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Application Proof of

XTOOL

xTool Innovate Limited

(A company incorporated in the Cayman Islands with limited liability)

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IMPORTANT

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XTOOL

xTool Innovate Limited

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the : [REDACTED] (subject to the
[REDACTED] [REDACTED])

Number of [REDACTED] : [REDACTED] (subject to reallocation)

Number of [REDACTED] : [REDACTED] (subject to reallocation
and the [REDACTED])

Maximum [REDACTED] : HK\$[REDACTED] per [REDACTED],
plus brokerage of 1.0%, SFC
transaction levy of 0.0027%, Stock
Exchange trading fee of 0.00565% and
AFRC transaction levy of 0.00015%
(payable in full on [REDACTED] in
Hong Kong dollars and subject to
refund)

Nominal value : US\$0.0001 per Share

[REDACTED] : [REDACTED]

Joint Sponsors, [REDACTED]

Morgan Stanley



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The [REDACTED] is expected to be determined by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us on the [REDACTED]. The [REDACTED] is expected to be on or before [REDACTED], (Hong Kong time) and, in any event, not later than 12:00 noon on [REDACTED], (Hong Kong time). The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed by 12:00 noon on [REDACTED], (Hong Kong time) between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us, the [REDACTED] will not proceed and will lapse.

The [REDACTED], on behalf of the [REDACTED], may, where considered appropriate and with the Company’s consent, reduce the number of [REDACTED] and/or the indicative [REDACTED] below that which is stated in this Document (which is HK\$[REDACTED] to HK\$[REDACTED] at any time on or prior to the morning of the last day for lodging [REDACTED] under the [REDACTED]). In such a case, an announcement will be published on the website of our Company at www.xtool.com and on the website of the Stock Exchange at www.hkexnews.hk and the [REDACTED] will be canceled and relaunched at the revised number of [REDACTED] and/or the revised [REDACTED] in accordance with the requirements under Rule 11.13 of the Listing Rules (which include the issue of a supplemental or a new document (as appropriate)) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging [REDACTED] under the [REDACTED]. Further details are set forth in the sections headed “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” in this Document.

Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all of the information set out in this Document, including the risk factors set out in the section headed “Risk Factors”.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See “[REDACTED]”.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be [REDACTED], sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being [REDACTED] and sold in the United States and to U.S. persons in reliance on Rule 144A, or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, only to QIBs. The [REDACTED] may be [REDACTED], sold or delivered outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S.

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO [REDACTED]

This Document is issued by us solely in connection with the [REDACTED] and does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] to buy any security other than the [REDACTED] by this Document pursuant to the [REDACTED]. This Document may not be used for the purpose of, and does not constitute, an [REDACTED] or a solicitation of an [REDACTED] to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this Document in any jurisdiction other than Hong Kong. The distribution of this Document and the [REDACTED] and sale of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Document to make your [REDACTED] decision. We have not authorized anyone to provide you with information that is different from what is contained in this Document. Any information or representation not made in this Document must not be relied on by you as having been authorized by us, the Joint Sponsors, [REDACTED], any of our or their respective directors, officers or representatives, or any other person or party involved in the [REDACTED].

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SUMMARY

This summary aims to give you an overview of the information contained in this Document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in the section headed “Risk Factors” in this Document. You should read the section carefully before you decide to [REDACTED] in the [REDACTED]. Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary of Technical Terms” in this Document.

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.

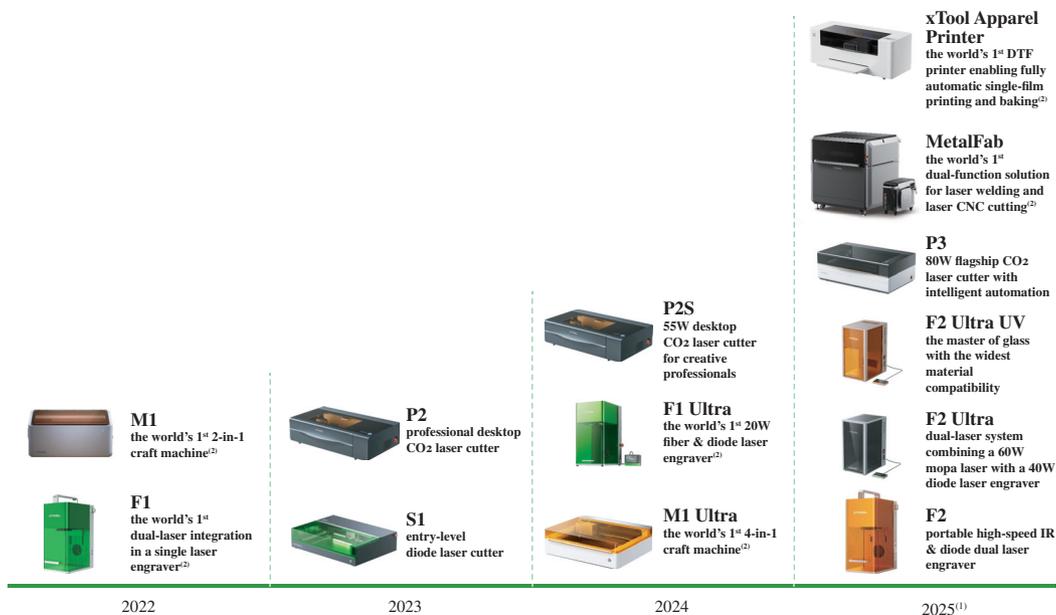
SUMMARY

Our Product Offerings and Business Model

We develop and sell laser-based personal creative tools and material printers, as well as compatible accessories and consumables to our customers which mainly include individual consumers, SMB owners and retail brand stores. These tech-enabled products help them transform ideas into precise and high-quality products with efficiency and creativity. As of Latest Practicable Date, our products had been sold to over 80 countries and regions. During the Track Record Period, laser-based personal creative tools constituted our core product offerings, which include laser engravers and laser cutters, and laser welders and CNC (Computerized Numerical Control) cutters. Building on success in our laser-based products, we started to sell apparel printers in 2025 as part of our new material printers business line. This launch marks the starting point of a wider product roadmap, under which we plan to roll out additional material printers and complementary solutions to further enrich our product portfolio. In addition to our core machine product offerings, we also sell a variety of consumables that complement our core product lines and drive customer repurchases.

Our products are highly intelligent. We offer users our flagship software, xTool Studio, on a freemium basis, as an all-in-one desktop software designed to streamline the entire creative workflow – from designing to engraving, cutting and printing. The software features a clean, navigable interface with a centralized homepage showcasing trending projects recommended templates, and incorporates AIMake, a creative agent designed to enable users to effortlessly generate ready-to-make project designs. xTool Studio supports precise project customization and real-time processing preview.

The following diagrams illustrate our key product offering milestones:



Notes:

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

SUMMARY

During the Track Record Period, we generated the vast majority of our revenue from sales of laser-based personal creative tools and accessories and established ourselves as the world’s No. 1 brand in terms of GMV in the first nine months of 2025 in this product category. In 2025, we launched our apparel printer as part of our material printers offering and achieved rapid revenue growth in this new product category. During the same periods, we also recorded growth in the sales of our consumables, which organically complemented our core product sales.

Revenue by Geographical Market

The following table sets forth a breakdown of our total revenue by geographical market in absolute amounts and as a percentage of total revenue for the periods indicated:

	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>(unaudited)</i>	%	<i>RMB</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

SUMMARY

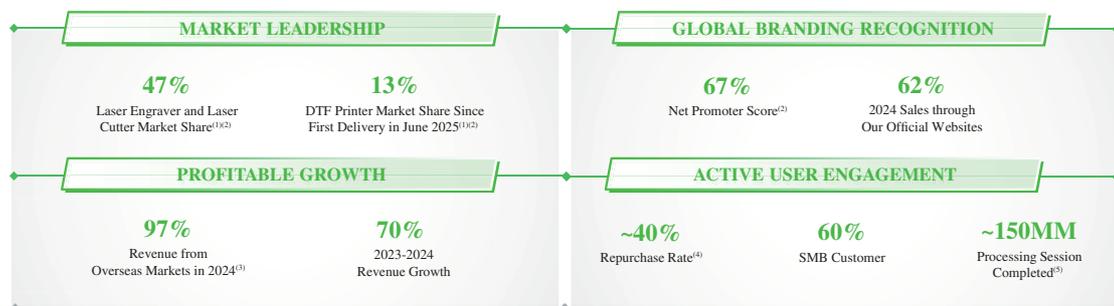
- **Vibrant Overseas Community Ecosystem:** Our active and engaging overseas community inspires, connects, and supports users throughout their creative journey. We listen closely to customer feedback — our CEO regularly hosts livestreams and interacts with users on social media platforms in real time.
- **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.

Community-based Brand Strategy

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.

Our Achievement



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

SUMMARY

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.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have enabled us to quickly become an industry leader and establish strong brand recognition and customer loyalty in the global tech-enabled personal creative tools market.

- Continually delivering game-changing products with precise positioning.
- Technology leadership defining industry standards.
- Global premium brand awareness with direct influence on sales engagement.
- Community-driven ecosystem driving organic growth and user loyalty.
- Diverse revenue streams rooted in deepened user engagement.
- Resilient and visionary management team.

SUMMARY

OUR GROWTH STRATEGIES

We intend to achieve our mission and further solidify our unique position by pursuing the following strategies:

- Solidify technology leadership
- Expand product portfolio
- Strengthen brand and grow user community
- Accelerate global expansion with localized expertise
- Drive operational excellence and supply chain resilience

OUR 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.

OUR SUPPLIERS

In 2023, 2024, and 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.

SUMMARY

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 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.

OUR SINGLE LARGEST SHAREHOLDERS

Immediately prior to the [REDACTED], Mr. Wang, our founder, chairman of the Board, chief executive officer and executive Director, is entitled to exercise the voting rights of approximately 31.38% of the total issued share capital of our Company through WRC Vitality Eager Limited, a company which is owned as to 88.06%, 10.94% and 1% by Freedom EvoTech Limited, JinQiu Tenacity Ltd and Fly EvoTech Limited, respectively. Freedom EvoTech Limited is wholly held by Vistra Trust (Singapore) Pte. Limited as trustee of the Freedom EvoTech Trust, a discretionary trust established by Mr. Wang as the settlor and protector, and of which Fly EvoTech Limited, which is wholly owned by Mr. Wang, is the beneficiary.

Immediately following the completion of the [REDACTED] (on the basis that all the Preferred Shares are converted into Shares on a one-to-one basis and assuming the [REDACTED] is not exercised), Mr. Wang will be entitled to exercise the voting rights of approximately [REDACTED]% of the total issued share capital of our Company through WRC Vitality Eager Limited.

Accordingly, WRC Vitality Eager Limited, Freedom EvoTech Limited, Fly EvoTech Limited and Mr. Wang are the Single Largest Shareholders of our Company.

[REDACTED] INVESTMENTS

We obtained multiple rounds of investments from the [REDACTED] Investors which include venture capital funds and institutional investors. For details, see “History, Reorganization and Corporate Structure”.

RISK FACTORS

Our operations and the [REDACTED] involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to [REDACTED] in us and/or the value of your [REDACTED]. Some of the major risks we face include:

- Our business success hinges on our capacity to consistently deliver new products on schedule, with compelling features and performance that deliver value to our customers and align with, or even anticipate, key shifts in the industry landscape.

SUMMARY

- Failure to identify shifting consumer preferences, respond to evolving market demand, develop new products aligned with evolving consumer needs, or effectively compete with our competitors may materially and adversely affect our business operations and financial performance.
- If we fail to keep up with technological advancements, adapt our technology to emerging industry standards, or achieve successful and effective outcomes from our new technology investments, our business may be materially and adversely affected.
- Failure to effectively maintain, promote, and enhance our brand could undermine our business and competitive advantages.
- We may fail to maintain sufficient production capacity, and even if our production expansion projects proceed as planned, timely or full achievement of the anticipated production output increase remains uncertain.
- 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.
- We purchase certain key raw materials from third parties, and we may not be able to secure our supply of such key raw materials in a stable and timely manner.
- Our reliance on our official websites exposes us to risks related to platform performance, cybersecurity, operational disruptions, and customer experience.
- We collaborate with third-party e-commerce platforms. Disruptions of our relationships with third-party e-commerce platforms, changes in, or interpretation of, policies of such third-party e-commerce platforms or unfavorable changes in our arrangements with them, could have an adverse effect on our business, financial condition and results of operations.
- Operating globally exposes us to inherent risks, which will persist as we further expand our international footprint. Shifts in the global economic landscape, along with evolving diplomatic and trade relations, could negatively impact our operating results and lead to fluctuations to the demand for our products.

SUMMARY OF KEY FINANCIAL AND OPERATING INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants’ Report included in Appendix I to this Document. Our consolidated financial statements are prepared in accordance with IFRS Accounting Standards. Our historical results are not necessarily indicative of results

SUMMARY

Non-IFRS Measure

We use adjusted net profit, a non-IFRS financial measure, in evaluating our operating results and for financial and operational decision-making purposes. We believe that adjusted net profit (non-IFRS) helps identify underlying trends in our business, provides useful information about our results of operations, and enhances the overall understanding of our past performance and future prospects.

Adjusted net profit (non-IFRS) should not be considered in isolation or construed as an alternative to profit from operations, net profit or any other measure of performance or as an indicator of our operating performance. Adjusted net profit (non-IFRS) presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage [REDACTED] and others to review our financial information in its entirety and not rely on a single financial measure.

Adjusted net profit (non-IFRS) represents net profit excluding (i) share-based compensation expenses and (ii) changes in the carrying amount of financial liabilities issued to investors/redeemable preferred shares. The table below sets forth our adjusted net profit (non-IFRS) for the years/periods indicated.

	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)</i>	
Profit for the year/period	110,923	148,521	52,582	83,112
Add:				
Share-based compensation expenses	–	29,037	16,668	25,761
Changes in the carrying amount of financial liabilities issued to investors/redeemable preferred shares	<u>72,151</u>	<u>80,908</u>	<u>59,522</u>	<u>63,446</u>
Adjusted net profit (non-IFRS) .	<u>183,074</u>	<u>258,466</u>	<u>128,772</u>	<u>172,319</u>

SUMMARY

Summary Consolidated Statements of Financial Position

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which has been extracted from the Accountants’ Report included in Appendix I to this Document:

	As of December 31,		As of September 30,
	2023	2024	2025
			<i>(unaudited)</i>
			<i>(RMB in thousands)</i>
Total non-current assets	114,029	218,171	257,771
Total current assets	1,004,586	2,036,023	2,573,490
Total assets	1,118,615	2,254,194	2,831,261
Total non-current liabilities	20,850	21,173	31,843
Total current liabilities	1,393,263	2,348,620	2,562,634
Total liabilities	1,414,113	2,369,793	2,594,477
Net (liabilities)/assets	(295,498)	(115,599)	236,784

We recorded net current assets of RMB10.9 million as of September 30, 2025 compared to the net current liabilities of RMB312.6 million as of December 31, 2024, primarily due to the increase in current assets outweighs the increase in current liabilities. Our current assets increased primarily attributable to (i) an increase in inventories from RMB433.0 million as of December 31, 2024 to RMB857.5 million as of September 30, 2025, primarily due to our strategic inventory stocking in anticipation of the peak season in the fourth quarter of 2025, and (ii) an increase in financial assets at FVPL from nil as of December 31, 2024 to RMB251.2 million as of September 30, 2025. Our current liabilities increased primarily attributable to (i) an increase in bank loans, primarily due to our greater financing needs for inventory purchases, and (ii) an increase in redeemable preferred shares from RMB805.0 million as of December 31, 2024 to RMB958.5 million as of September 30, 2025, primarily attributable to the increased principal and accrued interest for certain shareholders, partially offset by a decrease in amounts due to shareholders from RMB381.2 million as of December 31, 2024 to RMB200.1 million as of September 30, 2025, primarily due to the settlement with the shareholders.

SUMMARY

Our net current liabilities decreased from RMB388.7 million as of December 31, 2023 to RMB312.6 million as of December 31, 2024, primarily due to the increase in current assets outweighs the increase in current liabilities. Our current assets increased, primarily attributable to (i) an increase in cash and cash equivalents from RMB491.8 million as of December 31, 2023 to RMB994.6 million as of December 31, 2024, (ii) an increase in amounts due from shareholders from RMB2.4 million as of December 31, 2023 to RMB381.1 million as of December 31, 2024, mainly due to the increased receivables from shareholders in connection with the Reorganization, and (iii) an increase in inventories from RMB333.9 million as of December 31, 2023 to RMB433.0 million as of December 31, 2024, in line with our business growth. Our current liabilities increased primarily attributable to (i) an increase in amounts due to shareholders from nil as of December 31, 2023 to RMB381.2 million as of December 31, 2024, mainly due to the increased payables to shareholders in connection with the Reorganization, (ii) an increase in trade and other payables from RMB465.4 million as of December 31, 2023 to RMB684.6 million as of December 31, 2024, mainly due to higher trade payables resulting from our business growth, and (iii) an increase in bank loans from RMB100.3 million as of December 31, 2023 to RMB307.1 million as of December 31, 2024, mainly due to our increased borrowing.

Summary Consolidated Cash Flows Statements

The following table sets forth our consolidated cash flows for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,	
	2023	2024	2024	2025
			<i>(unaudited)</i>	<i>(unaudited)</i>
			<i>(RMB in thousands)</i>	
Net cash generated from/(used in) operating activities	369,905	372,964	(35,777)	(208,834)
Net cash (used in) investing activities	(69,676)	(62,002)	(118,000)	(339,326)
Net cash generated from financing activities	<u>73,030</u>	<u>183,781</u>	<u>217,805</u>	<u>694,323</u>
Net increase in cash and cash equivalents	373,259	494,743	64,028	146,163
Effect of foreign exchange rate changes	(4,317)	8,002	13,011	(4,054)
Cash and cash equivalents at the beginning of the year/period . .	<u>122,866</u>	<u>491,808</u>	<u>491,808</u>	<u>994,553</u>
Cash and cash equivalents at the end of the year/period . . .	<u>491,808</u>	<u>994,553</u>	<u>568,847</u>	<u>1,136,662</u>

SUMMARY

We recorded net operating cash outflows of RMB35.8 million and RMB208.8 million in the nine months ended September 30, 2024 and 2025, respectively, primarily attributable to the seasonality, as we built up inventory ahead of the fourth-quarter holiday peak season.

KEY OPERATING DATA

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
	(unit)	(RMB)	(unit)	(RMB)	(unit)	(RMB)	(unit)	(RMB)
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	106,774	–	138,830	–	85,948	–	73,958	–

During the Track Record Period, the sales volume of our laser-based personal creative tools and accessories, which are our core product offerings, generally increased as a result of our increased penetration across geographic markets and launch of successful new products. Similarly, the average selling price of such products also increased, demonstrating our strong brand value and compelling product value propositions. Together, they drove the increase of our revenues across product segments.

KEY FINANCIAL RATIOS

The following table sets forth our selected key financial ratios as of the dates/for the years/periods indicated:

	As of/For the year ended December 31,		As of/For the nine months ended September 30,	
	2023	2024	2024	2025
			(unaudited)	(unaudited)
Gross margin	59.2%	54.4%	55.0%	56.0%
Net profit margin	7.6%	6.0%	3.5%	4.7%
Adjusted net profit margin (Non-IFRS measure) ⁽¹⁾	12.6%	10.4%	8.6%	9.7%

SUMMARY

Notes:

- (1) Adjusted net profit margin (non-IFRS measure) for a given period refers to adjusted net profit (non-IFRS measure) as a percentage of total revenue for that period. For a reconciliation of adjusted net profit (non-IFRS measure) to profit for the year, see “– Consolidated Statements of Profit or Loss – Non-IFRS Financial Measure.”

FUTURE PLANS AND USE OF [REDACTED]

We estimate that we will receive net [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED], after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], assuming no [REDACTED] is exercised and an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the midpoint of the indicative [REDACTED] stated in this Document.

In line with our strategies, we intend to use the net [REDACTED] for the following purposes, subject to changes with respect to our evolving business needs and changing market conditions:

- Approximately [REDACTED]% or HK\$[REDACTED] of the net [REDACTED] will be allocated to research and development to reinforce our technological leadership.
- Approximately [REDACTED]% or HK\$[REDACTED] of the net [REDACTED] will be used to expand our vibrant overseas user community and enhance our brand awareness.
- Approximately [REDACTED]% or HK\$[REDACTED] of the net [REDACTED] will be used to enhance our manufacturing capacity and strengthen supply chain resilience.
- Approximately [REDACTED]% or HK\$[REDACTED] of the net [REDACTED] will be used to expand our overseas operation.
- Approximately [REDACTED]% or HK\$[REDACTED] of the net [REDACTED] will be allocated to general corporate purposes, including providing additional working capital.

See “Future Plans and Use of [REDACTED]” for further details.

SUMMARY

[REDACTED]

[REDACTED] EXPENSES

Our [REDACTED] expenses mainly include (i) [REDACTED]-related expenses, such as [REDACTED] fees and [REDACTED], and (ii) non-[REDACTED]-related expenses, comprising professional fees paid to our legal advisers and reporting accountants for their services rendered in relation to the [REDACTED] and the [REDACTED], and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED], accounting for approximately [REDACTED]% of our gross [REDACTED]. Among such estimated total [REDACTED] expenses, we expect to pay [REDACTED]-related expenses of RMB[REDACTED], professional fees for our legal advisers and reporting accountants of RMB[REDACTED] and other fees and expenses of RMB[REDACTED]. An estimated amount of RMB[REDACTED] for our [REDACTED] expenses, accounting for approximately [REDACTED]% of our gross [REDACTED], is expected to be expensed through the statement of profit or loss and an estimated amount of RMB[REDACTED] is expected to be recognized directly as a deduction from equity upon the [REDACTED]. We did not recognize any [REDACTED] in 2023, 2024 and the nine months ended September 30, 2025, in our consolidated statements of profit or loss.

SUMMARY

DIVIDEND

No dividend was paid or declared by us or any of our subsidiaries since our incorporation. After the Track Record Period and as of the date of this Document, we did not declare any dividends to our Shareholders.

Any declaration and payment as well as the amount of dividends will be subject to our Articles and the Cayman Companies Act. Our board of directors has the discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. As advised by our Cayman Islands legal adviser, we are a holding company incorporated under the laws of the Cayman Islands, pursuant to which, the financial position of accumulated deficit does not prohibit us from declaring and paying dividends to our Shareholders. Dividends may still be declared and paid out of our share premium account notwithstanding our profitability, provided that our Memorandum and Articles do not prohibit such payment and our Company is able to pay its debts as they fall due in the ordinary course of business immediately after such payment.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of the Document, there had been no material adverse change in our financial, operational or trading position, indebtedness, contingent liabilities or prospects since September 30, 2025, being the end date of the periods reported on in the Accountants' Report set out in Appendix I to this Document, and there had been no event since September 30, 2025, that would materially affect the information shown in the Accountants' Report set out in Appendix I to this Document.

DEFINITIONS

In this Document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this Document.

“2024 Equity Incentive Plan”	a share option scheme of our Company which was originally adopted and approved by the Board and Shareholders on October 8, 2024 and amended and restated in its entirety on August 7, 2025, the principal terms of which are set out in the section headed “Statutory and General Information — D. [REDACTED] Share Option Schemes” in Appendix IV to this Document
“2025 Equity Incentive Plan”	a share option scheme of our Company which was originally adopted and approved by the Board and Shareholders on August 26, 2025 and September 8, 2025, respectively, the principal terms of which are set out in the section headed “Statutory and General Information — D. [REDACTED] Share Option Schemes” in Appendix IV to this Document
“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I to this Document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council (會計及財務匯報局)
“Articles” or “Articles of Association”	the fourth amended and restated articles of association of our Company adopted by special resolution on [●], with effect upon the [REDACTED] (as amended from time to time), a summary of which is set out in Appendix III to this Document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”, “Board of Directors” or “our Board”	the board of Directors

DEFINITIONS

“Business Day” a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

“BVI” the British Virgin Islands

[REDACTED]

“China” or “the PRC” the People’s Republic of China, except where the context requires otherwise and only for the purposes of this Document and for geographical reference only, excluding the Hong Kong, Special Administrative Region, the Macao Special Administrative Region and Taiwan Region

“CIC” China Insights Industry Consultancy Limited, the industry consultant of our Company

“CIC Report” an independent market research report commissioned by us and prepared by CIC for the purpose of this Document

“Circular 37” the Notice of the SAFE on Issues Concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-Tripping Investment Made by Domestic Residents through Special-Purpose Companies (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》)

“close associate(s)” has the meaning ascribed thereto under the Listing Rules

“Companies (Winding Up and Miscellaneous Provisions) Ordinance” the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

“Companies Act” or “Cayman Companies Act” the Companies Act (Revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, or “the Company”	xTool Innovate Limited (formerly known as Makeblock 童心制物集團), an exempted company with limited liability incorporated under the laws of the Cayman Islands on June 13, 2024
“Compliance Adviser”	Rainbow Capital (HK) Limited
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》)
“ESG”	Environmental, Social and Governance

[REDACTED]

“Extreme Conditions”	extreme conditions as announced by the government of Hong Kong in the case where a super typhoon or other natural disaster of a substantial scale seriously affects the working public’s ability to resume work or brings safety concern for a prolonged period
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DEFINITIONS

[REDACTED]

“Future Equity Incentive Plan” a share option scheme of our Company which was originally adopted and approved by the Board and Shareholders on October 8, 2024 and amended and restated in its entirety on August 7, 2025, the principal terms of which are set out in the section headed “Statutory and General Information — D. [REDACTED] Share Option Schemes” in Appendix IV to this Document

[REDACTED]

“Group”, “our Group”, “our”,
“we” or “us” our Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

“HK\$” or “Hong Kong Dollars”
or “HK Dollars” and “HK
cents” Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong” or “HK”

the Hong Kong Special Administrative Region of the People’s Republic of China

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong Takeovers Code” or “Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[REDACTED]

“IFRSs”	the IFRS Accounting Standards, which include standards, amendments and interpretations promulgated by International Accounting Standards Board
“IIT Law”	the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》)
“Independent Third Party(ies)”	any person(s) or entity(ies) who is not a connected person of the Company within the meaning of the Listing Rules

[REDACTED]

DEFINITIONS

[REDACTED]

“Joint Sponsors” the joint sponsors as named in the section headed “Directors and Parties Involved in the [REDACTED]” in this Document

“Latest Practicable Date” December 23, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication

[REDACTED]

“Listing Committee” the listing committee of the Hong Kong Stock Exchange

DEFINITIONS

[REDACTED]

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“M&A Rules”	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“Memorandum” or “Memorandum of Association”	the fourth amended and restated memorandum of association of our Company adopted by special resolution on [●], with effect upon the [REDACTED] (as amended from time to time), a summary of which is set out in Appendix III to this Document
“MOFCOM” or “Ministry of Commerce”	the Ministry of Commerce of the PRC (中華人民共和國商務部) (formerly known as the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部))
“Mr. Wang”	Mr. Wang Jianjun (王建軍), our founder, chairman of the Board, chief executive officer, executive Director and a Single Largest Shareholder
“NDRC”	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of the Board
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

DEFINITIONS

[REDACTED]

“Overseas Listing Trial Measures”

The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》及五項配套指引) promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023

“PBOC”

the People’s Bank of China (中國人民銀行), the central bank of the PRC

DEFINITIONS

“[REDACTED] Share Option Scheme(s)”	the 2024 Equity Incentive Plan, 2025 Equity Incentive Plan and Future Equity Incentive Plan
“PRC Company Law”	the Company Law of the People’s Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“PRC Legal Adviser”	Jingtian & Gongcheng, our legal adviser on PRC laws in connection with the [REDACTED]
“[REDACTED] Investment(s)”	the investment(s) in our Company undertaken by the [REDACTED] Investors prior to this [REDACTED], details of which are set out in “History, Reorganization and Corporate Structure”
“[REDACTED] Investor(s)”	holder(s) of Shares pursuant to the [REDACTED] Investments, details of which are set out in the section headed “History, Reorganization and Corporate Structure” in this Document
“Preferred Share(s)”	preferred share(s) in the share capital of the Company, namely series Angel-1 preferred share(s), series Angel-2 preferred share(s), series A preferred share(s), series B preferred share(s), series C preferred share(s) and series D preferred share(s)

[REDACTED]

“Document”	this document being issued in connection with the [REDACTED]
“QIB(s)”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act

DEFINITIONS

“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reorganization”	the reorganization arrangements undertaken by our Group in preparation for the [REDACTED], details of which are set out in the section headed “History, Reorganization and Corporate Structure — Reorganization” in this Document
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“Series A Preferred Share(s)”	the series A preferred share(s) of a par value of US\$0.0001 each in the share capital of our Company, which are held by the [REDACTED] Investor(s) as of the date of this Document
“Series Angel-1 Preferred Share(s)”	the series Angel-1 preferred share(s) of a par value of US\$0.0001 each in the share capital of our Company, which are held by the [REDACTED] Investor(s) as of the date of this Document
“Series Angel-2 Preferred Share(s)”	the series Angel-2 preferred share(s) of a par value of US\$0.0001 each in the share capital of our Company, which are held by the [REDACTED] Investor(s) as of the date of this Document
“Series B Preferred Share(s)”	the series B preferred share(s) of a par value of US\$0.0001 each in the share capital of our Company, which are held by the [REDACTED] Investor(s) as of the date of this Document
“Series C Preferred Share(s)”	the series C preferred share(s) of a par value of US\$0.0001 each in the share capital of our Company, which are held by the [REDACTED] Investor(s) as of the date of this Document

DEFINITIONS

“Series D Preferred Share(s)”	the series D preferred share(s) of a par value of US\$0.0001 each in the share capital of our Company, which are held by the [REDACTED] Investor(s) as of the date of this Document
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	the ordinary share(s) of a par value of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of our Share(s)
“Share Option(s)”	the share option(s) granted or to be granted pursuant to the terms and conditions of the [REDACTED] Share Option Schemes
“Shenzhen xTool”	Makeblock Co., Ltd. (深圳市創客工場科技有限公司), a limited liability company established under the laws of the PRC on June 24, 2013 and our wholly-owned subsidiary
“Single Largest Shareholders(s)”	refers to Mr. Wang, WRC Vitality Eager Limited, Freedom EvoTech Limited and Fly EvoTech Limited
“[REDACTED]”	the [REDACTED] as named in the section headed “Directors and Parties Involved in the [REDACTED]” in this Document
	[REDACTED]
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Track Record Period”	the period comprising two financial years ended December 31, 2024 and nine months ended September 30, 2025

DEFINITIONS

“treasury shares”	has the meaning ascribed thereto under the Listing Rules
“U.S. persons”	U.S. persons as defined in Regulation S
“U.S. Securities Act”	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

[REDACTED]

“United States”, “USA” or “U.S.”	the United States of America, including its territories and possessions, any State of the United States, and the District of Columbia
“USD”, “US\$” or “U.S. dollars”	United States dollar, the lawful currency of the United States
“VAT”	value-added tax
“%”	per cent

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including our subsidiary) have been included in this Document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

In this Document, unless the context otherwise requires, explanations and definitions of certain terms used in this Document in connection with our Company and our business shall have the meanings set out below. The terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“2D-to-3D conversion”	transforming a flat 2D design into a three-dimensional tool-path for CNC or laser machining. This process digitally interprets depth from 2D data to create complex operations such as curved-surface engraving, relief embossing, and inner engraving on a physical workpiece
“3D modeling”	virtual representations of physical objects created using computer-aided design software or acquired through 3D scanning techniques
“APIs”	defines the interactions between multiple software intermediaries, including the types of calls or requests that can be made, how to make calls or send requests, the data formats to be used, the conventions to be followed, etc. It can also provide extension mechanisms, allowing users to extend existing functionalities in various ways and to varying degrees
“apparel printer(s)”	specialized printers used to create or augment clothing and accessories
“artificial intelligence generated content”/“AIGC”	content created automatically by generative AI models without manual drafting
“automated creation system”/ “ACS”	an integrated AI engine that orchestrates end-to-end workflow — from material recognition and auto calibration to path planning and real time monitoring — reducing set up time from minutes to seconds, automating the entire laser-processing workflow
“auto-calibration”	a routine self-checking procedure that aligns laser optics and built in cameras, focus and motion axes before each job to achieve micron-level repeatability
“CAGR”	compound annual growth rate
“Cartesian guide rail solution”	a motion control system designed for precise, programmable multi-axis linear movement along orthogonal (perpendicular) X, Y, and/or Z axes

GLOSSARY OF TECHNICAL TERMS

”CNC Cutter”	a high-precision creative fabrication tool driven by computer numerical control systems to perform multi-axis cutting operations
“CO ₂ laser”	gas-based laser used for cutting and engraving non-metallic sheets such as wood, acrylic and fabric in desktop and industrial material printers
“Computerized Numerical Control”/“CNC”	a digitally driven machining architecture that used to remove material using rotary or linear cutting tools, complementary to laser processes
“connected machines”	refers to our machines that are connected to our xTool Studio software platform
“deep-learning-based semantic segmentation”	implemented through deep learning technology, which uses a camera to capture images of consumables and then analyzes these images via deep learning algorithms to identify the valid areas of the consumables
“diode laser”	a semiconductor-based laser that generates coherent light when an electrical current passes through a p-n junction
“Direct to Consumer”	a sales channel that allows to sell products directly to end-users
“DTF”	refers to direct to film, print designs onto transfer films, which are then heat-pressed onto garments
“DTG”	refers to direct to garment, a digital printing technology where specialized inkjet print heads deposit water-based inks directly onto the surface of a textile
“EXW”	a trade term meaning the seller makes the goods available at their own premises (factory, warehouse, workshop), and the buyer bears all costs and risks involved in transporting the goods from that point to the final destination
“fiber laser”	lasers that channels infrared light through an optical fiber and, enabling high-speed metal cutting for rapid manufacturing and welding
“FOB”	a trade term meaning the seller delivers the goods on board the vessel at the port of shipment, with the buyer bearing all costs and risks thereafter

GLOSSARY OF TECHNICAL TERMS

“G7-certified”	an international colour-management standard (ISO 12647-2) confirming that the printer’s colour output meets predefined delta-E tolerances across the production gamut
”gross merchandise value”/“GMV”	it is a key metric used to measure the total sales value generated through a marketplace over a specific time period
“HD camera”	high-definition vision module integrated into printers and laser systems for real-time surface inspection, alignment and visual positioning
“high-precision”	the ability to consistently and repeatedly produce nearly identical results or measurements, with minimal variation between operations
“infrared”/“IR”	an electromagnetic spectrum employed by CO ₂ lasers and sensor arrays for material heating, surface detection and non contact measurement
“laser”	light amplification by stimulated emission of radiation, a technology used to selectively fuse or cure printing materials
“laser engraver”	a machine that removes a thin top layer (ablation) for permanent surface marking, using lower power, faster speeds, and raster (pixel-by-pixel) scanning to create designs, images, or text on materials like wood, glass, metal, or leather
“laser cutter”	a machine that slices completely through material (like wood, acrylic, fabric) using high power for clean, precise edges, often via vector paths
“laser welder”	a high-power fiber laser system that fuses metal powders or sheets layer-by-layer, using a high power laser beam, offering precise, low-heat-input joining
“laser-compatible materials”	substrates that absorb or reflect laser energy within safe operational limits, including polymers composites, metals, glass, ceramics and textiles

GLOSSARY OF TECHNICAL TERMS

“LiDAR”	an active remote sensing technology that measures distance by illuminating a target with pulsed laser light and measuring the time it takes for the reflected pulses to return to the sensor
“machine-learning”	the application of artificial intelligence techniques to analyze data from the printing process to automate, optimize, and improve various aspects of design, production, and quality control
“MOPA”	a laser system that amplifies a seed signal light with high beam quality through a power amplifier to achieve high-power output while maintaining the beam quality
“net promoter score”/“NPS”	customer-loyalty metric calculated as a percentage of promoters and a percentage of detractors
“OEM(s)”	contract manufacturers that produce hardware under strict design-transfer and quality-assurance protocols, enabling rapid scale-up
“path optimization”	use of machine-learning models to refine cut-paths for reduced waste and faster execution
“path planning”	automatic generation of optimal laser-travel routes determining the optimal sequence of tool-head movements
“PET”	a transparent thermoplastic polymer widely used for filament, film and post-processed parts
“pixel”	the smallest unit of light printers can project in the two-dimensional X-Y plane which can directly influences resolution in laser-based systems
“plug-and-play”	accessible, portable, and reliable use of various applications
“precision optical”	systems and components manufactured to extremely tight tolerances, minimizing aberrations and maximizing performance
“Raster Image Processing”/ “RIP”	a key technology in the digital printing industry for processing image files, which ensures accurate color reproduction and consistent quality of printed images through color management routines

GLOSSARY OF TECHNICAL TERMS

“small and medium-sized businesses/SMB”	an independent business below a specific size limit, typically under 500 employees, but the thresholds can vary by industry, region, and defining authority
“sub-pixel level”	the ability to control the curing process at a resolution finer than the physical size of a single pixel on the printer’s projector or mask, resulting in effective resolution beyond the sensor’s nominal limit
“Triple Anti-Clogging”	highly technical applications where three distinct architectural features were designed to prevent clogging in printhead
“ultra-fine thermoplastic powder”	a key material used in powder bed fusion additive manufacturing technologies enable high-resolution part fabrication with reduced porosity
“UV”/“Ultraviolet”	an electromagnetic radiation with a wavelength shorter than that of visible light, typically ranging from 10 nm to 400 nm
“vision systems”	complete hardware-software stack that captures images, runs vision-algorithms and feeds results to the ACS
“visual positioning”	high-precision vision system (near-field 0.05–0.2 mm, far-field 0.1–0.5 mm) that combines camera, LiDAR and distortion-correction algorithms to ensure “what you see is what you get” processing

FORWARD-LOOKING STATEMENTS

We have included in this Document forward-looking statements. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. When used in this Document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "ought to", "project", "seek", "should", "will", "would", "vision", "aspire", "target", "schedule", and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this Document, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our suppliers and customers;
- future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- our ability to maintain the market leading positions;
- the actions and developments of our competitors;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel and recruit qualified staff;
- our business strategies and plans to achieve these strategies;
- the effectiveness of our quality control systems;

FORWARD-LOOKING STATEMENTS

- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends, including those pertaining to the PRC and the industry and markets in which we operate; and
- capital market developments.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any or undertake no obligation to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors” in this Document.

