss, and cut brass, stainless steel, and more • 8.6”x8.6” area & 15,000mm/s speed for pro-level output 	<p>US\$4,599- US\$4,999</p>
F2 Ultra UV		<ul style="list-style-type: none"> • Wide material compatibility • Captures intricate details with accuracy 100× finer than conventional lasers • Cold Processing: Ensures no charred edges or burn marks for consistently clean results • Features dual 48MP cameras, one-click 2D-to-3D software, 15,000 mm/s speed, and a large working area for efficient batch, rotary, and curved-surface processing 	<p>US\$3,999- US\$4,599</p>

We offer the following accessory compatible with our F series laser machines:

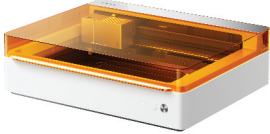
BUSINESS

Category	Accessory	Picture	Function
Auto Streamline	Auto Streamline Conveyor		Automate the continuous feeding and unloading of materials, ensuring smooth, uninterrupted production

M Series

Designed for the consumer market, the M series is a desktop laser engraver that combines versatility, precision, and ease of use. It supports a broad range of creative applications and materials.

Introduced in July 2024, the M1 Ultra is a 4-in-1 model designed for craft enthusiasts, integrating laser cutting, blade cutting, drawing, and inkjet printing. It supports over 1,000 materials and offers nine processing modes, including inkjet printing, fine-point cutting, deep cutting, rotary cutting, foiling, debossing, drawing, and writing, providing a flexible and creative all-in-one experience.

Model	Product	Specifications and Value Proposition	Retail Price Range
M1 Ultra (10W)/ (20W)		<ul style="list-style-type: none"> • 4-in-1 Multifunctional: Laser, inkjet, blade, and pen modules with 9 processing methods meeting all crafting needs • Prints on wood, acrylic, canvas, and more surfaces with coating • Supports over 1,000 materials from soft to hard, thin to thick, and flat to round surfaces • Save up to 60% space with multifunctional integration 	10W: US\$999- US\$1,249 20W: US\$1,449- US\$1,599

BUSINESS

The following are images of finished products of our laser engraver and laser cutter, provided for illustrative purposes only.



Inner engraving



Color engraving



Relief embossing



Laser Welder and CNC Cutter

Designed as an all-in-one metal workshop solution, the MetalFab laser welder series integrates laser welding, cutting, cleaning, and engraving within a single compact system, enabling seamless metal processing from start to finish. It can also be connected to a CNC cutting platform for daily production metal cutting. The MetalFab series is compatible with a wide range of metals, including stainless steel, aluminum, brass, carbon steel, galvanized sheet, titanium, nickel alloy, and magnesium. It delivers industrial-grade performance with 0.1 mm cutting precision and up to 0.39-inch burr-free cutting, and supports welding thicknesses from 0.008 to 0.2 inch. The product is capable of welding and handheld cutting of up to 5 mm stainless steel or carbon steel. When paired with a CNC cutting platform, both models provide enhanced cutting accuracy and stability. In terms of design, the product includes a free wire feeder to facilitate longer welding sessions. Powered by stable output, smart software with over 100 preset parameters, and dual-camera alignment, the system achieves up to 8 times higher efficiency, 98.7% material utilization, and continuous 24/7 operation. It also features gas-saving technology to improve cost efficiency and ten built-in safety protections to ensure stable and safe performance.

Paired with our laser welder, the MetalFab CNC Cutter is a digital processing system designed for daily production metal fabrication. It supports CNC cutting, rust removal and cleaning, and engraving for non-highly reflective metals such as stainless steel, carbon steel, galvanized sheet, and anodized aluminum. Equipped with industrial exhaust and temperature-resistance systems, the MetalFab CNC Cutter provides a reliable, intuitive, and versatile solution for SMBs, metal-craft producers, and creative workshops.


BUSINESS

The following table sets forth our Laser Welder and CNC Cutter products.



Model	Product	Specifications and Value Proposition	Retail Price Range
MetalFab Laser Welder		<ul style="list-style-type: none"> • All-in-One Metal Workshop for SMB owners and hobbyists: Weld, cut, and clean with one device • Deliver precise welds and cuts with professional stability • Smart dual cameras, VibeFreeCut™, FlexiTrack™, and SaveGas™ ensure flawless cuts, reducing energy costs • One-click, built-in 100+ parameters making it simple to create in minutes 	US\$7,499- US\$8,999
CNC Cutter .		<ul style="list-style-type: none"> • Processing Mode: CNC cutting, CNC rust removal & cleaning, and CNC engraving • Cutting Thickness: <ul style="list-style-type: none"> ○ burr-free with welder: Max. 10 mm carbon steel/ galvanized sheet, 5 mm stainless steel/titanium, 4 mm aluminum, 3 mm brass; Min. 0.2 mm metals ○ Max cutting with burrs: 12 mm carbon steel/ galvanized sheet, 9 mm stainless steel, 6 mm aluminum/ titanium, 4 mm brass • Working Area: 610 × 610 mm • Max. Working Speed: 400 mm/s • Motion Accuracy: ± 0.1 mm 	US\$7,499- US\$8,999

BUSINESS

The following featured accessories are designed for the laser welder and CNC cutter machines:

Accessory	Picture	Function
Air Compressor & Air Dryer		<p>The primary function of Air Compressor is to draw in air and generate a strong, high-pressure airflow.</p> <p>The primary function of Air Dryer is to filter and purify the compressed air by removing moisture and other impurities.</p>

Other general applicable accessories for our laser-based personal creative tools include the following:

Category	Accessory	Picture	Function
Rotary Attachment . . .	RA3		<p>The RA3 adds support for roller and jaw batch processing, one-step inner ring angle adjustment, and a larger 130mm chuck for engraving bigger items.</p>
Purifier	SafetyPro™ AP2/AP2 Max Air Purifier		<p>Engineered to extract and filter fumes produced during laser engraving or cutting operations</p>

BUSINESS

Material Printer

We introduced our first material printer — apparel printer in 2025 to form the initial foundation for our broader material-printing product roadmap. Our apparel printer has two seamlessly working components — xTool apparel printer and OS1 automatic shaker oven machine.



xTool Apparel Printer. The xTool Apparel Printer is a digital textile printing system designed for efficient, high-quality customization across a wide range of fabrics. It supports both commercial and personal applications, enabling rapid production for on-site personalization, print-on-demand orders, and small-scale custom projects. Equipped with G7-certified color accuracy and a SmartCycle™ automatic maintenance system, the printer is built to deliver consistent performance with minimal manual upkeep.

- ***Integrated 3-in-1 printing workflow.*** The xTool Apparel Printer combines printing, powder shaking, and drying, three core DTF processes, into a single desktop-level machine. This eliminates the need for multiple standalone devices and brings professional-grade textile printing to space-constrained studios and home environments.
- ***Flexible single-sheet feeding mechanism.*** We introduced a single-sheet feeding design that replaces traditional industrial roll-to-roll printing. Users can print individual pieces on demand, significantly improving production flexibility and reducing material waste.
- ***Broad fabric compatibility with high color fidelity.*** The printer supports both light and dark fabrics across various material types. With G7-certified color accuracy, it reproduces image color details more faithfully, meeting the quality expectations of professional users.
- ***Advanced printhead reliability with “Triple Anti-Clogging” technology.*** The printer incorporates intelligent environmental monitoring, automated standby cleaning, and app-based alerts to prevent clogging issues commonly seen in DTF systems. These features help maintain stable performance with minimal downtime.
- ***Intelligent ink circulation and app-enabled controls.*** An automated ink circulation system supports plug-and-play operation while reducing manual maintenance. Users can remotely initiate white-ink circulation through the app, further simplifying upkeep and ensuring consistent output quality.


OS1 Automatic Shaker Oven. When paired with xTool Apparel Printer, OS1 Automatic Shaker Oven machine enables seamless material printing. After printing, an ultra-fine thermoplastic powder is uniformly applied to the wet ink. The OS1 machine’s gradient heating system then transforms the powder through a controlled cycle of heating, melting, and solidification, forming a durable, heat-activated adhesive layer. This layer ensures a strong, permanent bond between the printed design and fabric during heat pressing.

BUSINESS

The following table sets forth our xTool Apparel Printer and OS1 Automatic Shaker Oven.

Model	Product	Specifications and Value Proposition	Retail Price Range
xTool Apparel Printer		<ul style="list-style-type: none"> • Print on All Fabrics: HD prints on all colored fabrics and textiles with all designs • One-Click Fully Auto Workflow: Print, cut film, apply powder, and bake • Auto Self-Maintenance: 24/7 printheads clean, moisturize, and white ink circulation • Commercial Grade Printings: Epson I1600 dual printheads with G7 certified color accuracy 	US\$5,599- US\$5,999
OS1 Automatic Shaker Oven		<ul style="list-style-type: none"> • One-Click Automated Print-to-Bake Workflow • Maximum Film Width: 390 mm • Single Sheet Length Range: 265-530 mm • Powder Capacity: 4.4 lb (2.0 kg) • Baking Temperature: 90-130°C (194-266°F) 	US\$3,179- US\$3,329

We offer the following accessories compatible with our xTool Apparel Printer and OS1 Automatic Shaker Oven machines:

Accessory	Picture	Function
xTool Apparel Printer Maintenance Kit . .		For routine cleaning and maintenance of the printer.

BUSINESS

The following illustrates the accessibility of our apparel printer, which is designed to enable users to create customized apparel through a simplified three-step process — design, click, and press — without requiring special technical skills.



Step 1 Design with
All-in-One Software



Step 2 One Click,
Fully Auto Print-to-Bake



Step 3 Fabrics
Heat Press

Consumables

Our product portfolio also encompasses a wide range of consumables that complement our core product lines. Officially certified consumables are designed to ensure consistent and optimal output quality. For our laser-based personal creative tools, our consumables primarily include raw materials such as wood, acrylic, and metal, semi-finished products like jewelry and cups. For our material printers, our consumables primarily include ink, PET film, hot-melt adhesive powder, moisturizing fluid, and cleaning fluid.

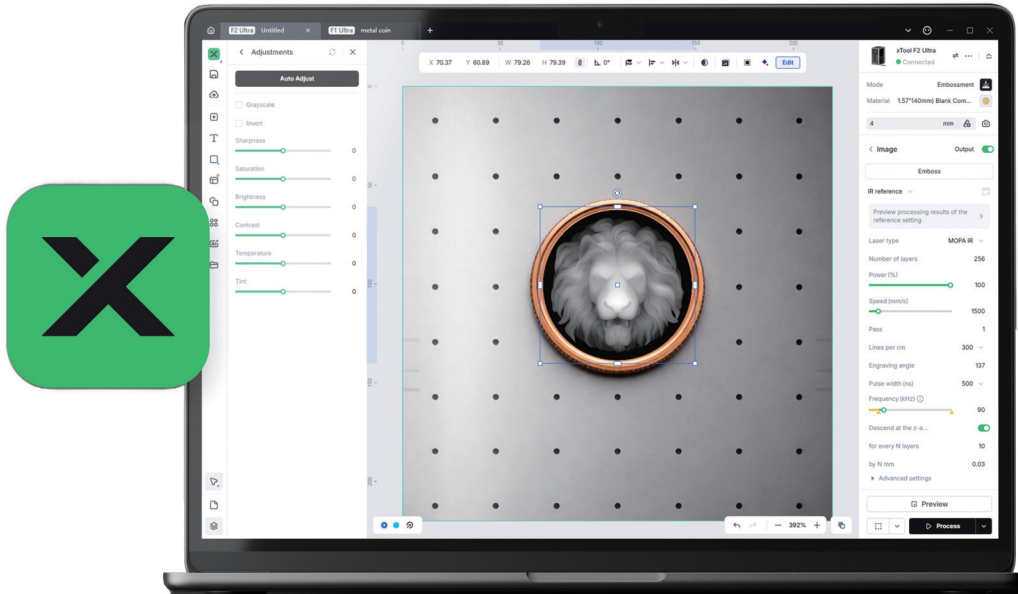
EMPOWERING CREATIVITY WITH OUR SOFTWARE OFFERINGS

Our products have integrated a comprehensive suite of AI-powered technologies across our software ecosystem and connected hardware products to make creative design and production more intuitive, efficient, and intelligent. These AI capabilities are embedded primarily in our xTool Studio and Atomm platforms, collectively forming the foundation of our AI-driven creative ecosystem.

xTool Studio — Enhancing Craftsmanship and Productivity with AI-Enabled Technologies

Our flagship software, xTool Studio, is our intuitive, all-in-one desktop software designed to streamline the entire creative workflow — from inspiration to execution. The software features a clean, navigable interface with a centralized homepage showcasing trending projects recommended templates, and personalized “My Space” for easy access to your designs. Equipped with a comprehensive main toolbar and dedicated editing modules for objects, bitmap images, text, and vector graphics, xTool Studio supports precise project customization and real-time processing preview. The platform integrates seamlessly with xTool machines, providing a smooth and efficient user experience for both novice and experienced creators, whether engraving, cutting, or designing, enabling precise, hassle-free transformation of ideas into finished products. The below image illustrates the user interface of xTool Studio, showcasing its intuitive layout and comprehensive functionality.