In this Document, statements of or references to our intentions or those of our Directors are made as of the date of this Document. Any such information may change in light of future developments.

RISK FACTORS

An [REDACTED] in our Shares involves various risks, some of which could be significant. You should carefully consider all of the information in this Document, including the risks and uncertainties described in this “Risk Factors” section, before making an [REDACTED] in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material and adverse effect on our business, financial condition, and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your [REDACTED]. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section titled “Forward-Looking Statements” of this Document.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our business success hinges on our capacity to consistently deliver new products on schedule, with compelling features and performance that deliver value to our customers and align with, or even anticipate, key shifts in the industry landscape.

Our success hinges significantly on developing, manufacturing, and delivering new products that deliver tangible value to our customers. Our ability to create, develop, manufacture, and launch new products and related technologies to meet evolving industry demands, at prices acceptable to our customers on a timely basis, is crucial to maintaining competitiveness in our target markets. Given the advanced technical complexity of our offerings, we face inherent risks in accurately assessing our internal capabilities, particularly regarding technological development proficiency. These risks may lead to research and development setbacks, including project underperformance or extended development timelines. While we are committed to executing our product roadmap, we cannot assure you that our efforts will consistently yield innovative products and technologies that resonate with customers. Furthermore, if we are unable to develop, manufacture, or launch value-driven products that align with emerging trends, or if we misjudge future consumer preferences regarding functionality, features, or form factors and fail to adapt accordingly, we risk losing our competitive edge, which could materially and adversely affect our business performance.

Products that fail to meet customers’ expectations or are defective could impose significant costs on us or lead to loss of business opportunities. Given the technical complexity of our offerings, future products may exhibit defects, security vulnerabilities, or performance issues stemming from design flaws, manufacturing errors, material limitations, or challenges in specific use-case applications. For example, product malfunctions or failure to meet required specifications could cause significant harm to end users. These risks may increase as our products are introduced into new applications or as new features are released. Moreover, certain product deficiencies may only become apparent after delivery or even following extended periods of customer use. Undiscovered vulnerabilities in our products could result in suboptimal user experiences or trigger technical incidents that impact product reliability.

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Additionally, our efforts to remediate these issues may lack the timeliness or effectiveness needed to meet customer expectations. An error or defect in products after commercial delivery could result in failure to achieve market acceptance, temporary or permanent withdrawal of a product from market, harm to our relationships with customers and partners and our brand reputation, which would in turn materially and negatively affect our financial condition and results of operations. Furthermore, we may incur liabilities to compensate customers or partners, including costs to repair, product replacements, or indemnification claims, and may be subject to regulatory penalties for violation of applicable laws and regulations.

Failure to identify shifting consumer preferences, respond to evolving market demand, develop new products aligned with evolving consumer needs, or effectively compete with our competitors may materially and adversely affect our business operations and financial performance.

We primarily operate in the consumer and commercial-grade tech-enabled personal creative tools market. Our future success, in part, depends on our ability to identify and promptly respond to consumer preferences and market demand, which may change from time to time subject to factors beyond our control, such as changes in consumption willingness, purchasing power and rapid technology advancements. We have consistently invested in product innovation and development to upgrade our existing products and to develop, design, manufacture, and launch new products. The success of new products depends on multiple factors, including those beyond our control, such as industry trends, market demand, regulatory approvals, production efficiency, competition and consumer acceptance. However, we cannot assure you that our efforts and strategies will always be effective. If we are unable to predict consumer preferences or market demand, or design, develop, manufacture or launch new products successfully in a timely manner, we may fail to capture emerging growth opportunities, or properly manage our inventory. Such failure could negatively impact our brand image and result in diminished consumer experience. Any of these occurrences could materially and adversely affect our business, prospects and results of operations.

If we fail to keep up with technological advancements, adapt our technology to emerging industry standards, or achieve successful and effective outcomes from our new technology investments, our business may be materially and adversely affected.

Innovation, in particular, technological innovation is pivotal to our success. During the Track Record Period, we made substantial R&D investments, which we believe are fundamental for our future growth and long-term prospects. In 2023, 2024 and the nine months ended September 30, 2025, our R&D expenses were RMB156.6 million, RMB359.2 million, and RMB308.9 million, respectively. However, rapid technological advancements and the emergence of new industry standards present significant challenges. Should we fail to keep pace with these developments or adapt our technology accordingly, our competitive position could be weakened. This may require additional investments in technology upgrades and process improvements to maintain alignment with evolving industry standards. Failure to make such adaptations could render our products less attractive, leading to potential market share erosion and materially adverse impacts on our business operations.

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However, we cannot assure you that our R&D projects will achieve their intended outcomes or be completed within the expected timeline and budget. If we fail to commercialize our R&D efforts, we may incur significant sunk costs. Even if the newly developed products can be launched as planned, there is no guarantee they will gain customer acceptance or meet projected sales targets and profitability expectations. In addition, a portion of our R&D expenses have been used to developing general technologies infrastructure rather than specific products. While this investment is important for long-term innovation and capability building, they may not deliver immediate competitive advantages in the marketplace or generate the anticipated returns. Furthermore, we cannot assure you that competitors, whether existing or emerging, will not introduce products that match, surpass, or are more competitively priced than ours. In such cases, we risk losing market share. Given the inherent uncertainties in both the R&D timeline and the market viability window for new products, there is a possibility that we may need to discontinue despite substantial prior investments if it becomes commercially unviable. Furthermore, our introduction of new products could erode the demand and revenue for existing offerings or impact their pricing strategies.

Failure to effectively maintain, promote, and enhance our brand could undermine our business and competitive advantages.

We consider the maintenance, promotion, and enhancement of our brand to be essential to the success of our business. The strength and reputation of our brand largely depend on our continued ability to deliver high-quality, well-designed, reliable, and innovative products. However, we cannot guarantee that we will succeed in continuing doing so. We believe the significance of brand recognition will grow as competition in our market intensifies. In addition to offering dependable and high-quality products at competitive prices, the success of our brand promotion will also rely heavily on the effectiveness of our marketing initiatives. We promote our products through our sales team, strategic partners, and positive word-of-mouth from customers. We expect that our brand marketing initiatives will entail significant costs and expenses. However, we cannot assure you that these selling and marketing expenses will lead to revenue growth. Even if these efforts lead to higher revenue, there can be no assurance that such increases will be sufficient to offset the related costs. Additionally, any risk factors described in this section could materially and adversely affect to our brand image and market reputation, potentially leading to loss of consumer trust, decreased brand equity, and long-term impairment of our competitive positioning.

We may fail to maintain sufficient production capacity, and even if our production expansion projects proceed as planned, timely or full achievement of the anticipated production output increase remains uncertain.

To align with anticipated customer needs, we plan to maintain sufficient production capacity and expand in the future as necessary. This expansion initiative in the future will impose significant demands on operations and require substantial resource commitments, including financial investment and the allocation of time to recruit, onboard, and integrate additional personnel. It will also elevate overhead and support costs, along with introducing risks associated with new product manufacturing and commercialization. Challenges in

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managing budgeting, financing, forecasting, and other process controls related to the expansion could adversely impact our business prospects, operating results, and financial condition. Furthermore, the expansion in the future requires securing various government approvals, permits, licenses, and certifications, as well as completing inspections and filings with relevant authorities. We cannot guarantee the successful execution of this expansion plan. Delays or failures in obtaining necessary approvals or completing regulatory procedures may materially postpone the expansion, or lead to its cancellation, which could negatively affect our business, financial condition, and results of operations.

However, even if we manage to expand our production capacity as planned, there is no assurance that we will be able to increase production output and establish large-scale production capacity in a timely manner or at all. The ramp-up of production output faces significant constraints and uncertainties, including but not limited to:

- delays by our suppliers and equipment vendors and cost overruns due to factors such as raw material price increases and equipment vendor issues, many of which may be beyond our control or unforeseeable;
- delays in government approval process or denial of required approvals by relevant authorities;
- our ability to configure the manufacturing lines for specific products in a timely manner; and
- the performance of procured manufacturing equipment and the expertise of our production technical team.

Moreover, our product development, manufacturing, and testing protocols are highly complex, demanding advanced technical expertise and sophisticated production process knowledge. Scaling up manufacturing to commercial volumes introduces multiple risks, such as technical challenges in process scale-up, process reproducibility issues, stability concerns, quality consistency variations, timely raw material availability, cost overruns, and inadequate definition or qualification of safety, reliability, and quality standards. Any modification to our production processes may trigger one or more manufacturing errors, necessitating temporary suspension or delays in production lines until the root causes are investigated, identified, and effectively resolved. Such disruptions inherently limit our production output. There is no guarantee that our facilities can successfully establish a large-scale commercial manufacturing process capable of meeting our targeted production capacity objectives. Additionally, failure to uphold rigorous quality assurance processes could lead to increased product defects, customer attrition, higher warranty reserves, elevated production and logistics costs, and operational delays.

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Should these risks ultimately hinder our ability to ramp up production output in a timely manner or at all, we may fail to meet customer demand or achieve our projected growth targets. Furthermore, order fulfillment failures could damage our reputation and drive customers to alternative suppliers. The combination of the foregoing could materially and adversely affect our business, financial condition, and results of operations.

In addition, we engage third-party OEM manufacturing partners to manufacture certain products. However, there is a risk that these partners may not have sufficient production capacity to meet our demand or being able to prioritize our orders during periods of rapid growth or market surges. This could result in manufacturing bottlenecks, delayed order fulfillment, and an inability to capitalize on timely market opportunities, potentially impacting our revenue and customer relationships.

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.

The global tech-enabled personal creative tool industry is highly competitive and concentrated, and we expect that the competition will be even more intense in the future. According to CIC, in 2024 and the nine months ended September 30, 2025, the top ten brands accounted for over 50% of gross merchandise value (“GMV”) worldwide in laser-based personal creative tools industry. 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, 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 existing competitors may seek to increase their market shares through various measures, such as continued research and development efforts, increased production capacity and active marketing campaigns. Our competitors may also seek to increase their market shares through the reduction of price. We expect to face competition from both existing and new competitors as we expand our business into new business lines, geographic regions and product categories. Competitive pressure could also have an adverse impact on the demand for and pricing of our products, which in turn affects our growth and market share. If we fail to compete effectively, we may not be able to retain or expand our market share, which would have a material adverse effect on our business, financial condition, and results of operations.

In addition, our ability to compete effectively against existing or potential competitors hinges on multiple critical factors, such as brand reputation, product portfolio diversity, product quality, sales and marketing strategies and customer acquisition and retention capabilities. Some of our competitors may hold competitive advantages in these areas. As market competition intensifies and threat of new entrant grows, we may need to devote more management, financial or human resources. Failure to sustain effective competition could lead to a decline in market share, which could materially and adversely affect our business, financial performance and profitability.

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We purchase certain key raw materials from third parties, and we may not be able to secure our supply of such key raw materials in a stable and timely manner.

We currently source critical raw materials for product manufacturing from third-party suppliers. We also cooperate with third-party equipment vendors to co-develop and procure highly customized production equipment. However, we cannot ensure uninterrupted access to stable, sufficient quantities of these key materials through existing supplier arrangements. Suppliers may also fail to meet our stringent quality requirements. Furthermore, material prices may experience significant volatility due to uncontrollable factors. See “— We are exposed to risks relating to price fluctuations of key raw materials.” If our current suppliers are unable to satisfy our long-term requirements on a timely basis, we may be required to seek alternative sources for necessary raw materials, produce the raw materials in-house or redesign our proposed products to manufacture available substitutes. Failure to secure alternatives or encountering excessive costs in doing so could cause substantial manufacturing delays, jeopardize on-time product delivery, and damage our business reputation. This could reduce product demand and erode our brand standing. Our business, financial condition, and results of operations may therefore be materially adversely affected. Please see “— Risks Related to Our Business and Industry — Reliance on third-party suppliers presents potential risks, such as supply shortages, delays or non-compliance, could harm our business” for the risks of reliance on third-party suppliers.

Our reliance on our official websites exposes us to risks related to platform performance, cybersecurity, operational disruptions, and customer experience.

A significant portion of our revenue is derived from sales generated through our xTool official website. Our dependence on this platform exposes us to various operational and technological risks, including those relating to website performance, system reliability, cybersecurity, and user experience. In 2023, 2024, and the nine months ended September 30, 2024 and 2025, our revenue generated through our official websites amounted to RMB774.2 million, RMB1,538.6 million, RMB912.9 million and RMB1,086.0 million, representing 53.1%, 62.1%, 60.9% and 61.1% of our total revenue for the same years/periods, respectively.

Any system outage, cyberattack, or technical malfunction could disrupt our online services, delay order processing, or prevent customers from accessing product information, which could adversely affect our sales performance and customer satisfaction. We also rely on several third-party service providers for cloud hosting, logistics, and payment processing. Any service interruptions, security incidents, or performance issues experienced by these providers could further affect the stability of our xTool official website and user experience. In addition, we handle and store certain customer and transaction data through our xTool official website, and there remains a risk of unauthorized access, data loss, or misuse, which could lead to reputational harm and a decline in consumer trust.

Furthermore, we are exposed to risks associated with consumer credit fraud, including the unauthorized use of credit cards or other payment methods to place orders on our xTool official website. Fraudulent transactions may result in chargebacks, payment reversals, loss of shipped products, increased payment processing fees, and additional fraud prevention and compliance costs. While we employ measures designed to detect and prevent fraudulent transactions, such measures may not be fully effective, and sophisticated fraud schemes may continue to evolve. Any material increase in credit card fraud or failure to adequately mitigate such risks could adversely affect our revenue, operating margins, and relationships with payment service providers.

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To remain competitive, we must continue to enhance the performance and functionality of our xTool official website, improve customer engagement, and adapt to evolving digital consumption habits and technological developments. Any failure to do so may lead to lower sales conversion, reduced customer loyalty, and slower business growth, which may have a material adverse effect on our business, financial condition, and results of operations.

We collaborate with third-party e-commerce platforms. Disruptions of our relationships with third-party e-commerce platforms, changes in, or interpretation of, policies of such third-party e-commerce platforms or unfavorable changes in our arrangements with them, could have an adverse effect on our business, financial condition and results of operations.

During the Track Record Period, we collaborated with third-party e-commerce platforms to sell our products to consumers. In 2023, 2024 and the nine months ended September 30, 2025, our revenue generated from sales through third-party e-commerce platforms was RMB459.9 million, RMB583.4 million and RMB376.2 million, respectively, accounting for 31.6%, 23.6% and 21.2% of our total revenue, for the same years/periods, respectively. We expect that sales through such third-party e-commerce platforms will continue to contribute to our total revenue in the foreseeable future. As such, our profitability and business performance are influenced by, among other things, the continued strong business relationships between third-party e-commerce platforms and us.

We are subject to the terms and conditions of third-party e-commerce platforms. However, we cannot guarantee the continued maintenance or renewal of these agreements on favorable terms, or at all. In the case that third-party e-commerce platforms amend the terms of agreements or render such terms unfavorable to us, or if new e-commerce regulations impose additional compliance burdens, our business performance, results of operations and profitability may be materially and adversely affected.

Furthermore, the operation of these third-party e-commerce platforms may be vulnerable to damage or interruptions such as power failure, computer viruses, acts of hacking, vandalism and similar events. Any material interruption or damage to the e-commerce platforms may have an adverse effect on our business, financial condition, and results of operations.

Operating globally exposes us to inherent risks, which will persist as we further expand our international footprint. Shifts in the global economic landscape, along with evolving diplomatic and trade relations, could negatively impact our operating results and lead to fluctuations to the demand for our products.

We operate our business in China and overseas, including multiple markets in the U.S., Europe, and other countries. During the Track Record Period, overseas revenues accounted for a majority of our total revenues. With our global presence, we may be subject to the following risks:

- ***operational and logistical challenges.*** difficulties in providing products, services and support, in recruiting personnel in overseas markets, and in managing sales channels and distribution networks effectively;

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- **revenue volatility.** potential fluctuation in periodic revenue due to unfavorable market conditions, intensified competition, unattractive products and services, downward pricing pressure, and any other inherent risks associated with our international business operations;
- **entry barriers.** challenges in commercializing our products in new markets where we have limited experience with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure;
- **third-party reliance risks.** increased vulnerability to operational disruptions caused by issues with third-party partners, including their financial instability, insolvency, labor disputes, manufacturing capabilities, costs structures, insurance, natural disasters, public health emergencies or other catastrophic events;
- **regulatory and compliance complexities.** difficulties navigating unfamiliar regulatory frameworks, engaging with regulatory authorities, and complying with government policies to secure necessary manufacturing, import, marketing, and sales permits/licenses across jurisdictions;
- **intellectual property vulnerabilities.** potential limitations in IP rights protection and risks of infringing on third-party intellectual rights;
- **financial and accounting risks.** divergent accounting standards across jurisdictions, potential adverse tax implications, and foreign exchange losses;
- **contractual enforcement limitations.** challenges in effectively upholding contractual or legal rights in international contexts; and
- **geopolitical and market instability.** exposure to changes in local laws, regulations and policies as well as political, economic and market instability or civil unrest within operating jurisdictions.

If we are unable to effectively avoid or mitigate these risks, our ability to expand in overseas markets will be impaired, or our international business may not be able to sustain profitability, which could have a material and adverse effect on our business, financial condition, and results of operations.

In particular, our operating results are influenced by macroeconomic conditions worldwide. Some of our business units operating in specific geographic regions are particularly susceptible to local economic and market dynamics. Global economic conditions exhibit significant regional variations and are prone to substantial volatility. There is no assurance as to how the trade tensions may evolve or whether there will be any changes to the scope and extent of goods that are or will be subject to such export controls, sanctions, tariffs, or new trade policies. We cannot predict the implications of the ongoing trade tensions and the impact

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on our industry and the global economy. In addition, any economic downturn, slowing growth rates, or other adverse economic conditions in our operating markets could materially and adversely affect our business, financial condition, and results of operations.

Our global operations expose us to dynamic international regulatory, social, and political environments, as well as localized conditions in the countries and regions where we conduct business. These factors give rise to multifaceted risks, including cross-border legal compliance complexities, exposure to potential disputes and litigation, geopolitical uncertainties, volatile local market dynamics, trade restrictions or prohibitions, foreign exchange fluctuations, intense competition, and varying tax regimes. Consequently, the geopolitical relationships between jurisdictions in which we operate directly influence our cost structure, product demand, and business collaboration with local partners. Escalating tensions or political concerns in these regions may materially and adversely affect our business, results of operations and prospects.

Changes in international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions may affect our business, financial condition, and results of operations.

Our business operations and financial performance can be influenced by various factors related to international trade policies, geopolitics, and trade protection measures, including export controls and economic or trade sanctions. For example, recently, the United States announced sweeping import tariffs on goods from all countries, under the International Economic Emergency Powers Act (“**IEEPA**”), comprising a 10% baseline tariff and varying reciprocal tariffs on certain trade partners. Other countries, including the PRC, announced retaliatory actions or plans for retaliatory actions. On April 9, 2025, the United States implemented a 90-day pause on the varying reciprocal tariffs (except for those on Chinese goods, which were temporarily increased to 125%), leaving the 10% baseline tariff in place. On May 12, 2025, China and the United States jointly announced a 90-day suspension of certain of their trade restrictions, such that the United States would reduce its reciprocal tariffs from 125% back down to 10% (resulting in a 30% baseline duty on most Chinese imports during this period), while China reduced its tariff rate to 10% on U.S. imports. On August 12, 2025, the US-China tariff truce got extended for another 90 days until November 10, 2025. On October 10, 2025, the U.S. announced its intent to impose an additional 100% tariff on products of Chinese origin, effective from November 1, 2025. However, on November 1, 2025, the two countries reached an agreement to de-escalate trade tensions, averting the implementation of the proposed tariff and extending the existing trade truce for approximately one year. Furthermore, the U.S. imposes a 19% reciprocal import tariff on goods from Thailand, effective August 7, 2025, down from a 36% rate initially announced in April 2025. Thailand secured this reduced rate by agreeing to lower its own import tariffs on over 10,000 US goods, simplify customs and sanitary regulations, and offer incentives for U.S. firms in sectors like semiconductors and clean energy. Additionally, the United States continues to assess the tariff rates it will impose on other jurisdictions, which might directly or indirectly impact our business or financial performance. These evolving policies have adversely affected the global economy and financial markets. Given the rapid transformation, forecasting future implications

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remains challenging. New tariffs, legislation, or regulatory changes, particularly retaliatory actions amid heightened global trade tensions, could materially affect our business. In extreme cases, such conflicts could result in economic downturns that materially and adversely impact our business, financial condition, and results of operations.

Likewise, potential national security and foreign policy concerns may prompt governments to impose trade or other restrictions, which could make it more difficult to sell our products in, or restrict our access to, certain markets, or affect our supply chain. In this regard, various trade, export controls, and economic sanctions laws and regulations may affect our businesses.

In recent years, the United States has increased export controls restrictions on China through the Export Administration Regulations (the “**EAR**”), administered by the Bureau of Industry and Security of the U.S. Department of Commerce (“**BIS**”). The EAR includes a list of foreign persons on which certain trade restrictions are imposed, including businesses, research institutions, government and private organizations, individuals and other types of legal persons (the “**Entity List**”). The export, re-export and/or transfer (in-country) of items which are subject to the EAR generally is prohibited if an Entity Listed person is a party to the transaction (including as purchaser or end-user), unless the transaction is licensed by BIS.

These restrictions or regulations, and similar or more expansive restrictions or regulations that may be imposed by the U.S. or other jurisdictions in the future, may adversely affect our ability to acquire technologies, systems, devices or components that may be critical to our technology infrastructure, product and service offerings, and business operations. In addition, these restrictions or regulations may involve uncertainties and fluctuations, which may impose new restrictions from time to time. There can be no assurance that the current and/or future restrictions or regulations implemented by the U.S. government, or authorities in other jurisdictions, and related developments, will not have a negative impact on our business operations or reputation. If certain of our customers and suppliers are listed on the Entity List, that may limit our ability to source or sell technologies, software, or components from/to them. We cannot be certain what additional export control actions the U.S. government may take that could impact our solutions, suppliers or customers. As of the Latest Practicable Date, such restrictions or regulations have not had any material adverse effect on our business operations, and based on our current understanding and interpretation, we do not expect that they would materially and adversely impact our business operations.

Separately, we may also be subject to review and enforcement under domestic and foreign laws that screen foreign investment and acquisitions. In both the U.S. and non-U.S. jurisdictions, these regulatory requirements may treat companies differently based on the type of company in question and investor profile in the company. As a result of these laws, investments by particular investors may need to be filed with local regulators, which in turn may impose added costs on our business, impact our operations, and/or limit our ability to engage in strategic transactions that might otherwise be beneficial to us and our investors. These laws are also regularly changed and updated. For example, recently the Office of Global Transactions of the U.S. Department of the Treasury (“**U.S. Treasury**”) issued a final rule (the

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“**Outbound Investment Rule**”) to implement Executive Order 14105, “Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern” (August 9, 2023), which provided for the establishment of a new national security regulatory framework to regulate certain outbound investments from the United States in certain sensitive industry sectors in the People’s Republic of China, including Hong Kong and Macau. The Outbound Investment Rule took effect in January 2025 and restricts U.S. persons’ direct and indirect investment into companies with specified connections to China that engage in specified “covered activities” within three areas of technology: semiconductors and microelectronics, quantum information technologies, and artificial intelligence systems. Notably, President Trump issued the America First Investment Policy Memorandum on February 21, 2025, which proposes to further expand the set of technologies of concern. On December 18, 2025, President Trump signed into law the National Defense Authorization Act for Fiscal Year 2026 (“**NDA**”), including legislation that codifies and makes certain changes to the existing Outbound Investment Rule, including the addition of “hypersonic systems” and “high-performance computing and supercomputing” sectors. Before the U.S. Treasury issues implementing regulations, the current Outbound Investment Rule remains effective. These rules may limit our ability to engage in certain kinds of business operations; they may also limit our ability to raise capital from U.S. and other sources if we engage in the development of such technologies of concern. We believe we are not a “covered foreign person” as defined in the Outbound Investment Rule because we do not engage in any “covered activity” as defined in the Outbound Investment Rule or otherwise meet the definition of Covered Foreign Persons provided in the Outbound Investment Rule. However, there is no assurance that Treasury will take the same view. If we were to be deemed a covered foreign person due to changes in our business operations, amendments to relevant laws and regulations or other factors, our ability to raise capital would be significantly and negatively affected. In such case, the [REDACTED] prices of our securities may be materially and adversely affected. Continuing changes in both U.S. and non-U.S. jurisdictions to foreign investment laws and rules could adversely affect our strategic initiatives, financial performance, and growth prospects.

The application and implication of the Outbound Investment Rule, the America First Investment Policy Memo, and any related policies, laws, and regulations are complex. [REDACTED] should conduct their own due diligence and seek legal advice to fully understand the implications of these matters. Neither we, nor any of our subsidiaries, affiliates, directors, officers, employees, advisers, or agents has any obligation or responsibility to monitor and/or to facilitate, or shall be held liable for any loss or liability incurred from, the compliance or non-compliance with the requirements under the Outbound Investment Rule by any investor.

Additionally, alterations in trade protection measures, such as the imposition of anti-dumping duties, countervailing duties, or safeguard measures, may lead to higher costs or restrictions on our exports. Moreover, export controls and economic or trade sanctions can impose limitations on our ability to export products or conduct business in specific markets. Non-compliance with these controls and sanctions can result in legal penalties, reputational harm, and the loss of export privileges.

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Legal systems of certain countries or regions where we operate may keep evolving.

The legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

We are subject to variation embedded in the legal systems of some geographic markets where we operate. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets or may be subject to different or various degrees of interpretation by regulatory agencies, or may keep evolving in the future. Since local administrative and court authorities have significant discretion in interpreting and implementing statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy in many of the localities that we operate in. Moreover, local courts may have broad discretion to reject enforcement of foreign awards. These regulatory incompleteness and regulatory disclosure may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or tort claims. In addition, the regulatory incompleteness may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from us.

In addition, the legal systems of some geographic markets where we operate are based in part on government policies and internal rules, some of which are not published on a timely basis or at all and may have retroactive effect. There are other circumstances where key regulatory definitions are unclear, imprecise or missing, or where interpretations that are adopted by regulators are inconsistent with interpretations adopted by a court in analogous cases. As a result, we may not be aware of our violation of certain policies and rules until sometime after the violation.

It is possible that a number of laws and regulations may be adopted or construed to apply to us in our geographic markets and elsewhere that could restrict our industries. Scrutiny and regulation of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing this regulation such as requiring auditors to confirm our policies are in compliance with accounting rules and receiving opinion letters from local counsels to confirm there is no legal liability. Furthermore, existing laws or new laws regarding the regulation of currency, money laundering, banking institutions, data protection and intermediary payments are evolving and subject to interpretations. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets or elsewhere regarding our industries may slow the growth of our industries and adversely affect our financial position and results of operations.

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We are exposed to risks relating to price fluctuations of key raw materials.

Prices of raw materials have a significant impact on our cost of sales. The current or expected supply of our key raw materials may fluctuate depending on a number of factors beyond our control, including but not limited to the availability of resources, market demand, potential speculation, market disruptions, natural disasters and other factors. We may not be able to obtain stable, high-quality raw materials at reasonable prices and acceptable quality at all times.

We have mechanisms and procedures in place to ensure stable prices of the raw materials we purchased. However, we cannot assure you that we will not experience significant fluctuations in the prices of raw materials in the future. Under such circumstances, we may need to further adjust the prices of our products accordingly to pass down the increased costs onto our customers, or secure alternative sources of supply. However, we cannot assure you that we will be able to pass all or a portion of the increased costs to our customers due to factors such as competition, or we will be able to find alternative sources in a timely and cost-effective manner, or at all. Additionally, we may not have strong bargaining power with customers and suppliers, and therefore may not be able to effectively mitigate the impact of raw material price fluctuations despite the measures put in place. If we fail to respond appropriately to the increases in the prices of raw materials needed for our products, we may continue to incur impairment losses on inventories in the future, and our business, financial condition, and results of operations may be materially and adversely affected.

If we fail to maintain an effective quality management system, our business, reputation, financial condition, and results of operations may be adversely affected.

Our product quality is critical to our success. Although we have established a stringent quality management system, we acknowledge its inherent limitations in detecting latent product defects, issues that may surface during usage and lead to safety hazards or operational issues for our customers. The effectiveness of our quality management system relies on multiple factors, including system design robustness, the precision and reliability of manufacturing equipment, the expertise and experience of our personnel, the comprehensiveness and effectiveness of training programs, and our ability to ensure consistent employee adherence to established quality policies and procedures. Notably, product-related incidents, such as those arising from component failures, manufacturing defects, design inadequacies, or insufficient disclosure of product risks and information, could create unsafe conditions or cause user injuries. Such events may trigger product liability claims or warranty disputes, potentially exposing us to litigation where we are named as a defendant. Moreover, our existing insurance coverage may prove inadequate in scope or applicability to fully mitigate the financial impact of these claims.

Furthermore, if any products sold by us are alleged or perceived to have quality issues or defects, we may need recall such products from the market, resulting in reduced revenue. We cannot guarantee that product recalls will not occur, or product liability claims will not be filed against us in the future. Any product recalls or any claims against us, regardless of merit, can strain our financial resources, hurt our reputation and divert significant management time and attention. Any product liability claims against us, if substantiated, could adversely affect our reputation, business, financial condition, and results of operations.

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Our product inspection safety standards are established in accordance with applicable national and industry regulations. However, we cannot assure you that our quality management system will maintain ongoing effectiveness or remain fully compliant with all relevant laws, regulations, and standards. Any significant failure or decline in the effectiveness of our quality management system could lead to the loss of critical accreditations, certifications, or qualifications, which could in turn have a material adverse effect on our reputation, business and results of operations.

We are exposed to the risks relating to third-party logistics solutions providers.

Our delivery arrangements can be broadly divided into: (i) logistics solutions offered by various third-party logistics solutions providers, and (ii) fulfillment services provided by third-party e-commerce platforms. Our collaboration with third-party logistics providers could expose us to potential service disruptions or inefficiencies. If these providers fail to meet their service obligations due to operational issues, financial difficulties or other unforeseen circumstances, our ability to deliver products to customers in a timely and cost-effective manner may be impacted, which could cause a decline in product sales and loss of revenue. In addition, improper handling of our products by the logistics solutions providers could also result in product damage, which could lead to product liabilities or claims and damage our brand image and reputation. Furthermore, fluctuations in the prices of logistics solutions affect our ability to provide cost-effective products to our customers. Any of these events could materially and adversely affect our business, financial condition, and results of operations.

We may incur substantial warranty-related expenses, and our provisions for future potential warranty claims may be insufficient.

We provide warranty for our products and the terms of our warranty policies vary based on the type of products and the market where such products are sold. 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 of our products during the Track Record Period. As we continue to upgrade our products design and introduce new products, there is no assurance that future warranty claims will be consistent with history, and in the event that we experience a significant increase in warranty claims, there is no assurance that our provision will be sufficient, which may have a material adverse effect on our business, financial condition, and results of operations.

Any unforeseen or prolonged disruption to our warehousing network could adversely affect our business operations.

Currently, we operate overseas warehousing facilities in over 7 countries and regions. See “Business — Warehousing and Logistics.” In the event that there is any unforeseen and prolonged disruption in the supply of utilities, such as water or electricity, or access to the premises, due to fire or earthquake, and we cannot restore the affected warehouse or relocate to an alternative promptly, our business operations will be materially and adversely interrupted, which in turn will affect our business operations. If a significant incident occurs at any of our

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warehouses or our prevention measures proved inadequate in the future, we may suffer loss of stored inventory, incur substantial costs to restore or relocate to an alternative, or face regulatory violations leading to administrative penalties from relevant authorities. If such an incident causes damages to other third parties and we are determined to be partially or fully responsible, we may also be required to compensate such damages caused to third parties. Under such circumstances, our business, financial condition, and results of operations may be adversely affected. We engage third party warehousing management companies to operate our facilities, and any mismanagement by these vendors could lead to disruptions in inventory control, supply chain delays, compliance violations, and potential financial losses.

Furthermore, as all of warehouses we operate for providing logistics solutions are leased, we are exposed to risks in relation to unpredictable and increasing rental costs and relocation costs. Renegotiating lease renewals with our landlords may result in increased rental rates or more stringent payment terms, which could adversely affect our profitability and operating results. There is also a risk that we may be unable to successfully extend or renew our leases upon expiration, either on commercially reasonable terms or at all, potentially compelling us to relocate our warehouse. Such relocation may disrupt our operations and incur significant relocation costs and capital expenditures for installing warehousing facilities and technology systems and could in turn adversely affect our financial condition. Further, we cannot assure you that we will be able to relocate to suitable alternative premises in a timely manner or at all, and failure in necessarily relocating our operations could result in disruption to our business operations. We also lease out some idle warehouse space to third parties. Therefore, we are exposed to risks in relation to liability for damage or loss of stored goods, challenges in ensuring compliance with applicable regulations, and the possibility of contractual disputes arising from unclear terms or breaches of the lease agreement.