BUSINESS



At the core of xTool Studio is a suite of AI-powered technologies, including computer vision, engraving path planning, graphic enhancement, and automated optimization, that support users throughout the creative and manufacturing process. These innovations enhance processing quality, accuracy, and efficiency while streamlining workflows.

Leveraging open-source AI models as a foundation, we have established a comprehensive and vertically integrated AI capability stack that elevates creativity, automation, precision and operational efficiency throughout our laser, printing and crafting ecosystem. Our AI technologies span creative design, computer-vision-driven automation, intelligent material processing and adaptive path-planning, enabling users to achieve professional-grade results with significantly reduced manual effort.

AIMake: The AI Crafting Agent

AIMake is our flagship AI crafting agent and represents one of the most advanced creative engines in the industry. Built on deep domain expertise in engraving, cutting and printing, AIMake integrates a full suite of design and image-processing tools into a single workflow. Users can remove backgrounds, enhance image resolutions, redraw or enhance specific regions, vectorize artwork, convert images into relief and prepare files for laser cutting—all within one unified canvas.

By embedding industry know-how directly into the model, AIMake provides context-aware design suggestions and prompt optimization tailored to customers’ specific needs and light-manufacturing scenarios. Through the integration of specialized tools such as laser preparation, edge detection and vector extraction, AIMake delivers a true “AI-assisted full-chain creation” experience. For details, please see “Atomm — Our Craft Community For Creators — AIMake — The AI Crafting Agent.”

BUSINESS

AI Laser Engraving Auto-Optimization

We also apply AI to address a common challenge in laser engraving: users often find it difficult to adjust image parameters based on the characteristics of different materials. Our laser-engraving auto-optimization engine analyzes an image’s features to determine its type (such as cartoon or photo), evaluates the material and laser specifications and automatically applies optimized processing parameters. This helps users consistently achieve high-quality engraving results with minimal trial-and-error.

AI-Powered Intelligent Automation

We further strengthen the user experience through a suite of AI-powered automation capabilities designed to improve precision, reduce setup time and support production-scale workflows.

- *Far- and Near-Field Computer Vision Positioning:* Using advanced visual-positioning algorithms, we achieve industry-leading engraving and cutting alignment accuracy—0.05–0.2 mm in near-field and 0.1–0.5 mm in far-field scenarios. Multi-image stitching enables precise positioning across large work areas up to 915 × 458 mm. For ultra-long materials (such as 12 × 0.6 meters), our system maintains 0.5–1 mm accuracy across most of the surface, enabling seamless and consistent long-material processing.
- *Intelligent Fill and Batch Processing:* Our AI automatically distinguishes workpieces from the background, identifies the contours and heights of multiple identical materials and applies the user’s design layout across all items. With a single configuration, users can complete consistent batch engraving or cutting jobs, significantly improving operational efficiency in small-business and production settings.
- *Intelligent Nesting:* Through deep-learning-based semantic segmentation, our technologies identify the usable regions on a material and automatically generate the most material-efficient layout based on the shapes, dimensions and orientations of design elements. This helps users reduce material waste and optimize throughput.
- *Material Recognition:* Our AI can identify the type or model of materials using image-feature and machine-learning algorithms and apply the appropriate processing presets.

Beyond these core functions, we also incorporate a wide range of supporting AI visual capabilities, including rotational accessory auto-modeling, continuous photo capture and AI stitching using the feeder accessory, camera and printhead auto-calibration, nozzle break detection, engraving-effect simulation, parameter extraction from sample photos and laser focal-module recognition.

BUSINESS

Intelligent Path Planning

Our AI-based path-planning engine analyzes the geometry and type of a user’s design to automatically generate the most time-efficient engraving and cutting sequence. This reduces overall production cycle time and enhances throughput for high-volume users.

Together, these capabilities empower both hobbyists and SMB owners to complete complex, professional-grade design and manufacturing tasks with minimal learning curve, achieving greater precision, consistency, and productivity.

Atomm — Our Craft Community For Creators

To further expand our creative ecosystem and strengthen user engagement, we developed Atomm, our flagship design and online community that connects creativity, craftsmanship, and commerce. Atomm serves as a central hub where users can discover design inspirations, access intuitive creation tools, learn from experts, and engage with a vibrant community of creators.

Empowering a Creator-Driven Ecosystem

Atomm is designed to address the common challenges faced by hobbyists and SMB owners — helping them discover what can be made, how to make it, and how to grow creatively and commercially within the xTool ecosystem. By showcasing a wide range of user-generated projects and tutorials, Atomm broadens public understanding of what laser and digital fabrication technologies can achieve, effectively expanding the top of our user-acquisition funnel and enhancing overall brand visibility.

Atomm also cultivates a thriving creator economy by encouraging skilled producers to share high-quality designs and tutorials, while providing new users with practical learning resources and inspiration. This two-way interaction between creators and consumers not only drives content growth and community engagement but also supports monetization opportunities and cross-selling of our products, accessories, and materials.

Integrated Community Modules

Atomm features several key modules that together create a seamless creative and social experience:

- ***AIMake***: an AI-powered creative agent that lowers the barrier to design by enabling users to generate ready-to-make project files effortlessly;
- ***Academy***: an educational hub offering tutorials, masterclasses, and creator-led courses that help users improve their craftsmanship and turn their expertise into community value; and
- ***Community***: a collaborative space for users to share ideas, post projects, exchange feedback, and quickly resolve technical questions through a structured discussion and FAQ interface.

BUSINESS

Atomm also frequently hosts content contests, a creator partnership program, and curated showcases that reward outstanding creators and encourage continuous content generation, serving as engines for both user engagement and high-quality content accumulation.

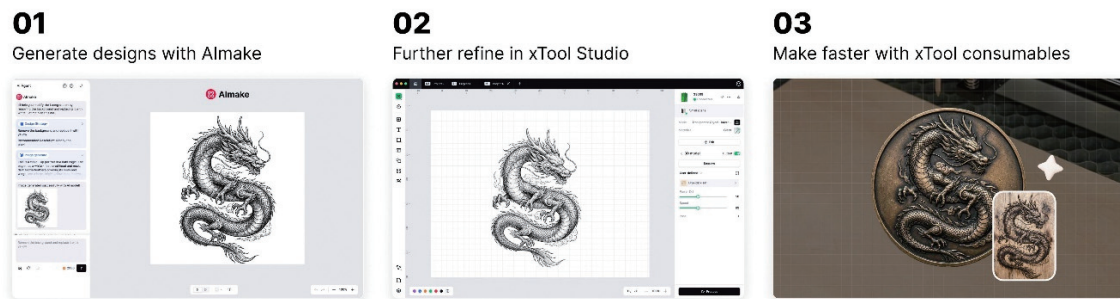
AIMake — The AI Crafting Agent

Our AIMake function, part of the Atomm ecosystem, serves as a next-generation AI crafting agent, connecting AI creation with intelligent manufacturing. Leveraging open-source large-scale multimodal AI models, AIMake enables users to effortlessly transform creative ideas into production-ready design files.

AIMake integrates deeply with our hardware and software ecosystem, supporting real-time design-to-fabrication workflows. Through advanced tools such as vectorization, image edge detection, users can perform full-chain creative tasks — from conceptual design to physical production — on a single interface. The system is compatible not only with xTool devices but also with third-party tools, extending accessibility to a broad maker community.

AIMake continuously learns from user preferences (e.g., materials, styles, machine models) and iteratively refines its model performance, evolving into a more personalized and adaptive AI manufacturing assistant.

The following graphic illustrates how users can utilize our AIMake feature to convert xTool-selected materials into final work products.



Community Growth and Engagement

Atomm offers design templates contributed by talented creators, fostering an inclusive and self-sustaining forum for creative exchange. As of September 30, 2025, the platform had approximately 212,000 registered users, and more than 40 thousand pieces of work had been shared. In September 2025, the platform recorded around 640,000 visits, with users generating approximately 177,000 instances of content use.

Through Atomm, we have built not just a design-sharing platform but a growing community that integrates creativity, learning, and commerce — fueling long-term brand loyalty, user retention, and ecosystem growth.

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RESEARCH AND DEVELOPMENT

We are committed to ongoing research and development to drive innovation across our product offerings. By investing in core underlying technologies such as high-precision mechanical motion frameworks and algorithms, domain technologies related to tool handling, and the development of AI-enabled functions and intelligent image processing, we formed strong technical barrier and will continually enhance performance, efficiency, and user convenience of our products utilizing our underlying technologies. This commitment to the underlying R&D ensures that we remain at the forefront of delivering reliable, high-performance solutions that address evolving consumer needs.

We believe our strong research and development capabilities are a core competitive strength and have led to our leading position in the industry. As of September 30, 2025, we have 753 full time research and development employees, representing approximately 56% of our office staff (i.e. excluding production staff). In 2023, 2024 and for the nine months ended September 30, 2025, we incurred R&D expenses of RMB156.6 million, RMB359.2 million and RMB308.9 million, respectively. Our R&D expenses as a proportion of total operating expenses which includes selling and marketing expenses, administrative expenses, and research and development costs, reached 22.9%, 31.0% and 34.7% in 2023, 2024 and for the nine months ended September 30, 2025, respectively.

Our R&D is fundamentally consumer centric. To ensure a consistent and seamless user experience across our ecosystem, we constantly innovate to create tangible value and elevate user experiences. Our R&D strategy is built around the “Hardware + Software” innovation methodology. For our hardware innovation, we will solidify our leadership in product performance by advancing our capabilities in high-precision motion system design, motion control technology, high-precision optical engineering, print system design, and print driver optimization. For our software innovation, our commitment to intelligent algorithms and core AI technologies remains unwavering, and we will expand strategic focus and R&D investment in cutting-edge domains including computer vision recognition, image enhancement, path planning, 3D modeling, AIGC, and AI agents, reinforcing and expanding our advantages in user experience.

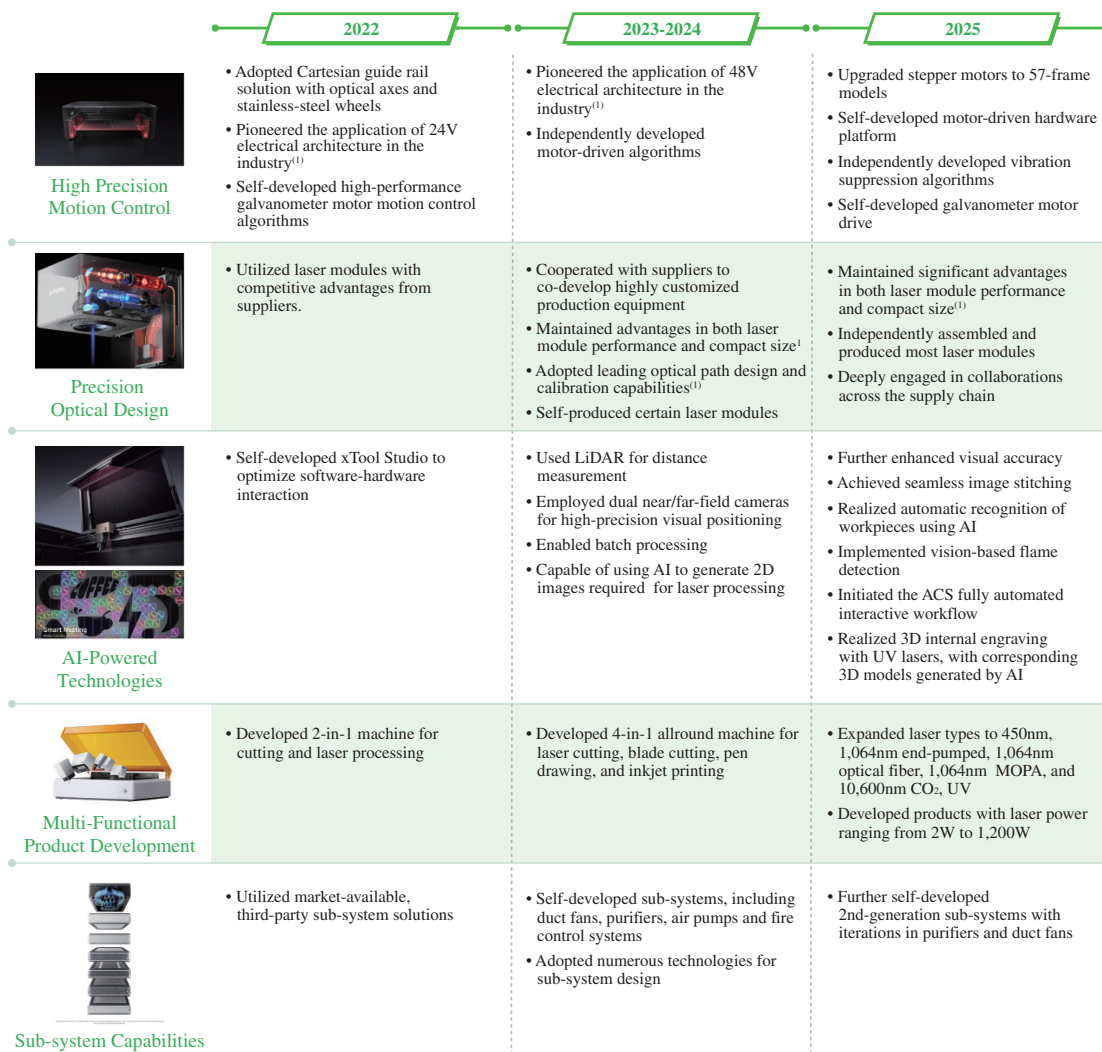
Through hardware improvement and software optimization, we continuously push innovation by breaking traditional limitations and lowering the barriers to creation and ensure a consistent and seamless user experience across our ecosystem.

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Our Technology Highlights

Our technological moat is built upon deep integration of our machines and our software platform, combined with an intelligent user experience powered by AI algorithms. We maintain full in-house development of both machines and software platform, and connect all machines through our unified software platform, xTool Studio, delivering an enjoyable and user-friendly experience. We have been continuing to deepen our R&D capabilities to build a comprehensive in-house technology stack centered around high-precision motion architecture design, motion control technology and high-precision optical design. With a high degree of reusability in foundational technologies, we have established a strong technological moat.

The following diagram illustrates our key technology development.



Note:

(1) According to CIC

BUSINESS

We are currently focusing on the following core technological highlights as our key R&D areas.

- ***AI-Powered Automated Creation System.*** We have developed our proprietary ACS system, an advanced AI-driven solution designed to streamline and enhance the laser processing workflow.
 - *Efficiency Enhancement.* Traditional manual preparation workflows, including tasks such as image import, distance measurement, focus adjustment, and workpiece positioning, are often complex, time-consuming, and disruptive to creative flow. To address these challenges and lower the barrier to entry for creative production, we developed the ACS, which integrates AI-powered computer vision algorithms directly into the device’s built-in camera. This enables a suite of stable, automated visual functions, including automatic image capture (both distant and close-range), automatic distant measurement, automatic focus adjustment, automatic workpiece lifting, and material recognition. Compared to conventional manual process which typically take about 1 minute on average, ACS reduces operation time to just 20 seconds, achieving a 200% improvement in efficiency.
 - *Capability Enhancement.* In addition to improving speed, the ACS enhances its technical capabilities by optimizing the material segmentation model to support complex nested and hollowed-out contour data formats and refining post-processing strategies. These enhancements enable the system to precisely handle intricate patterns, nested geometries, overlapping elements, and other complex design scenarios with a high degree of accuracy and reliability.
- ***Intelligent High Precision Automatic Nesting Algorithms.*** Our products incorporated intelligent nesting algorithm, an advanced technology that automatically optimizes the layout of materials to maximize material utilization and minimize waste. In laser engraving processes, the algorithm can automatically analyze the shape, size, and orientation of design elements, efficiently arrange dozens of patterns on a material sheet within just 10 seconds, accurately detect and accommodate minimum 1—2 mm hollow or cutout regions, and achieve micron-level precision in nesting, significantly reducing material costs and processing time.

Compared with the traditional 2D irregular nesting which relies on manual or semi-automated tools, our algorithm can nest standard patterns in just 10 seconds, setting a new benchmark for consumer-level nesting with its second-level processing speed and micron-level precision. Within the consumer-grade laser market, this is the industry’s first nesting solution that is capable of photograph-based recognition and is fully compatible with complex and nested design layouts.

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- ***Self-Developed Motor Drive Platform.*** We have successfully developed a full in-house motor drive platform encompassing both hardware and software that is compatible with RS-485 and CAN communication protocols, and supports both open-loop and closed-loop motor control. The platform incorporates self-developed motor control technologies, including a phase-current harmonic injection method for vibration suppression and a key algorithm for sensorless stall detection.

This breakthrough has enabled the establishment of a more robust and defensible technical barrier in the motor drive domain without relying on third-party integrated motor driver chips. The self-developed motor drive hardware and software platform has positioned us at the forefront of stepper motor drive technology within the industry.

- ***Self-developed Printing Control Technology.*** Our proprietary material printing control technologies enhance print precision and reliability through a combination of advanced image processing and intelligent automation, including:
 - ***Raster Image Processing (RIP) Techniques.*** Leveraging RIP techniques, including image scaling, print color management, and halftone algorithms, the solution achieves higher color accuracy and consistency.
 - ***Computer Vision Technology.*** Built on computer vision technology, the algorithm enables automatic recognition and classification of calibration patterns and colors captured by the camera. By precisely locating key features, it adapts to variations in ambient lighting, tilt angles, ink volume, and color profiles. The entire calibration process is performed automatically via camera imaging, achieving sub-pixel level accuracy in visual recognition.
 - ***Optimized Halftone Algorithm.*** The halftone algorithm has been optimized to eliminate speckling issues caused by hardware limitations.
 - ***Automatic Calibration and Feathering algorithms.*** Automatic calibration and feathering algorithms effectively mitigate print quality degradation caused by mechanical misalignment in paper feeding.

Our automated device calibration functionality and AI-powered image sharpening technology are industry-first innovations. These advancements are supported by 13 patents covering key technical domains, including adaptive print parameter adjustment, AI super-resolution, and machine vision-based calibration.

BUSINESS

- ***High-Precision Visual Positioning Technology.*** We have developed and implemented an innovative visual positioning and calibration solution. This advanced system integrates technologies such as distortion correction and other sophisticated algorithms to resolve a range of common precision issues, including camera misalignment, instability in positioning accuracy when working with consumables of varying thicknesses, difficulties in recognizing concentric patterns, and accuracy loss due to uneven or irregular material surfaces. The system achieves a far-field (long-distance) center positioning accuracy of within 0.5 mm and a near-field (close-range) center positioning accuracy of within 0.2 mm. To further enhance performance across materials of different heights, the system incorporates a LiDAR-based distance measurement sensor, enabling automatic focusing and measurement regardless of the consumable’s vertical position, which ensures consistently high precision across objects of varying heights.

In addition, we have introduced an innovative bed-lifting design that improves the efficiency of pattern recognition and correction, effectively resolving stability issues related to the precision of near-field positioning when using consumables of varying thicknesses. The system also employs an advanced near-field and material-feed image stitching and positioning technology. By leveraging sophisticated stitching algorithms, it combines high-precision regions captured in close-range imaging to enhance the overall visual coherence and accuracy of the near field. This ensures that the entire working area, measuring 915 × 458 mm, achieves a positioning accuracy of within 0.3 mm. As a result, users benefit from a true “what you see is what you get” processing experience, where the digital design aligns precisely with the physical output.

Our high-precision visual positioning technology delivers industry-leading accuracy, with near-field center positioning ranging from 0.05 mm to 0.2 mm and far-field center positioning ranging from 0.1 mm to 0.5 mm. The system supports consumable materials with thicknesses ranging from 0 mm to 180 mm, making it one of the most precise and versatile visual positioning solutions available today.

- ***Optical Technology.*** We have established an extensive laser technology matrix at the hardware and precision optics levels. Through independent R&D, our light source portfolio now spans diode lasers, high-power fiber lasers, CO₂ gas lasers, and solid-state nanosecond lasers, meeting diverse needs from fine engraving to industry-grade cutting. Leveraging optical simulation, we systematically optimize and align core parameters such as power density, spot size, focal length, and working distance. This simulation-driven and forward-looking design ensures each laser operates at its optimal working distance, delivering concentrated energy and ideal spot distribution for leading-edge engraving and cutting precision with superior detail reproduction.

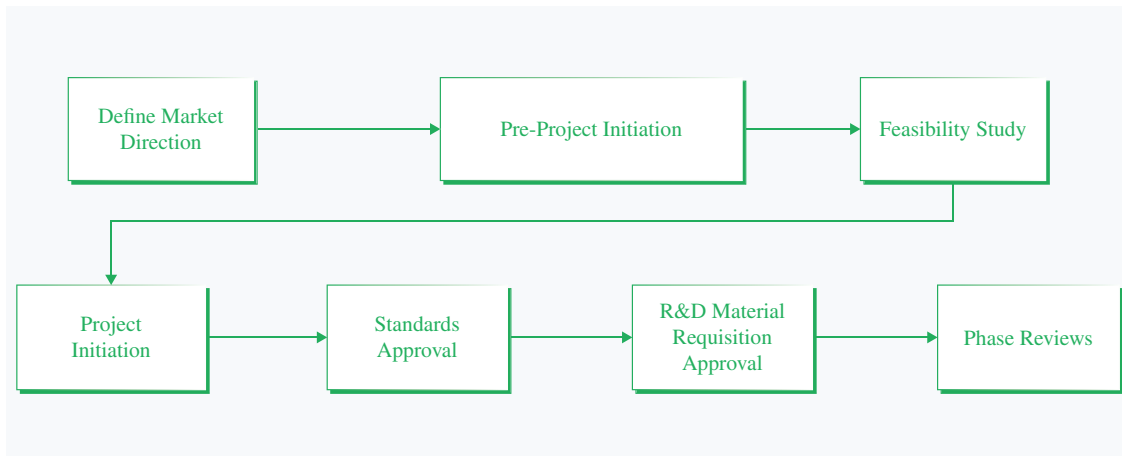
BUSINESS

At the laser control and usability level, we deeply integrate AI vision technology, equipping our devices with functions such as autofocus, intelligent material recognition, and automated processing path planning. This significantly lowers the operational barrier by embedding parameter optimization into simple “one-click operations,” effectively democratizing the use of professional-grade equipment.