Our production facilities may face operational disruptions and legal liabilities arising from manufacturing accidents, potentially caused by non-compliance with safety protocols and procedures.

During operations and production, we enforce and require employee adherence to safety measures and procedures outlined in our internal policies, covering occupational safety, fire safety, and related protocols. We cannot guarantee strict compliance with these safety protocols by all employees. Given the complexity of our manufacturing processes which inherently involve tool and equipment operation, machinery use, and chemical material handling, accidents resulting in employee injuries or fatalities remain possible. Moreover, our existing manufacturing protocols may not comprehensively prevent all potential malfunctions or unforeseen accidents, including those that have never occurred or were not anticipated during protocol development. Such incidents could disrupt operations and expose us to liabilities. Currently, our insurance coverage may be inadequate to fully address these potential liabilities, which could materially and adversely affect our business, financial condition, and results of operations. See “— 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.” In addition to our own production facilities, we also engage independent third-party OEM partners to manufacture certain products, and any operating disruptions, financial instability, or other unforeseen risk affecting our OEM partners could have a material adverse impact on our financial conditions and results of operations.

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Our information technology networks and systems may encounter malfunction, unexpected system failure, service interruptions, capacity limitations, or security breaches. Cybersecurity incidents or failure to safeguard confidential information could expose us to legal liabilities, financial losses, and reputational harm.

We rely on our information technology (“IT”) networks and systems to conduct and monitor the daily operations of our manufacturing facilities, and to collect accurate up-to-date financial, operating and other transaction data for business analysis. Our IT networks and systems may encounter malfunction, unexpected system failure, service interruptions, capacity constraints, or security breaches. Cybersecurity incidents or lapses in protecting confidential information could expose us to legal liabilities, financial losses, and reputational harm. We rely on IT networks and systems to facilitate electronic communications among our personnel, suppliers, customers and other business partners and for synchronization with our manufacturers and logistics providers on demand forecast, order placements and manufacturing and service status and capacity. Our operations involve storage and transmission of sensitive data related to our business, stakeholders, and partners. Our IT systems, including systems managed by third parties, face potential risks from damages, disruptions or shutdowns caused by software/database/component upgrades, power outages, hardware failures, malware, cyberattacks, telecommunication failures, user errors or catastrophic events. Any such breach could compromise our network integrity and the confidentiality/availability of stored data, potentially triggering regulatory investigations, operational downtime, service interruptions, and reputational damage that undermines our business continuity and future growth. If we do not effectively resolve the issues in a timely manner, our business, financial condition, and results of operations may be materially and adversely affected.

In addition, our systems, servers and equipment, and those of our service providers, may be vulnerable to cybersecurity incidents, which may lead to damages to our IT systems, material disruption to our business, or theft, rendering inaccessible, improper disclosure or misappropriation of our or our customers’ business information, trade secrets, sensitive data and other confidential or proprietary information. Any such event could have a material adverse effect on our business even if we recover using our backup information.

We are subject to evolving of privacy and data protection regulations, which may impact our legal, financial and operational behavior.

We collect and store business and transaction data generated during or related to our operations, including records of interactions and transactions with customers, suppliers, and business partners. Safeguarding this data through secure storage and maintenance is critically important. We process such data in compliance with applicable legal requirements to ensure its security. To uphold these standards, we have adopted various measures to ensure legal compliance. See “Business — Data Privacy and Information Technology Systems” for more information. However, the laws and regulations regarding privacy and data protection across different jurisdictions where we operate are generally complex and continue to evolve. As such, we cannot guarantee that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. If we are unable to comply with

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the applicable laws and regulations, or to address any privacy and data protection concerns, such actual or alleged failure could damage our reputation, deter current and potential customers from using our solutions and could subject us to adverse legal, financial and operational consequences.

The legal and regulatory developments with respect to data protection may keep evolving, which may affect how we design our IT systems, how we operate our business, how we and our business partners process data, which in turn could affect demand for our products. We may incur substantial costs to comply with such laws and regulations, to meet the demands of our customers relating to their own compliance with applicable laws and regulations and to establish and maintain internal compliance policies.

Failure to maintain effective pricing strategies may have a material adverse effect on our business and results of operations.

Our pricing strategy has significantly influenced and may continue to shape our revenue and profit margin across different geographic markets. However, our competitors’ pricing strategies are beyond our control and could significantly affect the results of our pricing strategies. Failure to align with our customers’ price expectations, coupled with an inability to compete against rivals employing aggressive pricing tactics, poses dual risks. Furthermore, if we cannot adjust our cost structure to accommodate potential declines in our product prices, our business, financial condition, and results of operations could be materially and adversely affected. In addition, adopting an aggressive pricing strategy to capture or defend market shares may undermine our long-term profitability and sustainability.

Misconduct, non-compliance or oversights by our employees or third parties could adversely affect our business and reputation.

Misconduct, non-compliance and oversights by our employees could subject us to liability or negative publicity, and there can be no assurance that our employees will not engage in misconducts or omissions that could materially and adversely affect our business, financial condition, and results of operations.

Similarly, our third-party business partners, including suppliers, distributors, service providers and other entities linked to our business partners through business relationships, may engage in similar misconduct, non-compliance, or oversights, subjecting us to liability or negative publicity. Although we maintain rigorous standards in selecting our business partners, we cannot eliminate the risk of incurring liabilities or suffering losses arising from any non-compliance by third parties. Such non-compliance may lead to regulatory penalties for the third parties involved, which may, directly or indirectly, affect our business operations. We cannot be certain whether such third-party has infringed or will infringe any other parties’ legal rights or violate any regulatory requirements. We cannot assure you that we will be able to identify irregularities or non-compliances in the business practices of our business partners or

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other third parties, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. Legal liabilities and regulatory actions involving our business partners or other third parties may affect our business activities and reputation, which may in turn affect our results of operations.

Our sales and marketing activities may not be effective.

Our sales and marketing activities are important to enhance our brand recognition and enlarge our consumer base. For details, see “Business — Sales, Marketing and Distribution.” Our selling and marketing expenses amounted to RMB394.9 million, RMB562.5 million and RMB402.0 million in 2023, 2024 and the nine months ended September 30, 2025, respectively, representing 27.1%, 22.7% and 22.6%, respectively, of our total revenue for the corresponding periods. Our sales and marketing activities may become increasingly costly and may not yield economically meaningful results. We cannot assure you that our efforts in sales and marketing activities will always be effective, or that we are able to cost-effectively manage our marketing and advertising expenses. Any of the foregoing risks could materially and adversely affect our business, financial condition, and results of operations.

We may not be able to effectively manage and develop our distribution network, or efficiently sustain our business relationships with our distributors, which could adversely affect our brand, business, results of operations, and future financial performance.

We primarily rely on direct to customer online channels to reach our end customers directly. Additionally, we collaborate with distributor partners to extend our customer reach in certain jurisdictions. Maintaining an effective distribution network enables the stable delivery of our products to customers, and our distributors play an important role in expanding our geographic footprint and driving sales of our products. For the years ended December 31, 2023 and 2024 and for the nine months ended September 30, 2025, our total sales through 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. Failure to maintain our business relationships with existing distributors, to establish relationships with new distributors, and to manage and expand our distributors’ distribution coverage could adversely affect our distribution network and hence our business, as well as our brands, results of operations, financial performance and prospects. Our ability to expand our distribution coverage is also affected by changes in the relevant regulatory requirements, competitive landscape, and customer preferences and spending habits. Failure to effectively respond to such changes may result in an adverse effect on our business and prospects.

Additionally, some of our distributors may engage sub-distributors to further distribute our products. We do not enter into direct agreements with these sub-distributors, nor do we maintain a direct relationship with them. Any misconduct by a sub-distributor, such as violations of local laws, misleading promotional activities, or poor customer service, could harm our brand reputation, lead to customer dissatisfaction, and potentially result in legal or regulatory liabilities.

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We are subject to anti-corruption, anti-bribery, anti-money laundering, and other related compliance laws, and non-compliance with such laws can subject us to administrative, civil, and criminal penalties, collateral consequences, remedial measures, and legal expenses.

We are subject to anti-corruption, anti-bribery, anti-money laundering, and other related compliance laws and regulations in various jurisdictions in which we conduct activities. We have adopted policies and procedures designed to ensure compliance with applicable anti-corruption, anti-bribery, anti-money laundering, and related laws and regulations by our employees, suppliers, representatives, consultants, agents and business partners. We have established relevant mechanisms to ensure the implementation of such policies and procedures, such as periodic review and reporting the issues identified including those related to our employees and other parties, collecting evidence and reporting to relevant authorities if there involves violation of applicable laws and regulations of our employees and other parties. However, our policies and procedures may not be sufficient, and our directors, officers, employees, suppliers, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, or anti-money laundering laws could subject us to complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures, and legal expenses, any of which could materially and adversely affect our business, financial condition, and results of operations.

We may be involved in legal or other proceedings arising out of our business operations, from time to time, exposing us to potential reputational damage and significant financial liabilities as a result.

We may periodically be subject to various litigation, legal or contractual disputes, claims or administrative proceedings in the ordinary course of our business, including, but not limited to, disputes or claims from our suppliers, customers, business partners and other third parties. Ongoing or threatened legal actions may divert our management's attention and other resources. Furthermore, any litigation, legal or contractual disputes, claims or administrative proceedings which are initially deemed immaterial may escalate in significance due to a variety of factors such as the subject matter of the disputes, the likelihood of loss, the financial exposure, and the parties involved. Adverse verdicts, judgments, awards, or settlement with third parties may require us to pay substantial monetary damages or assume other liabilities. In addition, negative publicity stemming from such proceedings could damage our reputation, harm our brand and product image, which may materially and adversely affect our business.

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Any failure to obtain and maintain necessary approvals, licenses, certifications, and permits for our operations may materially and adversely affect our business, financial condition, and results of operations.

Our business requires us to obtain and renew, from time to time, a multitude of approvals, licenses and permits. If we fail to obtain, maintain or renew any necessary approval, license, certifications, or permit for our operations in a timely manner or at all, or if the scope of our operations exceeds the scope permitted under the applicable approvals, licenses and permits, we may be subject to fines, penalties or suspension of operations or even revocation of operating licenses, and our business, financial condition, and results of operations may be materially and adversely affected.

Negative publicity or rumors concerning our company, products, management, directors, employees, shareholders, customers, business partners or their affiliates or our industry in general may adversely affect our reputation and business.

Negative publicity or rumors related to our industry, our company, products, management, directors, employees, customers, distributors, business partners or their affiliates, or our relationship with any of these parties may materially and adversely harm our business and reputation, and cause fluctuations in the potential [REDACTED] price of our Shares. Although we made efforts to strengthen our responsiveness to negative publicity events, we cannot guarantee that similar media reports or allegations from other parties will not emerge in the future, nor can we assure you that we will be able to mitigate such negative publicity to the satisfaction of our investors, customers and business partners or prevent misunderstandings and related damages stemming from such reports. We may have to incur significant expenses as we may need to seek legal recourse or defend our company in court in response to such allegations, which may cause us to incur significant expenses and divert our management’s time and attention in order to remedy the effects of these negative reports or allegations even if they are baseless, which may materially and adversely affect our results of operations.

Our active use of social media as a marketing channel and voluntary online engagement by users and influencers may expose us to reputational and regulatory risks.

We actively use a variety of social media platforms as part of our marketing and brand-building strategy, where we share product information, creative content, and promotional campaigns to engage with our customers. Such marketing activities are subject to various laws and regulations on “false advertisements” in various jurisdictions where we operate. In addition, many of our users and potential customers voluntarily post reviews, experiences, or endorsements about our products online. While such organic engagement helps to enhance brand awareness and community interaction, it also exposes us to risks beyond our full control.

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Posts or endorsements made by users, influencers, or other third parties may at times contain inaccurate, exaggerated, or misleading statements about our products’ features, performance, or intended uses. Such content could result in customer misunderstanding, product misuse, or dissatisfaction, and in some circumstances may attract regulatory attention under applicable advertising, consumer-protection, or product-safety rules.

Moreover, negative commentary, viral criticism, or social-media controversies involving our brand, products, or affiliated influencers, whether warranted or not, could damage our brand reputation and erode consumer trust. We also face uncertainty from changes in platform algorithms, content policies, or enforcement practices, which could affect the visibility and effectiveness of our online content. Consequently, our active presence on social media and the uncontrolled nature of user-generated content may result in fluctuations in public sentiment and brand perception, which could adversely impact our business and reputation.

Our facilities or operations may suffer damage or adverse impacts due to natural disasters or other catastrophic events.

Our facilities or operations could be adversely affected by uncontrollable events, such as natural disasters, armed conflicts, pandemics, and other calamities. We cannot guarantee that any backup systems will fully safeguard against disruptions from fire, floods, typhoons, earthquakes, power outages, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may trigger operational interruptions, system breakdowns, technology platform failures or internet outages, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to produce our products and provide services.

We are also exposed to diverse public health-related risks, including epidemics, pandemics, and other outbreaks. These public health crises, alongside their cascading effects such as shifts in consumer and business behavior, pandemic-induced market anxiety, economic slowdowns, and restrictions on business and individual activities, may create significant volatility in the global economy and suppress overall economic activity.

The success of our business hinges on our ability to attract, develop, and retain key management and core employees, including our key R&D talents.

Our business operations depend on the continuing efforts of our management and core employees, including our key R&D talents. For details, see “Directors and Senior Management.” If one or more key management or core employees are unable or unwilling to continue their employment with us, we may not be able to replace them in a timely manner, or at all. We may incur additional expenses to recruit and retain qualified replacements. In addition, our key management or core employees may join a competitor or form a competing company. We can provide no assurance that we will be able to successfully enforce our contractual rights included in employment agreements with our key management and core

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employees. As a result, our business may suffer from the loss of services of one or more key management or core employees, and our business, financial condition, and results of operations may be materially and adversely affected.

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.

Our business is subject to a variety of operational risks, including but not limited to operational errors, power outages, environmental or industrial accidents, and catastrophic incidents such as fires, earthquakes, explosions, floods or other natural disasters. In addition, as we operate in overseas markets, we are exposed to risks related to geopolitical tensions, policy changes and intellectual property (“IP”) and technology protection. These aforementioned risks may result in, including but not limited to, personal injury or casualties, environmental damage, monetary loss, and legal liability. The occurrence of any of these events may result in disruption of our operations and cause us to suffer substantial losses or incur significant liabilities. During the Track Record Period, we maintain general liability insurance, employee insurance, and production accident insurance for our business operations. There is no assurance that our insurance will be adequate to cover our exposure to the foregoing risks. If we incur material losses or liabilities, and insurance is not adequate to cover such losses or liabilities, our business, financial condition, and results of operations may be materially and adversely affected.

Our risk management framework, internal control systems, and available risk management tools, may not fully shield us from inherent risks embedded in our operations.

We have implemented risk management frameworks, internal control systems, and adopted risk management tools available to us to address operational risks. For further information, see “Business — Risk Management and Internal Control.” However, we cannot guarantee these measures will fully safeguard us against the potential risks inherent in our business. Should we fail to detect or address any potential risks or internal control deficiencies, our business, results of operations and prospects may be materially and adversely affected.

Further, the successful implementation of our risk management framework and internal control systems depends on our management, employees and business partners. There is no assurance that our management, employees and business partners will strictly observe and adhere to relevant measures and policies. There is also no assurance that our management, employees and business partners will be able to carry out relevant measures and policies without human errors or mistakes. In addition, as our business expands, we may have to adopt and modify our risk management and internal control measures and policies in a timely manner in response to our business growth. Failure to do so may result in material and adverse effect on our business and results of operations.

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Increasing focus with respect to environmental, social and corporate governance matters may impose additional costs on us or expose us to additional risks.

Relevant regulatory authorities and public advocacy groups have been increasingly focused on environmental, social and corporate governance (“ESG”)-related issues in recent years, making our business more sensitive to ESG-related issues and changes in governmental policies and laws and regulations associated with environment protection and other ESG-related matters. Investor advocacy groups, certain institutional investors, investment funds and other influential investors have also been increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors and relevant regulatory authorities on ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of the ESG practices of the target companies. Any ESG concern or issue could also increase our regulatory compliance costs.

If we do not adapt to or comply with the evolving expectations and standards on ESG matters from investors and relevant regulatory authorities or are perceived to have not responded appropriately to the growing concern for ESG-related issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage, and the business, financial condition and the price of our Shares could be materially and adversely affected. Furthermore, to promote environmental responsibility and reduce our environmental footprint, we have established certain environmental targets and plans that are aligned with our overall business strategy and objectives. See “Business — Environmental, Social and Governance.” Failure to achieve or potential modification or discontinuation of certain or all such ESG targets and/or plans may also adversely affect our corporate image, which could in turn result in adverse impacts on our business, financial condition, and results of operations.

Title defects and failure to register the lease agreement regarding some of our leased properties may affect our interests in such properties.

As of the Latest Practicable Date, five of our leased properties, the lessors with whom we enter into lease agreements did not provide valid property ownership certificates or sufficient documentation to prove their rights to lease the properties to us for our intended use. Therefore, we cannot ensure that they have the rights to lease or sublease such properties to us for our intended use. As advised by our PRC Legal Adviser, we may not be able to continue to lease such properties if the lease was challenged by a third party or relevant government authorities.

Furthermore, according to applicable PRC laws and regulations, the lessor and the lessee to a lease agreement are required to file the lease agreement with relevant government authorities within 30 days after the execution of the lease agreement. As of the Latest Practicable Date, we had not filed our lease agreements for five of our leased properties we leased with the local housing administration authorities as required under PRC laws and regulations. As advised by our PRC Legal Adviser, if we and the lessors fail to handle filing for such lease registration as required by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for each of the unregistered lease agreements.

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If we are challenged by third parties or government authorities upon any of the circumstances stated above, we may be forced to relocate or may be subject to fines, as the case may be, and, as a result, our business, financial condition, results of operations, and prospects may be adversely affected. For details, please see “Business — Properties — Leased Properties.”

Reliance on third-party suppliers presents potential risks, such as supply shortages, delays or non-compliance, could harm our business.

Our suppliers during the Track Record Period mainly consist of raw material providers and marketing service providers. In 2023, 2024 and nine months ended September 30, 2025, purchases from our largest supplier in each year during the Track Record Period amounted to RMB133.2 million, RMB176.0 million and RMB125.6 million, representing 12.4%, 10.1% and 7.9% of our total amount of purchase during the respective years/period, while purchases from our five largest suppliers in 2023, 2024 and nine months ended September 30, 2025 amounted to RMB414.0 million, RMB589.8 million and RMB453.7 million, representing 38.5%, 33.8% and 28.6% of our total amount of purchase during the respective years/period. We believe that we maintain good relationships with our major suppliers. However, we cannot assure you that we will be able to maintain business relationship with our existing suppliers, or secure supply of products at competitive prices. If we cannot locate alternative suppliers for replacement in a timely manner and/or on comparable commercial terms, our business operation may be hindered, which could materially and adversely affect our profitability.

If our suppliers cease offering us favorable credit terms or shorten the existing credit period, or otherwise impose more stringent commercial terms, our liquidity condition may be materially and adversely affected.

We experienced fluctuations in our trade and other payables and turnover days during the Track Record Period. As of December 31, 2023, 2024 and September 30, 2025, our current trade and other payables amounted to RMB465.4 million, RMB684.6 million and RMB711.4 million, respectively, representing 33.4%, 29.1% and 27.8% of our total current liabilities, respectively, as of the same dates. We are generally granted a credit period ranging from 30 days to 120 days by our suppliers on purchases of goods. Our trade payables turnover days amounted to 91.1 days, 72.9 days and 98.9 days in 2023, 2024 and the nine months ended September 30, 2025, respectively. We cannot assure you that we will continue to successfully negotiate and obtain favorable credit terms from our suppliers, as the credit terms granted by suppliers may be influenced by a number of factors that are beyond our control, such as the financial performance of our suppliers, the raw material prices and macro-economic conditions. If our suppliers shorten the credit period granted to us, our liquidity condition may be materially and adversely affected. In addition, if our suppliers impose less favorable commercial terms or increase procurement prices, our operations and financial performance could be adversely affected.

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Fluctuations in exchange rates may adversely affect our results of operations.

The value of RMB against the U.S. dollar, the Euros, the Hong Kong dollar, and other currencies fluctuates, is subject to changes resulting from the PRC government’s policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the U.S. dollar, the Euros, the Hong Kong dollar, and other currencies in the future.

During the Track Record Period, we received the majority of payments in U.S. dollars and Euros, and we expect this to continue for the foreseeable future. As a result, any depreciation of the U.S. dollar or Euros against the RMB may result in exchange losses and negatively impact our operating results. Conversely, any depreciation of the RMB against the Hong Kong dollars may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these factors could have a material and adverse impact on our business, financial condition, and results of operations.

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.

Our business relies significantly on our ability to protect and defend our IP 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. We seek to protect the technologies that we consider commercially important by filing patent applications in the PRC and other jurisdictions, relying on patent or trade secrets or employing a combination of these methods. For further information on our patent portfolio, see “Business — Intellectual Property.” The patent prosecution process is expensive, time consuming and complex, and we may not be able to file, prosecute, maintain, defend, enforce or license all necessary or desirable patents and patent applications at a reasonable cost or in a timely manner in all desirable jurisdictions. In addition, the laws of some countries do not protect our IP rights as fully as do the laws of other countries, and our ability to protect our IP rights will differ per jurisdiction. As a result, we may not be able to prevent competitors or other third parties from developing and commercializing competitive products and technologies in all such fields and jurisdictions.

Even if our IP applications are granted, the granted protection may not fully shield us from competitive pressures, given the inherent limitations on both the duration of patent protection and the scope of coverage. For instance, in China, the validity periods for invention patents and utility model patents are 20 years and 10 years from the filing date, respectively, and the approved products or solutions face competition after the patent protection expired.

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In addition, we face significant risks related to IP rights enforcement and protection. Legal actions initiated by us against third parties IP infringement, while necessary to defend our rights, can be costly, time-intensive, and may ultimately weaken our IP position. Such litigation could result in the invalidation or unenforceability of our IP rights, or create other negative business impacts. Conversely, we may also be targeted by claims alleging our infringement of others’ IP rights. Even when we pursue legal action against alleged infringers, these suits can adversely affect our operations. The resolution of such disputes typically demands substantial time and financial resources, diverting management’s focus from core business activities.

Additionally, monitoring unauthorized use and disclosures of our proprietary technology, IP, and confidential information can be difficult and expensive. We cannot be sure that the steps we have taken will prevent misappropriation, infringement and violation of our IP or proprietary rights. If we are unable to adequately protect, establish, maintain or enforce our IP or other proprietary rights, our business, financial condition, and results of operations may be adversely affected.

Our commercial success depends significantly on our ability to operate without infringing upon, misappropriating or otherwise violating the IP rights of third parties.

The markets we operate in are subject to rapid technological change and substantial litigation regarding patent and other IP rights. Our competitors may have substantially greater resources to make substantial investments in patent portfolios and competing technologies, and may apply for or obtain patents that could prevent, limit or otherwise interfere with our ability to make, use and sell our solutions or technologies. Numerous third-party patents exist in fields relating to our technologies, and it is difficult for industry participants, including us, to identify all third-party patent rights relevant to our solutions or technologies. Moreover, because some patent applications are maintained as confidential for a certain period of time, we cannot be certain that third parties have not filed patent applications that cover our solutions and technologies.

Patents could be issued to third parties and we may ultimately be found to infringe such patents. Third parties may have or obtain valid and enforceable patents or proprietary rights that could block us from using our technologies. Our failure to obtain or maintain a license to any third-party IP rights that we require may materially harm our business, financial condition and results of operations. Furthermore, we would be exposed to risks of litigation.

Third-party IP right holders may also actively bring infringement or other IP-related claims against us, even if we have received patent and other IP protection for our technologies, solutions, and services. Regardless of the merit of third parties claims against us for infringement, misappropriation or violations of their IP rights, such third parties may seek and obtain injunctive or other equitable relief, which could effectively block our ability to continue to offer our technologies and services. Further, if a patent or other IP infringement suit were brought against us, we could be forced to stop or delay our R&D activities and the provision of our technologies and services, the regulatory approval process, the use of the challenged

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trademarks, or other activities that are the subject of such suit. Defense of these claims, even if such claims are resolved in our favor, could cause us to incur substantial expenses and be a substantial diversion of our resources even if we are ultimately successful. Any adverse ruling or perception of an adverse ruling in defending ourselves could have a material adverse impact on our cash position and Share price. Such litigation or proceedings could substantially increase our operating costs and reduce the resources available for R&D activities, or any future sales, marketing, or distribution activities. We may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources and more mature and developed IP portfolios.

Furthermore, because of the substantial amount of discovery required in connection with IP litigation, there is a risk that some of our confidential information could be compromised by disclosure requirements during such litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or [REDACTED] perceive these results to be negative, it could have a material adverse effect on the price of our Shares. The occurrence of any of these events may have a material adverse effect on our business, financial condition, and results of operation.

Our patent applications may not be issued as patents, which may have a material adverse effect on our ability to prevent others from commercially exploiting solutions similar to ours.

We cannot be certain that we are the first inventor of the subject matter for which we have filed a particular patent application, or if we are the first party to file such a patent application. Patent applications may not be granted for a number of reasons, including a later application date, known or unknown prior art, deficiencies in the patent application or the lack of novelty or non-obviousness of the underlying invention or technology. China, the U.S. and Europe have adopted the "first-to-file" system, under which the first inventor to file a patent application will be awarded the patent if all other patentability requirements are met. Moreover, patent applications in China, the U.S., Europe and other jurisdictions are typically not published until an 18-month waiting period after filing, or in some cases, not at all. If another party has filed a patent application covering the same subject matter as we have developed, and such application has priority against our patent application, we may not be entitled to the protection sought by our patent application, including preventing third parties from commercializing the same or similar technologies. Further, the scope of protection of patent claims may be limited or narrowed if the examining authority determines there is cause to do so, such as if claims included in the patent application cover subject matter that is ineligible for patent protection or is obvious, or are deemed to lack sufficient detail to enable practicing the invention or in the event of the existence of prior art. As a result, we cannot be certain that the patent applications that we file will result in issued patents, or that our issued patents will be broad enough to protect our technology or otherwise afford protection against competitors with similar technology. In addition, the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability. Our competitors may challenge or seek to invalidate our issued patents, or design around our issued patents, which may adversely affect our business,

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prospects, financial condition or operating results. Also, the costs associated with enforcing patents, confidentiality and invention agreements, or other intellectual property rights may make aggressive enforcement impracticable.

Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The National Intellectual Property Administration (the “NIPA”), the United States Patent and Trademark Office (the “USPTO”), and various patent offices or authorities in other jurisdictions require compliance with a number of procedural, documentary, fee payment and other provisions during the patent application and prosecution process. Periodic maintenance fees, renewal fees, annuity fees, and various other governmental fees on patents and/or applications will be due to be paid to the NIPA, USPTO, and various patent offices or authorities outside of China in several stages over the lifetime of the patents and/or applications. We employ reputable professionals and rely on such third parties to help us comply with these requirements and effect payment of these fees with respect to the patents and patent applications that we own. Noncompliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official communications within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. In many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. However, there are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case, which could have a material adverse effect on our competitive position, business, financial condition, results of operations, and prospects.

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our solutions.

The scope of patent protection in various jurisdictions may change and evolve. Changes in either the patent laws or their interpretation in China or other countries may diminish our ability to protect our inventions, obtain, maintain, defend, and enforce our intellectual property rights and, more generally, could affect the value of our intellectual property or narrow the scope of our patent rights. We cannot predict whether the patent applications we are currently pursuing and may pursue in the future will issue as patents in any particular jurisdiction or whether the claims of any future granted patents will provide sufficient protection from competitors. The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance.

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Even if patent applications that we own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

Confidentiality agreements and non-compete covenants with employees and other third parties may not adequately prevent the disclosure of trade secrets and other proprietary information.

We have invested significant resources in developing our proprietary technology and know-how. While we require employees to sign agreements with confidentiality, non-compete, and intellectual property ownership clauses, we cannot guarantee these agreements will never be breached, that we can secure timely or effective remedies for any violations, or that our proprietary technology, trade secrets, or other IP will not be exposed to third parties through other means. Furthermore, risks remain that other parties might breach confidentiality obligations or that competitors could independently discover or gain access to our trade secrets. Competitors with greater experience and financial resources could exploit this knowledge to advance their own products, methods, or technologies, directly harming our competitive position. Unauthorized use or disclosure of our trade secrets would weaken our market advantage, reducing product demand and undermining our ability to retain or grow our customer base. Enforcing our proprietary rights and defining their scope may require costly, protracted litigation, while failure to secure or maintain trade secret protections could significantly erode our competitive standing.

We may become involved in lawsuits to protect or enforce our patents or other IP, which could be expensive, time consuming and unsuccessful, and any unfavorable outcome from such litigation could limit our R&D activities and/or our ability to commercialize our technologies and services.

Competitors may infringe our patent rights or misappropriate or otherwise violate our IP rights. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming and divert the time and attention of our management and scientific personnel. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us, alleging that we infringed their patents. In addition, in a patent infringement proceeding, there is a risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to preclude the other party from using the invention at issue. There is also a risk that, even if the validity of our patents is upheld, the court will construe our patent claims narrowly or decide that we do not have the right to preclude the other party from practicing the invention at issue on the grounds that our patents do not cover the invention. An adverse outcome in litigation or other quasi-judicial proceedings involving our patents could limit our ability to assert our patents against those parties or other competitors, and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive solutions. Any of these occurrences could adversely affect our competitive business position, business prospects, and financial condition. Similarly, if we assert trademark infringement claims, a

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court may determine that the marks we have asserted are invalid or unenforceable, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks.

In any infringement litigation, any award of monetary damages we receive may not be commercially valuable. Furthermore, because of the substantial amount of discovery required in connection with IP litigation, there is a risk that some of our confidential information could be compromised by disclosure during litigation. Moreover, there can be no assurance that we will have sufficient financial or other resources to file and pursue such infringement claims, which typically last for years before they are concluded. Even if we ultimately prevail in such claims, the monetary cost of such litigation and the diversion of the attention of our management and scientific personnel could outweigh any benefit we receive as a result of the proceedings.

There is a risk that our unpatented proprietary technology and trade secrets may be disclosed or independently developed by competitors.

In addition to patented technology, we rely on unpatented proprietary technology, trade secrets, processes, and know-how. While we implement multiple safeguards, including confidentiality agreements with consultants, marketing partners, and contract manufacturers, there is no guarantee these measures will prevent unauthorized disclosure or that third parties won't independently develop substantially equivalent technologies. Inability to protect this unpatented proprietary information could materially and adversely affect our operating results. Furthermore, products incorporating such unpatented proprietary elements may inadvertently infringe on others' rights. Should disputes arise, we could face significant costs defending against infringement claims.

Our reputation and profitability may be adversely affected if our products are counterfeited or imitated in the market.

Counterfeit products, such as unauthorized imitations, design replications, or trademark/label infringements by third parties, pose risks to our brand reputation and profitability. While we currently are not aware of any substantial counterfeiting of our products, we actively monitor unauthorized use of our registered designs, trademarks, and product imitations to safeguard our intellectual property. However, we cannot guarantee that counterfeiting will not occur or that we will detect and address such issues effectively if they arise. A substantial presence of counterfeit goods in the market could degrade our brand value and image, erode consumer trust, and materially and adversely affect our business, financial condition, and results of operations.

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If we fail to manage our inventory effectively, our financial condition, liquidity, and results of operations may be materially and adversely affected.

Our inventories primarily include finished goods or merchandise held for sale in the ordinary course of business, work in progress, and materials or supplies to be consumed in the production process or in the provision of services. As of December 31, 2023, 2024 and September 30, 2025, we had inventories of RMB333.9 million, RMB433.0 million and RMB857.5 million, respectively. Our inventory turnover days were 159.1 days, 124.1 days and 226.1 days in 2023, 2024 and the nine months ended September 30, 2025, respectively. See “Financial Information — Discussion of Certain Key Items from our Consolidated Statements of Financial Position — Current Assets and Liabilities — Inventory.”

We are committed to adopting a flexible approach to inventory management, adjusting our inventory levels in response to market demand fluctuations. When market demand increases, we correspondingly raise our inventory levels to ensure supply stability. However, such an approach is inherently uncertain, and the demand for our products could change significantly between the order date and the projected delivery date. We cannot assure you that we are able to always maintain optimal inventory levels in the future. If we fail to accurately assess the demand, we may experience inventory obsolescence and inventory shortage risk. Inventory levels in excess of demand, or substantial decrease in the expected market price of our products, may result in inventory write-downs or write-offs and we may sell the excess inventory at discounted prices, which would have an adverse effect on our profitability.

We recorded negative net operating cash inflows historically and there is no assurance that we will not have negative net operation cash inflow in the future, and our liquidity, financial condition and prospects may be adversely affected if we record net operating outflow in the future.

For the years ended December 31, 2023 and 2024, we recorded net operating cash inflows of RMB369.9 million and RMB373.0 million, respectively. We recorded negative net operating cash inflows of RMB208.8 million in the nine months ended September 30, 2025, primarily attributable to the our strategic inventory stocking in anticipation of the peak season in the fourth quarter of 2025. For a more comprehensive discussion of our liquidity and capital resources, see “Financial Information — Liquidity and Capital Resources — Net Cash Generated from/(Used in) Operating Activities” for further details. We cannot guarantee that prospective business activities of our Group and/or other matter beyond our control, such as market competition and changes to the macroeconomic environment, will not adversely affect our operating cash flows and lead to negative net operating cash inflows in the future.

If we encounter long-term and continuous negative net operating cash inflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, financial position and results of operations may be materially and adversely affected. In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity, financial condition and prospects may be adversely affected. We cannot assure you that we will continue to have

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sufficient cash from other sources to fund our operations. If we resort to other financing activities to obtain additional cash, we will incur additional financing costs, and we cannot assure you that we will be able to obtain financing to satisfy our needs of cash flow on terms acceptable to us, or at all.

We may fail to recover our trade receivables in a timely manner, which may affect our financial condition and results of operations.

We are exposed to credit risks related to delay in payment of our customers. Our trade receivables represent the amounts due from our customers for the products sold or services performed in our ordinary course of business. As of December 31, 2023, 2024 and September 30, 2025, our trade receivables, net of loss allowance amounted to RMB49.0 million, RMB50.6 million and RMB76.0 million, respectively. We recorded impairment of trade of RMB0.9 million in 2023, RMB1.6 million for the nine months ended September 30, 2025, and reversal of impairment of RMB0.4 million in 2024. Our trade receivables turnover days amounted to 9.4 days, 7.3 days and 9.8 days in 2023, 2024 and nine months ended September 30, 2025. There can be no assurance that we will be able to maintain our trade receivables turnover days at a reasonable level. Should the credit worthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade receivables in full for any reason, we may continue to incur impairment losses in the future and our financial position and results of operations could be materially and adversely affected. In addition, there may be a risk of delay in payment by our customers within their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade receivables from the customers or that they will settle our trade receivables in a timely manner. In the event that settlements from customers are not made on a timely manner, or at all, our financial condition and results of operations may be materially and adversely affected. For details, see “Financial Information — Discussion of Certain Key Items from our Consolidated Statements of Financial Position — Current Assets and Liabilities — Trade and Other Receivables” for further details.”

Fluctuations in changes in fair value of financial assets measured at fair value through profit or loss may adversely affect our financial results.

We recorded financial assets at fair value through profit or loss of RMB11.4 million, RMB30.0 million, and RMB260.3 million as of December 31, 2023 and 2024 and September 30, 2025, respectively. Our financial assets at fair value through profit or loss mainly consist of investment in other company and wealth management products. For details, please see “Financial Information — Discussion of Certain Key Items from our Consolidated Statements of Financial Position — Current Assets and Liabilities — Financial Assets Measured at FVPL.”

The fair value change of financial assets measured at fair value through profit or loss may significantly affect our financial position and results of operations. The determination of the fair value of such financial assets requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the

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estimates we use and thereby affect the fair value of such financial assets and liabilities. These factors include, but are not limited to, general economic condition, changes in market interest rates and the stability of capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our financial condition and results of operations.

Historical growth trends may not necessarily be indicative of future trends. Although the revenue and net profit demonstrated strong growth during the reporting period, this may not necessarily translate into sustained rapid growth in the future.

The historical financial information included in this Document is not expected to be indicative of our future financial results. Such financial information is not intended to represent or predict the results of operations of any future periods. Our future growth is, to a significant extent, predicated on our forward-looking assessment of market opportunities and industry trends. However, we cannot guarantee that our projections will consistently prove accurate or that we will be able to execute our growth strategy as intended. Our expansion plans are inherently subject to a variety of risks and uncertainties beyond our control. These include fluctuations in macroeconomic conditions, shifts in the competitive dynamics of the markets we serve, changes in applicable laws, regulations, and government policies, as well as variations in the supply of and demand for our products.

Managing our growth will require significant expenditures and allocation of resources. We need to effectively manage our growth and maintain profits as we expect our costs and expenses to continue to increase in the future. We will also need to expand, train, manage and motivate our workforce and manage our relationships with suppliers, customers and other business partners. All these endeavors entail risks and demand considerable management efforts, skills and significant additional expenditures, which could strain our capacity to enhance our operational, auditing, human resources, financial and management controls. If we fail to achieve the necessary level of efficiency in our organization as we grow, our business, financial condition, and results of operations may be adversely affected.

RISKS RELATED TO THE JURISDICTIONS IN WHICH WE OPERATE OUR BUSINESS

Changes in economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines could have a material and adverse effect on our business, financial condition, and results of operations.

We operate our business in China and overseas. Our business, financial condition, and results of operations may be influenced by the economic, regulatory, political and social conditions in the country where we operate. Governments worldwide have implemented, and may continue to introduce, among others, various policies and measures to encourage the economic growth and guide the allocation of resources. The tech-enabled personal creative tool industry in general is affected by macro-economic factors, including international, national,

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regional and local economic conditions, trade relationships, employment levels, customer demand and discretionary spending. Any changes in these factors may have material and adverse effect on our business, financial condition, and results of operations.

The relevant laws and regulations may be subject to further interpretation and enforcement, which may affect the legal protections available to our business and our shareholders.

Our subsidiaries are subject to various laws and regulations generally applicable to companies in China. The PRC legal system is a civil law system based on written statutes. There is a limited volume of published court decisions, which may be cited for reference but are not binding on subsequent cases and have limited precedential value unless the Supreme People’s Court otherwise provides. However, since some of these laws and regulations are relatively new, the relevant laws, regulations and rules may be subject to further interpretation and enforcement, which may materially affect our business and our ability to continue our operations, and may further affect the legal remedies and protections available to [REDACTED], which may, in turn, affect the value of your [REDACTED].

The laws and regulations concerning the tech-enabled personal creative tool industry are developing and evolving. Although we have taken measures to comply with the laws and regulations that are applicable to our business operations, and to avoid conducting any noncompliant activities under the applicable laws and regulations, the relevant government authorities may promulgate new laws and regulations regulating the tech-enabled personal creative tool industry in the future. As these laws and regulations are continually evolving in response to changing economic and other conditions, these laws and regulations may be subject to further interpretation and enforcement. Changes in current laws or regulations, or the imposition of new laws and regulations regarding our industries in our geographic markets may adversely affect our industries and our financial condition and results of operations. In addition, we cannot assure you that our practice would not be deemed to violate any new laws or regulations relating to internet information service. Moreover, developments in the tech-enabled personal creative tool industry may lead to further legal or regulatory scrutiny on the industries where we operate in the future, or in the interpretation and application of existing laws, regulations and policies that may affect tech-enabled personal creative tool, which could materially affect our business and operations.

The M&A Rules and certain other PRC regulations establish certain procedures for some acquisitions of Chinese companies by foreign investors, which may affect us to pursue growth through acquisitions in China

The M&A Rules and some other established regulations and rules concerning mergers and acquisitions, set some procedures and requirements for merger and acquisition activities by foreign investors, including requirements, in some instances, that the Ministry of Commerce (“MOFCOM”) be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the SAMR shall be notified in advance of any concentration of undertaking if

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certain thresholds are triggered. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns, and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns, are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, to complete such transactions may take some time, which may affect our ability to expand our business or maintain our market share.

We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in relevant tax consequences to us and our shareholders, and have a material adverse effect on our results of operations and the value of your [REDACTED].

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise, and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over, and overall management of, the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the STA issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those that are not controlled by PRC enterprises or PRC enterprise groups like us, the criteria set forth in the circular may reflect the STA’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC, (ii) decisions relating to the enterprise’s financial and human resource matters are made, or are subject to approval by organizations or personnel in the PRC, (iii) the enterprise’s primary assets, accounting books, and records, company seals, and board and shareholder resolutions are located or maintained in the PRC, and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC. We currently take the position that we and our subsidiaries outside of China are not regarded as a PRC resident enterprise. However, the tax-resident status of an enterprise is subject to determination by the PRC tax authorities, and the term “de facto management body” may be subject to further interpretation and implementation. As substantially all of our management members are based in China, if the PRC tax authorities determine that our Company, or any of our subsidiaries outside of China, is a PRC resident enterprise for PRC enterprise income tax purposes, then our Company or

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such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Moreover, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our Shares may be subject to PRC tax, and dividends we pay may be subject to PRC withholding tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals, if such gains or dividends are deemed to be from PRC sources. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements. However, whether non-PRC shareholders of our company would be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise may be subject to further interpretation and implementation. Any such tax may reduce the returns on your [REDACTED] in our Shares.

We could be subject to risks from changes in applicable tax rates, the adoption of new overseas tax legislation or exposure to additional tax liabilities.

We operate in countries and regions overseas and are subject to various taxes. See “Financial Information — Description of Major Components of Our Results of Operations — Income Tax (Expenses)/Credit.” Due to the fact that the tax environment can be different in different jurisdictions and that the regulations regarding various taxes, including but not limited to corporate income tax, are complex, our overseas operations may expose us to risks associated with the overseas tax policy changes. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our effective tax rate could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities or changes in tax laws or their interpretation. Dealing with such regulatory complexities and changes may require us to divert more managerial and financial resources, which in turn could affect our results of operations.

We are also subject to the examination of our tax returns and other tax matters by local and overseas tax authorities and governmental bodies. The tax treatments of our transaction arrangements may be subject to interpretation by the respective tax authorities, and there can be no assurance as to the outcome of these examinations. If our weighted average effective tax rate was to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our financial condition, operating results and cash flows could be adversely affected.

Our foreign exchange transactions may be subject to the regulations on foreign currency conversion, including dividend payments from our PRC subsidiaries.

Under our current corporate structure, our Company in the Cayman Islands relies on dividend payments, from our PRC subsidiaries, to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in

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foreign currencies to us without prior approval from SAFE by complying with certain procedures under PRC foreign exchange regulation. However, approval from, or registration with, appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. If we fail to comply with such laws, regulations and procedures, we may not be able to obtain sufficient foreign currencies to satisfy our foreign currency demands, and we may not be able to pay dividends in foreign currencies to our shareholders.

Our use of the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries may be subject to the PRC regulations governing loans to, and direct investments in, PRC entities by offshore holding companies, which may materially affect our liquidity and our ability to fund and expand our business.

According to the relevant PRC laws and regulations, any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by, filing with, or registration with relevant governmental authorities in Chinese Mainland and, capital contributions to our PRC subsidiaries are subject to registration with designated banks. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches or designated banks, and (ii) each of our PRC subsidiaries may not procure loans that exceed the difference between its registered capital and its total investment amount or do not meet certain criteria relating to its net asset. Any medium- or long-term loan to be provided by us to our PRC subsidiaries must be recorded and registered by the NDRC and the SAFE or its local branches. We may not be able to complete such filing or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such filing or registration, our ability to use the [REDACTED] of this [REDACTED], and to capitalize our PRC operations, may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

We may be subject to penalties, including restrictions affecting on our ability to inject capital into our PRC subsidiaries, and on our PRC subsidiaries’ ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with, and obtain approval from, local branches of the SAFE in connection with their direct or indirect offshore investment activities. The Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “SAFE Circular 37”), was promulgated by the SAFE in July 2014, requiring PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our shareholders who are PRC residents, and may apply to any offshore

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acquisitions that we make in the future. Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies, are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as a change of PRC shareholders, the name of a company, terms of operation, an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or to update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing its profits and the proceeds from any reduction in capital, share transfer or liquidation to its offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into PRC and deemed to have been evasive or illegal, and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal. Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “SAFE Circular 13”), promulgated by SAFE on February 13, 2015, the power to accept SAFE registration was delegated from local SAFE to designated local banks where the assets or interests in the domestic entity are located.

We are committed to complying with, and to ensuring that our Shareholders who are subject to the regulations will comply with, the relevant SAFE rules and regulations. However, the regulatory requirements of such registration may be subject to further interpretation and implementation. In addition, we may not always be able to compel them to comply with SAFE rules and regulations. Failure by any such Shareholders to comply with SAFE rules and regulations could subject us to fines or legal sanctions, affect our investment activities in the PRC and overseas, or our cross-border investment activities, limit our subsidiaries’ ability to make distributions, pay dividends or make other payments to us, or affect our ownership structure, which could adversely affect our business and prospects. We may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and we cannot assure you that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations, or comply with other requirements under SAFE rules and regulations in a timely manner. The foreign exchange regulations and other regulations concerning offshore or cross border transactions may be subject to further interpretation, amendments and implementation. For example, we may be subject to further review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we, or

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the owners of such company, as the case may be, will be able to obtain the necessary approvals, or complete the necessary filings and registrations, required by the foreign exchange regulations. This may affect our ability to implement our acquisition strategy, and could adversely affect our business and prospects.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》). Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year, participate in any stock incentive plan of an overseas [REDACTED] company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such [REDACTED] company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options will be subject to these regulations when our Company becomes an [REDACTED] company upon the completion of this [REDACTED]. Failure to complete SAFE registrations may subject them to fines and administration penalties and may also limit their ability to make payment under our incentive plan or receive dividends or sales proceeds related thereto, or limit our ability to contribute additional capital into our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to us. As a result, our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC laws and regulations may be restricted. The STA has issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay, or we fail to withhold, their individual income taxes according to relevant rules and regulations, we may be subject to fines and penalties imposed by the competent governmental authorities.

Failure to comply with evolving PRC cybersecurity and data security regulations could materially and adversely affect our business, operating results, and reputation, as well as the [REDACTED] price of our Shares.

According to the Cybersecurity Review Measures (《網絡安全審查辦法》) (the “**Review Measures**”), in the following cases, applications for cybersecurity review shall be submitted to the Cybersecurity Review Office (《網絡安全審查辦公室》): (i) if a critical information

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infrastructure operator (“CIIO”) purchases network products and services, it shall anticipate the potential national security risks that may arise from the use of such products and services. Those that affect or may affect national security shall be reported to the Cybersecurity Review Office for cybersecurity review; and (ii) an internet platform operator holding more than 1 million users’ personal information must apply to the Cybersecurity Review Office for cybersecurity review when seeking to be listed in a foreign country.

Moreover, the relevant PRC governmental authorities may initiate cybersecurity review if they determine certain network products, services, or data processing activities affect or may affect national security. On September 24, 2024, the State Council promulgated the Regulations on the Administration of Cyber Data Security (《網絡數據安全管理條例》) (the “**Data Security Regulations**”), which is applicable to network data processing activities and the security supervision and administration thereof conducted within the territory of the PRC and took effect on January 1, 2025. The Data Security Regulations stipulate that data processors engaging in data processing activities that affect or may affect national security shall be subject to cybersecurity review in accordance with relevant laws and regulations.

Our PRC data compliance adviser conducted consultation via the hotline published by the Cyberspace Administration of China (the “CAC”) on a named basis on behalf of us on November 25, 2025 with the staff of the China Cybersecurity Review Technology and Certification Center (《中國網絡安全審查技術與認證中心》) (the “CCRC”, which is currently known as China Cybersecurity Review, Certification and Market Regulation Big Data Center (《中國網絡安全審查認證和市場監管大數據中心》)). The CCRC is a competent authority on this consultation, as it is entrusted with acceptance and review of application materials by the Cybersecurity Review Office under the CAC and to set up a hotline for consultation regarding the cybersecurity review, according to the official announcement by the CAC. Based on such consultation, the enterprises seeking listing in Hong Kong are not required to take the initiative to apply for a cybersecurity review, as Hong Kong is a part of the PRC and does not belong to the “foreign country” as stipulated in the Review Measures. However, the Review Measures and the Data Security Regulations are subject to further interpretation, application and enforcement. We will closely monitor the legislative process and seek guidance from relevant regulatory authorities in a timely manner to ensure our compliance with relevant laws and regulations applicable to us.

We are subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities with respect to the [REDACTED] and [REDACTED].

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”), which came into effect on March 31, 2023, and relevant supporting guidelines. The Overseas Listing Trial Measures have comprehensively improved and reformed the previous regulatory regime for overseas [REDACTED] and [REDACTED] of PRC domestic companies’ securities and will regulate both direct and indirect overseas [REDACTED] and [REDACTED] of PRC domestic

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companies’ securities. Any such domestic company that is deemed to conduct overseas [REDACTED] and [REDACTED] activities, including both the [REDACTED] and any further capital raising, shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

We will file with the CSRC within the specific time limit as required by the Overseas Listing Trial Measures. In addition, it is uncertain whether we can or how long it will take us to complete the CSRC filing. Any failure to complete the CSRC filing and other breach of the Overseas Listing Trial Measures may affect the [REDACTED] and may subject us to sanctions by the CSRC. Furthermore, such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial condition.

Our failure to fully comply with PRC labor-related laws may expose us to potential penalties and potential employee claims.

We are subject to various laws and regulations in the PRC and other jurisdictions in which we operate and are required to comply with all relevant requirements and standards. For example, we are required to contribute to a number of social insurance funds, including funds for pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund on behalf of our employees in Chinese Mainland. According to the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》), a Chinese Mainland enterprise is required to set up housing provident fund accounts and pay the housing provident fund in time and in full for its employees. According to the PRC Social Insurance Law (《中華人民共和國社會保險法》), a Chinese Mainland enterprise is required to complete social insurance registration for its employees and to pay the social insurance contributions in time and in full.

During the Track Record Period, we did not make full social insurance and housing provident fund contributions for our employees, as required by relevant laws and regulations. Our Directors are of the view that the amount of shortfall was immaterial, and will not have a material adverse impact on our operations or financial performance. As of the Latest Practicable Date, we had not received any notice or been subject to any administrative penalties or other disciplinary actions from the relevant governmental authorities in relation to the above-mentioned arrangements as to our social insurance and housing provident funds contribution. However, we cannot assure you that the relevant governmental authorities will not require us to pay the shortfall amount and impose late fees or fines, pecuniary penalties or other administrative actions on us. If the relevant PRC authorities determine that we shall make supplemental social insurance and housing fund contributions or that we are subject to fines, penalties, and compulsory execution in relation to our failure to make social insurance and housing fund contributions in full for our employees, our business, financial condition and results of operations may be adversely affected.

In addition to the above, if we fail to comply with any other relevant labor laws and regulations in Chinese Mainland, we may be exposed to penalties or be required to compensate employees.

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

The majority of our Directors and senior management reside in Chinese Mainland. The assets of these Directors and senior management also may be located within Chinese Mainland. As a result, it may not be possible to affect service of process upon most of our Directors and senior management outside the Chinese Mainland. Chinese Mainland does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom or Japan. However, judgments rendered by Hong Kong courts may be recognized and enforced in Chinese Mainland if the requirements set forth by the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) are met. Therefore, recognition and enforcement in Chinese Mainland of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

Although we will be subject to the Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong upon the [REDACTED] of our Shares on the Stock Exchange, the holders of Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong do not have the force of law in Hong Kong.

RISKS RELATED TO THE [REDACTED]

There has been no prior public market for our Shares and an active [REDACTED] market for our Shares may not develop or be sustained.

There was no public market for our Shares prior to the [REDACTED]. There can be no guarantee that a public market for our Shares with adequate liquidity and [REDACTED] will develop and be sustained following the completion of the [REDACTED]. In addition, the initial [REDACTED] of our Shares is expected to be fixed by agreement between the [REDACTED] (for itself and on behalf of the [REDACTED]) and us, which may not be indicative of the [REDACTED] of our Shares following the completion of the [REDACTED]. If an active [REDACTED] for our Shares does not develop following the completion of the [REDACTED], the [REDACTED] and liquidity of our Shares may be materially and adversely affected.

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

The [REDACTED] of our [REDACTED] is higher than the net tangible asset value per Share immediately prior to the [REDACTED]. Therefore, purchasers of our [REDACTED] in the [REDACTED] will experience an immediate dilution. Existing Shareholders will receive an increase in the [REDACTED] adjusted consolidated net tangible assets value per share of their shares. See Unaudited [REDACTED] Financial Information in Appendix II to this Document.

The [REDACTED] and [REDACTED] of our Shares following the [REDACTED] may be volatile, which could result in substantial losses to you.

The [REDACTED] and [REDACTED] of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong and elsewhere in the world. The Stock Exchange and other securities markets have, from time to time, experienced significant price and [REDACTED] volatility that are not related to the operating performance of any particular company. It is possible that our Shares may be subject to changes in price not directly related to our business performance. The business and performance and the [REDACTED] of the shares of other companies engaging in similar business may also affect the price and [REDACTED] of our Shares. In addition to market and industry factors, the price and [REDACTED] of our Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, results of operations, cash flows, investments, expenditures, relationships with our business partners, movements or activities of key personnel, actions taken by competitors or regulatory developments. In addition, the volatility in the [REDACTED] and [REDACTED] of our Shares may negatively impact our ability to raise capital in the future through the issuance of additional equity securities.

Future sales or perceived sales of substantial amount of our Shares in the [REDACTED], especially by our Directors, executive officers and substantial Shareholders, could materially and adversely affect the prevailing [REDACTED] of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial Shareholders, or the perception or anticipation that such sales might occur, could negatively impact the [REDACTED] of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. A certain amount of the Shares controlled by our existing Shareholders are subject to certain lock-up periods beginning on the date on which [REDACTED] in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the [REDACTED] of our Shares.

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We cannot assure you that we will declare and distribute any dividends in the future. If we do not pay dividends in the foreseeable future after the [REDACTED], you must rely on price appreciation of our Shares for a return on your [REDACTED].

There is no assurance that dividends of any amount will be declared or distributed by us in the future after the [REDACTED]. The declaration and distribution of dividends is at the complete discretion of the Board, and our ability to pay dividends or make other distributions to our Shareholders is subject to various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. We may not be able to have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. As a result of the above, we cannot assure you that we will make/can make dividend payments on our Shares in the future. For details, see “Financial Information — Dividends.”

Even if our Board decides to declare and pay dividends, the timing, number and form of future dividends, if any, will depend on our future results of operations and cash flow, our financial condition, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your [REDACTED] in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the [REDACTED] or even maintain the price at which you purchased the Shares. You may not realize a return on your [REDACTED] in our Shares and you may even lose your entire [REDACTED] in our Shares.

A future or perceived significant increase in the supply of our Shares in [REDACTED] could cause the [REDACTED] of our Shares to decrease significantly, and dilute shareholdings of our Shares holders.

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

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Our future financing may cause dilution of your shareholding or impose restrictions on our operations.

In order to raise capital and expand our business, we may consider offering and issuing additional shares or other securities convertible into or exchangeable for our shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the equity interest of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our business operations, which may further limit our ability or discretion to pay dividends, increase our risks in adverse economic conditions, adversely affect our cash flows or limit our flexibility in business development and strategic plans.

We are a Cayman Islands exempted company and, because judicial precedent regarding the rights of shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your shareholder rights.

Our corporate affairs are governed by our Memorandum of Association and Articles of Association and by the Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority shareholders may be located.

As a result of all of the above, minority shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management, Directors or our majority shareholder, which may provide different remedies to minority shareholders when compared to the laws of the jurisdiction in which such shareholders are located.

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Certain facts, forecasts and statistics derived from official government sources contained in this Document have not been independently verified and the market opportunity estimates may not be accurate.

We have derived certain facts and other statistics in this Document, particularly those relating to the general economy and the industry, from information provided by official government sources and other third-party sources. We have not independently verified information and statistics from official government sources, and there can be no assurance as to the accuracy and reliability of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other data problems, the statistics herein may be inaccurate. You should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Market opportunity estimates included in this Document, including our ability to capture a meaningful share of the relevant markets, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time, and there can be no assurance that our market opportunity estimates will materialize as anticipated. Any expansion in our market depends on a number of factors, including the cost, performance, and perceived value associated with our business and those of our competitors. Even if the market in which we compete meets the size estimates and growth forecasted in this Document, our business could fail to grow at similar rates, if at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is inherently subject to certain risks and uncertainties.

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

The [REDACTED] is being made solely on the basis of the information and representations contained in this Document, which are true and accurate to the best of our knowledge and belief. Any information not contained in this Document should not be relied upon in making an [REDACTED] decision with respect to the securities being [REDACTED]. Prior to the publication of this Document, there has been coverage in the media regarding us and the [REDACTED], which may have contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. [REDACTED] should be aware that information and opinions published by third-party sources may have been based on outdated, incomplete, or inaccurate information. These sources may also have conflicts of interest, and their opinions may not be independent or objective. The media's coverage of our Company and the [REDACTED] may be influenced by a wide range of factors, including the bias of individual journalists, the preferences of media outlets, and the demand of advertisers.

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

This Document contains certain statements and information that are forward-looking and uses forward-looking terminology such as “anticipate,” “believe,” “could,” “going forward,” “intend,” “plan,” “project,” “seek,” “expect,” “may,” “ought to,” “should,” “would” or “will” and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this Document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to this cautionary statement.

WAIVERS AND EXEMPTION

In preparation for the [REDACTED], the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and the following exemption from strict compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, a new applicant for a primary [REDACTED] on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

We do not have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules primarily on the basis that, given our headquarters and business operations are primarily based, managed and conducted in Chinese Mainland, and substantially all of our assets are based in Chinese Mainland, our management is best able to attend to our function by being based in Chinese Mainland. As such, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to, among others, the following conditions:

- (i) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives appointed are Ms. Liu Yao (劉堯), our executive Director and president, and Ms. Cheung Hin Kiu (張顯翹) (“**Ms. Cheung**”), our company secretary. Ms. Cheung is situated and based in Hong Kong, and will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange. Both of our authorized representatives will be readily contactable by telephone and email to deal promptly with enquiries from the Stock Exchange. Our Company will inform the Stock Exchange promptly in respect of any change in the authorized representatives;
- (ii) both authorized representatives have means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Company has implemented a policy whereby (i) each Director has provided his or her valid phone numbers or other means of communication to the authorized representatives; (ii) in the event that a Director expects to travel or is otherwise out of office, he or she will endeavor to provide his or her phone number of the place of his or her accommodation to the authorized representatives or maintain an open line of communication via his or her mobile phone; and (iii) each Director has provided his or her mobile phone number, office phone number and e-mail address to the Stock Exchange and will inform the Stock Exchange promptly if there are any changes to the contact details of the Directors;

WAIVERS AND EXEMPTION

- (iii) pursuant to Rule 3.20 of the Listing Rules, each Director has provided his or her contact information to the Stock Exchange and to the authorized representatives. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required;
- (iv) all our Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with relevant members of the Stock Exchange in Hong Kong upon reasonable notice, when required;
- (v) pursuant to Rule 3A.19 of the Listing Rules, we have retained the services of Rainbow Capital (HK) Limited as our Compliance Adviser, which will act as an additional channel of communication with the Stock Exchange and will be available to respond to enquiries from the Stock Exchange. The Compliance Adviser will have access at all times to the Company's authorized representatives, Directors, senior management and other officers of the Company. We will keep the Stock Exchange up to date in respect of any change in the Compliance Adviser. Our authorized representatives, Directors, senior management and other officers of our Company will promptly provide such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules. There will be adequate and efficient means of communication between our Company, authorized representatives, Directors, senior management and other officers of our Company and the Compliance Adviser, and to the extent reasonably practicable and legally permissible, we will keep the Compliance Adviser informed of all communications and dealings between the Stock Exchange and us;
- (vi) we will appoint other professional advisers (including legal advisers in Hong Kong) after the [REDACTED] to assist us in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange; and
- (vii) our Company has designated one of our staff members as the communication officer at our headquarters after the [REDACTED] who will be responsible for maintaining day-to-day communication with Ms. Cheung and our Company's professional advisers in Hong Kong, including our legal advisers in Hong Kong and the Compliance Adviser, to keep abreast of any correspondences and/or enquiries from the Stock Exchange and report to our executive Directors to further facilitate communication between the Stock Exchange and our Company.

WAIVERS AND EXEMPTION

WAIVER AND EXEMPTION IN RELATION TO THE [REDACTED] SHARE OPTION SCHEMES

Rule 17.02(1)(b) of the Listing Rules requires a listing applicant to, *inter alia*, disclose in the document full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options.

Paragraph 27 of Appendix D1A to the Listing Rules requires a listing applicant to disclose, *inter alia*, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

Under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the document must state the matters specified in Part I of the Third Schedule. Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures, must be specified in the document.

As of the Latest Practicable Date, the Company has granted outstanding Share Options under the [REDACTED] Share Option Schemes to 249 grantees (the “**Grantees**”) to subscribe for an aggregate of 8,381,825 Shares, which consist of four connected persons of the Company and 245 other grantees (who are our employees and not Directors, senior management or connected persons of the Company) (the “**Other Grantees**”). The Shares underlying the outstanding Share Options represent approximately [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised).

No Share Options under the [REDACTED] Share Option Schemes will be further granted after [REDACTED]. For more details about our [REDACTED] Share Option Schemes, see “Statutory and General Information — D. [REDACTED] Share Option Schemes” in Appendix IV to this Document.

WAIVERS AND EXEMPTION

We have applied to the Stock Exchange and the SFC respectively for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, in connection with the disclosure of the names, addresses, and entitlements of certain Grantees on an individual basis, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company based on the following reasons:

- (a) since the outstanding Share Options under the [REDACTED] Share Option Schemes were granted to a total of 249 Grantees involved (none of whom will individually hold more than 1% of the total issued share capital of our Company immediately following the completion of the [REDACTED]), strict compliance with the relevant disclosure requirements to disclose names, addresses, and entitlements on an individual basis in the Document would be costly and unduly burdensome for our Company, requiring a substantial number of pages of additional disclosure that does not provide any material information to the [REDACTED] public and would significantly increase the cost and timing for document preparation;
- (b) full details of the Share Options granted under the [REDACTED] Share Option Schemes to the connected persons of the Company has already been disclosed in “Statutory and General Information — D. [REDACTED] Share Option Schemes” in Appendix IV to this Document;
- (c) as of the Latest Practicable Date, all of the Shares underlying the [REDACTED] Share Option Schemes which involve unexercised Share Options have been allotted and issued and are held by Current Blue core Frontiers Limited, Current Blue core Innovators Limited and Future Blue core Innovators I Limited prior to the [REDACTED]. Accordingly, even if all of the outstanding Share Options granted under the [REDACTED] Share Option Schemes are exercised, there will not be any dilution effect on the shareholding of our Shareholders nor any impact on the earnings per Share arising from the exercise of the outstanding Share Options, details of which are disclosed in “Statutory and General Information — D. [REDACTED] Share Option Schemes” in Appendix IV to this Document;
- (d) with respect to the Grantees not disclosed on an individual basis, such number of Shares (representing only approximately [REDACTED]% of the total issued share capital of our Company immediately following the completion of the [REDACTED]) is not material in the circumstances of our Company, and the grant and exercise in full of such Share Options will not cause any material adverse impact to the financial position of our Company; and

WAIVERS AND EXEMPTION

- (e) material information relating to the Share Options under the [REDACTED] Share Option Schemes will be disclosed in this Document, including a summary of the major terms of the [REDACTED] Share Option Schemes, the total number of Shares to be issued under the [REDACTED] Share Option Schemes, the exercise price per Share, the vesting schedule and exercise period, the potential dilution effect on shareholding and the impact on earnings per Share. Our Directors consider that the lack of full compliance with such disclosure requirements will not prevent potential [REDACTED] from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the [REDACTED] public.

The Stock Exchange [has granted] us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules on the conditions that:

- (a) the following information will be clearly disclosed in this Document:
 - (i) on an individual basis, full details of all the outstanding Share Options granted by our Company under the [REDACTED] Share Option Schemes to the connected persons of the Company, including all the particulars required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules;
 - (ii) in respect of the outstanding Share Options granted by our Company to the Grantees other than those referred to in sub-paragraph (i) above:
 - a. the aggregate number of the Grantees and the number of Shares subject to the Share Options;
 - b. the consideration paid for and the date of the grant of the Share Options; and
 - c. the vesting schedule, exercise period and the exercise price for the Share Options;
 - (iii) the dilution effect and impact on earnings per Share upon full exercise of the outstanding Share Options granted under the [REDACTED] Share Option Schemes;
 - (iv) the aggregate number of Shares subject to the outstanding Share Options granted by our Company under the [REDACTED] Share Option Schemes and the percentage of our Company's issued share capital upon completion of the [REDACTED] of which such number represents;
 - (v) a summary of the [REDACTED] Share Option Schemes; and

WAIVERS AND EXEMPTION

- (b) the list of all the Grantees (including the persons referred to in paragraph (a)(ii) above), containing all details as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules, be made available for public inspection in accordance with “Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display — Document Available for Inspection” in Appendix V to this Document.

The SFC [has granted] us a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to the conditions that:

- (a) on an individual basis, full details of all the outstanding Share Options granted by our Company under the [REDACTED] Share Option Schemes to the connected persons of the Company will be disclosed in this Document, such details including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the outstanding Share Options granted by our Company under the [REDACTED] Share Option Schemes to the Other Grantees (other than those referred to in paragraph (a) above), the following details be disclosed in this Document on an aggregate basis, categorized into lots based on the number of Shares underlying each individual Grantee, being (i) 1 to 49,999 Shares, (ii) 50,000 to 99,999 Shares, and (iii) 100,000 or more Shares:
 - a. the aggregate number of the Other Grantees and the number of Shares subject to the Share Options;
 - b. the consideration paid for and the date of the grant of the Share Options; and
 - c. the exercise period and the exercise price for the Share Options;
- (c) a full list of all the Grantees (including the persons referred to in paragraph (b) above) who have been granted Share Options to subscribe for Shares under the [REDACTED] Share Option Schemes, containing all details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be made available for public inspection in accordance with “Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display — Document Available for Inspection” in Appendix V to this Document; and
- (d) the particulars of the exemption be disclosed in this Document and that this Document be issued on or before [REDACTED].

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Wang Jianjun (王建军)	Room 101 6 Baohong East 1st Street Nansha District Guangzhou, Guangdong PRC	Chinese
Ms. Liu Yao (劉堯)	Flat 16C, Block 1 Braemar Hill Mansions 15-43 Braemar Hill Road North Point Hong Kong	Chinese
Mr. Jin Shengze (金盛澤)	Room 503, Building 7A Phase I of Gaofa Xi'an Garden 5th Avenue, Xin'an Sub-district Bao'an District Shenzhen, Guangdong PRC	Chinese
Mr. Hu Jinhong (胡錦宏)	Room 3H, Huigui Ge Huixin Garden No. 16 Beidou Road Luohu District Shenzhen, Guangdong PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
<i>Independent non-executive Directors</i>		
Dr. Ni Zewang (倪澤望)	Room 1206, Building 7 Guangling Jiayuan No. 4038 Luosha Road Luohu District Shenzhen, Guangdong PRC	Chinese
Mr. Zhang Saiyin (張賽音)	Flat B, 35/F, Tower 2 (2B) Southland 11 Heung Yip Road Wong Chuk Hang Hong Kong	Chinese
Mr. Meng Tianxing (孟天行)	14U, Building 6 Yujing Huacheng Garden Futian District Shenzhen, Guangdong PRC	Chinese

For further information of our Directors, please see the section headed “Directors and Senior Management” in this Document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Morgan Stanley Asia Limited

46th Floor, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

**Huatai Financial Holdings (Hong Kong)
Limited**

62/F, The Center
99 Queen's Road Central
Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal advisers to our Company

As to Hong Kong and United States laws

Davis Polk & Wardwell

10/F, The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

As to PRC laws

Jingtian & Gongcheng

34/F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing
PRC

As to Cayman Islands laws

Harney Westwood & Riegels

3501 The Center
99 Queen's Road Central
Central
Hong Kong

**Legal advisers to the Joint Sponsors
and the [REDACTED]**

As to Hong Kong and United States laws

Latham & Watkins LLP

18/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC laws:

Jia Yuan Law Offices

F408, Ocean Plaza
158 Fuxing Men Nei Street
Xicheng District
Beijing
PRC

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Auditor and Reporting Accountants

KPMG

Certified Public Accountants

Public Interest Entity Auditor registered in accordance with the Accounting and

Financial Reporting Council Ordinance

8/F, Prince’s Building

10 Chater Road

Central

Hong Kong

Industry Consultant

China Insights Industry Consultancy Limited

10F, Building B

Jing’an International Center

88 Puji Road

Jing’an District

Shanghai

PRC

Compliance Adviser

Rainbow Capital (HK) Limited

Room 710, 7/F, Wing On House

71 Des Voeux Road Central

Central

Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office	Suite #4-210, Governors Square 23 Lime Tree Bay Avenue P. O. Box 32311 Grand Cayman KY1-1209 Cayman Islands
Head Office and Principal Place of Business in the PRC	4/F, Tower C3 Nanshan Zhiyuan No. 1001 Xueyuan Avenue Nanshan District Shenzhen, Guangdong PRC
Principal Place of Business in Hong Kong	Room 1915, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's Website	<u>www.xtool.com</u> <i>(Note: the information contained on this website does not form part of this Document)</i>
Company Secretary	Ms. Cheung Hin Kiu (張顯翹) Room 1915, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Authorized Representatives	Ms. Liu Yao (劉堯) 4/F, Tower C3 Nanshan Zhiyuan No. 1001 Xueyuan Avenue Nanshan District Shenzhen, Guangdong PRC

CORPORATE INFORMATION

	Ms. Cheung Hin Kiu (張顯翹) Room 1915, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Audit Committee	Mr. Zhang Saiyin (張賽音) (<i>chairperson</i>) Dr. Ni Zewang (倪澤望) Mr. Meng Tianxing (孟天行)
Remuneration Committee	Dr. Ni Zewang (倪澤望) (<i>chairperson</i>) Mr. Wang Jianjun (王建軍) Mr. Meng Tianxing (孟天行)
Nomination Committee	Dr. Ni Zewang (倪澤望) (<i>chairperson</i>) Ms. Liu Yao (劉堯) Mr. Zhang Saiyin (張賽音)

[REDACTED]

Principal Banks

Bank of China, Jingang Branch

Jingang Shengshi Huating
Donghai Avenue, Yantian District
Shenzhen, Guangdong
PRC

Citibank N.A., Hong Kong Branch

83 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this Document were extracted from a report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us or any other parties involved in the [REDACTED], or any of our or their respective directors, senior management, representatives, advisers or any other persons involved in the [REDACTED], and no representation is given as to its accuracy, fairness and completeness. For a discussion of the risks relating to our industry, see “Risk Factors”. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the CIC Report that would qualify, contradict or have a material impact on the information in this section.