Across all our product categories, our technology highlights reflect our unwavering dedication to addressing real-world user needs. Every advancement is driven by direct user feedback and rigorous R&D, and our products not just meet expectations but redefine what’s possible in creative and industry applications.

R&D Process

Our R&D follows a systematic and rigorous process, led by the co-heads of our R&D department. We adhere to a standard product development process, beginning with the concept stage, moving through planning and R&D, and culminating in product launch. Throughout each phase, we prioritize product quality, user experience, and the integration of the latest advancements in both hardware and software. The following diagram illustrates our R&D process.



- **Define Market Direction:** We begin by identifying target market needs and emerging trends to guide our product development strategy.
- **Pre-Project Initiation:** Initial concept screening and stakeholder alignment are conducted to determine R&D direction.
- **Feasibility Study:** Technical, operational, and financial feasibility is analyzed to validate the project’s practicality.
- **Project Initiation:** Formal project approval is granted, and core team, timeline, and resources are established.

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- **Standards Approval:** Relevant regulatory, safety, and industry standards are confirmed for compliance.
- **R&D Material Requisition Approval:** Required materials and components for R&D are formally requested and authorized.
- **Phase Review:** The project progresses through four key phases: ES (engineering sample), PR (pilot run), PP (pre-production), and MP (mass production), with structured reviews at each stage.

INTELLECTUAL PROPERTY

Since our inception, we have developed a variety of proprietary intellectual property rights. As of September 30, 2025, we had 41 invention patents, 244 utility patents, 175 design patents, 115 copyrights, as well as 190 trademarks in China and 7 invention patents, 53 design patents, as well as 241 trademarks overseas. See “Appendix IV — Statutory and General Information — Further Information About Our Business — Intellectual Property Rights of Our Group” for details of our material intellectual property rights.

The below table sets forth details of our key patents as of the Latest Practicable Date.

<u>Patent Name</u>	<u>Registration No.</u>	<u>Functions</u>	<u>Filing Date</u>
Laser processing equipment	202110745679.7	A laser processing apparatus comprising a rail assembly and a laser assembly. The rail assembly is a high-precision motion rail adapted to drive the laser assembly for precise movement and laser processing.	June 30, 2021
Laser and blade cutting processing equipment	202110953257.9	A laser and blade cutting apparatus integrates a laser source and a blade mechanism into a single system, capable of performing laser engraving, laser cutting, blade cutting, and scoring.	August 18, 2021
Calculation method, laser processing equipment, and computer-readable storage medium	202110950243.1	A method for calculating a processing starting point, a laser processing apparatus, and a computer-readable storage medium, configured to rapidly acquire coordinates of the processing starting point and improve processing efficiency.	August 18, 2021

BUSINESS

<u>Patent Name</u>	<u>Registration No.</u>	<u>Functions</u>	<u>Filing Date</u>
Processing control method, apparatus, and equipment	202111250792.4	A processing control method, a processing control apparatus, and processing equipment, configured to perform batch processing on multiple workpieces.	October 26, 2021
Computer Numerical Control Machine, and Machining Method thereof	18/960,007	A processing method for a computer numerical control machine, a computer numerical control machine, and a system for computer numerical control machines, for performing three-dimensional spatial measurement, modeling, and processing of a workpiece.	November 26, 2024
Object Positioning Method, Machining Method, Apparatus, Device, and Medium	18/960,317	An object positioning method, a processing method, an object positioning apparatus, an electronic device, and a non-transitory computer-readable storage medium, configured for image-based recognition and precise positioning.	November 26, 2024
Method, Apparatus, Device For limiting Machining Element, Program Medium and Computer numerical Control Machine	18/947,929	A machining method, a processing apparatus, a non-transitory computer-readable medium, and a computer numerical control machine, configured to provide an alert when a workpiece is in a restricted area to prevent machining failure.	November 14, 2024
Method for Implementing Processing Alignment, Numerical Control Machine, System, and Computer-Readable Storage Medium	202311362024.7	A processing alignment implementation method, a numerically controlled machine, a numerically controlled system, and a readable storage medium, configured to perform convenient and precise alignment of processing patterns.	October 19, 2023

BUSINESS

Patent Name	Registration No.	Functions	Filing Date
Halftone Method, Apparatus, Device, Printing System, and Storage Medium	202411894335.2	A halftoning method, a halftoning apparatus, a computer device, an inkjet printing apparatus, a printing system, and a storage medium, configured to enhance the visual effect of printed images.	December 20, 2024
Control Method for a Printing System, Electronic Device, Storage Medium, and Printing System	202411531180.6	A control method for a printing system, a printing system, an electronic device, and a storage medium, configured to improve printing efficiency.	October 30, 2024

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. See “Risk Factors — Risks Related to Our Business and Industry — We may not be able to adequately protect or enforce our patents, trade secrets and other intellectual property rights throughout the world, and our efforts to do so may be costly.”

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes or any other pending material legal proceedings regarding intellectual property rights with third parties.

SALES, MARKETING AND DISTRIBUTION

We primarily adopt an online-driven sales model supported by a diversified omnichannel approach to reach customers worldwide. Our sales are mainly conducted online through our xTool official website and third-party e-commerce platforms, enabling efficient global distribution and customer engagement. Our official websites, including xTool.com, serves as the core of our digital ecosystem, integrating product discovery, purchase, after-sales support, and community interactions in one seamless experience. We also sell our products through third-party e-commerce platforms including Amazon, AliExpress, eBay, and Tmall. In addition to our online sales channel, we also sell our products through offline channels, including through distributors.

BUSINESS

The following table sets forth a breakdown of our revenue by different channels during the Track Record Period.

	Years Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
					<i>(in thousands, except percentages)</i>			
Our official websites	774,151	53.1	1,538,552	62.1	912,866	60.9	1,085,994	61.1
Third-party e-commerce platforms	459,922	31.6	583,383	23.6	352,679	23.5	376,181	21.2
Offline	222,563	15.3	353,926	14.3	232,822	15.6	314,491	17.7
Total	<u>1,456,636</u>	<u>100.0</u>	<u>2,475,861</u>	<u>100.0</u>	<u>1,498,367</u>	<u>100.0</u>	<u>1,776,666</u>	<u>100.0</u>

The following table sets forth a breakdown of our revenue by geographical location during the Track Record Period.

	For the year ended December 31,				For the nine months ended September 30,			
	2023		2024		2024		2025	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
					<i>(in thousands, except for percentages)</i>			
United States	897,943	61.6	1,421,096	57.4	882,590	58.9	972,882	54.8
Europe	331,339	22.8	698,974	28.2	391,281	26.1	537,860	30.3
Other regions*	227,354	15.6	355,791	14.4	224,496	15.0	265,924	14.9
Total	<u>1,456,636</u>	<u>100.0</u>	<u>2,475,861</u>	<u>100.0</u>	<u>1,498,367</u>	<u>100.0</u>	<u>1,776,666</u>	<u>100.0</u>

Note:

* mainly include Chinese Mainland, Canada and Australia

Our Distribution Network

We engage distributors who possess extensive sales experience and a strong local market presence to sell a minority portion of our products in selected markets. We chose to engage distributors because they can help our brand quickly penetrate emerging markets by leveraging their established local channel resources. For the years ended December 31, 2023 and 2024 and for the nine months ended September 30, 2025, our total sales to distributors amounted to RMB213.1 million, RMB341.5 million and RMB306.6 million, respectively, accounting for 14.6%, 13.8% and 17.3%, respectively, of our revenue for the corresponding periods. We recognize revenue from our distributors upon the delivery of goods to them.

BUSINESS

For all distributors, we maintain clear management criteria, starting with a thorough evaluation during the selection process. Throughout the partnership, we regularly assess each distributor’s performance based on defined quality standards to ensure ongoing compliance and performance. This systematic approach helps us build reliable, long-term relationships and uphold the high standards of our brand in each market.

The following table sets forth the total number and movement of our distributors during the Track Record Period.

	Years Ended December 31,		Nine Months Ended September 30,
	2023	2024	2025
Distributors			
Beginning of the period	392	413	579
Additions	194	304	228
Terminations	173	138	250*
Number of distributors at the end of the period	413	579	557

Note:

* The termination of distributors was primarily because (i) we engaged a number of distributors on project basis, and upon the completion of such projects, the contracts with such distributors naturally terminated, and (ii) contract entities of distributors changed.

In 2023, 2024 and the nine months ended September 30, 2025, we entered into business collaborations with 194, 304 and 228 new distributors, respectively, and terminated relationships with 173, 138, 250 distributors. According to CIC, it is customary for consumer-tech companies to engage distributors, and their distributor networks often undergo changes to address the shifting needs of consumers. During the Track Record Period and up to the Latest Practicable Date, to our best knowledge, all of our distributors were Independent Third Parties, and there was no employment, financing or family relationship between our distributors and us.

We enter into standard distribution agreements with our distributors. The summary of the salient terms of our distribution agreements is set forth as below.

- **Duration:** The distribution agreements usually last one year to two years.
- **Pricing:** We sell our products to distributors based on the final retail price with certain discount. We also set final retail price ranges for their subsequent sales to end customers.
- **Acceptance and delivery:** Our products are typically delivered on an EXW or FOB basis. We generally do not allow returns of products sold to distributors, except for limited reasons such as product defect.

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- ***Payment and credit terms:*** In advance payment unless otherwise agreed.
- ***Product buy back:*** We shall have the right, but not the obligation, to repurchase from distributors all or part of the products that distributors have in stock, and which are new and unused, at the originally purchase price from us minus certain fixed cost of transportation of such products. During the Track Record Period, we did not experience any material repurchases of products in stock from distributors.
- ***Intellectual property:*** All intellectual property associated with our products shall remain the sole property of us.
- ***Yearly minimum commitment:*** We do not require our distributors to meet minimum annual purchase targets. However, we require our distributors to use their best efforts to achieve the pre-agreed yearly sales target. If a distributor meets the relevant targets, we provide sales rebate in low single digit.
- ***Designated distribution areas:*** We require our distributors to distribute our products within their authorized regions.
- ***Sub-distributor:*** We do not prohibit our distributors from engaging sub-distributors. However, we do not enter into agreement with sub-distributors.
- ***Termination:*** Either Party may terminate the agreement forthwith by written notice to the other Party in the event of the other party's significant violation of its obligations, causing significant damage to the other party's image, management or financial situation affecting its' performance under the agreement.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material product returns or indemnification claims from our distributors, nor had we made any provisions on any product returns or potential indemnification.

Prevention of Cannibalization

We have implemented a multifaceted approach to minimize the risk of sales cannibalization among our distributors. We strategically select and engage qualified distributors with complementary sales channels. In addition, we regularly collect information on their sales of our products, regularly monitor their sales to end customers, and maintain a periodic reconciliation mechanism. We also proactively verify whether distributors sell our products to end customers within their designated distribution regions. Upon detecting any abnormalities, including cross-regional or cross-channel sales, we immediately communicate with the relevant distributors regarding corrective actions and may require them to suspend all sales and shipments under severe circumstances. If distributors continue to sell products outside their authorized scope under such circumstances, we will disqualify them from our incentive programs and reserve the right to terminate our distribution agreements with them.

BUSINESS

Low Channel Stuffing Risk

We believe that our sales reflect the actual demand from end customers, thus minimizing the risk of channel stuffing and inventory backlog within the distribution network, as (i) we generally do not allow returns of products sold to distributors, except for limited reasons such as defective products; (ii) we only generate limited revenue from distributors; (iii) we regularly collect information on distributors’ sales of our products, regularly monitor their sales to end customers, and maintain a periodic reconciliation mechanism; and (iv) we do not set minimum purchase requirements, encouraging distributors to be more cautious in their ordering to align their purchases with actual sales patterns and market demand. We believe such arrangements encourage distributors to order products based on actual sales forecasts. Based on the foregoing, we believe the risk of channel stuffing is low.

Our Marketing Strategies

We adopt a matrix-style marketing and customer engagement strategy that integrates online and offline channels to strengthen global brand presence, improve user experience, and drive conversion.

Online Engagement

For online marketing, we leverage a multi-platform digital strategy centered around our xTool official website and major social media channels such as Facebook, TikTok, YouTube, Instagram, X, and other SNS platforms, supported by KOL partnerships and performance-based advertising. Our marketing content is tailored to regional consumption habits, prioritizing long-form and search-led content in the United States, short-form video in Europe.

Additionally, we offer Customthings, an online platform supporting end-to-end-product customization, to our SMB users, supporting them in managing the end-to-end workflow of personalized product creation. The platform enables users to set up customizable products, offer customer-facing design interfaces and manage production and fulfilment through an integrated system. The centralized dashboard feature allows users to monitor orders, track production progress and manage fulfilment, providing visibility and control across the customization lifecycle. By combining design tools, workflow automation, hardware integration and order-management functions into a single platform, Customthings aims to enhance operational efficiency and support merchants in offering personalized products across multiple sales channels.

Offline Engagement

A central pillar of our strategy is the development of an extensive xTool Squad network, which consist of demo rooms, service stations, and pro hubs. As of September 30, 2025, partnered with our user-hosts, we had established 470 xTool Squad sites globally.

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In collaboration with our SMB users, our demo rooms provide prospective customers with authentic, hands-on exposure to our machines in real operational environments, at minimal cost. In addition to demo rooms, users can participate in personalized sessions at our pro hubs featuring live demonstrations of xTool machines tailored to their interests, hands-on operation, and material testing. Furthermore, we also conduct scenario-based marketing activities such as pop-up experiences, in-store collaborations, and participation in events like the Create Fair.

Our in-store partnerships with leading global brands, including Stanley, Decathlon, Ray-Ban, Mister Minit, Timpson, PRG Golf, among others, enable consumers to experience real-time personalization and engraving services, significantly enhancing product visibility and brand engagement. These collaborations have led to higher in-store traffic, multiple-purchase behavior, and stronger consumer interest in customization.

Customer Services and Product Warranty

xTool Squad — Local Customer Service Network

By partnering with SMB owners and leveraging our local service teams, we have developed a global customer service network, part of which is integrated into our xTool Squad locations worldwide. Through the “xTool Squad” initiative, we invite experienced users to open their studios and homes for live demos, hands-on training, and peer-to-peer support, creating a vibrant offline ecosystem that complements our formal service infrastructure. As of September 30, 2025, all of our service stations and pro hubs have expanded into full-service stations capable of providing comprehensive customer support. Together, these experience centers form a highly efficient and customer-centric service ecosystem.

These service stations and pro hubs provide end-to-end support throughout the product lifecycle. Pre-sale services include machine demonstrations, product trials, and material testing. Post-purchase, we provide after-sales support such as local repairs, routine maintenance, on-site installation, and user training.

xPilot — an AI-driven Service System

We are currently developing the xPilot intelligent customer service system. Leveraging a unified internal knowledge base, xPilot could facilitate rapid query retrieval and response, while also enabling automated email translation and replies to significantly improve response efficiency.

Product Returns and Warranty

The standard warranty period ranges from six months to twenty four months, varying by region. Additionally, we provide xTool Care service, an extended warranty service. Customers who purchase xTool Care within 30 days of buying our products can enjoy extended warranty coverage for up to two additional years.

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We provide provisions for these potential warranty expenses based on a certain percentage of sales revenue during the period. Our provision for product warranty was RMB8.0 million, RMB11.6 million and RMB13.3 million as of December 31, 2023, 2024 and nine months ended September 30, 2025, respectively, the increase of which was primarily driven by changes in sales volume of our products during the Track Record Period. We did not experience significant product returns or warranty claims during the Track Record Period.

Pricing Strategies

We determine the pricing of our products with reference to a combination of factors, including product position, technical performance of our products, costs of product materials, market competition, supply chain considerations and our target profitability. Depending on product type and market conditions, we may adopt cost-based, value-based, competition-based, or tiered pricing strategies. As such, our product pricing may vary across different product categories and customer groups.

OUR CUSTOMERS

Top Five Customers

During the Track Record Period, our customers primarily consisted of (i) individual consumers who use our products for personal passion and creative pursuits; (ii) SMB owners who leverage our products to develop side business or entrepreneurial ventures; (iii) selected retail brand stores; and (iv) third-party distributors to whom we sell our products. In 2023, 2024 and the nine months ended September 30, 2025, the aggregate revenue generated from our five largest customers in each year/period was RMB54.6 million, RMB87.8 million and RMB88.2 million, representing 3.7%, 3.5% and 5.0% of our revenue, respectively. Revenues generated from our largest customer in each year/period were RMB16.0 million, RMB26.8 million and RMB32.1 million, representing 1.1%, 1.1% and 1.8% of our revenue, respectively.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, our five largest customers were Independent Third Parties, and none of our Directors, their close 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 five largest customers. During the Track Record Period and up to the Latest Practicable Date, each of our top five customers are independent from each other.

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SUPPLY CHAIN MANAGEMENT

Our suppliers during the Track Record Period included raw material providers and marketing service providers.

We have established a comprehensive supplier management system structured around three key stages: admission, engagement, and exit. This system ensures rigorous supplier selection, ongoing performance evaluation, and full compliance with international quality and sustainability standards. To be admitted into our supplier pool, candidates must undergo a thorough assessment conducted by our supplier review team. The evaluation covers commercial standing, quality assurance capabilities, production processes, and technical R&D competence. Only those meeting our established criteria are included in our available vendor list. Throughout the engagement phase, we conduct regular performance evaluations based on technical capability, product quality, commercial terms, and delivery reliability. These assessments ensure continued alignment with our operational and strategic requirements. Suppliers who consistently underperform or fail to meet compliance standards are subject to removal from our network, maintaining the integrity and reliability of our supply chain.

Our procurement is closely aligned with both R&D and real-time market needs. Most sourcing is conducted through open bidding to ensure transparency and competitiveness, while specialized procurement is used for unique business scenarios. From the outset of product development, procurement teams work hand-in-hand with R&D to identify supply partners capable of meeting specific technical requirements. Purchasing plans are dynamically adjusted based on launch schedules and ongoing market feedback, with regular reviews to maintain healthy inventory levels and avoid shortages or excess stock.

Top Five Suppliers

In 2023 and 2024 and for the nine months ended September 30, 2025, the aggregate purchase amounts from our five largest suppliers in each year/period were RMB414.0 million, RMB589.8 million and RMB453.7 million, representing 38.5%, 33.8% and 28.6% of our total purchase amount, respectively. The purchase amounts from our largest supplier in each year/period were RMB133.2 million, RMB176.0 million and RMB125.6 million, representing 12.4%, 10.1% and 7.9% of our total purchase amount, respectively.

During the Track Record Period, we did not experience any significant fluctuation in prices set by our suppliers or material breach of contract on the part of our suppliers. As of the Latest Practicable Date, our five largest suppliers were Independent Third Parties, and none of

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our Directors, their close 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 five largest suppliers. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, each of our top five suppliers are independent from each other.

Rank	Supplier	Type of Purchase	Supplier Business Scope	Credit Terms	Year of Commencement of Relationship	Purchase Amount <i>(RMB'000)</i>	% of Total Purchase Amount %
For the year ended December 31, 2023							
1 . .	Supplier A	Promotion and logistics services	A global e-commerce platform, headquartered in Delaware, the U.S.	Within 30 days	2014	133,228	12.4
2 . .	Supplier B	Cross-border integrated logistics and warehousing services	A company offers intelligent, efficient, and scalable overseas logistics and warehousing solutions based in California, the U.S.	30 days	2023	93,994	8.7
3 . .	Supplier C	Promotion service	A technology company providing information transmission, promotion, and information technology services, headquartered in Hong Kong	30 days	2022	78,154	7.3
4 . .	Supplier D	Laser components, lasers, blue-light modules, and protective lens assemblies	A technology company providing R&D of laser modules, laser testing tools, laser accessories, and electronic product, headquartered in Guangdong Province, China	30 days	2020	76,161	7.1
5 . .	Supplier E	Promotion service	A leading technology-driven company providing marketing and data solutions, headquartered in Beijing, China	45 days	2023	32,425	3.0

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<u>Rank</u>	<u>Supplier</u>	<u>Type of Purchase</u>	<u>Supplier Business Scope</u>	<u>Credit Terms</u>	<u>Year of Commencement of Relationship</u>	<u>Purchase Amount</u> <i>(RMB'000)</i>	<u>% of Total Purchase Amount</u> <i>%</i>
For the year ended December 31, 2024							
1 . .	Supplier A	Promotion and logistics services	A global e-commerce platform, headquartered in Delaware, the U.S.	Within 30 days	2014	175,959	10.1
2 . .	Supplier B	Cross-border integrated logistics and warehousing services	A company offers intelligent, efficient, and scalable overseas logistics and warehousing solutions based in California, the U.S.	30 days	2023	158,433	9.1
3 . .	Supplier D	Laser components, lasers, blue-light modules, and protective lens assemblies	A technology company providing R&D of laser modules, laser testing tools, laser accessories, and electronic product, headquartered in Guangdong Province, China	30 days	2020	108,155	6.2
4 . .	Supplier E	Promotion service	A leading technology-driven company providing marketing and data solutions, headquartered in Beijing, China	45 days	2023	93,738	5.4
5 . .	Supplier F	PCBA, PCBA Z-axis adapter boards, PCBA test boards, PCBA LED strip boards, etc.	A high-tech enterprise specializing in electronic component manufacturing, precision circuit board solutions, and industrial automation technologies, headquartered in Guangdong province, China	90 days	2016	53,512	3.0

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<u>Rank</u>	<u>Supplier</u>	<u>Type of Purchase</u>	<u>Supplier Business Scope</u>	<u>Credit Terms</u>	<u>Year of Commencement of Relationship</u>	<u>Purchase Amount</u>	<u>% of Total Purchase Amount</u>
						(RMB'000)	%
For the nine months ended September 30, 2025							
1 . .	Supplier B	Cross-border integrated logistics and warehousing services	A company offers intelligent, efficient, and scalable overseas logistics and warehousing solutions based in California, the U.S.	30 days	2023	125,609	7.9
2 . .	Supplier G	Lasers, laser power supplies, isolators, etc.	A publicly listed high-tech enterprise specializing in laser technology, optoelectronic equipment, and precision manufacturing solutions, headquartered in Guangdong Province, China	30 days	2023	107,014	6.8
3 . .	Supplier A	Promotion and logistics services	A global e-commerce platform, headquartered in Delaware, the U.S.	Within 30 days	2014	95,565	6.0
4 . .	Supplier E	Promotion service	A leading technology-driven company providing marketing and data solutions, headquartered in Beijing, China	45 days	2023	64,893	4.1
5 . .	Supplier H	PCBA, laser engraving machines, printer, etc.	A high-tech enterprise specializing in electronic manufacturing, precision automation equipment, and intelligent control systems, headquartered in Guangdong Province, China.	60 days	2020	60,595	3.8

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Inventory Management

Our inventory primarily consists of finished goods or merchandise held for sale in the ordinary course of business, work-in-progress in the course of production, and materials or supplies to be consumed in the production process or in the rendering of services. We believe that we have effectively managed our supply chain during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, we did not encounter any material supply chain issues.

To maintain our competitive edge and ensure our products consistently meet evolving market demands, we have implemented comprehensive measures to optimize inventory levels. These initiatives are designed to minimize inventory backlogs and enhance the efficiency of our inventory management processes. We have also established internal procedures for purchase order submission and approval, which streamline logistics and standardize procurement.

We believe that our operation is not dependent on any particular supplier. During the Track Record Period, we maintained multiple suppliers to avoid overreliance on any of suppliers and we believe there is no significant difficulty to find suitable substitutes for our suppliers.