GLOBAL TECH-ENABLED PERSONAL CREATIVE TOOL INDUSTRY

Overview

Creativity has been a core driving force behind the evolution of human civilization, deeply rooted in our fundamental needs for self-expression and the development of our material world. From the flourishing of craftsmanship during the Renaissance to the mechanical innovations of the Industrial Age, creative acts have consistently interwoven technological revolutions with social transformation, continually expanding the frontiers of human creativity. Throughout this evolution, creative tools have progressed from brushes and chisels to mechanized equipment and digitally controlled systems — each technological leap lowering the technical and operational barriers to creation.

Against this backdrop, creative activities have undergone a profound transformation. The traditional system — defined by centralized creativity, large-scale manufacturing, and one-way distribution to consumers — concentrated creative output in the hands of a small group of people. However, with the rapid advancement of automation technologies and artificial intelligence, creative activities are increasingly shifting toward a distributed model, where individual creators and SMBs are emerging as key contributors.

Just as computers evolved from specialized productivity tools in the mainframe era into personal computers (PCs) accessible to everyone — unlocking human creativity in the digital world — creative tools have become the core enablers of creativity in the physical world. Through intelligent design, multi-scenario adaptability, and user-friendly interfaces, these tools have transformed from large industrial equipment once limited to factories and professional institutions into affordable and easy-to-use devices for individuals.

INDUSTRY OVERVIEW

Classification of Tech-enabled Personal Creative Tools

Tech-enabled personal creative tools encompass a range of advanced technological equipment that enables individual creators and SMBs to transform creative ideas into tangible physical products through digital and intelligent means.

These tools include both consumer-grade and commercial-grade additive and non-additive equipment. Additive tools generally refer to 3D printers, while non-additive tools include: (i) laser-based tools such as laser engraver, laser cutter, and laser welder; (ii) material-printing tools that print on non-paper surfaces using inkjet, coating, or curing processes, such as DTF printers, DTG printers, and UV printers; and (iii) other tools such as CNC (Computerized Numerical Control) cutters and craft cutters.

The following diagram provides a comparison between additive and non-additive equipment, highlighting key differences in industry-grade tools and consumer and commercial-grade tools.

INDUSTRY OVERVIEW

Additive Tech-enabled Personal Creative Tools vs. Non-additive Tech-enabled Personal Creative Tools

		Non-additive							
		Material Printing Personal Creative Tools		Other Non-additive Personal Creative Tools					
Definition	Additive	3D printer	Laser engraver and cutter	Laser welder	DTF printer	DI/G printer	UV printer	CNC cutter	Craft Cutter
	Industrial - grade Equipment	Personal Creative Tools	Industrial - grade Equipment	Personal Creative Tools	Industrial - grade Equipment	Personal Creative Tools	Industrial - grade Equipment	Personal Creative Tools	Personal Creative Tools
		<p>A device that creates 3-D objects by adding material layer upon layer</p>  <ul style="list-style-type: none"> Processing Speed: 150-500mm/s Build Volume: ≥400x400x400 mm 	<p>A machine that uses a laser beam to engrave, mark or cut the surface of a material</p>  <ul style="list-style-type: none"> Laser Power: 50-200W CO₂ or fiber Working Area: ≥600x600 mm 	<p>A portable device used for joining metal parts using a focused laser beam</p>  <ul style="list-style-type: none"> Laser Power: 500-3,000W Weld Speed: 0-120mm/s Weld Thickness: 0.5-3mm 	<p>A device that prints designs directly onto fabric using specialized inkjet technology that absorbs into the fibers.</p>  <ul style="list-style-type: none"> Print Speed: 16-24m²/h Print Width: 600 mm+ 	<p>A device that prints designs directly onto fabric using specialized inkjet technology that absorbs into the fibers.</p>  <ul style="list-style-type: none"> Print Speed: 20-60s/shirt Resolution: 1200x1200 dpi 	<p>A device that uses ultraviolet light to instantly cure ink printed onto various materials.</p>  <ul style="list-style-type: none"> Print Area: 600 x 900 mm UV Power: 100-300W 	<p>A device that uses a cutting tool to remove material from thick materials such as wood, metal, or thick plastics</p>  <ul style="list-style-type: none"> Rotation speed: 20,000rpm Carving material: glass, steel, copper, leather, etc. 	<p>A device that use a small blade to cut thin materials like paper, and cardstock</p>  <ul style="list-style-type: none"> Working area: 1,300X1,300mm Cutting Speed: 800-1,500 mm/s
		 <ul style="list-style-type: none"> Processing Speed: 50-200mm/s Build Volume : ~250x250x250mm 	 <ul style="list-style-type: none"> Laser Power: 10-80W Working Area: 915 mm x 458 mm 	 <ul style="list-style-type: none"> Laser Power: 800-1,200W Weld Speed: 0-60mm/s Weld Thickness: 0.5-2mm 	 <ul style="list-style-type: none"> Print Speed: 5-10 m²/h Print Width: 300-350 mm 	 <ul style="list-style-type: none"> Print Speed: 40-80s/shirt Resolution: 600x1200 dpi 	 <ul style="list-style-type: none"> Print Area: 300x300 mm UV Power: 50-200W 	 <ul style="list-style-type: none"> Rotation speed: 10,000rpm Carving material: aluminum, brass, etc. 	 <ul style="list-style-type: none"> Working Area: ~300x300 mm Cutting Speed: 600-700 mm/s

Source: CIC

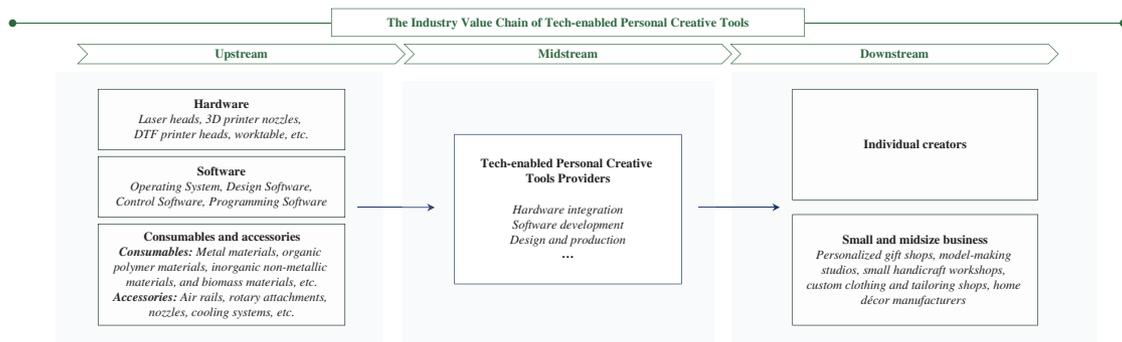
INDUSTRY OVERVIEW

Industry Value Chain

The ecosystem of tech-enabled personal creative tools is built around a well-defined industry value chain:

- **Upstream suppliers**, the segment includes providers of core hardware components — such as laser, DTF printer head, worktable, etc. — as well as software developers for design and operating systems, and suppliers of consumables and accessories.
- **Midstream product providers**, tech-enabled personal creative tool providers play a central role by identifying market needs, integrating upstream hardware and software, and delivering key products such as 3D printer, laser engraver and laser cutter, and DTF printer. Some technologically leading companies are also able to independently develop and iterate their own design software.
- **Downstream users**, these products empower individual creators, SMBs and other users, enabling personalized manufacturing and innovation across a wide range of scenarios.

The following diagram illustrates the industry value chain of tech-enabled personal creative tools.

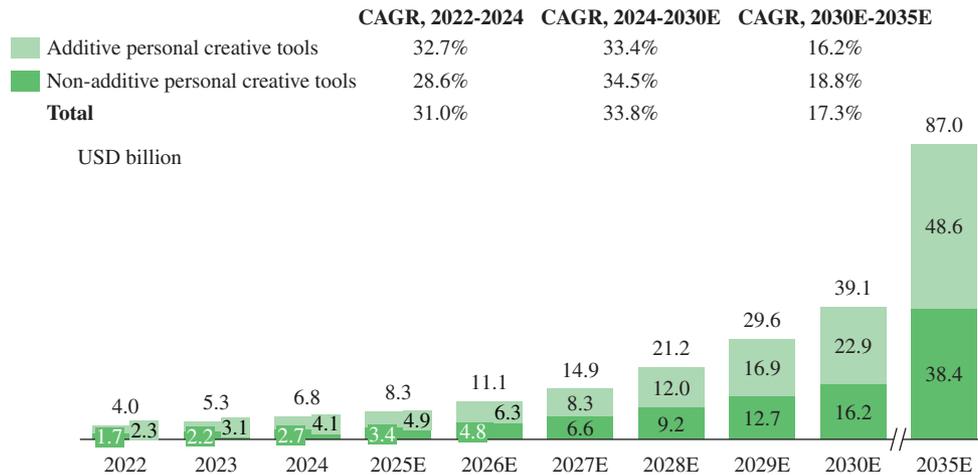


Source: CIC

INDUSTRY OVERVIEW

The market size for global tech-enabled personal creative tools in terms of GMV has been growing rapidly, projected to expand from US\$6.8 billion in 2024 to US\$39.1 billion in 2030 with a CAGR of 33.8%, and further to US\$87.0 billion in 2035 with a CAGR of 17.3%.

Market Size of Global Tech-Enabled Personal Creative Tools



Source: CIC

GLOBAL NON-ADDITIVE PERSONAL CREATIVE TOOL INDUSTRY

Development History

The non-additive personal creative tool industry has evolved from professional-led exploration to rapid consumer adoption and is now entering an AI-driven era of mass creation.

Professional-led Exploration Stage (before 2021)

Before 2021, non-additive personal creative tools, including laser engraver and laser cutter, DTF printer, and DTG printer, were still in the exploration and early formation stage. During this period, products primarily targeted industrial users, large studios, and technically skilled enthusiasts. The equipment featured complex operation procedures and high costs, with applications mainly concentrated in commercial customization, product prototyping, and professional art creation.

INDUSTRY OVERVIEW

Diversified User Penetration and Market Expansion Stage (2021–2025)

Since 2021, the non-additive personal creative tools industry, represented by laser engraver and laser cutter, entered a rapid growth phase. With the maturation of e-commerce channels and the rising demand for personalized customization, personal creative tools began to reach general consumers and small-scale creative entrepreneurs. As technologies continued to mature and prices declined, the equipment became smaller, smarter, and easier to operate, significantly reducing the user threshold. During this stage, applications expanded beyond professional customization to encompass home creation, personalized product design, creative crafts, and small-batch production.

Mass Creation and Ecosystem Integration Stage (2025 and Beyond)

Looking beyond 2025, as laser engraving and cutting, DTF, DTG and UV technologies continue to advance in printing precision, portability, and intelligent interaction, the industry is expected to enter a new phase of “mass creation.” Technological innovations such as automated design optimization, cloud-based collaboration, and AI-assisted design will accelerate the popularization of personal creative tools among wider audiences. These tools will increasingly serve as key enablers for personalization and emotional value consumption, unlocking significant market potential. At the same time, cross-domain integration will deepen — new application scenarios such as customized home decoration, personalized fashion, and creative marketing will continue to emerge.

Classification of Non-additive Personal Creative Tools

Non-additive personal creative tools can be broadly categorized into three groups. The first includes laser-based tools that use focused light for engraving, cutting, and welding, such as laser engraver and laser cutter, and laser welder. The second category comprises material-printing tools that print on non-paper surfaces, including textiles, plastics, and composite materials, using inkjet, coating, or UV-curing processes; representative examples include DTF, DTG, and UV printers. The third category encompasses other non-additive tools, such as CNC cutters and craft cutters.

INDUSTRY OVERVIEW

Laser-based Personal Creative Tools

Laser-based personal creative tools refer to intelligent desktop or portable devices that use laser sources as an energy or processing medium to perform engraving, cutting, welding, marking, cleaning, and other creative fabrication functions on various materials.

- ***Laser Engraver and Laser Cutter.*** Laser engraver and laser cutter refers to a personal creative fabrication device that uses a focused laser beam to etch, engrave, mark or cut materials with high precision. By controlling the laser’s energy density and scanning path on different materials such as wood, leather, acrylic, metal, and glass, the device enables artistic outputs including patterns, text, reliefs, or through-cuts.
- ***Laser Welder.*** Laser welder refers to a portable laser fabrication tool that uses a high-energy-density laser beam to join, repair, or process metals and other materials. Compared with traditional industrial welding machines, it features lightweight design, system integration, air cooling, low-power safety configuration, and multifunctional capabilities, such as welding, cutting, and cleaning.

Material Printing Personal Creative Tools

Material printing personal creative tools are digital printing devices designed specifically for individual creators and SMBs, capable of directly printing high-precision, full-color images on a wide range of non-paper materials.

- ***DTF Printing.*** DTF printing is an emerging digital transfer technology. Its process involves printing the design onto a specialized PET film, applying a layer of hot-melt adhesive powder, and then transferring the pattern onto the target material through heat pressing. The core advantage of this technology lies in its exceptional material versatility — it is particularly suitable for various textiles, including cotton, polyester, and blended fabrics, and works equally well on light or dark materials, delivering vivid and highly saturated color effects. Moreover, DTF prints offer excellent wash and abrasion resistance while maintaining a soft hand feel. With its simplified workflow and high cost-efficiency for small-batch production, DTF technology is rapidly becoming the preferred solution for personalized apparel and creative product customization.

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- ***DTG Printing.*** DTG printing technology operates on a principle similar to that of traditional inkjet printer. It uses specialized water-based inks to spray designs directly onto pre-treated textiles. This technology is primarily suited for light-colored, absorbent fabrics such as cotton, enabling breathable, soft-to-the-touch, and highly detailed prints, which makes it widely popular in the market. However, when printing on dark garments, an additional step of applying a white underbase layer is required, which increases process complexity and time cost and may slightly affect the softness of the final print. Therefore, DTG technology remains one of the mainstream solutions for personalized printing on cotton apparel, such as light-colored T-shirts and sweatshirts.
- ***UV Printing.*** UV printing is a versatile technology designed for rigid materials. Using a flatbed platform, the printer deposits UV-curable inks onto the surface of an object while curing and drying the ink instantly with ultraviolet light. The core strength of UV printing lies in its extraordinary compatibility with a wide range of rigid materials, including wood, metal, glass, acrylic, plastic, and even phone cases. UV prints feature instant curing, strong adhesion, scratch resistance, and corrosion resistance. By enabling on-demand, small-batch customization across signage, advertising displays, industrial panels, promotional gifts, and electronic product casings, UV printer serves as a key bridge between digital creativity and hard-material manufacturing.

Other Non-additive Personal Creative Tools

Other non-additive personal creative tools include innovative tools outside of laser-based or material printing, primarily applied in personalized customization, artistic creation, and precision manufacturing.

- ***CNC Cutter.*** A CNC cutter refers to a computer numerically controlled machine tool that automatically moves cutting tools along one or more axes to cut, drill, mill, or shape material according to a digital program. It typically works on solid stock such as metal, wood, plastic, or composites, providing high precision, rigidity, and repeatability for producing parts, molds, and complex structures.
- ***Craft cutter.*** A craft cutter uses small blades or tools to cut or score thin, usually flexible sheet materials along programmed paths. It is commonly used for non-metal substrates such as paper, vinyl, cardstock, fabric, leather, and cardboard in applications like crafts, signage, packaging, and customized decoration.

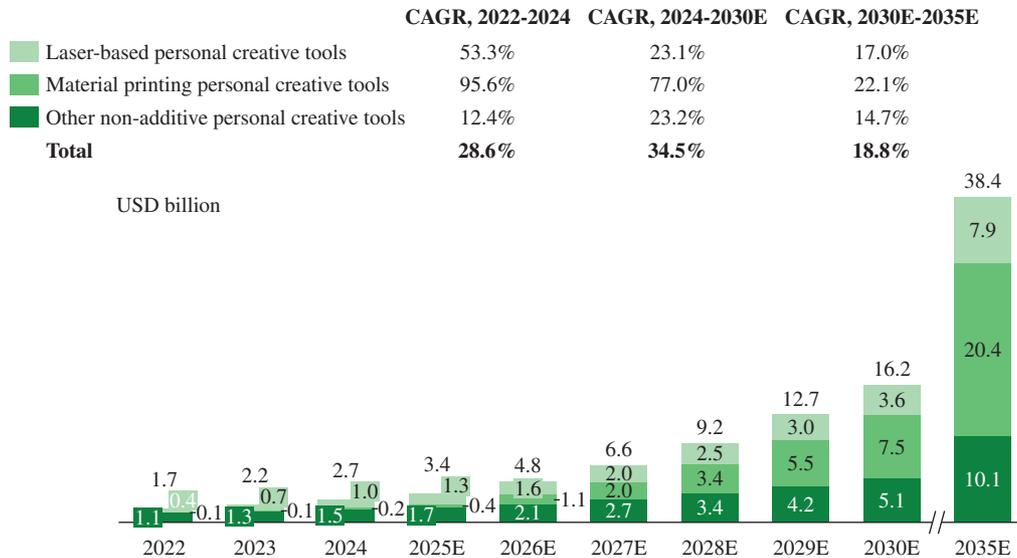
INDUSTRY OVERVIEW

Market Size of Global Non-additive Personal Creative Tool Industry

The market size of global non-additive personal creative tool industry in terms of GMV is projected to experience substantial growth, expanding from US\$1.7 billion in 2022 to US\$38.4 billion by 2035. This expansion is primarily driven by material printing personal creative tools, which is expected to rise significantly from US\$0.1 billion to an estimated US\$20.4 billion by 2035. Laser-based personal creative tools, also show strong growth, increasing from US\$0.4 billion in 2022 to US\$7.9 billion in 2035. Laser-based personal creative tools, also show strong growth, increasing from US\$0.4 billion in 2022 to US\$7.9 billion in 2035.

The following chart illustrates the global market size of non-additive personal creative tools in terms of GMV by product category.

Market Size of Global Non-additive Personal Creative Tools



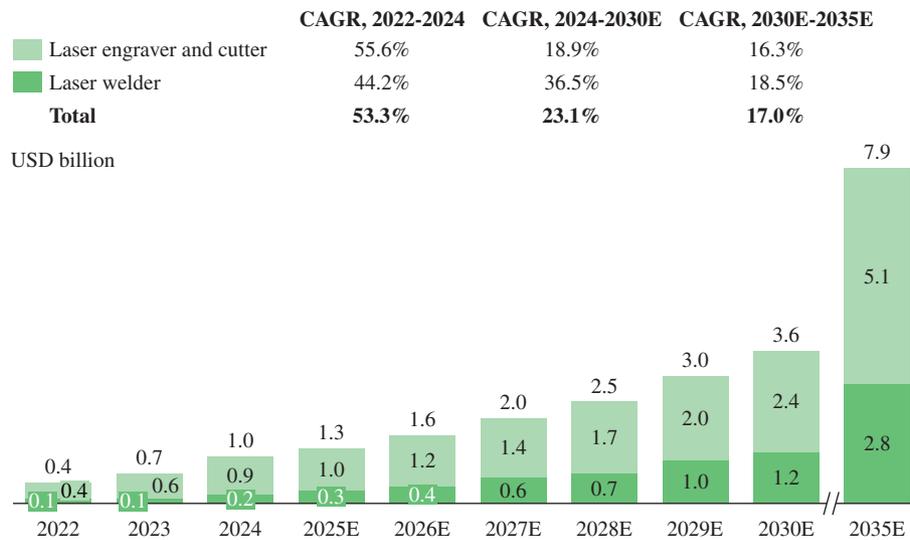
Source: CIC

INDUSTRY OVERVIEW

Laser-based Personal Creative Tools

The global penetration rate of laser-based personal creative tools rose from approximately 11.2% in 2022 to approximately 15.3% in 2024. Driven by expanding market demand and ongoing technological advancements, this segment is poised for further growth in the coming years. The following chart illustrates the market size of global laser-based personal creative tools by product category in terms of GMV.

Market Size of Global Laser-based Personal Creative Tools



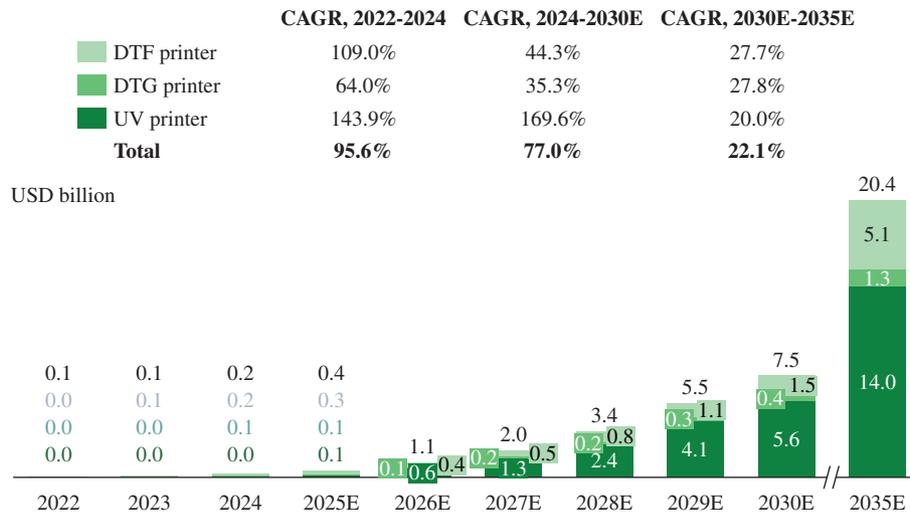
Source: CIC

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Material Printing Personal Creative Tools

The global market for material printing personal creative tools is projected to experience extraordinary growth, rising from US\$0.2 billion in 2024 to an estimated US\$20.4 billion by 2035. This represents a CAGR of 77.0% between 2024 and 2030, and a CAGR of 22.1% from 2030 to 2035. Among these tools, UV printer demonstrates particularly strong expansion in the long term, with a notable CAGR of 169.6% from 2024 to 2030 and 20.0% from 2030 to 2035.

Market Size of Global Material Printing Personal Creative Tools



Source: CIC

INDUSTRY OVERVIEW

Key Drivers for Market Growth

The growth of the global non-additive personal creative tools industry has been fueled by converging trends on both the demand side and the supply side.

Demand-side Drivers

- ***Rise of Personalization and Emotional Value Consumption.*** Consumer demand is shifting from “fulfilling basic functional” to higher dimensions of self-expression and emotional satisfaction. Elements such as customization, unique design, limited editions, and handcrafted quality are becoming new purchasing drivers. Non-additive personal creative tools, by enabling personalized creation, custom design, and emotional resonance, are expected to further enhance their market penetration.
- ***Growth of Creative Economy.*** Technological advancement has sparked a wave of entrepreneurship driven by creativity. The rise of online platforms enables individual creators to easily complete the full cycle from creation to monetization, achieving both income and flexibility while pursuing their passions. In the future, more users are expected to leverage personal creative tools to build independent businesses, evolving personal interests into sustainable ventures and forming an entrepreneurship ecosystem centered on creativity.
- ***Rise of Maker Culture and Social Media.*** The rise of social media and short-video platforms has fostered maker culture, stimulating user creativity and participation and contributing to market expansion.

Supply-side Drivers

- ***AI and Other Technological Innovation.*** The integration of AI enables real-time error detection, intelligent material alignment, and AI-generated content, significantly improving engraving precision while making the tools more accessible to non-professional users. Advances in automated control systems, computer vision, multi-laser technology, and fabric-compatible printing continue to enhance accuracy, efficiency, and ease of use — better fulfilling diverse creative needs.
- ***Digital Integration of Hardware-Software Ecosystems.*** Digital tools have become an integral part of daily life, spanning creativity, production, and social interaction. The deep integration of hardware and software bridges the digital and physical worlds, enabling seamless connectivity across the entire process — from hardware control to design and creation — thereby lowering usage barriers and enhancing the user experience. The synergy between self-developed software iteration and hardware performance improvements also fosters a positive cycle of functional expansion and content ecosystem growth.

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- ***Cost Reduction Through Domestic Supply Chain.*** The domestically produced components in China have significantly reduced manufacturing costs. For instance, lasers with power below 2kW have almost achieved full domestic production. At the same time, operating and maintenance costs have been further lowered through algorithm optimization, control system upgrades, and component enhancements, which together have improved production efficiency. The rise of domestic component suppliers, combined with these efficiency gains, has reduced both the manufacturing and usage costs of tools, making them more competitively priced compared to products manufactured by foreign brands.

Sustainable Competitive Moat

Built on a foundation of technological innovation, integrated ecosystems, and resilient supply chains, leading players are constructing a sustainable competitive moat that fuels user loyalty, accelerates product iteration, and drives long-term growth. This advantage manifests across five core pillars:

- ***Product Competitiveness Through R&D Capabilities.*** Continuous technological innovation and product iteration, such as high-precision visual positioning, automated creation systems, and advanced control algorithms, enable industry leaders to significantly reduce user learning curves, enhance processing accuracy, and elevate customer satisfaction. This technical excellence fosters strong brand loyalty and creates a clear market differentiation.
- ***Integrated Hardware-Software Ecosystem.*** Most companies still lack the capability to independently develop and iterate their own design software. By developing proprietary hardware, control and design software, as well as applications and asset libraries, companies can deliver a full end-to-end experience through hardware–software integration. This cohesive ecosystem enhances user retention and repurchase, while subscription-based and value-added services further unlock new growth opportunities.
- ***Multi-channel Go-to-Market Strategy.*** A DTC (Direct-to-Consumer)-centered channel strategy enables effective brand building and direct user insights, allowing companies to maintain close connections with end-users and strengthen customer loyalty to the brand. Partnerships with distributors and online e-commerce platforms serve as a complementary approach to broaden market coverage and accelerate scale.
- ***Community-driven User Ecosystem.*** By cultivating vibrant user communities and content-sharing platforms, brands encourage creativity, interaction, and knowledge exchange among users. Such community engagement strengthens brand loyalty and creates a virtuous cycle that supports continuous product enhancement and user growth.
- ***Agile and Cost-Effective Supply Chain.*** Strong partnerships with upstream suppliers secure stable access to critical components, such as laser sources, at competitive costs. These relationships also facilitate early adoption of cutting-edge technologies, enabling faster time-to-market and enhanced responsiveness to evolving customer needs.

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Global Competitive Landscape

Laser-based Personal Creative Tools Industry

The global market for laser-based personal creative tools is relatively concentrated, with competition led by a small group of established brands including xTool. Market leaders benefit from strong product portfolios, integrated hardware–software ecosystems, and well-developed global sales channels. In 2024 and the first nine months of 2025, the top 10 brands collectively accounted for over 50% of GMV, underscoring the dominance of major players and the high barriers to entry for emerging competitors.

In terms of GMV in 2024 and the nine months ended September 30, 2025, we are the No. 1 global laser-based personal creative tool brand, with a market share of approximately 35% and 37%. The following chart illustrates the high level of market concentration in the laser-based personal creative tools industry.

Overview of The Top 5 Laser-based Personal Creative Tools Providers

Brand & Company	Launch year of the laser-based personal creative tools business	GMV, 2024, USD million	Share, %	Product Type	
				Laser Engraver and Cutter	Laser Welder
xTool	2021	~365	35.1%	√	√
Company A	2014	~60	5.8%	√	x
Company B	1990	~59	5.7%	x	√
Company C	2004	~39	3.8%	x	√
Company D	2021	~37	3.6%	√	x

Source: CIC

Note: Company A: Founded in 2008 and headquartered in Shanghai, China, Company A focuses on personal creative laser engraver and cutters for individual creators and small businesses

Company B: Founded in 1990 and headquartered in Massachusetts, USA, Company B develops and manufactures high-power fiber lasers and integrated systems for personal creative, industrial and scientific applications.

Company C: Founded in 2004 and headquartered in Shenzhen, China, Company C specializes in the R&D and production of fiber lasers and core optical components for applications such as cutting, welding, and cleaning.

Company D: Founded in 2020 and headquartered in Shenzhen, China, Company D is dedicated to providing personal creative laser engraver and cutters.

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Laser Engraver and Laser Cutter Industry

The laser engraver and laser cutter segment is likewise highly concentrated, with the top five brands collectively accounting for about 60% of total GMV in 2024. In this segment, we ranked as the largest and fastest-growing global laser engraver and laser cutter brand in terms of GMV among Top 5 players in 2024 and nine months ended September 2025, with market shares of approximately 43% and 47%, respectively, surpassing the combined market share of brands ranked second through tenth. The following chart illustrates the high level of market concentration in the laser engraver and laser cutter industry.

Overview of The Top 5 Laser Engraver and Cutter Providers, 2024

Brand & Company	Starting year of the laser engraver and cutter business	GMV, 2024, USD million	Share, %	Key product categories	Price range	Sales channel
xTool	2021	~365	42.8%	Engravers, Cutters	\$999~\$6,999	Primarily direct sales
Company A	2014	~60	7.1%	Engravers, Cutters	\$1,099~\$9,499	Primarily direct sales
Company D	2021	~37	4.3%	Engravers, Cutters	\$139~\$3,799	Primarily through distributors
Company E	2022	~30	3.3%	Engravers	\$599~\$2,699	Primarily through distributors
Company F	2022	~20	2.4%	Engravers	\$129~\$1,569	Primarily through distributors

Source: CIC

Note: Company E: Founded in 2014 and headquartered in Shenzhen, China, Company E is dedicated to providing 3D printers, laser engravers, 3D scanners and accessories.

Company F: Founded in 2014 and headquartered in Shenzhen, China, Company F supplies personal creative 3D printer as well as laser engravers.

Summary of Consumer Survey

According to the consumer survey conducted in July 2025 with 200 respondents, our significant competitive advantages in user reputation and value creation are demonstrated by the following points:

- **Market Enlightenment.** About 45% of respondents indicated that their first exposure to personal creative tools was through laser engraver and laser cutter, far higher than 3D printer and blade cutting machines, each at 7%. 50% of our users tried our products offline before making a purchase decision.
- **Exceptional Loyalty.** We achieved a remarkable Net Promoter Score of 67%, indicating superior customer satisfaction and strong brand advocacy.

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- **High Usage Frequency.** Our users operate their devices more frequently than non-xTool users. In September 2025, each of our active devices recorded an average of 48 processing sessions per month, with an average monthly processing duration of 6 hours. Besides, 80% of users operate our machines at least monthly and 40% use them daily.
- **Strong Repurchase Intent.** One-third of users plan to purchase another device, and among users owning multiple laser engravers and laser cutters, our users show a notably higher rate of multi-device penetration.
- **Proven Business Impact.** Nearly 70% of surveyed SMB users reported growth in creative business, with our users operating at a significantly larger scale than non-xTool’s users. 18% of our SMB users generate over 80% of their income from creative business.

DTF Printer Industry

In the nine months ended September 30, 2025, in terms of GMV, we are the No. 3 global DTF printer brand, with a market share of 12.7%. The following chart illustrates the high level of market concentration in the DTF printer industry.

Overview of The Top 5 DTF Printer Providers, Based on GMV for The Nine Months Ended September 30, 2025

Brand & Company	Starting year of the DTF printer business	GMV, 2025/9/30, USD million	Share, %
Company G	2023	~30.1	20.4%
Company H	2014	~19.1	13.1%
xTool	2025	~18.8	12.7%
Company I	2021	~10.3	6.9%
Company J	2010	~6.2	4.2%

Source: CIC

Note: Company G: Founded in 2018 and headquartered in Shenzhen, China, Company G specializes in designing and manufacturing material printers.

Company H: Founded in 1942 and headquartered in Japan, Company H is known for its innovations in inkjet printing, wearables, and robotics.

Company I: Founded in 2005 and headquartered in California, USA, Company I specialize in distributing and supplying material printing personal creative tools.

Company J: Founded in 2011 and headquartered in Guangzhou, China, Company J develops and manufactures DTF and UV printers.

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UPSTREAM SUPPLY AND COST ANALYSIS

The laser head is the most critical and cost-intensive component of laser engraver, typically accounting for approximately 15% to 45% of the total product cost. Its pricing is primarily determined by type of light source and output power, with higher-power levels of the same light source type commanding significantly higher costs. Market prices vary widely, ranging from hundreds of RMB for entry-level low-power units to thousands of RMB for advanced models. As mass production of laser engraver scales up, the costs of laser head are steadily declining, supported by a maturing supply chain, standardized technology, and economies of scale.

SOURCE OF INFORMATION

We commissioned CIC to conduct an analysis of and to prepare a report on the major markets for which our global tech-enabled personal creative tools are positioned. We have contracted to pay RMB800,000 to CIC. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report. CIC's services include industry consulting, commercial due diligence, strategic consulting, etc. Its consulting team has been tracking the latest market trends across various industries, where it has relevant and insightful market intelligence.

The CIC Report was compiled based on the following assumptions: (i) the overall social, economic and political environment globally and in China is expected to remain stable during the forecast period; (ii) the economic and industrial development globally and in China is likely to maintain a steady growth trend over the next decade; (iii) related key industry drivers are likely to continue driving the growth of the market during the forecast period; and (iv) there is no extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally.

In compiling and preparing the CIC Report, CIC used the following key methodologies to collect multiple sources, validate the data and information collected, and cross-check each respondent's information and views against those of others: (i) secondary research, which involved reviewing published sources including national statistics, annual reports of listed companies, industry reports and data based on CIC's own research database; and (ii) primary research, which involved in-depth interviews with the industry participants.

CIC's projections are made based on various market determinants and their coefficients assigned to a market which indicate their relative importance. The market determinants represent both subjective assumptions and objective factors, therefore, the projected data may not be consistent with the real data.

Our Directors confirm that, after taking reasonable care, there has been no material adverse change in the market information since the date of the CIC Report that would materially qualify, contradict or impact such information.

REGULATORY OVERVIEW

PRC REGULATION

We are subject to a variety of PRC laws, rules and regulations across a number of aspects of our business. This section sets forth a summary of the most significant laws and regulations that are applicable to our current business activities within the territory of Chinese Mainland.

REGULATIONS ON EXPORTATION OF GOODS

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), which was promulgated by the SCNPC on May 12, 1994, and last revised and implemented on December 30, 2022, and the Measures for the Recordation Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) promulgated by the Ministry of Commerce (MOFCOM) on June 25, 2004, implemented on July 1, 2004, and subsequently revised on August 18, 2016, November 30, 2019, and May 10, 2021, foreign traders engaging in import and export of goods or technology shall go through recordation registration with MOFCOM or institutions entrusted by MOFCOM. Where a foreign trade operator fails to complete the recordation registration, the customs shall not process the customs declaration and release formalities for import and export goods.

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987, and last revised and implemented on April 29, 2021, unless otherwise stipulated, the customs declaration and tax payment formalities for import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that are allowed to be registered with the Customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall file a record with the Customs in accordance with the laws.