PRODUCTION

During the Track Record Period, we manufactured our diverse range of products and accessories through a combination of in-house production and third-party manufacturing partnerships. We operate two self-owned manufacturing factories located in China and Thailand. To ensure safe and stable production, we have implemented a comprehensive set of internal management systems, including production safety objectives, target-based management mechanisms, and a production safety accountability system.

Production Process

Our production process involves material preparation, pre-assembly, final unit assembly, burn-in testing, functional and performance test, quality inspection, and packaging. We adhere to established manufacturing practices and processes across our factories, which ensure consistency, quality and efficiency in our operations. By standardizing these practices, we can optimize the use of our production facilities and resources. As a result, we may seamlessly introduce new products without major reconfiguration or additional infrastructure investment. Our standardized approach enables rapid adaptation to market demands, accelerates product portfolio expansion, and strengthens our competitive edge delivering diversified customer solutions while optimizing operational efficiency.

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Production Bases in Operation

As of September 30, 2025, we had a production team of 545 personnel, supporting the operation of our global production network. We prioritize hiring locally for our production team, which allows us to tap into the local talent pool and contribute to the economic development of the communities where we operate. Employing local personnel not only helps in fostering community relations but also ensures that our workforce is familiar with regional practices and cultural nuances, which enhances productivity and workplace harmony.

As of September 30, 2025, we had a total of two factories in Asia, including one factory in China, and one factory in Thailand. The following table sets forth certain information relating to our production base for our machines.

Production Base	Year of Commencing of Operation	Aggregate GFA <i>(square meter)</i>	Production Capacity ⁽¹⁾ (unit)			Production Volume (unit)			Utilization Rate		
			2023	2024	Nine Months ended September 30, 2025	2023	2024	Nine Months ended September 30, 2025	2023	2024	Nine Months ended September 30, 2025 ⁽²⁾
PRC	2023	35,000	150,000	220,000	150,000	115,786	167,444	101,091	77.2%	76.1%	67.4%
Thailand	2024	6,300	-	4,500	45,000	-	3,447	28,223	-	75.0%	62.7%

Notes:

- (1) Calculated based on 25 effective production days per month and 10 operating hours per day.
- (2) Due to seasonality, our production utilization rate is generally lower during the first nine months of the year. In addition, the decrease in utilization rate of our Thailand factory in the nine months ended September 30, 2025 was primarily because we expanded our production capacity in anticipation of the increased sales.

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In order to grow our business, meet the increasing demand from our customers and capture the potential growth opportunities in China and globally, we plan to use the net [REDACTED] of the [REDACTED] and our internal funds to expand our production capacity and upgrade our factories in China and overseas. See “Future Plans and Use of [REDACTED].”

Third Party Production

During the Track Record Period, we engaged third-party OEM manufacturing partners for the production of a minority portion of certain products. All of our OEMs are located in the PRC. We supervise quality of raw material and finished products and utilize existing capacity of our OEM facilities. Selective utilization of OEM facilities gives us more flexibility in the allocation of our capacity and resources. Our Directors are of the view that, during the Track Record Period and as of the Latest Practicable Date, we have not been reliant on any single, or any group of, specific OEM(s). According to CIC and in line with the view of our Directors, in light of the abundance of OEMs in China, we can identify and engage alternative OEMs of comparable service quality and under similar terms without material difficulties.

Our quality control department, research and development department and procurement department select third-party manufacturers based on our business demand, which are then comprehensively evaluated by our procurement department and quality control department. When selecting third-party manufacturers, we evaluate factors such as certifications, proven experience, production capabilities, technological expertise, technical capacity, product quality, service scope and pricing. Our manufacturers are regularly assessed, covering various aspects such as performance, quality management and warehouse operations. Our solid reputation, expansive production scale, and long-standing relationships with manufacturing partners enable us to establish reliable and cost-efficient collaborations with third-party manufacturers. During the Track Record Period, we did not encounter any losses or product liabilities associated with the manufacturing process of our third-party manufacturers. During the trial production phase, our procurement department and research and development department are responsible for evaluating prototypes. In the mass production phase, our quality management department will participate in material quality management and product quality monitoring in the OEM facilities, while our delivery management department provides rolling order forecasts and monitors production progress in real time to ensure timely and high-quality delivery. We are actively involved in and lead core aspects of the manufacturing process, including production planning, quality control, workflow optimization and performance testing.

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The following sets forth the salient terms of our typical agreement with our OEMs:

- ***Duration.*** The terms of our agreements with OEMs are typically one year to two years.
- ***Service provided.*** The OEMs shall manufacture or design products to our specifications.
- ***Subcontracting.*** Without our written permission, our OEMs may not assign or delegate their contractual obligations to third parties.
- ***Intellectual property.*** We grant a non-transferable license of our intellectual property to the OEMs for the duration of the agreement and for, and only for, the purpose of fulfilling the contractual duties outlined in the agreement.
- ***Warranty.*** The warranty period for the product is typically 12 to 24 months, commencing from the date of our acceptance.
- ***Legal compliance.*** The OEM is obligated to comply with all applicable laws and regulations and must acquire all licenses and permits required to carry out its operations.
- ***Termination.*** Each party may also immediately terminate the agreement in the event of the other party’s failure to remedy its material breach within 20 days, dissolution or bankruptcy, or unauthorized delegation or assignment of the agreement.

WAREHOUSING AND LOGISTICS

As of the Latest Practicable Date, we have established a robust warehousing network across key markets in the U.S., German, and Canada. We continuously optimize our global warehouse structure in line with our business expansion, adjusting capacity and reallocating resources as needed.

Warehousing

As of September 30, 2025, we operated 16 overseas warehouses in cooperation with third-party warehouse providers (the “**cooperating warehouses**”). In addition, we have one self-operated warehouse in the PRC that has been in operation since September 2023. We maintain commercial general liability insurance and employer liability insurance for our self-operated warehouse. Regardless of location, ownership, or specialization, all cooperating warehouses follow the same rigorous management framework, ensuring consistent quality, operational efficiency, and seamless coordination across our global supply chain.

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The key terms of the cooperation agreements for our cooperating warehouses are outlined as follows:

- ***Duration.*** The terms of our agreements with warehousing provider are typically one year.
- ***Service provided.*** The warehousing provider shall provide warehousing services, transportation services, customs clearance services, and/or related logistics support.
- ***Pricing policy.*** If the warehousing provider adjusts the price due to market conditions, they shall notify us in writing at least one month in advance, and the revised charging standard shall be implemented only after mutual agreement.
- ***Payment terms.*** The payment terms are 45 days from the invoice date at the end of each month.
- ***Subcontracting.*** Without our written permission, our warehousing provider may not assign or delegate their contractual obligations to third parties.
- ***Termination.*** The agreement shall automatically terminate upon expiration.

Logistics

We primarily determine our delivery arrangements based on customers' needs, the nature of the products and the sales channels used, taking into consideration factors such as the total costs, the delivery capacity, the delivery speed and the geographic reach of each category of delivery arrangement.

The key terms of the framework agreements with third-party logistics solutions providers are outlined as follows:

- ***Duration.*** The terms of our agreements with logistic provider are typically one year.
- ***Service provided.*** The logistic provider shall deliver goods promptly to the designated consignee.
- ***Payment terms.*** The payment terms are 30 days on a monthly basis.
- ***Insurance.*** The logistic provider shall purchase relevant insurance for the goods it handles.
- ***Termination.*** Each party may terminate the agreement for convenience by providing thirty days' prior written notice to the other party.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disruption in the delivery of our products or suffer any material loss as a result of any delay in delivery or mishandling of goods. We did not encounter any material shortages or obsolescence of inventory during the Track Record Period and up to the Latest Practicable Date.

QUALITY CONTROL

We have established a comprehensive set of quality control and assurance procedures to monitor our operations to ensure compliance with the regulatory requirements and quality requirements during the entire development, manufacturing, delivery and services processes.

Our factory applies a comprehensive workplace organization and process-management system throughout all production phases — including trial runs and mass production — to enhance operational efficiency and ensure process quality. This system focuses on removing unnecessary items, organizing tools and materials, maintaining a clean workspace, standardizing procedures, and fostering consistent operational habits.

Under this framework, departmental roles are clearly defined. The production department is responsible for on-site implementation, including planning and executing organization and workplace layout activities, supervising cleanliness and maintenance routines, and establishing standardized procedures to ensure consistent practices. The team also reinforces employee discipline through training, creating a safe and orderly production environment. These efforts directly improve production efficiency, strengthen product quality, and reduce potential quality risks.

The quality department ensures that the production environment supports overall quality objectives. They audit the organization and arrangement of materials and tools, verify the effectiveness of cleaning and standardization activities, and ensure that the workplace environment meets required quality standards. By promoting disciplined and consistent work habits across the workforce, the quality department helps build a stable environment that supports reliable and continuously improving product quality.

During the Track Record Period, we have not experienced significant product returns, replacements, or customer complaints.

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DATA PRIVACY AND INFORMATION TECHNOLOGY SYSTEMS

We are committed to safeguarding the data privacy and security of our users’ personal information and have implemented comprehensive data protection frameworks, technical safeguards, and internal policies to ensure compliance with applicable data privacy and cybersecurity laws and regulations.

For our ordinary course of business, we collect and process personal data primarily in connection with the provision of our products and services upon users’ consent. When conducting sales through third-party e-commerce platforms, we access certain personal data of our customers, such as delivery addresses and contact information, which are usually encrypted by these platforms, for the purpose of order fulfillment.

Data Protection Framework

We have established a comprehensive organizational structure for data privacy protection, including:

- ***Data Security Management Committee.*** It serves as the core leadership body for our data compliance efforts, and is responsible for the overall planning, guidance, and supervision of the formulation and implementation of our data compliance strategies, policies, and measures.
- ***Data Compliance Leadership Group.*** It’s composed of leaders from various business departments and is responsible for overseeing and providing comprehensive leadership for data compliance risk management within their respective departments. The Group drives the implementation of corporate data compliance requirements across all stages.
- ***Data Compliance Coordination Team.*** The team members represent their respective Business Units, subsidiaries, or functional departments in participating in the development of the data compliance framework and daily management activities, responsible for communicating compliance requirements and feedback between upper management and their respective areas.
- ***Data Compliance Implementation Team.*** The team is composed of software project managers and product managers from various business units. It is responsible for overseeing the implementation of data compliance requirements for their respective products or services.
- ***Data Compliance Specialized Team.*** The team is responsible for researching and interpreting global data protection laws, regulations, policies, and standards; planning, developing, implementing, and monitoring privacy compliance strategies and rules; and assessing and reviewing compliance risks within specific business processes.

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Our Commitment to Data and Privacy Security

We consider the protection of the personal privacy of each of our users to be of paramount importance. We are fully committed to complying with applicable data and privacy laws and regulations in jurisdictions where we operate, including the Personal Information Protection Law of the PRC, the General Data Protection Regulation in EU, and the California Privacy Rights Act. To this end, we have established robust internal policies for data and privacy protection, which include the following key practices:

- ***Minimal data collection.*** We strictly control and minimize the scope of user data collection. We collect the data necessary for providing services or user experience improvements and in accordance with applicable laws and regulations.
- ***Secured data storage and transmission.*** Sensitive user data stored on cloud servers are encrypted. We apply advanced security measures, including access controls, log monitoring, and restricted administrative access.
- ***Data transfer.*** We do not transfer personal data to third parties, except with the explicit consent of the user and in circumstances as permitted by applicable laws and regulations.
- ***User privacy rights.*** Under our data privacy policy, users have the right to access, correct, update or delete their personal data, withdraw consent, or object to processing activities in certain scenarios, subject to applicable laws.
- ***Incident response.*** In the event of a data breach or unauthorized disclosure, we are committed to notifying the relevant regulatory authorities and affected users in accordance with applicable legal requirements.