Pursuant to the Administrative Provisions of the Customs of the PRC on the Filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs on November 19, 2021 and taking effect from January 1, 2022, the consignees and consignors for imported or exported goods and customs declarations entities shall undergo recordation formalities at the relevant administration department of customs in accordance with the laws.

REGULATIONS ON FOREIGN INVESTMENT

In March 2019, the National People’s Congress promulgated the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the “**2019 PRC Foreign Investment Law**”). Upon taking effect on January 1, 2020, the 2019 PRC Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》), and the Wholly Foreign-Owned Enterprises Law (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC.

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Pursuant to the PRC Foreign Investment Law, “foreign investments” refer to investment activities conducted by foreign investors directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council.

Foreign investors’ investment, earnings, and other legitimate rights and interests within the territory of Chinese Mainland shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall equally apply to FIEs. The state guarantees that FIEs participate in the formulation of standards in an equal manner and in government procurement activities through fair competition in accordance with the law. The State shall not expropriate any foreign investment except under special circumstances. In special circumstances, the State may levy or expropriate the investment of foreign investors in accordance with the law for the needs of the public interest. The expropriation and requisition shall be conducted in accordance with legal procedures, and timely and reasonable compensation shall be given. In carrying out business activities, FIEs shall comply with relevant provisions on labor protection, social insurance, tax, accounting, foreign exchange, and other matters stipulated in laws and regulations.

On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020 and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法實施細則》).

Investment activities in Chinese Mainland by foreign investors are principally governed by the Catalog of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》), or the Encouraging Catalog, and the Special Administrative Measures for Access of Foreign Investments (《外商投資准入特別管理措施》), or the Negative List, which were promulgated and are amended from time to time by the MOFCOM and the NDRC, and together with the Foreign Investment Law and its respective implementation rules and ancillary regulations. The Encouraging Catalog and the Negative List lay out the basic regulatory framework for foreign investment in Chinese Mainland. On October 26, 2022, the MOFCOM and the NDRC released the Catalog of Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄》(2022年版)), which became effective on January 1, 2023, to replace the previous one. On September 6, 2024, the MOFCOM and the NDRC released the

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Special Administrative Measures for Access of Foreign Investments (2024 Version) (《外商投資准入特別管理措施(負面清單)》(2024年版)), or the Negative List 2024, which became effective on November 1, 2024, to replace the previous Negative List.

According to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by the NDRC and the MOFCOM on December 19, 2020, and implemented on January 18, 2021, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the provisions hereof. A foreign investor or a party concerned in China shall take the initiative to make a declaration to the working mechanism office before investing in any important infrastructure, important transportation services, and other important fields that concern state security, while obtaining actual control over the enterprises invested in.

REGULATIONS RELATING TO PRODUCT LIABILITY

Pursuant to the PRC Product Quality Law (《中華人民共和國產品質量法》), which was promulgated by the Standing Committee of the National People’s Congress (NPCSC) on February 22, 1993, and most recently amended on December 29, 2018, and came into effect on the same day, a manufacturer is prohibited from producing or selling products that do not satisfy applicable standards and requirements for safeguarding human health and ensuring human and property safety. Products must be free from unreasonable dangers threatening human and property safety. Where a defective product causes personal injury or property damage, the aggrieved party may make a claim for compensation from the manufacturer or the seller of the product. Manufacturers and sellers of non-compliant products may be ordered to cease the production or sale of the products and could be subject to confiscation of the products and fines. Earnings from sales in violation of such standards or requirements may also be confiscated, and in severe cases, an offender’s business license may be revoked. On May 28, 2020, the NPC promulgated the Civil Code of the People’s Republic of China (《中華人民共和國民法典》), or the PRC Civil Code, which took effect on January 1, 2021 and replaces the Tort Law of the People’s Republic of China, the Contract Law of the People’s Republic of China, and several other basic civil laws in the PRC. Under the PRC Civil Code, if a product is found to be defective and to compromise the personal and property security of others, the victim may require compensation to be made by the manufacturer or the seller of the product. Where a manufacturer or seller manufactures or sells a product knowing that the product is defective, or a defect of a product is discovered after the product is put into circulation, failing to take remedial measures in accordance with the provisions of the preceding Article, so that death or serious physical harm is caused to another person, the infringed person has the right to request for the corresponding punitive damages. Where the damage is caused by a defect of a product due to the fault of a third person, such as a transporter or a warehouse, the manufacturer or seller of the product shall, after paying compensation, have the right to indemnification against the third person.

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PROTECTION OF CONSUMER RIGHTS AND INTERESTS

The Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) passed by the Standing Committee of NPC on October 31, 1993, which was last amended on October 25, 2013 and became effective on March 15, 2014, provides the code of conduct for business operators when dealing with consumer, including but not limited to: (i) ensuring that the goods or services comply with the relevant laws and regulations in relation to the product quality; (ii) providing accurate information concerning the quality, performance, purpose and term of validity of the goods or services provided; (iii) issuing invoice or other shopping vouchers or service documents to consumers in accordance with relevant national regulations or commercial practices; (iv) ensuring that the actual quality and function of the goods or services is in conformity with the quality of the goods or services indicated by advertisement, product descriptions, samples or other means; (v) assuming responsibility for repair, remanufacturing, replacement, return of goods or other liability under national regulations or any agreement with consumers; and (vi) not to impose terms that are unreasonable or unfair on consumers.

REGULATIONS ON LEASING

Pursuant to the PRC Civil Code, the lessee may sublease the leased premises to a third party with the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. However, the lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. The lessee may terminate the lease contract if the leased property could not be used due to the reasons of the lessors, such as when the ownership of the leased real estate is in dispute.

Pursuant to the PRC Civil Code, if the mortgaged property has been leased and transferred for occupation before the establishment of mortgage rights, the original tenancy shall not be affected by such mortgage rights. According to the Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (Revised 2020) (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》(2020年修正)), or the Interpretation on the Application of Law about Disputes Over Lease Contracts on Urban Buildings, which was promulgated by the Supreme People's Court on July 30, 2009, and amended on December 29, 2020, if the ownership of the leased premises changes during the period when the lessee is in possession in accordance with the lease contract, and the lessee requests the assignee to continue to perform the original lease contract, the PRC court shall support it, except when the mortgage right has been established before the premises were leased and the ownership changes due to the mortgagee's realization of the mortgage right occurred.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部), or the MOHURD, promulgated the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), or the New Lease Measures, which became effective on February 1, 2011, and replaced the Administrative Measures for Urban House Leasing (《城市房屋租賃管理辦法》). Pursuant to the New Lease Measures, parties to

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the housing lease shall register and file with the local property administration authority within thirty days after entering the lease contract. Failure to comply with such registration and filing requirements shall result in fines up to RMB10,000. However, according to the PRC Civil Code, failure to register and file with the authority in accordance with the provisions of laws, administrative rules, and regulations would not prejudice the validity of the contract.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION AND WORK SAFETY

Environmental Protection

Pursuant to the PRC Environmental Protection Law (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014, and effective on January 1, 2015, any entity which discharges or will discharge pollutants during the course of operations or other activities must implement effective environmental protection safeguards and procedures to control and properly treat waste gas, waste water, waste residue, dust, malodorous gases, radioactive substances, noise, vibrations, electromagnetic radiation, and other hazards produced during such activities.

Pursuant to the Environmental Protection Law, construction projects that have an environmental impact shall be subject to an environmental impact assessment. Installations for the prevention and control of pollution in construction projects must be designed, built, and commissioned together with the principal construction plan of the project. Such installations shall not be dismantled or left idle without authorization from the competent government agencies. Consequences of violations of the Environmental Protection Law include fines, rectification within a time limit, shutdown, or criminal punishment for Environment Impact Assessment, and so on.

Laws on Environment Impact Assessment

Pursuant to the Law of the People's Republic of China on Environment Impact Assessment (《中華人民共和國環境影響評價法》) issued by the Standing Committee of the National People's Congress (NPCSC) on October 28, 2002, and most recently amended on December 29, 2018, the State Council implemented an environmental impact assessment, or EIA, to classify construction projects according to the impact of the construction projects on the environment. Constructing entities shall prepare an environmental impact report, or an EIR, or an environmental impact statement, or an EIS, or fill out the EIR Form according to the following rules: (i) for projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of the environmental impacts; and (iii) for projects with very small environmental impacts, an EIS is not required but an EIR form shall be completed.

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On November 30, 2020, the Ministry of Ecology and Environment of the PRC promulgated the Classified Administration Catalog of Environmental Impact Assessments for Construction Projects (2021 version) (《建設項目環境影響評價分類管理名錄(2021年版)》), or Classified Administration Catalog (2021 version).

Work Safety

Under relevant construction safety laws and regulations, including the PRC Work Safety Law (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on June 29, 2002, amended on August 27, 2009, August 31, 2014 and June 10, 2021, and effective on September 1, 2021, production and operating business entities must establish objectives and measures for work safety and improve the working conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement the work safety job responsibility system. In addition, production and operating business entities must arrange work safety training and provide their employees with protective equipment that meets the national or industrial standards.

Fire Control

Pursuant to the PRC Fire Safety Law (《中華人民共和國消防法》), which was promulgated by the SCNPC on April 29, 1998, and most recently amended on April 29, 2021, and the Interim Provisions on Administration of Fire Control Design Review and Acceptance of Construction Project (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the MOHURD on April 1, 2020, and most recently amended on April 21, 2023, with effect on October 30, 2023, the construction entity of a labor-intensive enterprise's manufacturing plant whose size is over 2,500 square meters and other special construction projects must apply for fire prevention design review with fire control authorities, and complete fire assessment inspection and acceptance procedures after the construction project is completed. The construction entity of other construction projects must file with the competent department for record within five business days after passing the construction completion inspection and acceptance. If the construction entity fails to pass the fire safety inspection before such venue is put into use or fails to conform to the fire safety requirements after such inspection, it will be subject to (i) orders to suspend the construction of projects, use of such projects, or operation of relevant business, and (ii) a fine between RMB30,000 and RMB300,000.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Copyright

On September 7, 1990, the SCNPC promulgated the Copyright Law of the PRC (《中華人民共和國著作權法》), or the Copyright Law, effective on June 1, 1991, and amended on October 27, 2001, February 26, 2010, and November 11, 2020, and the latest amendment took effect on June 1, 2021. On August 2, 2002, the State Council promulgated the Implementation Regulations of the PRC Copyright Law (《中華人民共和國著作權法實施條例》), which was most recently amended on January 30, 2013, and came into effect on March 1, 2013. According

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to the Copyright Law, Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their copyrightable works. Copyright owners enjoy certain legal rights, including the right of publication, the right of authorship, and the right of reproduction. An infringer of the copyrights shall be subject to various civil liabilities, which include ceasing infringement activities, apologizing to the copyright owners, and compensating the loss of copyright owners. Infringers of copyright may also be subject to fines and/or administrative or criminal liabilities in severe situations. To further implement the Regulations on Computer Software Protection (《計算機軟件保護條例》), promulgated by the State Council on December 20, 2001 and amended on January 8, 2011 and January 30, 2013, respectively, the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration (中華人民共和國國家版權局) on February 20, 2002 and revised on June 18, 2004, which specifies detailed procedures and requirements with respect to the registration of software copyrights.

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, and amended on February 22, 1993, October 27, 2001, August 30, 2013, and April 23, 2019, respectively, the SAIC, under the State Council, is responsible for the registration and administration of trademarks in Chinese Mainland. The SAIC under the State Council has established a Trademark Review and Adjudication Board (商標評審委員會) for resolving trademark disputes. A registrant may apply to renew a registration within twelve months before the expiration date of the registration. If the registrant fails to apply in a timely manner, a grace period of six additional months may be granted. Registered trademarks are valid for 10 years from the date the registration is approved. If the registrant fails to apply before the grace period expires, the registered trademark shall be deregistered. On April 29, 2014, the State Council issued the revised Implementing Regulations of the Trademark Law of the People’s Republic of China (《中華人民共和國商標法實施條例》), which specifies the requirements of applying for trademark registration and renewal.

Patent

According to the Patent Law of the People’s Republic of China (《中華人民共和國專利法》), or the Patent Law, promulgated by the SCNPC on March 12, 1984 and amended on September 4, 1992, August 25, 2000, December 27, 2008, and October 17, 2020, with the latest amendment taking effect on June 1, 2021, respectively, and the Implementation Rules of the Patent Law of the People’s Republic of China (《中華人民共和國專利法實施細則》), or the Implementation Rules of the Patent Law, promulgated by the State Council on June 15, 2001 and revised on December 28, 2002, January 9, 2010 and January 20, 2024, respectively, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within the respective administrative areas. The Patent Law and Implementation Rules of the Patent Law provide for three types of patents, namely “inventions,” “utility models,” and “designs.”

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Invention patents are valid for twenty years, utility model patents are valid for ten years, and since June 1, 2021, the validation period for design patents whose application date is after June 1, 2021, is extended to fifteen years in each case from the date of application.

Domain Names

On August 24, 2017, the MIIT promulgated the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), or the Domain Name Measures, which became effective on November 1, 2017. The Domain Name Measures regulate the registration of domain names, such as China’s national top-level domain name “.CN.” The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under the supervision of which the China Internet Network Information Center is responsible for the daily administration of .cn domain names and Chinese domain names. CNNIC adopts the “first to file” principle with respect to the registration of domain names.

REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal regulations governing foreign currency exchange in Chinese Mainland are the Administrative Regulations on Foreign Exchange of the People’s Republic of China (《中華人民共和國外匯管理條例》), or the Foreign Exchange Administrative Regulation, which were promulgated by the State Council on January 29, 1996, became effective on April 1, 1996, and was subsequently amended on January 14, 1997, and August 5, 2008. Under the regulations, payments of current account items can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate governmental authorities or the designated banks is required where RMB is to be converted into foreign currency and remitted outside of Chinese Mainland to pay capital account items.

On June 9, 2016, SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, whose core policy is consistent with the relevant provisions of the State Administration of Foreign Exchange on deepening cross-border trade and investment facilitation on December 4, 2023. The SAFE Circular 16 unifies the discretionary foreign exchange settlement for all domestic institutions. The Discretionary Foreign Exchange Settlement refers to the foreign exchange earnings on the capital account (including foreign exchange capital, foreign loans, and funds remitted from the proceeds from the overseas listing), which have been confirmed by the relevant policies to implement discretionary foreign exchange settlement can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%. Violations of SAFE Circular 16 could result in administrative penalties in accordance with the Foreign Exchange Administrative Regulation and relevant provisions.

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Furthermore, SAFE Circular 16 stipulates that the use of foreign exchange incomes of capital accounts by FIEs shall follow the principles of authenticity and self-use within the business scope of the enterprises. The foreign exchange incomes of capital accounts and capital in RMB obtained by the FIE from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities or financial schemes other than bank’ principal guaranteed products, unless otherwise provided for by any law or regulation; (iii) used for loans to non-affiliated enterprises, unless otherwise permitted by its business scope and (iv) used for the construction or purchase of real estate that is not for self-use (except for real estate enterprises).

On October 23, 2019, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), or the SAFE Circular 28, which was recently amended on December 4, 2023. The SAFE Circular 28 stipulates that non-investment FIEs may use capital to carry out domestic equity investment in accordance with the law, under the premise of not violating the negative list, and the projects invested are true and in compliance with laws and regulations. In addition, SAFE Circular 28 stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt, and overseas listing, for the purpose of domestic payments, without providing authenticity certifications to the relevant banks in advance for those domestic payments.

On April 10, 2020, SAFE issued the Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), or the SAFE Circular 8. The SAFE Circular 8 provides that under the condition that the use of funds is genuine and compliant with current administrative provisions on use of income relating to capital account, eligible enterprises are allowed to use income under capital account such as capital funds, foreign debts and overseas listings for domestic payment, without submission to the bank prior to each transaction of materials evidencing the veracity of such payment.

On December 4, 2023, the SAFE issued the Notice on Further Deepening Reforms to Promote the Convenience of Cross-border Trade and Investment (《關於進一步深化改革促進跨境貿易投資便利化的通知》), or the SAFE Notice 28, which provides that qualified high-tech, “professional, sophisticated, unique and new” and technology-based small and medium-sized enterprises in Guangdong (including Shenzhen) can borrow foreign debt on their own within an amount not exceeding the equivalent of US\$10 million. SAFE Notice 28 abolished the restriction that the cumulative remittance amount of up-front expenses of overseas direct investment by a domestic enterprise shall not exceed the equivalent of US\$3 million, provided that the cumulative remittance amount shall not exceed 15% of the total proposed investment amount by the PRC entity.

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REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal regulations governing the distribution of dividends of a wholly foreign-owned enterprise, or WFOE, include the Company Law of the PRC, which was recently amended by the SCNPC on December 29, 2023, and came into force on July 1, 2024. Under these regulations, WFOEs in Chinese Mainland may pay dividends only out of their accumulated profits, if any, determined in accordance with the Chinese Mainland accounting standards and regulations. PRC companies are not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year. In addition, foreign investment enterprises in Chinese Mainland are required to allocate at least 10% of their accumulated profits each year, if any, to fund certain statutory reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. Foreign investment enterprises shall not distribute profits before losses are covered and the statutory reserve funds are drawn.

REGULATIONS RELATING TO OFFSHORE SPECIAL PURPOSE VEHICLES HELD BY CHINESE MAINLAND RESIDENTS

SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》) on May 10, 2013, which was amended on October 10, 2018 and on December 30, 2019 respectively, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in Chinese Mainland shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in Chinese Mainland based on the registration information provided by SAFE and its branches.

SAFE promulgated Notice of the State Administration of Foreign Exchange on Issues Related to Foreign Exchange Management of Overseas Investment and Financing and Return Investment of Domestic Residents through Special Purpose Companies (SAFE Circular 37) (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), on July 4, 2014 that requires Chinese Mainland residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for overseas investment or financing. SAFE Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles by PRC residents or entities to seek offshore investment and financing or conduct round-trip investment in the PRC. Under SAFE Circular 37, a “special purpose vehicle” refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests. “Round-trip investment” refers to direct investment in the PRC by PRC residents or entities through special purpose vehicles, namely, establishing foreign-invested enterprises to obtain ownership, control rights, and management rights. SAFE Circular 37 provides that, before contributing to a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch. In addition, such PRC residents

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or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such Chinese Mainland citizens or residents, and name and term of operation), capital increase or reduction, transfers or exchanges of shares, or mergers or divisions.

SAFE further enacted the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or the SAFE Circular 13 and amended on December 30, 2019 by a notice, which allows Chinese Mainland residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for overseas investment or financing.

Pursuant to China’s foreign exchange administration regulations, failure to comply with the registration procedures outlined in Circular 37 of the SAFE may result in restrictions on the foreign exchange activities of the relevant domestic companies (including the payment of dividends and other distributions to their overseas parent companies or affiliates). It may lead to penalties against the relevant Chinese residents. Chinese residents controlling such a company shall, from time to time, register with SAFE in respect of their investments in it. In addition, failure to comply with the aforesaid SAFE registration requirements may render the relevant parties liable under Chinese law for evasion of foreign exchange control.

REGULATIONS RELATING TO STOCK INCENTIVE PLANS

According to the Notice of the State Administration of Foreign Exchange on Issues Relating to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Share Incentive Rules, which was issued on February 15, 2012, and other regulations, directors, supervisors, senior management and other employees participating in any share incentive plan of an overseas publicly-listed company who are Chinese Mainland citizens or non-Chinese Mainland citizens residing in Chinese Mainland for a continuous period of not less than one year, subject to certain exceptions, are required to register with SAFE or its local branches and complete certain other procedures. All such participants who are PRC residents need to authorize a qualified Chinese Mainland agent, such as a Chinese Mainland subsidiary of the overseas publicly-listed company, to register with SAFE and handle foreign exchange matters, such as opening accounts, and transfer and settlement of the relevant proceeds. The Share Incentive Rules further require an offshore agent to be designated to handle matters in connection with the exercise of stock options and sales of proceeds for the participants of the stock incentive plans. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution, or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee stock options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents’ exercise of the employee stock options. The foreign exchange proceeds received by the PRC residents from the sale of stock under the stock incentive plans granted

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and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. Failure to complete the said SAFE registrations may subject the participating directors, supervisors, senior management, and other employees to fines and other legal sanctions.

In addition, the SAT has issued certain circulars concerning employee stock options and restricted shares. Under these circulars, employees working in Chinese Mainland who exercise stock options or are granted restricted shares will be subject to Chinese Mainland individual income tax. The Chinese Mainland subsidiaries of an overseas listed company are required to file documents relating to employee stock options and restricted shares with the relevant tax authorities and to withhold individual income taxes of employees who exercise their stock options or purchase restricted shares. If the employees fail to pay or the Chinese Mainland subsidiaries fail to withhold income tax in accordance with relevant laws and regulations, the Chinese Mainland subsidiaries may face sanctions imposed by the tax authorities or other Chinese Mainland governmental authorities.

REGULATIONS RELATING TO OUTBOUND DIRECT INVESTMENT

On December 26, 2017, the NDRC promulgated the Administrative Measures for the Outbound Investment of Enterprises (《企業境外投資管理辦法》), or NDRC Order No. 11, which took effect on March 1, 2018. According to NDRC Order No. 11, non-sensitive overseas investment projects are required to make record filings with the local branch of the NDRC. On September 6, 2014, MOFCOM promulgated the Administrative Measures on Overseas Investments (《境外投資管理辦法》), which took effect on October 6, 2014. According to such regulations, overseas investments of PRC enterprises that involve non-sensitive countries and regions and non-sensitive industries must make record filings with a local branch of MOFCOM. The Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》) was issued by SAFE on November 19, 2012 and amended on May 4, 2015, October 10, 2018 and December 30, 2019 respectively, under which Chinese Mainland enterprises must register for overseas direct investment with local banks. The shareholders or beneficial owners who are Chinese Mainland entities are required to be in compliance with the related overseas investment regulations. If they fail to complete the filings or registrations required by overseas direct investment regulations, the relevant authority may order them to suspend or cease the implementation of such investment and make corrections within a specified time.

REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) of the People's Republic of China, or the EIT Law, which was promulgated on March 16, 2007, became effective from January 1, 2008 and amended on February 24, 2017 and December 29, 2018, respectively, an enterprise established outside Chinese Mainland with de facto

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management bodies within Chinese Mainland is considered a resident enterprise for Chinese Mainland enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. The Implementing Rules of the Enterprise Income Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》), or the Implementing Rules of the EIT Law, initially promulgated on December 6, 2007, and subsequently amended on April 23, 2019 and December 6, 2024, came into effect on January 1, 2008, with the latest amendments effective as of January 20, 2025. These rules define a de facto management body as a managing body that, in practice, exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. Non-Chinese Mainland resident enterprises without any branches in Chinese Mainland pay an enterprise income tax in connection with their income originating from Chinese Mainland at the tax rate of 10%.

On February 3, 2015, the SAT issued the Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or the SAT Circular 7, which was amended in 2017. The SAT Circular 7 repeals certain provisions in the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Income from Equity Transfer by Non-Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), or the SAT Circular 698, issued by SAT on December 10, 2009 and the Announcement on Several Issues Relating to the Administration of Income Tax on Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅管理若干問題的公告》) issued by SAT on March 28, 2011 and clarifies certain provisions in the SAT Circular 698. The SAT Circular 7 provides comprehensive guidelines relating to, and heightening the Chinese tax authorities’ scrutiny on, indirect transfers by a non-resident enterprise of assets (including assets of organizations and premises in Chinese Mainland, immovable property in Chinese Mainland, equity investments in Chinese Mainland resident enterprises), or the PRC Taxable Assets.

On October 17, 2017, the SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《關於非居民企業所得稅源泉扣繳有關問題的公告》), or the SAT Circular 37, which took effect on December 1, 2017. Certain provisions of the SAT Circular 37 were repealed by the Announcement of the State Administration of Taxation on Revising Certain Taxation Normative Documents (《國家稅務總局關於修改部分稅收規範性文件的公告》). According to the SAT Circular 37, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income. Equity transfer income shall mean the consideration collected by the equity transferor from the equity transfer, including various income in monetary form and non-monetary form. Equity net value shall mean the tax computation basis for obtaining the said equity. The tax computation basis for equity shall be: (i) the capital contribution costs actually paid by the equity transferor to a Chinese resident enterprise at the time of investment and equity participation, or (ii) the equity transfer costs actually paid at the time of acquisition of such equity to the original transferor of the said equity. Where there is a reduction or appreciation of value during the equity holding period, and the gains or losses may be confirmed pursuant to the rules of the finance and tax authorities of the State Council,

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the equity net value shall be adjusted accordingly. When an enterprise computes equity transfer income, it shall not deduct the amount in the shareholders’ retained earnings, such as undistributed profits, of the investee enterprise, which may be distributed in accordance with the said equity. In the event of partial transfer of equity under multiple investments or acquisitions, the enterprise shall determine the costs corresponding to the transferred equity in accordance with the transfer ratio, out of all costs of the equity. Under the SAT Circular 7 and the Law of the People’s Republic of China on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) promulgated by the SCNPC on September 4, 1992 and most recently amended on April 24, 2015, in the case of an indirect transfer, entities or individuals obligated to pay the transfer price to the transferor shall act as withholding agents. Where the withholding agent does not make the withholding, and the transferor of the equity does not pay the tax payable amount, the tax authority may impose late payment interest on the transferor. In addition, the tax authority may also hold the withholding agents liable and impose a penalty ranging from 50% to 300% of the unpaid tax on them.

The penalty imposed on the withholding agents may be reduced or waived if the withholding agents have submitted the relevant materials in connection with the indirect transfer to the Chinese Mainland tax authorities in accordance with the SAT Circular 7. According to the Administrative Measures for Recognition of High-Tech Enterprises (《高新技術企業認定管理辦法》) amended by the Ministry of Science and Technology (中華人民共和國科學技術部), MOF and SAT on January 29, 2016 with effect since January 1, 2016, upon the accreditation of the qualification of High-tech enterprises, such enterprises may apply for the entitlement of the preferential enterprise income tax treatment since the current year beginning from the valid period approved by the accreditation. A “high and new technology enterprise,” or an HNTE, is entitled to a favorable statutory tax rate of 15% and such an enterprise should keep all the statutory required relevant materials in case of future inspection. This qualification is reassessed by relevant government authorities every three years.

Withholding tax on dividend distribution

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other Chinese Mainland-sourced income of non-Chinese Mainland resident enterprises that have no establishment or place of business in Chinese Mainland, or if established, the relevant dividends or other Chinese Mainland-sourced income are in fact not associated with such establishment or place of business in Chinese Mainland. However, the Implementing Rules of the EIT Law reduced the rate from 20% to 10%, effective from January 1, 2008. However, a lower withholding tax rate might be applied if there is a tax treaty or similar agreement between Chinese Mainland and the jurisdiction of the foreign holding company, for example, pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, or the Double Tax Avoidance Arrangement, and other applicable Chinese Mainland laws, if a Hong Kong resident enterprise is determined by the competent Chinese Mainland tax authority to have satisfied the (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) relevant conditions and requirements under the Double Tax Avoidance Arrangement and

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other applicable laws, the 10% withholding tax on the dividends that the Hong Kong resident enterprise receives from a Chinese Mainland resident enterprise may be reduced to 5% upon receiving approval from the tax authority in charge.

Based on the Notice on Relevant Issues Relating to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) issued on February 20, 2009 by the SAT, if the relevant Chinese Mainland tax authorities determine, at their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such Chinese Mainland tax authorities may adjust the preferential tax treatment. The Announcement of the State Administration of Taxation on Issues Concerning “Beneficial Owners” in Tax Treaties (《關於稅收協定中“受益所有人”有關問題的公告》), promulgated by the SAT on February 3, 2018 and took effect on April 1 2018, replaced the Notice on the Interpretation and Recognition of Beneficial Owners in Tax Treaties (《國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知》) and the Announcement on the Recognition of Beneficial Owners in Tax Treaties (《國家稅務總局關於認定稅收協定中“受益所有人”的公告》) by the SAT, and further provided that comprehensive analysis based on the stipulated factors therein and actual circumstances shall be adopted when recognizing the “beneficial owner”. Agents and designated wire beneficiaries are specifically excluded from being recognized as “beneficial owners.”

Value-Added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the People’s Republic of China (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993 and amended on November 10, 2008, February 6, 2016 and November 19, 2017, respectively, and the Implementation Rules for the Interim Regulations on Value-Added Tax of the People’s Republic of China (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF and SAT on December 15, 2008 and became effective on January 1, 2009 and as amended on October 28, 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services, selling services, sales of intangible assets or importation of goods within the territory of Chinese Mainland shall pay value-added tax, or VAT. Unless provided otherwise, the rate of VAT is 17% on sales and 6% on services. On April 4, 2018, MOF and SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on the Adjustment of Value-Added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), or the Circular 32, According to which (i) for VAT taxable sales acts or import of goods originally subject to VAT rates of 17% and 11% respectively, such tax rates shall be adjusted to 16% and 10%, respectively; (ii) for the purchase of agricultural products originally subject to a tax rate of 11%, such tax rate shall be adjusted to 10%; (iii) for the purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to a tax rate of 16%, such tax shall be calculated at the tax rate of 12%; (iv) for exported goods originally subject to the tax rate of 17% and export tax refund rate of 17%, the export tax refund rate shall be adjusted to 16%; and (v) for exported goods and cross-border taxable acts originally subject to a tax rate of 11% and export tax refund rate of 11%, the export tax refund rate shall be adjusted to 10%.

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On March 20, 2019, MOF, SAT and the General Administration of Customs jointly promulgated the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which became effective on April 1, 2019 and provides that (i) with respect to VAT taxable sales acts or import of goods originally subject to VAT rates of 16% and 10% respectively, such tax rates shall be adjusted to 13% and 9%, respectively; (ii) with respect to purchase of agricultural products originally subject to tax rate of 10%, such tax rate shall be adjusted to 9%; (iii) with respect to purchase of agricultural products for the purpose of production or consigned processing of goods subject to tax rate of 13%, such tax shall be calculated at the tax rate of 10%; (iv) with respect to export of goods and services originally subject to tax rate of 16% and export tax refund rate of 16%, the export tax refund rate shall be adjusted to 13%; and (v) with respect to export of goods and cross-border taxable acts originally subject to tax rate of 10% and export tax refund rate of 10%, the export tax refund rate shall be adjusted to 9%.

On December 25, 2024, the SCNPC issued the Value-added Tax Law of the PRC (《中華人民共和國增值稅法》), or the VAT Law, which has been formally implemented on January 1, 2026. The VAT Law further clarifies and adjusts the scope of taxable transactions, the rate structure of VAT, the criteria and tax calculation method for small-scale taxpayers, the determination and calculation of taxable amount, tax incentives, etc.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

According to the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), or the Labor Contract Law, promulgated by the SCNPC on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》), or the Implementation Rules of the Labor Contract Law, promulgated by the State Council on September 18, 2008, a written employment contract shall be concluded in the establishment of an employment relationship. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee's salary for the period from the day following the lapse of one month from the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. The Labor Contract Law and its implementation rules also require compensation to be paid upon certain terminations. In addition, if an employer intends to enforce a non-compete provision in an employment contract or non-competition agreement with an employee, it has to compensate the employee on a monthly basis during the term of the restriction period after the termination or expiry of the labor contract. Employers in most cases are also required to provide severance payment to their employees after their employment relationships are terminated.

Employers in the PRC are required to contribute, for and on behalf of their employees, to a series of social insurance funds, including funds for pension, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance, and housing fund.

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These payments are made to local administrative authorities and employers who fail to contribute may be fined and be ordered to make up for the outstanding contributions. The various laws and regulations that govern the employers’ obligations to contribute to the social insurance funds include: the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and amended with immediate effect on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was promulgated by the State Council on January 22, 1999, and amended with immediate effect on March 24, 2019, the Regulations on Work-related Injury Insurance (《工傷保險條例》), which was promulgated by the State Council on April 27, 2003 and amended on December 20, 2010, and the Regulations on Management of the Housing Fund (《住房公積金管理條例》), which was promulgated on April 3, 1999, and was most recently amended with immediate effect on March 24, 2019.

According to the Interpretation II of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), which took effect on September 1, 2025, any agreement between an employer and an employee or any commitment made by an employee to the employer stating that social insurance premiums need not be paid shall be deemed invalid by the people’s court, and the employee may have the right to request to terminate the labor contract and claim economic compensation.

According to the Notice Concerning the Safe and Orderly Collection and Administration of Social Insurance Premiums (《關於穩妥有序做好社會保險費徵管有關工作的通知》) issued by the General Office of the State Administration of Taxation (國家稅務總局辦公廳) on September 13, 2018, the tax authorities will collect all social insurance premiums uniformly from January 1, 2019. Before the completion of the reform of the social insurance collection agency, the relevant local authorities shall continuously optimize the payment service and ensure the continuous improvement of the business environment, and shall not organize and carry out the previous year’s arrears check without permission.

REGULATIONS RELATING TO OVERSEAS LISTING AND M&A

On August 8, 2006, six Chinese Mainland regulatory agencies, including the CSRC, promulgated the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, which became effective on September 8, 2006, and were amended on June 22, 2009. The M&A Rules, among other things, require that if an overseas company established or controlled by PRC companies or individuals intends to acquire equity interests or assets of any other PRC domestic company affiliated with such PRC companies or individuals, such acquisition must be submitted to MOFCOM for approval. The M&A Rules also require offshore special purpose vehicles that controlled by PRC companies or individuals and formed for overseas listing purposes through acquisitions of PRC domestic companies or subscription of new shares issued by PRC domestic

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company using the equity of offshore special purpose vehicles or using its new shares as consideration, to obtain the approval of China Securities Regulatory Commission prior to publicly listing their securities on an overseas stock exchange.

In addition, according to the Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於建立外國投資者併購境內企業安全審查制度的通知》) issued by the General Office of the State Council on February 3, 2011 and became effective on March 3, 2011, the Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM on August 25, 2011 and became effective on September 1, 2011, mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the regulations prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy, contractual control arrangement or any other methods.

On February 17, 2023, the CSRC released the New Filing Rules, which became effective on March 31, 2023. The New Filing Rules regulate both direct and indirect overseas offerings and listings of PRC domestic companies’ securities by adopting a filing-based regulatory regime. Pursuant to the New Filing Rules, the principle of “substance over form” shall be followed when determining whether an offering and listing shall be deemed as an indirect overseas offering and listing by a PRC domestic company, and if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer shall be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in the PRC or its main place(s) of business are located in the PRC, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their habitual residence located in the PRC. Where an issuer submits an application for an initial public offering or offering in another overseas market to competent overseas regulators after the initial overseas offering and listing, such issuer must file with the CSRC within three business days after such application is submitted. The New Filing Rules also require subsequent reports to be submitted to the CSRC on material events, such as a change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

The New Filing Rules provide that an overseas offering and listing is prohibited under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic company intending to make the securities offering and listing, or its controlling

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shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or have undermined the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigation for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equities held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

On February 24, 2023, the CSRC, together with the MOF, the National Administration of State Secrets Protection (中華人民共和國國家保密局) or the NAPSS, and the National Archives Administration of China (中華人民共和國國家檔案局), or the SAAC, issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), or the Archives Rules, which came into effect on March 31, 2023. The Archives Rules provide that, among other things, (i) in relation to the international offering and listing activities of domestic enterprises, the domestic enterprises are required to strictly comply with the relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities; (ii) during the course of an international offering and listing, if a domestic enterprise needs to publicly disclose or provide to securities companies, accounting firms or other securities service providers and international regulators, any materials that contain relevant state secrets, work secrets of government agencies or that have a sensitive impact (i.e., be detrimental to national security or the public interest if divulged), the domestic enterprise should complete the relevant approval/filing and other regulatory procedures; and (iii) working papers produced in Chinese Mainland by securities companies and securities service institutions, which provide domestic enterprises with securities services during their international issuance and listing, should be stored in Chinese Mainland, and the transmission of all such working papers to recipients outside of Chinese Mainland is required to be approved by competent authorities of Chinese Mainland.