We continuously review and enhance our data and privacy protection practices to ensure compliance with evolving regulatory standards and to maintain the trust and confidence of our users. During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, we had not encountered any material data breaches or personal information leaks. Our Directors confirm that, as of the Latest Practicable Date, we were not subject to any material claims, lawsuits, penalties or administrative actions relating to non-compliance with applicable laws and regulations for data privacy and protection. For information related the risks associated with data security, please see “Risk Factors — Risks Related to Our Business and Industry — We are subject to evolving of privacy and data protection regulations, which may impact our legal, financial and operational behavior.”

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COMPETITION

We operate in competitive sectors of tech-enabled personal creative tools. Our competitors include manufactures and providers of tech-enabled personal creative tools. These competitors may possess significant financial resources, advanced R&D capabilities, diverse product portfolios, and well-established customer bases. In this landscape, we remain focused on strengthening our core product competitiveness, differentiating our brand positioning, and continue delivering value to our customers. See “Industry Overview — Global Non-Additive Personal Creative Tool Industry — Global Competitive Landscape.” See “Risk Factors — The industries that we operate in are highly competitive. Failure to compete effectively or launch our new products may materially and adversely affect our market share and profitability.”

EMPLOYEES

As of September 30, 2025, we employed an aggregate of 1,892 full-time employees. The following table sets forth a breakdown of the number of our employees as of September 30, 2025 by work function.

Functions	Number of Employees
Research and Development	753
Sales and Marketing	299
Production	545
Administration	295
Total	<u>1,892</u>

The majority of our employees are based in Chinese Mainland. Our success depends on our ability to attract, retain and motivate qualified personnel, and we have adopted high standards and strict procedures in our recruitment, including campus recruitment, online recruitment and internal referral. We recruit employees based on their educational background, relevant experience in similar positions and professional qualifications, as well as our expansion strategy and job vacancies. We offer competitive compensation for our employees. In addition, we provide periodic bonus to employees who make contributions to our R&D and innovations. Also, for those with outstanding work performance, we reward them with higher compensation or promotion. We also enhance the development of corporate culture and employee engagement by organizing various activities and trainings to enrich employee’s professional skills, boost morale, and improve the work environment.

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We entered into confidentiality and non-compete agreements with all employees. These agreements stipulate that employees must maintain lifelong confidentiality regarding the Company’s trade secrets and that intellectual property created by employees during their tenure belongs to the Company. When necessary, we also have the authority to enforce non-compete clause with employees with access to the Company’s core technologies and trade secrets. Under this clause, employees are prohibited from joining competing companies operating in the memory industry chain for a specified period based on the employee’s role, after their departure. During this non-compete period, the Company provides monthly compensation.

As required by PRC laws and regulations, we participate in various employee social security schemes organized by municipal and provincial government, including pension, maternity insurance, unemployment insurance, work-related injury insurance, health insurance and housing provident fund.

We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

Pursuant to PRC regulations, we provide social insurance including unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees based in China. During the Track Record Period, we maintain general liability insurance, employee insurance, and production accident insurance for our business operations.

See the section headed “Risk Factors — Our existing insurance coverage may be inadequate to fully address losses and liabilities arising from various operational risks and hazards, including potential product liability claims.”

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Overview

Our Group is committed to integrating sustainability principles into the daily operations and core decision-making processes. We recognize that robust ESG practices are fundamental to achieving long-term and resilient growth, and we are dedicated to advancing sustainable practices and fulfilling our social responsibilities. We pledge to fully comply with ESG disclosure requirements throughout the [REDACTED] process and to foster synergistic development among the enterprise, society, and the environment.

BUSINESS

ESG Governance

The Board is ultimately responsible for the direction and strategy of our ESG initiatives. It conducts regular annual reviews of relevant matters, considering the Group’s business development, industry trends, and regulatory requirements to define the sustainability vision and strategic priorities. The Board oversees the identification and assessment of material ESG risks and opportunities (including those related to climate change), ensures the existence of effective ESG risk management and internal control systems, and approves the Group’s sustainability strategy, targets, and policies, which are subject to periodic review.

Management, under the Board’s guidance, implements and coordinates the ESG agenda across business functions — including Human Resources, Compliance, R&D, and Supply Chain — ensuring the integration of ESG considerations into core operations. Key focus areas include product safety, environmental compliance, supply chain responsibility, and employee rights. Management also identifies ESG-related risks and opportunities that could significantly impact the Group’s business, and coordinates the resources necessary for preparing the annual ESG report. Progress is monitored and consolidated by Management, with regular reporting to the Board.

To further systematize and enhance our ESG capabilities, we have established a dedicated ESG Working Group. This ESG Working Group serves as the key executive body for ESG implementation, tasked with core operational duties such as ESG benchmarking, performance tracking, disclosure preparation, and monitoring regulatory compliance.

Respecting stakeholder rights and interests is a fundamental principle of our governance. Our key stakeholders include shareholders and investors, government and regulatory bodies, suppliers, customers, and employees. We have established diverse communication channels to maintain effective and ongoing dialogue with them. Each year, the Company engages with stakeholders through multiple avenues — such as annual customer satisfaction surveys, supplier due diligence, and employee feedback mechanisms — to ensure that ESG-related matters are comprehensively identified and addressed.

Environment

We are strongly committed to environmental stewardship and are focused on minimizing our energy and water consumption as well as reducing carbon emissions. We have achieved certification for ISO 14001. During the Track Record Period, we have been tracking Scope 1, Scope 2, and Scope 3 greenhouse gas (“GHG”) emissions, energy consumption, fresh water consumption, waste discharge and consumption of key resources.

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GHG Emissions

The table below presents our GHG emissions data during the Track Record Period:

GHG Emissions	Unit	Year ended December 31,		Nine months ended
		2023	2024	September 30, 2025
Scope 1: Direct GHG Emissions	kg CO ₂ e	–	–	–
Scope 2: Indirect GHG Emissions⁽¹⁾	kg CO ₂ e	26,174	518,723	885,549
Scope 3: Other GHG Emissions⁽²⁾	kg CO ₂ e	44,565	212,804	282,575
Total GHG Emissions⁽³⁾	kg CO ₂ e	70,739	731,527	1,168,124
Total GHG Emission Intensity⁽⁴⁾	kg CO ₂ e/ m ²	2.78	16.23	16.29

Notes:

- (1) Scope 2 emissions primarily originate from electricity consumption in our factories and offices. These emissions are classified as indirect, as they result from the generation of electricity that is purchased and consumed by the Group.
- (2) Scope 3 emissions primarily originate from the value chain. During the Track Record Period, emissions from employee business travel and waste generated from operations were the main components of our reported Scope 3 emissions.
- (3) GHG emissions are calculated in adherence to the GHG Protocol standards.
- (4) Intensity is calculated as the total emissions volume for that scope during the Track Record Period, divided by the corresponding operation area (the denominator). The increase in data for 2024 and 2025 was mainly driven by the addition of newly leased manufacturing space.

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Energy Consumption

We are dedicated to energy conservation and the promotion of green production and low-carbon office practices. During the Track Record Period, the electricity consumption originated from our facilities and offices. The table below presents our energy consumption data during the Track Record Period:

<u>Electricity Consumption</u>	<u>Unit</u>	<u>Year ended December 31,</u>		<u>Nine months ended</u>
		<u>2023</u>	<u>2024</u>	<u>September 30,</u>
				<u>2025</u>
Total Electricity Consumption	kWh	67,651	1,338,991	2,283,083
Total Electricity Consumption Intensity	kWh/m ²	2.66	29.70	31.83

Fresh Water Consumption

Municipal water supply networks are the main source of our Group’s water, and we did not encounter major difficulties seeking suitable water sources during the Track Record Period. The table below presents our water consumption data during the Track Record Period:

<u>Water Consumption</u>	<u>Unit</u>	<u>Year ended December 31,</u>		<u>Nine months ended</u>
		<u>2023</u>	<u>2024</u>	<u>September 30,</u>
				<u>2025</u>
Total Water Consumption	m ³	2,750	15,946	16,737
Total Water Consumption Intensity	m ³ /m ²	0.11	0.35	0.23

BUSINESS

Hazardous and Non-Hazardous Waste

We employ a robust system for waste segregation, collection, and disposal at our production facilities. Our processes are designed to maximize recycling and reuse, including the return of packaging materials and the sanitization of durable containers for repeated use. All hazardous and non-recyclable waste is handled by licensed partners for safe, compliant disposal, strictly prohibiting any form of indiscriminate dumping. General waste and other non-hazardous waste streams are consigned to qualified suppliers for appropriate disposal. During the Track Record Period, our hazardous waste primarily consisted of used toner cartridges, while our non-hazardous waste included wastepaper, waste plastic, carton boxes and EPE foam. The table below presents our hazardous and non-hazardous waste data during the Track Record Period:

Hazardous Waste	Unit	Year ended December 31,		Nine months ended
		2023	2024	September 30,
		2023	2024	2025
Total Hazardous Waste	kg	6	17	7
Total Hazardous Waste Intensity	kg/m ²	0.0002	0.0004	0.0001
Recycled Hazardous Waste (from the above total)	kg	6	17	7

Non-Hazardous Waste	Unit	Year ended December 31,		Nine months ended
		2023	2024	September 30,
		2023	2024	2025
Total Non-Hazardous Waste	kg	549	28,454	50,471
Total Non-Hazardous Waste Intensity	kg/m ²	0.02	0.63	0.70
Recycled Non-Hazardous Waste (from the above total)	kg	–	27,000	47,510

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Packaging Materials

To standardize the handling of packaging materials during production, ensure packaging quality, and reduce resource waste and environmental impact, we have established the “Guidelines for Packaging Material Handling in Production”. For storage, packaging materials are segregated by type and specification in clearly labelled areas. During the Track Record Period, our primary packaging materials included carton boxes, EPE foam, edge protectors, and dust bags. The table below presents our package materials consumption data during the Track Record Period:

Packaging Materials	Unit	Year ended December 31,		Nine months ended
		2023	2024	September 30,
				2025
Total Package Consumption	Tonnes	82	280	219
Total Package Consumption Intensity	Tonnes/m ²	0.003	0.006	0.003

Decarbonization Initiatives and Targets

We are committed to mitigating the environmental impact of our operations. To support our sustainable development goals, we have implemented the following environmental initiatives:

- Procurement of electric vehicles (“EV”) for corporate use;
- Installation of energy-saving and smart power control systems in office renovations;
- Selection of leased office premises with property management that provides the following environmental amenities:
 - Parking facilities and EV charging stations; and
 - Extensive greenery and landscaping programs.

We proactively monitor key indicators to mitigate risks associated with our business operations and have implemented targeted initiatives to minimize resource consumption and waste generation. With 2024 as the baseline year, we have set targets to reduce the intensity of GHG emissions, energy use, water consumption, and waste generation by 5% by 2030.

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Climate Change Risks and Opportunities

We recognize that climate-related issues present both material challenges and strategic opportunities to our operations. Our assessment has identified two key categories of climate-related risks: physical risks and transition risks.

Physical risks stem from the direct impacts of climate change and are classified as either acute or chronic. Acute risks include operational disruptions and safety hazards caused by extreme weather events such as typhoons, torrential rains, and flooding. These pose particular threats to our key facilities and operations, with potential consequences including power outages and suspended operations. Chronic risks involve longer-term shifts in climate patterns. For instance, rising global temperatures may elevate cooling-related energy consumption, leading to increased operational costs over time.

Transition risks arise from the global shift toward a low-carbon economy and may materialize as policy changes, technological disruption, or evolving market expectations. Failure to align with growing demand for high-efficiency, low-carbon products could adversely affect our market position and financial performance.

We further recognize that climate change presents opportunities to enhance our business resilience and financial performance. Our proactive approach to climate mitigation and adaptation allows us to capitalize on emerging prospects across several key areas, including resource efficiency, product innovation, and market expansion.

Social

Employment

We strictly comply with labor relevant laws and regulations, including “the Labor Law of the PRC (《中華人民共和國勞動法》)”, “the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》)”, the “Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》)”, “the Law on the Protection of Women’s Rights and Interests of the PRC (《中華人民共和國婦女權益保障法》)” and “Special Provisions on Labor Protection for Female Employees (《女職工勞動保護特別規定》)”. To ensure the legality and standardization of our employment practices, we have established a set of internal policies, such as “the Employee Handbook” and “the Employee Attendance System Management Norms”.

We are committed to creating a diverse, fair and inclusive working environment, refusing to employ children and force labor, and providing all employees with equal employment opportunities and fair treatment. We never tolerate any actions, remarks, jokes, or comments targeting an individual’s gender, race, skin color, religion, belief, nationality, ethnicity, age, disability, sexual orientation, gender identity, or any other legally protected personal characteristics. As codified in our “Employee Handbook”, any form of harassment, threat, abuse, extortion, or violent behavior is strictly prohibited and will lead to disciplinary action.

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Employee Rights and Well-Being

We offer competitive salaries and performance-based cash bonuses as part of our structured compensation and benefits framework. To support continuous growth, we have created an environment that encourages self-development through initiatives such as the “Employee Outbound Training Management System” and annual training subsidies, which help employees enhance their professional capabilities or academic qualifications.

To further systematize learning and development, we have introduced the “mSchool” digital learning platform, which delivers a variety of training content, including onboarding programs, regular knowledge updates, management and functional training sessions, as well as “Knowledge Breakfast” briefings. Moreover, we operate an internal talent mobility platform that enables and encourages employees to explore lateral transfer opportunities across different functions, supporting their career development and organizational agility.

We focus on employee care. We participate in various employee social security plans and housing funds that are organized by local governments, adopt a flexible working hours system, organize sports clubs, and provide festival gifts for employees. To build an inclusive and supportive environment, we have established a nursing room furnished with key facilities and consumables for nursing mothers, including a specialty refrigerator, sterilizer, and other baby and mother care essentials.

Workplace Safety

We are dedicated to providing a safe, healthy, and comfortable workplace. This commitment is demonstrated by our ISO 45001 certification and reinforced through our “Manual for Quality, Environment, and Occupational Health and Safety Management”, which defines emergency preparedness and corresponding measures. These are further supported by detailed internal procedures such as “the Environmental and Occupational Health & Safety Operational Control Procedure” and “the Emergency Preparedness and Response Control Procedure”.

Beyond safety protocols, we offer annual health check-ups for all employees and have incorporated greenery throughout our office to improve air quality and create a more pleasant working environment.

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Supplier Management

We place great importance on supply chain management and have formulated policies such as the “Material Supplier Management System” and “Supplier Change Management Regulations”.

We integrate supplier qualifications and contractual obligations into our routine management processes. In supplier selection, we prioritize those with recognized environmental certifications, consistent quality, and a proven track record of reliable supply. To formalize our requirements, we have established a standard “Procurement Framework Agreement” that mandates compliance with environmental protection and social responsibility clauses as a prerequisite for supplier onboarding. Supplier performance is systematically evaluated through material control and on-site audits. Underperforming suppliers are required to submit and implement corrective action plans, which we monitor through to closure. Conversely, we have established an incentive system to strengthen collaboration with high-performing suppliers.

Service and Product Quality

We are committed to providing customers with high-quality products and services, underpinned by a proactive approach to regulatory and platform compliance. In our daily operations and product governance, we actively adhere to externally established economic, environmental, and social regulations and principles. For instance, our products are registered in accordance with the EU WEEE Directive, and we comply with the marketplace rules of leading e-commerce platforms.

To systematically uphold these standards, we have established the “Quality, Environment, Occupational Health and Safety Management Manual” and maintained ISO 9001. Furthermore, to strengthen customer experience management, we have implemented the “Reward and Punishment Mechanism for Service Incidents in the Overseas Business Department User Support Division”.

Maintaining our clients’ trust and the security of personal information are important for our business. Our xTool official website publicly displays the “Privacy Policy,” and we kept regularly review and update it internally to ensure ongoing compliance with privacy regulations.

Intellectual Property and Innovation Management

Intellectual property is a cornerstone of our business model and a key driver of our competitive advantage. To systematically strengthen our intellectual property governance, we have implemented a robust internal framework, which includes the “Patent Application Management Regulations” to standardize filing procedures and enhance portfolio quality, the

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“Patent Risk Management Regulations” to institutionalize the identification and mitigation of patent-related risks for core products, and the “Patent Incentive System” to cultivate a culture of innovation, motivate our R&D talent, and reward the generation of high-value intellectual assets.

The strength of our IP portfolio and related capabilities has been consistently validated through major external accolades, including designation as a “National Intellectual Property Advantageous Enterprise”, as well as recognitions such as the “Guangdong Provincial Intellectual Property Demonstration Enterprise”, the “Guangdong Provincial Engineering Technology Research Center”, the “Shenzhen Specialized, Refined, Distinctive and Innovative SME”, the “Shenzhen Manufacturing Single-Champion Enterprise” and the “9th Batch Certified Headquarters Enterprise of Multinational Corporations”.

The Board has confirmed that, during the Track Record Period and up to the Latest Practicable Date, the Group has not been involved in any material pending or threatened legal disputes or proceedings concerning IP that would have a material adverse effect on its business, financial condition, or results of operations.

Anti-corruption

We are committed to fostering a green and healthy working environment together with our employees and suppliers, and have signed an “Integrity Cooperation Agreement” with them to uphold these principles. We strictly prohibit bribery, extortion, fraud, money laundering, and other immoral behaviors, such as illegally accepting or demanding commissions or other improper benefits.

We uphold integrity and transparency as both our baseline and our red line. To reinforce these principles, we established an Internal Audit and Supervision Department and conduct regular integrity training. Our Employee Handbook and related documents clearly state our zero-tolerance stance toward misconduct and corruption. In addition, we have implemented a reporting management system to receive complaints and reports from all parties regarding improper behaviors.

Community Contribution

Our goal is to build a sustainable community together with our customers, business partners, and external stakeholders. We focus on the growth and development of teenagers, encourage them to learn artificial intelligence technology, and pay attention to environmental issues.

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PROPERTIES

As of the Latest Practicable Date, we lease and own certain land parcels and buildings in the PRC and overseas for our business operations.

Owned Properties

As of the Latest Practicable Date, we owned and occupied the land use rights of four land parcels in Thailand, with an aggregate land area of approximately 59,694 sq.m., which is expected to be used as our manufacturing facilities, and the ownership of such land has been duly registered with the competent Land Office.

Leased Properties

As of the Latest Practicable Date, we leased 17 properties across Chinese Mainland, with an aggregate GFA of approximately 61,014 sq.m., which were mainly used as our manufacturing facilities and office buildings. Our leases generally have a term ranging from one to five year(s). As of the Latest Practicable Date, we leased two properties in Thailand, with an aggregate GFA of approximately 6,300 sq.m., which were mainly used as our manufacturing facilities and office buildings. Our leases generally have a term of three year(s). As of the Latest Practicable Date, we leased one property in the U.S., with an aggregate GFA of approximately 12,048 square feet, which was mainly used as our office.

Pursuant to the applicable PRC laws and regulations, property lease agreements shall be registered with the relevant local branches of the PRC Ministry of Housing and Urban-Rural Development. As of the Latest Practicable Date, we had not completed lease registration for five of our leased properties with a GFA of approximately 7,000 sq.m. Our PRC Legal Adviser has advised that the absence of lease registration filings does not affect the validity of the lease agreements and will not have a material adverse impact to our overall business. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period. We believe that the failure to register these lease agreements will not have any material adverse impact on our financial condition or results of operations. We will actively liaise with the respective lessors to complete the registration of all such lease agreements, if possible.

Additionally, as of the Latest Practicable Date, we had not received real estate ownership certificates or proof of authorizations from the lessors or the property owners for five of our 17 leased properties in China, with a GFA of approximately 7,000 sq.m. Taking into account that (i) the leased properties without ownership certificates were mainly used for warehousing and testing, do not constitute our core production properties; (ii) we have not received any claims in respect of such properties nor have any disputes arisen from the lease of such properties, and (iii) alternative properties with valid property ownership certificates can be

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easily obtained in the vicinity of such properties, our Director, as advised by our PRC Legal Adviser, are of the view that the absence of real estate ownership certificates or proof of authorizations from the lessors or the property owners will not have a material adverse impact on our overall business.

For further details, see “Risk Factors — Risks Related to Our Business and Industry — Title defects regarding some of our leased properties may affect our interests in such properties.”

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of December 31, 2024, none of the properties owned by us had a carrying amount of 15% or more of our consolidated total assets.

LICENSES, APPROVALS AND PERMITS

During the Track Record Period and up to the Latest Practicable Date, we had obtained all material licenses, permits, approvals and certificates necessary to conduct our actual business operations from the relevant government authorities, and such licenses, permits, approvals and certificates remained in full effect.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance.

During the Track Record Period and up to the Latest Practicable Date, the business operations we engaged in had been carried out in compliance with applicable PRC laws and regulations in material respects.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established and currently maintain risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continuously improving these systems. We have adopted and implemented risk management policies in various aspects of our business operations.

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Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, treasury management policies, financial statements preparation policies and finance department and staff management policies. We have various procedures and IT systems in place to implement our accounting policies, and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Internal Control Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our internal control team works closely with our business units to (i) perform risk assessments and give advice on risk management strategies, (ii) improve business process efficiency and monitor internal control effectiveness, and (iii) promote risk awareness throughout our Company. In accordance with our internal procedures, our in-house legal department performs the basic function of reviewing and updating the form of contracts we enter into with our consumers, merchants and relevant third-parties. Our legal department examines the contract terms and reviews relevant documents for our business operations, and the necessary underlying due diligence materials, before we enter into any contract or business arrangements. Our in-house legal department reviews our services for regulatory compliance before they are made available to the general public. Our in-house legal department and administrative department are responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines. We also have certain compliance teams for our internet finance business, which are responsible for the formulation and implementation of internet finance related policies and analysis of the regulatory environment with respect to services we provide. We continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Human Resources Risk Management

We provide regular and specialized training tailored to (i) the needs of our employees in different departments, and (ii) our anti-bribery & corruption policy. We schedule regular online and classroom trainings, review the content of the trainings, follow up with employees to evaluate the impact of such training and rewards lecturers for positive feedback. Through these trainings, we ensure that our staff’s skill sets and knowledge level of our anti-bribery & corruption policy remain up-to-date, enabling them to better discover and meet consumers’ and merchants’ needs.

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We have in place an employee handbook and a code of conduct approved by our management and have distributed them to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with regular training, as well as resources to explain the guidelines contained in the employee handbook.

We have in place an anti-bribery and corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. We make our internal reporting channel open and available for our staff to report any bribery and corruption acts, and our staff can also make anonymous reports to our anti-fraud department. Our anti-fraud department is responsible for investigating the reported incidents and taking appropriate measures.

Audit Committee

We have established an audit committee to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee and senior management on any issues identified. Our internal audit department members hold regular meetings with management to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the audit committee to ensure that any major issues identified are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the board of directors, if necessary.

AWARDS AND RECOGNITIONS

Award/Recognition	Award Authority	Award Year/ Validity Period
National Intellectual Property Advantageous Enterprise	China National Intellectual Property Administration	2022-2025
Guangdong Provincial Intellectual Property Demonstration Enterprise	Guangdong Intellectual Property Protection Association	2020
Guangdong Provincial Engineering Technology Research Center	Guangdong Science and Technology Department	2024-2027
Shenzhen Specialized, Refined, Distinctive, and Innovative SME	Shenzhen SME Service Bureau	2023-2026
Shenzhen Manufacturing Single-Champion Enterprise	Shenzhen Municipal Bureau of Industry and Information Technology	2025
9th Batch Certified Headquarters Enterprise of Multinational Corporations	Shenzhen Investment Promotion Bureau	2025