REGULATIONS RELATING TO CYBERSECURITY, INFORMATION SECURITY, PRIVACY AND DATA PROTECTION

On May 28, 2020, the NPC promulgated the Civil Code, which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the security of such information, and shall not illegally collect, use, process, or transmit personal information of others, or illegally purchase, sell, provide, or make public personal information of others.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), or the Personal Information Protection Law, which became effective on November 1, 2021. Pursuant to the Personal Information Protection Law, personal information shall be processed (including the collection, storage, use, processing, transmission, provision, disclosure, and deletion of personal information)

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following the principles of lawfulness, legitimacy, necessity, and good faith, and shall not be processed through misleading, fraudulent, coercive or other means. The Personal Information Protection Law requires, among others, that the processing of personal information should have appropriate legal basis, a clear and reasonable purpose and should be limited to the minimum scope necessary to achieve the processing purpose, adopt a method that has the least impact on personal rights and interests, and shall not process personal information that is not related to the processing purpose. The individual shall be sufficiently informed of the data processing activities before the data collection. Personal information processors shall be responsible for their personal information processing activities and take necessary measures to ensure the security of the personal information processed.

The Administrative Measures for the Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》) which was promulgated by the Ministry of Public Security (中華人民共和國公安部) or the MPS, National Administration of State Secrecy Protection (國家保密局) and State Cryptography Administration Office (國家密碼管理局) and the State Council Informatized Office (國務院信息化工作辦公室) on June 22, 2007, and came into effect on the same day, requires the entities that operate and use information systems in China to fulfill the obligation of the hierarchical protection of information security. The operator or user of information systems at Grade II or above shall, within thirty days of the date when its security protection grade is determined, complete the record filing procedures at the local public security authority at the level of city or above.

On July 1, 2015, the SCNPC issued the National Security Law (《中華人民共和國國家安全法》), which became effective on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cyber security development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, specific items and key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of the PRC.

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), or the Cybersecurity Law, which came into force on July 1, 2017. The Cybersecurity Law was further revised on October 28, 2025 and came into force and effect on January 1, 2026. The Cybersecurity Law provides that network operators shall meet their cyber security obligations and shall take technical measures and other necessary measures to protect the safety and stability of their networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. Network operators shall not collect personal information irrelevant to the services they provide or collect or use personal information in violation of the provisions of laws, administrative regulations or agreements concluded with users. Network operators shall strengthen management of information published by users, and when they discover information prohibited by laws and administrative regulations from publication or dissemination, they shall immediately stop dissemination of that information, take measures such as deleting the information, preventing the information from spreading, saving relevant records, and reporting to the relevant governmental agencies.

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On December 28, 2021, the CAC, together with certain other PRC governmental authorities, jointly released the Cybersecurity Review Measures (《網絡安全審查辦法》), which took effect on February 15, 2022. Pursuant to the Cybersecurity Review Measures, CIIOs that purchase network products and services, and network platform operators engaging in data processing activities that affect or may affect national security are subject to cybersecurity review under the Cybersecurity Review Measures. In addition, network platform operators with personal information of over one million users shall be subject to cybersecurity review before listing abroad (國外上市). The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or the risk of a large amount of personal information being influenced, controlled, or maliciously used by foreign governments after going public, and the cyber information security risk.

On September 24, 2024, the CAC published the Cyber Data Security Regulations (《網絡數據安全管理條例》), which came into effect on January 1, 2025, the Cyber Data Security Regulations requires that if the network data processing activities have or may have an impact on national security, such activities should be subject to national security review in accordance with relevant laws and regulations. However, the Cyber Data Security Regulations do not provide any guidance for assessing the impact on national security in the context of network data processing. The Cyber Data Security Regulations also restates and further specifies the legal requirements for personal information, important data, cross-border data transfer, network platform services, and data security. Any failure to comply with such requirements may subject the data processors to, among others, suspension of services, fines, revocation of relevant business permits or business licenses, and penalties.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which became effective on September 1, 2021. The PRC Data Security Law provides for data security obligations on entities and individuals carrying out data activities and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. An appropriate level of protection measures is required to be taken for each respective category of data.

On July 7, 2022, the CAC promulgated the Outbound Data Transfer Security Assessment Measure (《數據出境安全評估辦法》), or the Security Assessment Measures, which took effect on September 1, 2022. Pursuant to the Security Assessment Measures, a data processor shall apply to competent authorities for security assessment prior to transferring any data abroad if the transfer involves (i) important data; (ii) personal information transferred overseas by a CIIO and a data processor that has processed personal information of more than one million individuals; (iii) personal information transferred overseas by a data processor who has already provided personal information of 100,000 persons or sensitive personal information of 10,000 persons overseas since January 1 of the previous year; or (iv) other circumstances as requested by the CAC. Furthermore, on August 31, 2022, the CAC promulgated the Guidelines for Filing the Outbound Data Transfer Security Assessment (Version 1) (《數據出境安全評估

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申報指南(第一版)》), which provides that acts of outbound data transfer include (i) overseas transmission and storage by data processors of data generated during PRC domestic operations; (ii) the access to, use, download or export of the data collected and generated by data processors and stored in the PRC by overseas institutions, organizations or individuals; and (iii) other acts as specified by the CAC. On March 22, 2024, and June 27, 2025, the CAC promulgated the second and third versions of the Guidelines for Filing the Outbound Data Transfer Security Assessment, respectively, which provide more clarity on how to apply for the security assessment and extend the effective term of the security assessment.

In addition, on February 22, 2023, the Provisions on the Standard Agreement on Cross-border Transfer of Personal Information (《個人信息出境標準合同辦法》), or the Provisions on Standard Agreement, were promulgated by the CAC, which took effect on June 1, 2023. The Provisions on Standard Agreement attach the standard template for a cross-border data transfer agreement that could be used as an available option to satisfy the condition for cross-border transfer of personal information under Article 38 of the Personal Information Protection Law. On May 30, 2023, the CAC promulgated the Guidelines for Standard Contract Filing for Outbound Transfer of Personal Information (Version 1) (《個人信息出境標準合同備案指南(第一版)》). On March 22, 2024, the CAC issued the second version of Guidelines for Standard Contract Filing for Outbound Transfer of Personal Information (《個人信息出境標準合同備案指南(第二版)》), which clarifies the revised threshold for contract filing and simplifies the report template for personal information protection impact assessment.

On September 11, 2025, the CAC promulgated the Measures for the Administration of Reports on National Cybersecurity Incidents (hereinafter referred to as the “Measures”), which came into force on November 1, 2025. Pursuant to the Measures, network operators that construct, operate networks, or provide services through networks within the territory of China shall, in the event of a cybersecurity incident, submit a report in accordance with the provisions of the Measures. A cybersecurity incident refers to an event that causes harm to networks, information systems, or the data and business applications therein, and exerts negative impacts on the country, society, and economy, due to human factors, network attacks, potential network vulnerabilities, software and hardware defects or malfunctions, force majeure, and other factors.

On May 10, 2024, the MIIT issued the Implementing Rules for the Risk Assessment of Data Security in the Field of Industry and Information Technology (Trial Implementation) (《工業和信息化領域數據安全風險評估實施細則(試行)》), which took effect on June 1, 2024. Such implementing rules apply to data security risk assessment activities conducted by important data or core data processors in the field of industry and information technology in China. General data processors may also refer to these rules to conduct a data security risk assessment. The implementing rules establish data security risk assessment mechanisms at both ministerial and provincial levels, refine assessment obligations of processors of important data and core data, and clarify the mechanisms and procedures for competent industrial authorities to supervise and administer such assessment activities.

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On March 22, 2024, the CAC issued the Provisions on Promoting and Standardizing Cross-Border Data Flows (《促進和規範數據跨境流動規定》), which set forth the circumstances exempted from performing the security assessment or filing procedures for cross-border data transfer and further clarify the thresholds and scenarios for data processors to go through these procedures as stipulated under the aforementioned measures.

On February 12, 2025, the CAC issued the Administrative Measures for Personal Information Protection Compliance Audit (《個人信息保護合規審計管理辦法》), or the Personal Information Auditing Measures, which came into force on May 1, 2025. The Personal Information Auditing Measures stipulates the categories of audit initiated by the company or required by authorities, frequency, scope, procedures and methods for audit, with an annex of the key items to be covered in the audit.

U.S. LAWS AND REGULATIONS

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

Laws and Regulations relating Company Governance

Our U.S. operations are conducted through a California corporation with its principal office in California. Corporate matters relating to our U.S. operations are governed by the laws of the State of California, being the jurisdiction of incorporation of our U.S. entity. The California Corporations Code and applicable case law set out the rights, powers, and obligations of the corporation, its shareholders, directors, and officers.

Under California law, a director stands in a fiduciary relationship to the corporation and must perform their duties in good faith, in a manner the director believes to be in the best interests of the corporation and its shareholders, and with the care, including reasonable inquiry, that an ordinarily prudent person in a like position would use under similar circumstances. This duty requires a director not only to act affirmatively to protect the corporation, but also to refrain from actions that would harm the corporation.

In performing their duties, directors are entitled to rely in good faith on information, opinions, reports, or statements presented by officers or employees of the corporation whom the director believes to be reliable and competent in the matters presented, by counsel, independent accountants, or other persons whose professional or expert competence the director believes to be relevant, and by committees of the board on which the director does not serve, regarding matters within the committee’s designated authority, provided the director has confidence in the committee. In each case, the director must make a reasonable inquiry when circumstances indicate such inquiry is necessary, and must have no knowledge that would cause reliance on the information to be unwarranted.

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California follows the “business judgment rule,” under which a director who performs duties in compliance with the California Corporations Code is not liable for an alleged failure to discharge obligations as a director.

The California Corporations Code does not expressly prescribe fiduciary duties for officers. However, officers may owe duties similar to those of directors depending on the circumstances, including the level of the officer’s involvement in a transaction and whether the officer participates in the management of the corporation. Unlike directors, officers are not eligible for the statutory exculpation from monetary damages that may be afforded to directors.

Laws and Regulations relating to U.S. export controls and sanctions

The U.S. export control regime regulates the export, transfer, or disclosure of U.S. products, software, and technology to non-U.S. jurisdictions and non-U.S. persons based on the nature of the product or technology, as well as the destination, transferee, or end-use of a specific export or transfer.

U.S. export controls are implemented through a system of categorical restrictions and licensing procedures for specific exporters, customers, and transactions.

The Export Administration Regulations (“**EAR**”), as amended, codified at EAR, 15 C.F.R. § 730, et seq., establish the substantive and procedural rules for administering U.S. export controls with respect to “dual use” items and certain military items. “Dual use” commonly refers to any item that has both civilian applications and applications in connection with military, terrorism, or weapons of mass destruction activities. The Bureau of Industry and Security (“**BIS**”) of the Department of Commerce administers the EAR.

The EAR generally governs the export of any products or technology that are not separately and exclusively regulated by another U.S. government agency. Most notably, exports of certain military-use items are regulated exclusively under a licensing system administered by the U.S. Department of State pursuant to the International Traffic in Arms Regulations (“**ITAR**”).

The EAR also includes certain restrictions on the conduct of U.S. persons, which apply regardless of the involvement of any items subject to the EAR. (Such measures are thus similar to economic sanctions administered by Office of Foreign Assets Control, a division of the U.S. Department of the Treasury (the “**Treasury**”))

Under the EAR, U.S. persons are prohibited from design, development, production, operation, installation, maintenance (checking), repair, overhaul, or refurbishing of nuclear explosive devices, missiles, chemical or biological weapons, military-intelligence end use or military-intelligence end user in a country listed in Country Groups E:1 or E:2, and China (Country Group D:5).

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Especially, U.S. persons are required to obtain a license if they know that the items, regardless of whether they are subject to the EAR, will be exported, reexported, or transferred to be used in the development or production of Advanced-node ICs at a facility headquartered in, or whose ultimate parent company is headquartered in, either Macau or a destination specified in Country Group D:5 (including China).

The U.S. jurisdiction applies to goods, software and technology that are subject to the EAR and located anywhere in the world.

The EAR applies to all items (i.e., commodities, software, and technology) “subject to the EAR,” which includes not just U.S.-made items or items physically in the United States, but also to certain foreign-made commodities. Non-U.S. made items are subject to the EAR if they meet the “direct product” rule or “de minimis” rule. The direct product rule looks at whether a non-U.S. made item is subject to the EAR because it is a direct product of certain U.S. origin software or technology, or is produced by a plant or major component of a plant located outside the United States that is a direct product of certain U.S.-origin software or technology. The de minimis rule examines whether a particular item is subject to the EAR because there is physically incorporated “controlled” U.S.-origin content in excess of a de minimis percentage. Under the “de minimis” rules, non-U.S. products incorporating more than a specified percentage of controlled U.S. content still considered subject to the EAR. Under the foreign direct product rule, non-U.S. products made with certain U.S. origin plant and technology (such as certain U.S. semiconductor manufacturing equipment) are also subject to the EAR.

Intrinsically sensitive or strategic goods or technology are typically designated by an Export Control Classification Number (“ECCN”), while non-sensitive products subject to the EAR are generally designated as EAR-99. Depending on the destination country, end-user, and the item’s ECCN, exporting or re-exporting an item subject to the EAR may require a U.S. export license unless a license exception is available. License applications will be subject to review under varying policies (e.g., presumption of approval, presumption of denial, or a case-by-case review) as further described in the EAR.

The BIS publishes multiple lists of entities and individuals subject to licensing requirements and other restrictions on transactions involving products subject to the EAR.

The Entity List is a catalogue of individuals and entities subject to specific licensing requirements for the export, re-export, or transfer of certain products and technology subject to the EAR. The Entity List identifies the specific licensing requirements. The BIS licensing policy for many entities is a presumption of denial of any licensing request.

U.S. Outbound Investment Rule

On October 28, 2024, the Office of Investment Security of the Treasury published a final rule that implements Executive Order 14105 (the “**Outbound Investment Order**” or the “**OIR**”) establishing new regulatory controls on certain technology-related investments by U.S. persons in or related to the People’s Republic of China, Hong Kong and Macau. The OIR,

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“Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern” (August 9, 2023), applies to U.S. persons engaging in a “covered transaction” involving a “covered foreign person” that engages in certain “covered activities.” Depending on the nature of the “covered activity,” a covered transaction may be prohibited (prohibited transactions) or require notification to Treasury (notifiable transactions). Although the OIR is not generally regarded as a conventional economic sanctions law, the restrictions on investment activities by U.S. persons have similar effects to certain sanctions measures.

Covered activity encompasses activities referred to in the definition of “prohibited transactions” and “notifiable transactions” and includes research, development, or manufacturing involving “covered national security technologies and products,” which are sensitive technologies and products in the semiconductors and microelectronics, quantum information technologies, and AI sectors that have military, intelligence, surveillance, or cyber-enabled capabilities.

Generally, activities and technology that are deemed to present the most acute national security concerns are prohibited, while other designated activities are subject to notification requirements.

The OIR also defines “excepted transactions” which are excluded from the scope of “covered transactions” and provides a mechanism for the Secretary of Treasury to exempt certain covered transactions from the rule on a case-by-case basis.

Labor Laws and Employment Laws

The employment of individuals in the United States is governed by federal, state and sometimes local laws. Federal laws set the minimum legal standard for employee rights; state and local laws may set different standards. Most employees in the United States are hired “at-will,” meaning that their employment can be terminated at any time, with or without notice or cause. At-will employment can be modified by an employment agreement between an employee and employer, but in no event may an employee be terminated for an illegal reason (such as discrimination or harassment), nor may an employee be terminated or retaliated against for engaging in a legally protected activity. Individual verification of eligibility to work in the United States is required.

Intellectual Property Law

The United States has both federal and state laws that govern intellectual property rights. Some intellectual property rights are governed exclusively by federal law, while others are governed by both federal and state laws.

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Intellectual Property Rights Governed by Federal Law

Copyrights and patents are exclusively governed by Federal Law.

- *Copyrights.* A copyright is a set of exclusive rights owned by the creator of an original work that is fixed in tangible form. A copyright (i) covers expressions, not ideas; (ii) cannot be purely functional; and (iii) must be an original work. U.S. copyright law is governed by the Copyright Act of 1976, as amended, codified at 17 U.S.C. 101 et seq.
- *Patents.* A patent is a government grant providing the patent owner with the right to exclude others from manufacturing, using, or selling a claimed invention within the United States or practicing a claimed method within the United States. A patent is obtained by filing an application with an agency within the U.S. Department of Commerce, the Patent and Trademark Office (“USPTO”), claiming a useful, novel invention. The application must comply with various requirements set forth in the Patent Act as amended, codified at 35 U.S.C. § 1 et seq., and regulations established by the USPTO. A patent owner can bring an infringement action in a U.S. federal court or, where the importation of infringing goods is involved, before the International Trade Commission. A patent owner may be entitled to remedies against an infringing party including preliminary and permanent injunctions, direct damages (including lost profits or royalties), and, in exceptional cases, treble damages and attorneys’ fees.

Intellectual Property Rights Governed by both Federal and State Law

Trademarks and service marks

A “mark” is the use of one or more words, symbols, or logos to identify and distinguish the mark owner’s goods and/or services. A trademark is a mark used for goods; a service mark is a mark used in connection with providing services. U.S. trademarks and service marks generally must (i) be different from prior marks, (ii) not be generic, and (iii) not be descriptive. U.S. federal trademark law is governed by the Lanham Act, as amended, codified at 15 U.S.C. § 1051 et seq. The USPTO is responsible for examining trademark and service mark applications and either granting or rejecting applications to register marks. Once granted, a trademark or service mark provides its owner with nationwide exclusivity within one or more particular fields of use.

State law is an alternative basis for trademark and service mark rights, either under specific state laws or under common law. States generally provide common law rights in trademarks and service marks upon their first use in commerce, without requiring registration. Some states have registries for trademarks and service marks. The rights inherent in such marks are limited to the state where they are used.

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The owner of a trademark generally has a cause of action for infringement against a defendant who uses a mark that is likely to cause confusion in the relevant marketplace about the source of goods or services, or is likely to cause consumers to falsely infer some association or affiliation between the trademark owner and the defendant. A plaintiff may be entitled to preliminary and permanent injunctions (including destruction of infringing articles), actual monetary damages, accounting of the defendant’s profits, and in some cases, attorneys’ fees.

Trade secrets

A trade secret is information that (i) has independent economic value from being generally unknown to the public and (ii) is the subject of reasonable efforts under the circumstances to maintain its secrecy. Trade secrets are governed by both federal and state law. The Defend Trade Secrets Act, as amended, codified at 18 U.S.C. § 1836, et seq. (“**DTSA**”), is the federal trade secret law. Enacted in 2016, the DTSA applies only to trade secrets used in interstate or foreign commerce. The DTSA provides specific remedies for trade secret misappropriation, including ex parte seizure (seizure without the presence or notification of the other party) in specific and generally rare instances. The DTSA is similar to the Uniform Trade Secret Act (“**UTSA**”), a model set of laws enacted by almost all fifty states within the U.S. A trade secret owner may often have a choice in enforcing its trade secret rights under the DTSA or a relevant state’s version of the UTSA.

U.S.-Based Data Privacy Regulations

The U.S. federal government and various states and governmental agencies also have adopted or are considering adopting various laws, regulations, and standards regarding the collection, use, retention, security, disclosure, transfer, and other processing of sensitive and personal information, including, without limitation and in each case as amended from time to time, the Fair Credit Reporting Act, 15 U.S.C. 1681; the Federal Trade Commission Act, 15 U.S.C. § 45; the CAN-SPAM Act, 15 U.S.C. § 7701 et seq.; the Telephone Consumer Protection Act, 47 U.S.C. § 227; the Telemarketing and Consumer Fraud and Abuse Prevention Act, 15 U.S.C. § 6101 et seq.; the Health Insurance Portability and Accountability Act of 1996; the Electronic Communications Privacy Act, 18 U.S.C. §§ 2510-22; and the Stored Communications Act, 18 U.S.C. § 2701-12. In addition, many states have laws that protect the privacy and security of sensitive and personal information. Certain state laws may be more stringent or broader in scope, or offer greater individual rights, with respect to sensitive and personal information than federal, international, or other state laws, and such laws may differ from each other, which may complicate compliance efforts. For example, in 2018, California enacted the California Consumer Privacy Act, which came into effect on January 1, 2020, and has since been amended by the California Privacy Rights Act which came into effect on January 1, 2023 (collectively, the “**CCPA**”). The CCPA creates individual privacy rights for California residents, including rights to opt out of certain processing such as the transfer of personal information for the purpose of cross contextual behavioral advertising, the processing of sensitive personal information for certain purposes, as well as “sales” of personal information, and increases the privacy and security obligations of entities handling personal information of California consumers and meeting certain thresholds. The CCPA is currently enforceable by the California Attorney General, and provides for civil penalties for violations

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as well as a private right of action for certain data breaches that result in the unauthorized access to, or exfiltration, theft or disclosure of certain types of personal information. This private right of action is expected to increase the likelihood of, and risks associated with, class action data breach litigation. Though regulatory fines have been imposed, the CCPA has not been subject to significant litigation and judicial interpretation and it remains unclear how various provisions will be enforced. Additionally, the CCPA’s further expansion under the California Privacy Rights Act may impact our business particularly given its establishment of a new regulatory agency dedicated to enforcing the CCPA’s requirements in addition to the California Attorney General, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses, and potentially change our business practices, in an effort to comply.

California’s Invasion of Privacy Act (“CIPA”), enacted in 1967 to prevent unlawful wiretapping, has in recent years been invoked in actions challenging the manner in which websites and other digital platforms collect and share user data. In many cases, plaintiffs contend that the implementation of certain online functionalities or tracking technologies may permit companies or their service providers to “intercept” or “monitor” user interactions without the user’s consent. Under CIPA, if only the website and the user are parties to the communication, no claim arises — a principle referred to as the “party exception.” Where, however, a third party receives or shares such data without clear prior consent, allegations of a violation may be made. Actions under CIPA are frequently brought as class proceedings, and because the statute provides for statutory damages of up to US\$5,000 per violation, potential exposure can be substantial.

HONG KONG LAWS AND REGULATIONS

Overview of the Laws and Regulations Relating to Our Business and Operations in Hong Kong.

Regulations Relating to Business Registration

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) (“BRO”)

Every person, (a company or individual), who carries on a business in Hong Kong is required under the BRO to apply for a business registration certificate from the Inland Revenue Department within one month from the date of commencement of the business, and to display a valid business registration certificate at the place of business. Business registration does not serve to regulate business activities and it is not a licence to trade. Business registration serves to notify the Inland Revenue Department of the establishment of a business in Hong Kong. Business registration certificate will be issued on submission of the necessary document(s) together with payment of the relevant fee. A business registration certificate is renewable every year or every three years (if business operators elect for issuance of business registration certificate that is valid for three years). Any person who fails to apply for business registration shall be guilty of an offence and shall be liable to a fine of HK\$5,000 and to imprisonment for one year.

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Regulations Relating to Sale of Goods

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (“SOGO”)

The SOGO governs the formation, performance and remedies of contract for the sale of goods in Hong Kong and the transfer of title of goods sold. The ordinance also sets out certain implied terms or conditions and warranties generally relating to the safety and suitability of goods supplied under a contract of sale for goods in Hong Kong, including:

- (a) where there is a sale of goods by description, the goods shall correspond with the description;
- (b) where the seller sells goods in the course of a business, the goods shall be of a merchantable quality, i.e. (a) as fit for the purpose or purposes for which the goods of that kind are commonly bought; (b) of such standard of appearance and finish; (c) as free from defects (including minor defects); (d) as safe; and (e) as durable, as it is reasonable to expect having regard to any description applied to them, the price (if relevant) and all the other relevant circumstances; and
- (c) where the seller sells goods in the course of a business and the buyer makes known to the seller (whether expressly or by implication) any particular purpose for which the goods are being bought, the goods supplied under the contract shall be reasonably fit for that purpose.

Under section 55 of the SOGO, where there is a breach of warranty by the seller, the buyer is not, by reason only of such breach of warranty, entitled to reject the goods, but he may set up against the seller the breach of warranty in diminution or extinction of the price, or maintain an action against the seller for damages for the breach of warranty.

Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (“TDO”)

Under the TDO, (a) use of false trade descriptions; (b) false, misleading or incomplete information, (c) false marks and misstatements in respect of products, and (d) false trade descriptions in respect of services supplied are prohibited. In addition, the TDO makes certain trade practices criminal offence, namely: (a) misleading omission; (b) aggressive commercial practices; (c) bait advertising; (d) bait and switch; and (e) wrongful acceptance of payment. The TDO also provides for offences relating to forged trade mark, and falsely applying of trade mark or resembling marks.

Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) (“SSITO”)

Under the SSITO, certain terms are implied in the contracts with customers for the supply of services, including: (a) that the supplier will carry out the service with reasonable care and skill; (b) that the supplier will carry out the service within a reasonable time (if the time of

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service is not fixed or fixed in a manner agreed); (c) that the party contracting with the supplier will pay a reasonable charge (if the consideration is not determined by the contract or left to be determined in a manner agreed or by course of dealing between the parties).

Unconscionable Contracts Ordinance (Chapter 458 of the Laws of Hong Kong) ("UCO")

Under the UCO, if the Hong Kong court finds that a contract for sale of goods or supply of services (in which one of the parties deals as consumer) to have been unconscionable in the circumstances relating to the contract at the time it was made, the court may: (a) refuse to enforce the contract; (b) enforce the remainder of the contract without the unconscionable part; (c) limit the application of, or revise or alter, any unconscionable part to avoid unconscionable result.

Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) ("CECO")

The CECO limits the extent to which civil liability for breach of contract, or for negligence or other breach of duty, can be avoided by means of contract terms and otherwise.

Under section 7 of the CECO, a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his liability for death or personal injury resulting from negligence. Further, in the case of other loss or damage, a person cannot so exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness.

Under section 8 of the CECO, as between contracting parties where one of them deals as consumer or on the other's written standard terms of business, as against that party, the other cannot by reference to any contract term (i) when himself in breach of contract, exclude or restrict any liability of his in respect of the breach; (ii) claim to be entitled to render a contractual performance substantially different from that which was reasonably expected of him; or (iii) claim to be entitled in respect of the whole or any part of his contractual obligation, to render no performance at all, except in so far as the contract term satisfies the requirement of reasonableness.

Under section 9 of the CECO, a person dealing as consumer cannot by reference to any contract term be made to indemnify another person (whether a party to the contract or not) in respect of liability that may be incurred by the other for negligence or breach of contract, except in so far as the contract term satisfies the requirement of reasonableness.

In relation to a contract term, the requirement of reasonableness for the purposes of the CECO is satisfied only if the court or arbitrator determines that the term was a fair and reasonable one to be included having regard to the circumstances which were, or ought reasonably to have been, known to or in the contemplation of the parties when the contract was made.

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Misrepresentation Ordinance (Chapter 284 of the Laws of Hong Kong) (“MO”)

The MO imposes a statutory liability for misrepresentation and controls the use of provisions excluding liability for misrepresentation in contracts. Liability may arise under the MO where a party to a contract is induced to enter into that contract by a misrepresentation of a material fact made by the other party. If the action is successful, the party who relied on the misrepresentation will be entitled to rescind the contract. Damages may also be granted if the misrepresentation was made fraudulently or negligently.

Regulations Relating to Importation and Exportation of Goods

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) (the “**Import and Export Ordinance**”) provides for the regulation and control of the import of articles into Hong Kong, the export of articles from Hong Kong, the handling and carriage of articles within Hong Kong which have been imported into Hong Kong or which may be exported from Hong Kong, and any matter incidental to or connected with the foregoing.

The import and export of certain articles are prohibited unless with the relevant licences issued by the Director-General of Trade and Industry. If the goods to be imported or exported are “prohibited articles” or “reserved commodities” under the Import and Export Ordinance and the Reserved Commodities (Control of Imports, Exports and Reserve Stocks) Regulations (Chapter 296A of the Laws of Hong Kong), shipping companies, airlines and transportation companies are required to deliver within 14 days to the Director-General of Trade and Industry the import/export licences together with the relevant manifests of the vessel, aircraft or vehicle.

Pursuant to the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong), every person who imports/exports any article other than an exempted article shall lodge with the Commissioner an accurate and complete import/export declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner of Customs and Excise may specify. Every declaration required to be lodged shall be lodged within 14 days after the importation/exportation of the article to which it relates.

Hong Kong is a free port and does not levy any customs tariff on imports and exports.

Regulations Relating to Employer/Employee Rights and Obligations

Employment Ordinance

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the “**Employment Ordinance**”) is the main piece of Hong Kong legislation governing conditions of employment in Hong Kong. It provides for the payment of wages, the restrictions on wages deductions, the granting of statutory holidays, and the termination of employment contract, among other

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things. In addition to these basic protections, employees who are employed under a continuous contract are further entitled to benefits such as rest days, paid annual leave, sickness allowance, severance and long service payment.

Employees’ Compensation Ordinance

The Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the “**Employees’ Compensation Ordinance**”) establishes a no-fault, non-contributory employee compensation system for work injuries and lays down the respective rights and obligations of employer and employee in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Hong Kong companies are required to maintain employees’ compensation insurance in compliance with the Employees’ Compensation Ordinance to cover compensation and costs liable for personal injuries of employees in Hong Kong in the course of employment with them.

Mandatory Provident Fund Schemes Ordinance

The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) provides for the establishment of non-governmental mandatory provident funds schemes (the “**MPF Schemes**”) for members of the workforce for the purpose of accruing financial benefits on retirement, among other things.

Unless otherwise exempted, employers are required to enroll their employees who are at least 18 but under 65 years of age and employed for not less than 60 days in a MPF Scheme. Employers and employees are each required to make regular mandatory contributions of 5% of the employees’ relevant income to the MPF Scheme, subject to the minimum and maximum relevant income levels, which are currently HK\$7,100 per month and HK\$30,000 per month respectively, provided, however, that employees with a monthly relevant income less than HK\$7,100 are exempt and only the employers are required to make contributions to the MPF Scheme.

Minimum Wage Ordinance

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) provides for a minimum wage at an hourly rate for certain employees. Currently, the statutory minimum hourly wage rate is HK\$42.10. Any employment contract that purports to extinguish or reduce any right, benefit, or protection conferred on the employee by the Minimum Wage Ordinance is void. Failure to comply with the statutory minimum wage rate requirement constitutes an offence under the Employment Ordinance.

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Regulations Relating to Taxes

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (“IRO”)

As our Group carry out business in Hong Kong, the Company are subject to the profits tax regime under the IRO. The IRO is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of person, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations is currently at 8.25% on assessable profits up to HK\$2,000,000; and 16.5% on any part of assessable profits over HK\$2,000,000. The IRO also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowance for depreciation.

Section 51(1) of the IRO requires every person, upon receipt of a written notice from the Inland Revenue Department, to submit a return within a reasonable time as stated in such notice. In relation to (i) any tax computation containing incorrect information (the “Incorrect Information”); and (ii) the filing of tax return containing the Incorrect Information, a person may be subject to prosecution under section 80(2) or 82(1) of the IRO pursuant to which:

- (a) Any person who without reasonable excuse files an incorrect return commits an offence under section 80(2) of the IRO and is liable on conviction to a fine at level 3 (i.e. HK\$10,000) and a further fine of treble the amount of tax which has been undercharged as a result of the incorrect return, statement or information or omission, or would have been so undercharged if the return, statement or information had been accepted as correct or the omission had not been detected.
- (b) Any person who willfully with intent to evade or to assist any other person to evade tax omits from a return any sum which should be included commits an offence under section 82(1) of the IRO is liable:
 - (i) on summary conviction to a fine at level 3 (i.e. HK\$10,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence has not been detected and imprisonment for 6 months; and
 - (ii) on indictment to a fine at level 5 (i.e. HK\$50,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence has not been detected and imprisonment for 3 years.
- (c) Under sections 80(5) and 82(2) of the IRO, the Commissioner of Inland Revenue may compound any offence in lieu of prosecution.

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- (d) Under section 82A of the IRO, any person who without reasonable excuse makes an incorrect return by omitting or understating anything in respect of which he is required to make a return, shall, if no prosecution under section 80(2) or 82(1) has been instituted in respect of the same facts, be liable to be assessed to additional tax of an amount not exceeding treble the amount of tax undercharged as a result of the filing of the incorrect tax return.

Additionally, section 51C of the IRO provides that any person carrying on a trade, profession or business in Hong Kong shall keep sufficient records in the English or Chinese language of his income and expenditure to enable the assessable profits of such trade, profession or business to be readily ascertained and shall retain such records for a period of not less than seven years after the completion of the transactions, acts or operations to which they relate. The section sets out general requirement of records that should be kept. Any person who without reasonable excuse fails to comply with section 51C is liable on conviction to a maximum fine at level 6 (i.e. HK\$100,000).

Regulations Relating to Data Protection

Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (“PDPO”)

The PDPO imposes a statutory duty on data users to comply with the requirements of the six data protection principles (the “Data Protection Principles”) contained in Schedule 1 to the PDPO. The PDPO provides that a data user shall not do an act, or engage in a practice, that contravenes a Data Protection Principle unless the act or practice, as the case may be, is required or permitted under the PDPO.

The Data Protection Principles are summarized as follows:

- (a) Adequate personal data should be collected (i) for a lawful purpose, which is necessary for and directly related to a function or activity of the data user, (ii) by fair and lawful means. The person whose data is being collected is informed (a) that whether he is obligatory or voluntary for him to supply the data, (b) the purpose of the collection and the class of persons to whom the data may be transferred, (c) on or before, his right to access and correct the data collected and the information of the person who might handle such requests.
- (b) All practicable steps shall be taken to ensure the accuracy of the person data collected, and kept not long than is necessary.
- (c) Personal data should not be used for the purposes outside of the person’s consent.
- (d) All practicable steps shall be taken to ensure that any personal data held by a data user is protected against unauthorized or accidental access, processing, erasure, loss or use.

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- (e) All practicable steps shall be taken to ensure that a person can (a) ascertain a data user's policies and practices in relation to personal data; (b) be informed of the kind of personal data held by a data user; (c) be informed of the main purposes for which personal data held by a data user is or is to be used.
- (f) A data subject shall be entitled to ascertain whether a data user holds personal data of which he is the data subject and request access to personal data. The data subject should be given reasons if the request is refused and right to object to the refusal.

Contravention with the Data Protection Principles may entitle the Privacy Commissioner for Personal Data to issue a written notice directing the data user to remedy and prevent recurrence of contravention. Contravention with the above notice is an offence and the offender is liable on (a) first conviction to a fine HK\$50,000 and to imprisonment for two years, and if the offence continues after the conviction, to a daily penalty of HK\$1,000; and (b) second or subsequent conviction to a fine at HK\$100,000 and to imprisonment for two years, and if the offence continues after the conviction, to a daily penalty of HK\$2,000. It is a defense to the above offence if the data user shows that he exercised all due diligence to comply with the enforcement notice.

The PDPO also gives data subjects certain rights, inter alia:

- the right to be informed by a data user whether the data user holds personal data of which the individual is the data subject;
- if the data user holds such data, to be supplied with a copy of such data; and
- the right to request correction of any data they consider to be inaccurate.

The PDPO criminalises, including but not limited to, the misuse or inappropriate use of personal data in direct marketing activities, non-compliance with a data access request and the unauthorised disclosure of personal data obtained without the relevant data user's consent. An individual who suffers damage, including injured feelings, by reason of a contravention of the PDPO in relation to his or her personal data may seek compensation from the data user concerned.

Regulations Relating to Intellectual Properties

Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong)

The Trade Mark Ordinance protects registered trademarks. The duration of the registered trademarks is for ten years, which can be further renewed for ten years per renewal. A registered trade mark may be challenged in revocation proceedings if it is not used in Hong Kong for a continuous period of three years.

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A person infringes a registered trade mark if he uses in the course of trade or business a sign:

- (a) which is identical to the trade mark in relation to goods or services which are identical to those for which it is registered;
- (b) which is identical to the trade mark in relation to goods or services which are similar to those for which it is registered, and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public;
- (c) which is similar to the trade mark in relation to goods or services which are identical or similar to those for which it is registered and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public; or
- (d) which is identical or similar to the well-known trade mark in relation to any goods or services, and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

Regulations Relating to Anti-money Laundering and Counter-terrorist financing

Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong) (“DTROP”)

Among other things, the DTROP contains provisions for the investigation of assets suspected to be derived from drug trafficking activities, the freezing of assets on arrest and the confiscation of the proceeds from drug trafficking activities by the competent authorities. It is an offence under the DTROP for a person to deal with any property knowing or having reasonable grounds to believe it to represent the proceeds from drug trafficking. The DTROP requires a person to report to an authorised officer if he/she knows or suspects that any property (in whole or in part directly or indirectly) represents the proceeds of drug trafficking or is intended to be used or was used in connection with drug trafficking, and failure to make such disclosure constitutes an offence under the DTROP.

Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) (“OSCO”)

Among other things, the OSCO empowers officers of the Hong Kong Police Force and the Hong Kong Customs & Excise Department to investigate organised crime and triad activities, and confers jurisdiction on the Hong Kong courts to confiscate the proceeds of organised and serious crimes, to issue restraint orders and charging orders in relation to the property of defendants of specified offences under the OSCO. The OSCO extends the money laundering offence to cover the proceeds from all indictable offences in addition to drug trafficking.

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United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong) (“UNATMO”)

Among other things, the UNATMO stipulates that it is a criminal offence to: (1) provide or collect property (by any means, directly or indirectly) with the intention or knowledge that the property will be used to commit, in whole or in part, one or more terrorist acts; or (2) make any property or financial (or related) services available, by any means, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate, or collect property or solicit financial (or related) services, by any means, directly or indirectly, for the benefit of a person knowing that, or being reckless as to whether, the person is a terrorist or terrorist associate. The UNATMO also requires a person to disclose his knowledge or suspicion of terrorist property to an authorized officer, and failure to make such disclosure constitutes an offence under the UNATMO.

THAILAND LAWS AND REGULATIONS

Civil and Commercial Code of Thailand (“CCC”)

Laws governing formation and incorporation of types of Thai business entity can be found in the Civil and Commercial Code of Thailand. A private limited company is formed through a process which leads to the registration of a memorandum of association and articles of association (by-laws), as its constitutive documents. A company is formed with the registered capital and divided into shares to be subscribed by the promoters or shareholders. The liability of the shareholders being limited to the amount unpaid on the shares respectively held by them.

Incorporation and Promoters

There must be a minimum of 3 (three) promoters for a private limited company who are responsible for subscribing and registering the incorporation of the company with the DBD as it is stated in Section 1097 of the CCC that any three or more persons may promote and form a limited company by subscribing their names to a memorandum and otherwise complying with the provisions of the CCC. The promoters must be individual persons (not juristic entities). The promoters can be foreigners and/or Thai nationals. However, each promoter is required to be among the company’s initial shareholders immediately upon the company’s registration and is required to subscribe and hold a minimum of one share upon the company’s registration. They are generally free to transfer those shares to existing shareholders or third parties, thereafter, if they wish. However, the number of shareholders in a company shall always be remaining of not less than 3 (three) shareholders (individual and/or juristic entities) as required by the CCC.

Noted that after 7 February 2023, the requirement of minimum shareholders of 3 persons are reduced to 2 persons according to Section 1097 of CCC.

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Memorandum of Association (“MOA”)

The memorandum of association of the company has to be filed with the DBD and must include the name of the company that has been successfully reserved and approved by the DBD, the physical address where the company will be located in Thailand, its business objectives, the capital to be registered, and the names of the promoters.

Articles of Association (“AOA”)

The articles of association are the regulations of the company concerning its internal affairs such as shares, general meetings, voting rights, director and auditor, distribution of dividends, dissolution etc. It is one of the most important corporate documents, the content of which is determined and approved by at the statutory meeting or the general meeting of shareholders with a special resolution (if later amended). A company may choose to either adopt its own Articles of Association or refer to the relevant provisions of the CCC.

Registered Capital

In general, the registered amount of the capital should be respectable enough and adequate for the intended business operation. The registered capital will be divided into shares with the same par value, which must not be less than THB 5 (Five Thai Baht) per share. All shares must be subscribed, and at least 25% (twenty-five percent) of the subscribed shares must be paid up. If the company intends to employ foreigners, the minimum registered capital requirements for applying work permit may also apply. The company must have registered capital of not less than THB 2 Million (two million Thai Baht) with fully paid-up for each 1 (one) foreign employee, or THB 4 Million (four million Thai Baht) share capital for 2 (two) foreign employees, or THB 6 Million (six million Thai Baht) for 3 (three) foreign employees respectively.

Directors

A company shall be managed by at least 1 (one) individual director under the control of the general meeting of shareholders. There are currently no general restrictions on the nationality of directors who control a Thai private limited company in Thailand. Therefore, a foreigner can be a sole director of the company. By law, foreign director and Thai director are not treated differently. However, foreign director needs a work permit to work in Thailand in order to manage a company by all lawful means necessary within the scope stipulated in the memorandum of association, articles of association, the resolutions of shareholders’ meetings, and applicable Thai laws. Thus, foreign directors residing abroad should pay attention and apply for a work permit to work in Thailand. Under Thai law, it specifies only the requirements of director and the board of directors for companies (without having supervisor or board of supervisors). Therefore, a company in Thailand is not required to have supervisor or board of supervisors which is subject to each company’s management policy and organization chart.

REGULATORY OVERVIEW

Shareholders and Shareholders Meeting

Every company is required to hold the annual general meeting (“AGM”) annually. The extra-general meeting (“EGM”) shall be held upon being called by the directors or one-fifth of the shareholders.

Notice of every general meeting of shareholders shall be published at least once in a local paper and be sent to every shareholder of the company by receipt acknowledge registered mail at least seven (7) days before the date of meeting unless, in case of the general meeting which has to provide a special resolution, the notice shall be published in a local newspaper and be sent to every shareholder of the company at least fourteen (14) days before the date of the meeting.

Shareholders representing not less than 25% of the capital of the company must present at the shareholders’ meeting to constitute a quorum. A resolution shall be made by a majority vote; in the case of a tied vote, the Chairman of the meeting shall be entitled to a casting vote.

According to the CCC, a supermajority vote of 75% of total shares is required for passing a special resolution as required by law, i.e. amendment to the memorandum of association and articles of association, increase or decrease of registered capital, dissolution, conversion to a public company and subscription shares by payment in kind.

In addition, pursuant to Section 1171 of the CCC, the AGM shall be held within 6 months after the registration and subsequently be held every 12 months.

Share Transfer

Under the CCC, the transfer of shares must be made in writing and signed by the transferor and transferee whose signatures are certified by at least one witness (the “**Share Transfer Instrument**”); otherwise, such transfer shall be void. The Share Transfer Instrument must contain at least (i) the names of the transferor and transferee, and (ii) the numbers of the transferred shares. The transfer of shares will become valid against the company and/or any third party only upon its registration in the share register book specifying the details of the transfer and the name and address of the transferee.

Share Registered Book

A company is required to prepare and keep a share registered book recording the history of change of shareholders. It is important to note that any share transfers shall be invalid against a company and third parties until such transfer is recorded in the share registered book. Share registered book is presumed to be correct evidence of any matters directed or authorized by the laws.

REGULATORY OVERVIEW

Under the CCC, in case a company fails to keep a share registered book in accordance with Section 1138 and fails to have the share registered book opened for inspection by shareholders upon their request in accordance with Section 1139, the Target Company shall be liable to a fine not exceeding THB 20,000 under Section 10 and 11 of the Corporate Criminal Act.

Share Certificate

Share certificates shall be issued and delivered by a limited company to each shareholder for the share held by him. Share certificates shall be signed by at least one of the directors and affixed to the limited company’s seal; moreover, the share certificate must contain a name of the company, share number(s), the value of each share and if the shares have not been fully paid up, the paid amount of each share shall be indicated therein.

Failure to provide share certificates for the shareholders containing the particulars as specified in Section 1127 and Section 1128 would result in a fine not exceeding THB 10,000 pursuant to Section 8 of the Corporate Criminal Act.

Foreign Business Act.

Thai law imposes restrictions on foreigners engaging in certain business activities. The principal law with respect to foreign participation in various business activities is the Foreign Business Act (the “**FBA**”). The FBA defines the definition of “foreigner” is (i) a non-Thai natural person, (ii) a legal entity not incorporated in Thailand, (iii) a juristic entity incorporated in Thailand with at least 50% (fifty percent) of share capital is owned by foreign individuals or entities, and (iv) a limited partnership or a registered ordinary partnership that having the managing partner or manager is a non-Thai natural person. Based on the aforesaid definition, a private limited company which is owned by majority Thai nationals and/or entities with at least more than half of the share capital shall be considered as a Thai private limited company and is not subject to the FBA. Foreigners therefore are generally allowed to participate and own less than 50% of shares capital unless otherwise particularly prescribed in specific law, in case the Company intends to engage in any restricted businesses.

BOI Act.

The Thailand Board of Investment (the “**BOI**”) was set up under the Investment Promotion Act (the “**Investment Act**”) for purpose of encouraging investment in Thailand through several eligible business activities under the BOI promotion. Under the Investment Act, the Thai government has granted full foreign ownership rights to foreign nationals who promised to make major investments and transfer technology to Thailand. Generally, the BOI privileges are granted for manufacturing activities as well as certain non-manufacturing activities of such activities fall within the eligible activities as listed by the BOI. However, to qualify for the BOI privileges, the foreign nationals are obligated to transfer into Thailand the

REGULATORY OVERVIEW

specified capital, technology and equipment technology within the period as set forth in its investment promotion certificate, and strictly comply with the specific condition as set forth in the investment promotion certificate.

Land Code

The Land Code stipulates that foreigners may acquire land by virtue of the provisions of a treaty giving the right to own immovable property, subject to the provisions of the Land Code and, subject to the limitation on rights over land for religious purposes, foreigners may acquire land for residence, commerce, industry, agriculture, burial, public charity or religion under the conditions and procedures prescribed in ministerial regulations and with the permission of the minister.

Social Security Act

The Social Security Act of B.E. 2533 (1990) (the “**Social Security Act**”) in Thailand, and its amendments, established the Social Security Fund (the “**Fund**”) with the objective of providing coverage for fund members under certain conditions.

The stipulations of the Social Security Act apply to every company having one or more employees. Persons insured under the provisions of the Fund include all employees from the age of 15 years up through those not over 60 years.

A company having one or more employees must register with the Social Security Office (“**SSO**”) for the Fund within 30 days after hiring the first employee. If the company increases the number of employees, it must submit a new employee registration form for each new employee.

Workmen Compensation Fund

The Workmen’s Compensation Fund was established under the Workmen’s Compensation Act, B.E. 2537 (1994) (“**WCA**”) to ensure that adequate compensation is paid when workers are injured, become ill, or die as a result of their work, or as a result of illnesses arising out of the nature or conditions of the work, or as the Department of the Interior may prescribe. This objective will be achieved by requiring employers to register with and contribute to the Workers’ Compensation Fund and by having the Department of Labour Protection and Social Welfare pay the above compensation that employers are required to pay under the Occupational Safety and Health Act instead of employees. The contribution rate should be 0.2%-1%.

Labour Protection Act

The Thailand Labour Protection Act (“**LPA**”) is a comprehensive law that sets out the rights and obligations of employers and employees in the workplace. It aims to protect the welfare of workers and ensure fair treatment.

REGULATORY OVERVIEW

Under section 108 of the Labour Protection Act, B.E. 2535 (1992) (“**LPA**”), the Target Company shall procure the work rules in Thai language upon the date the employer employed more than ten (10) employees and shall disclose such work rules at the working place of the employee. As from 4 April 2017, the work rules are not required to submit to the Labour Department in accordance with the Order of the Head of the National Council for Peace and Order No. 21/2017 dated 4 April 2017 Governing Amendment of Laws for Ease of Doing Business.

Foreigners’ Working Management Emergency Decree

Pursuant to Section 8 of the Foreigners’ Working Management Emergency Decree B.E. 2560 (2017), a foreigner shall not carry out any work prescribed in the Notification issued under section 7 paragraph one or carry out any work without a work permit.

The Revenue Code

The principal law with respect to tax implication in Thailand is the Revenue Code of Thailand (the “**RC**”) under governed by the Revenue Department.

Corporate Income Tax (“CIT”)

According to the RC, in general, a company is subject to the CIT rate of 20 % on net profit. In addition, with respect to Small Medium Enterprises (**SMEs**) which a company that having its paid-up registered capital at the end of the accounting period of not exceeding THB 5 Million (Five Million Thai Baht) and having annual revenue income from business operation not exceeding THB 30 Million (Thirty Million Thai Baht) per annum shall be entitled to reduction of CIT in which it will be exempted from CIT for the net profit not over THB 300,000, and it will be subject to 15% CIT on net profit range between THB 300,001 — 3,000,000, and 20% CIT on net profit exceeding THB 3,000,000.

Value Added Tax (“VAT”)

VAT is an indirect consumption tax levied on the supply of goods and provision of services by a VAT operator and on the import of goods or services. Any person (individual or juristic entity) who conducts business in Thailand and its annual turnover exceeds THB 1.8 million (One Million Eight Hundred Thai Baht) is required to register to be a VAT operator. A VAT operator is required to comply with VAT requirements per the Revenue Code. Only a registered VAT operator is entitled to claim for prepaid VAT credit or VAT refund.

There are also other applicable taxes, for example, the excise tax, withholding tax, special business tax, land and building tax and stamp duty, etc. A company is required to file tax returns to the Revenue Department on a regular basis, including monthly, annual and semi-annual reports.

REGULATORY OVERVIEW

DUTCH LAWS AND REGULATIONS

Corporate

The primary source of Dutch corporate law is Book 2 of the Dutch Civil Code (*Burgerlijk Wetboek*, hereinafter the “**DCC**”). Its provisions apply to all Dutch private limited companies (*besloten vennootschap*, BV) and public limited companies (*naamloze vennootschap*, NV). Enforcement generally occurs through the Dutch court system, including both general courts and specialised courts such as the Dutch Enterprise Chamber.

The statutory requirements are supplemented by the Dutch Corporate Governance Code (“**DCGC**”), which contains principles and best-practice provisions regulating the relationship between the board and the shareholders. The DCGC applies to listed Dutch companies, even if their shares are listed only on a stock exchange outside the European Economic Area. While the DCGC applies on a comply-or-explain basis, certain principles and best practices may be considered part of the statutory requirement for boards and shareholders to act toward each other in accordance with the principles of reasonableness and fairness and may therefore be binding.

Finally, the articles of association (*statuten*) of a Dutch company are an important source of the corporate governance rules applicable to that specific entity.

Product Safety

Product safety laws in the Netherlands are primarily based on European legislation. Separate regimes exist for medical devices, pharmaceuticals, and food. In addition, harmonised legislation applies to sector-specific products such as cosmetics, toys, radio equipment, and motor vehicles.

For consumer products that fall outside the scope of sector-specific regimes, the new European General Product Safety Regulation 2023/988 (the “**GPSR**”) applies. The GPSR replaces the General Product Safety Directive 2001/95/EC and Directive 87/357/EEC regarding products resembling foodstuffs. It is binding in all its parts and directly applicable across the European Economic Area, including the Netherlands.

The GPSR aims to ensure a higher level of consumer protection and improve the functioning of the internal European market with respect to products intended for consumers. As of 13 December 2024, all non-food consumer products placed on the market must comply with the GPSR. Sector-specific directives and regulations with the same objective remain in place. The GPSR only applies to aspects and risks, or categories of product risks, not covered by those sector-specific regulations.

REGULATORY OVERVIEW

European product legislation is implemented through the revised Dutch Commodities Act (*Warenwet*), the Decree on the Implementation of the GPSR and the Accreditation Regulation of 2 December 2024 (*Warenwetbesluit uitvoering verordening algemene productveiligheid en verordening inzake accreditatie*), as well as sector-specific product safety decrees, such as those applicable to cosmetics, toys, machinery, etc. For food, the Dutch Commodities Act applies together with specific Commodities Act decrees.

Additionally, since 2021, the Market Surveillance Regulation (EU) 2019/1020 (*Verordening Markttoezicht*) has applied to non-food consumer products subject to the Union harmonisation legislation listed in Annex I of the Regulation, insofar as no specific provisions with the same objective in the EU harmonisation legislation more specifically regulate particular aspects of market surveillance and enforcement.

Product Liability

In the Netherlands, the causes of action for product liability are based on the DCC as follows:

Strict Liability

Article 6:185 of the DCC contains the *lex specialis*. Under this article, a manufacturer can be held liable for damages resulting from a defective product. This strict liability applies only to cases involving death, personal injury, or property damage caused by the defective product to another item intended for private use or consumption. The injured party must have primarily obtained the product for their own private use or consumption. For this type of property damage, a threshold of EUR 500 applies.

Articles 6:185 to 6:193 of the DCC align with the European Product Liability Directive 85/374/EEC, incorporating its provisions into Dutch law. As the new Product Liability Directive 2024/2853 will replace the Product Liability Directive 85/374/EEC and apply as of 9 December 2026, Articles 6:185 DCC et seq. will be amended accordingly. A bill for implementation has already been proposed. The current Directive will remain applicable to products placed on the market before 9 December 2026.

Fault-Based Liability

Article 6:162 of the DCC is the *lex generalis*. It provides a general legal basis for holding a manufacturer liable for damages caused by a defective product. Fault on the part of the defendant must be established. This article imposes no limitations on the types of damages that can be pursued and is therefore often relied upon by companies. Consumers may also rely on this ground when the long-stop or short-stop limitation period under the strict liability regime has expired.

REGULATORY OVERVIEW

Contractual Liability

Article 6:74 of the DCC provides the legal basis for addressing contractual breaches concerning defective or non-conforming products. Strict product liability towards consumers, as set out in Article 6:185 of the DCC, cannot be contractually waived; therefore, any attempt in a contract with a consumer to exclude strict product liability would be legally invalid.

Data protection

The General Data Protection Regulation (“**GDPR**”) has been applicable throughout the EU since 25 May 2018. It imposes greater responsibilities on organisations that collect and process personal data, including requirements relating to lawfulness, fairness and transparency, purpose limitation, data minimisation, accuracy, storage limitation, and confidentiality and integrity. It also grants individuals enhanced rights regarding their personal data. Non-compliance may result in significant fines.

Each EU member state must legislate on certain matters under the GDPR. In the Netherlands, this has largely been implemented through the General Data Protection Regulation Implementation Act (*Uitvoeringswet Algemene verordening gegevensbescherming*). The Dutch Data Protection Authority (*Autoriteit Persoonsgegevens*) oversees compliance with the GDPR and other legislation governing the processing of personal data.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Our Group commenced operations through Shenzhen xTool, a limited liability company established in the PRC on June 24, 2013. After over a decade of development, we have emerged as a global premium consumer-tech brand with a core focus on consumer and commercial-grade laser-based personal creative tools and material printers business, empowering consumers, SMB owners and retail brand stores to transform ideas into precise, high-quality products with speed, 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.

As our founder, Mr. Wang, who also serves as the chairman of our Board, chief executive officer and executive Director, has been responsible for the overall management of strategy, product, sales and marketing and business operations of our Group since its establishment. For the biography and industry experience of Mr. Wang, see “Directors and Senior Management — Board of Directors — Executive Directors” in this Document.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on June 13, 2024. In preparation for the [REDACTED], we undertook the Reorganization, details of which are set out in “— Reorganization” below. Following the Reorganization, our Company became the holding company of our Group.

BUSINESS DEVELOPMENT MILESTONES

The following is a summary of the key milestones in our business development.

<u>Year</u>	<u>Event</u>
2013	Shenzhen xTool was established in the PRC, securing angel round financing from SOSV and Cloud Angel in the same year.
2015	We completed our Series A financing led by HongShan.
2016	We were recognized for the first time as a National High-Tech Enterprise.
2017	We completed our Series B financing led by Shenzhen Capital Group.
2018	We completed our Series C financing led by CICC ALPHA.
2021	We launched our first diode laser engraver and cutter.
	We were ranked by Fast Company as one of the World’s Most Innovative Companies in 2021.
	We were named as a Guangdong Provincial Industrial Design Center and Shenzhen Municipal Industrial Design Center.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Year	Event
2022	<p>We launched our self-developed software “xTool Creative Space” (later renamed as “xTool Studio”).</p> <p>We topped the sales rankings as the No. 1 laser engraver brand on Amazon, a position we have maintained to date.</p> <p>We were recognized for the first time for three consecutive years as a National Intellectual Property Advantageous Enterprise by the China National Intellectual Property Administration.</p>
2023	<p>We launched the S1, a 40W diode laser engraver.</p>
2024	<p>We launched the industry’s pioneering one-stop personalized customization solution for retail brand stores.</p> <p>We launched the F1 Ultra, the world’s first dual-laser engraver featuring 20W fiber and diode lasers.</p> <p>Our manufacturing base in Thailand was established, marking an important milestone in diversifying our manufacturing footprint.</p> <p>We established our proprietary user community “DesignFind” (later renamed as “Atomm”), marking the formation of a community-driven ecosystem.</p>
2025	<p>We launched our first material printer with the apparel printer.</p> <p>We continued to expand our laser-based product matrix by launching our MetalFab laser welder series.</p> <p>We established our U.S. and European headquarters, further advancing our global expansion strategy.</p> <p>We completed our Series D financing led by Tencent.</p>

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES

The following table sets forth certain information of each of our major subsidiaries, which are all wholly-owned by our Company, as of the Latest Practicable Date.

Name of subsidiary	Place of establishment	Date of establishment and commencement of business	Principal business activities
Shenzhen xTool	PRC	June 24, 2013	Research and development, manufacturing and sales
XTL US INC.	United States	September 10, 2021	Sales and marketing
Creative Tools HK Company Limited	Hong Kong	January 26, 2022	Sales and marketing
Makeblock (Hong Kong) Company Limited	Hong Kong	January 16, 2017	Sales and marketing
Makeblock Europe B.V. .	The Netherlands	June 1, 2017	Sales and marketing
ValocityCraft (Thailand) Co., Ltd.	Thailand	June 27, 2024	Manufacturing and sales

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we did not conduct any acquisitions, disposals or mergers that we consider to be material to us.

ESTABLISHMENT AND MAJOR SHAREHOLDING CHANGES OF OUR GROUP

1. Establishment of Shenzhen xTool

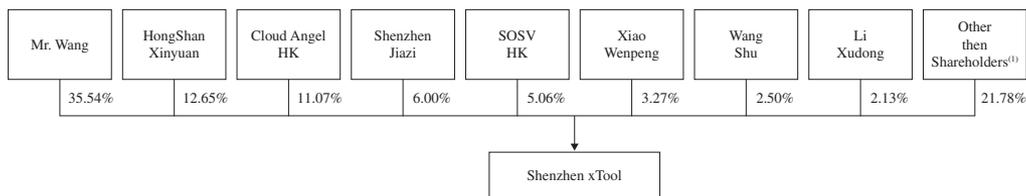
On June 24, 2013, Shenzhen xTool was established as a limited liability company in the PRC with an initial registered share capital of RMB1,000,000. Upon establishment, Shenzhen xTool was held as to 100% by Mr. Wang, our founder and now chairman of our Board, chief executive officer and executive Director.

2. [REDACTED] Investments through Subscription of Registered Capital in Shenzhen xTool and Equity Transfers

We have entered into several rounds of [REDACTED] Investments with our [REDACTED] Investors before and after our Reorganization. For further details, please refer to the paragraphs headed “— [REDACTED] Investments” in this section below.

3. Reorganization

The following chart sets forth our Group’s corporate structure immediately prior to the Reorganization:



Note:

- (1) Including certain of Shenzhen xTool’s then shareholders, namely Blue Core, Blue Core I, Zhuhai Walle Eva, Zhongyuan Digong, Shenzhen Capital Group, China-Korea Fund, Hongtu Xinghe, Hongtu Peacock, Beijing Guangxin, Yuexiu Jimei and Yuexiu Emerging Industry.

In preparation for [REDACTED], we underwent the Reorganization, pursuant to which our Company became the holding company and [REDACTED] vehicle of our Group.

Establishment of our Offshore Corporate Structure

On June 13, 2024, our Company was incorporated in the Cayman Islands as an exempted company with limited liability, with an authorized share capital of US\$50,000 divided into 500,000,000 shares with a par value of US\$0.0001 each.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On July 30, 2024, Makeblock Limited was incorporated as a business company with limited liability in the British Virgin Islands, a direct wholly-owned subsidiary of our Company and an intermediate holding company of our Group.

On August 9, 2024, Makeblock HongKong Holding Limited (“**Makeblock HongKong**”) was incorporated as a limited liability company in Hong Kong and a direct wholly-owned subsidiary of Makeblock Limited.

Changes in Registered Capital and Shareholding of Shenzhen xTool

On October 24, 2024, the registered capital of Shenzhen xTool was decreased from RMB1,411,061 to RMB868,843 after Beijing HongShan Xinyuan Equity Investment Center (L.P.) (北京紅杉信遠股權投資中心(有限合夥)) (“**HongShan Xinyuan**”), Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) (“**Shenzhen Capital Group**”), Shenzhen China-Korea Industrial Investment Fund (L.P.) (深圳中韓產業投資基金(有限合夥)) (“**China-Korea Fund**”), Hongtu Xinghe Venture Investment Partnership (L.P.) (深圳市紅土星河創業投資合夥企業(有限合夥)) (“**Hongtu Xinghe**”), Shenzhen Hongtu Peacock Venture Investment Co., Ltd. (深圳市紅土孔雀創業投資有限公司) (“**Hongtu Peacock**”), Shenzhen Jiazi Puzheng Multi-strategy Equity Investment Fund Partnership (L.P.) (深圳甲子普正多策略股權投資基金合夥企業(有限合夥)) (“**Shenzhen Jiazi**”), Guangxin Equity Investment Fund Partnership (L.P.) (北京光信股權投資基金合夥企業(有限合夥)) (“**Beijing Guangxin**”), Guangzhou Yuexiujimei Cultural Industry Venture Capital Fund Partnership (L.P.) (廣州越秀基美文化產業創業投資基金合夥企業(有限合夥)) (“**Yuexiu Jimei**”), Guangzhou Yuexiu Emerging Industry Phase II Investment Fund Partnership (L.P.) (廣州越秀新興產業二期投資基金合夥企業(有限合夥)) (“**Yuexiu Emerging Industry**”), Shenzhen Blue Core Investment Consulting Enterprise (L.P.) (深圳市藍色核心投資諮詢企業(有限合夥)) (“**Blue Core**”) and Shenzhen Blue Core One Investment Consulting Enterprise (L.P.) (深圳市藍色核心一投資諮詢企業(有限合夥)) (“**Blue Core I**”) exited as shareholders of Shenzhen xTool in preparation for becoming Shareholders in our Company.

On November 29, 2024, pursuant to equity transfer agreements signed between Makeblock HongKong and each of the remaining shareholders of Shenzhen xTool, Makeblock HongKong acquired 100% of the equity interests in Shenzhen xTool.

After the completion of the above transfers of equity interests, Shenzhen xTool became a wholly foreign-owned enterprise wholly-owned by Makeblock HongKong, and thus an indirect wholly-owned subsidiary of our Company.

4. Subscription by Makeblock HongKong for additional registered capital of Shenzhen xTool

On January 8, 2025, Makeblock HongKong subscribed for additional registered capital in Shenzhen xTool in the amount of RMB386,838,800. As a result, the registered capital of Shenzhen xTool was increased to RMB387,707,643.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

5. Allotment and Issuance of Shares to Pre-Reorganization Shareholders

For the purpose of reflecting and mirroring the shareholding structure of Shenzhen xTool in our Company, we issued Shares to the then shareholders of Shenzhen xTool or their designated offshore counterparts or affiliates (as applicable) pursuant to their respective portion of equity interests then held in Shenzhen xTool.

The following table sets forth the equity interests of the then Shenzhen xTool shareholders immediately before the Reorganization (the “**Pre-Reorganization Shareholders**”), and the shareholding structure in our Company immediately after the Reorganization.

Shareholding of Shenzhen xTool Immediately Before the Reorganization			Shareholding of our Company Immediately After the Reorganization			
Shareholder	Registered Capital Held	Approximate Equity Interest	Shareholder	Class of Shares	Number of Shares Held	Approximate Shareholding Interest
	<i>(RMB)</i>					
Mr. Wang . . .	501,527	35.54%	WRC Vitality Eager Limited	Ordinary Shares	84,299,285	35.54%
Blue Core . . .	74,460	5.28%	Current Blue core Pioneers Limited	Ordinary Shares	11,840,000	4.99%
			Future Blue core Pioneers Limited	Ordinary Shares	675,627	0.28%
Blue Core I . .	49,640	3.52%	Future Blue core Pioneers Limited	Ordinary Shares	6,253,764	2.64%
			Prime Blue core pioneers Limited	Ordinary Shares	1,089,993	0.46%
			Qingzhu ZY Digong Limited	Ordinary Shares	999,994	0.42%
Zhuhai Walle Eva	17,779	1.26%	WRC Vitality Eager Limited	Ordinary Shares	1,826,237	0.77%
			Qingzhu ZY Digong Limited	Ordinary Shares	320,184	0.13%
			ZhuQing Walle Eva Limited	Ordinary Shares	841,966	0.35%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholding of Shenzhen xTool Immediately Before the Reorganization			Shareholding of our Company Immediately After the Reorganization			
Shareholder	Registered Capital Held	Approximate Equity Interest	Shareholder	Class of Shares	Number of Shares Held	Approximate Shareholding Interest
	(RMB)					
Zhongyuan Digong . . .	10,442	0.74%	WRC Vitality Eager Limited	Ordinary Shares	592,954	0.25%
			Qingzhu ZY Digong Limited	Ordinary Shares	320,196	0.14%
			ZhuQing Walle Eva Limited	Ordinary Shares	841,996	0.36%
Xiao Wenpeng ⁽¹⁾ .	46,203	3.27%	Nature Ming Tian Limited ⁽¹⁾	Ordinary Shares	7,766,042	3.27%
Wang Shu ⁽²⁾ .	35,300	2.50%	RhinoPeak Holding Limited ⁽²⁾	Ordinary Shares	5,933,409	2.50%
Li Xudong ⁽³⁾ .	30,000	2.13%	Xudong Investment Limited ⁽³⁾	Ordinary Shares	5,042,557	2.13%
Cloud Angel HK ⁽⁴⁾	156,200	11.07%	Cloud Angel ⁽⁴⁾	Series Angel-1 Preferred Shares	26,254,914	11.07%
SOSV HK ⁽⁵⁾ .	71,392	5.06%	SOSV LLC ⁽⁵⁾	Series Angel-1 Preferred Shares Series A Preferred Shares	10,085,114 1,914,827	4.25% 0.81%
HongShan Xinyuan ⁽⁶⁾ .	178,481	12.65%	HongShan Huanyou ⁽⁶⁾	Series A Preferred Shares	30,000,021	12.65%
Shenzhen Capital Group ⁽⁷⁾ . . .	59,118	4.19%	Shenzhen Capital Group ⁽⁷⁾	Series B Preferred Shares	9,936,863	4.19%
China-Korea Fund ⁽⁸⁾ . . .	19,706	1.40%	SCKII Limited ⁽⁸⁾	Series B Preferred Shares	3,312,288	1.40%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholding of Shenzhen xTool Immediately Before the Reorganization			Shareholding of our Company Immediately After the Reorganization			
Shareholder	Registered Capital Held	Approximate Equity Interest	Shareholder	Class of Shares	Number of Shares Held	Approximate Shareholding Interest
	<i>(RMB)</i>					
Hongtu Xinghe ⁽⁷⁾ . . .	9,853	0.70%	Hongtu Xinghe ⁽⁷⁾	Series B Preferred Shares	1,656,144	0.70%
Hongtu Peacock ⁽⁷⁾ . . .	9,853	0.70%	Hongtu Peacock ⁽⁷⁾	Series B Preferred Shares	1,656,144	0.70%
Shenzhen Jiazi	84,664	6.00%	Shenzhen Jiazi	Series C Preferred Shares	14,230,769	6.00%
Beijing Guangxin ⁽⁹⁾ . . .	28,221	2.00%	GX High Limited ⁽⁹⁾	Series C Preferred Shares	4,743,534	2.00%
Yuexiu Jimei ⁽¹⁰⁾	14,111	1.00%	Yuexiu Jimei ⁽¹⁰⁾	Series C Preferred Shares	2,371,851	1.00%
Yuexiu Emerging Industry ⁽¹⁰⁾ . . .	14,111	1.00%	Yuexiu Emerging Industry ⁽¹⁰⁾	Series C Preferred Shares	2,371,851	1.00%
Total	1,411,061	100.00%			237,178,524	100.00%

Notes:

- (1) Nature Ming Tian Limited is wholly owned by Xiao Wenpeng. See “— Information About Our [REDACTED] Investors” in this section.
- (2) RhinoPeak Holding Limited is wholly owned by Lu Zhou (吕舟), the spouse of Wang Shu. See “— Information About Our [REDACTED] Investors” in this section.
- (3) Xudong Investment Limited is wholly owned by Li Xudong. See “— Information About Our [REDACTED] Investors” in this section.
- (4) China Cloud Tech Angel (Hong Kong) Company Limited (“Cloud Angel HK”) is wholly owned by Cloud Angel. See “— Information About Our [REDACTED] Investors” in this section.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (5) SOSV HONG KONG LIMITED (previously known as SOSVentures Hong Kong Limited, “**SOSV HK**”) and SOSV LLC are both wholly owned and ultimately controlled by Sean O’Sullivan. See “— Information About Our [REDACTED] Investors” in this section.
- (6) HongShan Xinyuan is the sole limited partner of Beijing HongShan Huanyou Management Consulting Center (L.P.) (北京紅杉樞優管理諮詢中心(有限合夥)) (“**HongShan Huanyou**”). HongShan Xinyuan and HongShan Huanyou share a general partner. See “— Information About Our [REDACTED] Investors” in this section.
- (7) Shenzhen Capital Group is a limited liability company established in the PRC on August 25, 1999 by the Shenzhen Municipal People’s Government (深圳市人民政府) with a focus on venture capital investment to nurture entrepreneurship and innovation. It mainly invests in companies operating in sectors such as information technology, biomedicine and health, intelligent manufacturing, new energy, new materials, Internet, consumer goods and modern services during their start-up phase. Shenzhen Capital Group is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Shenzhen Municipal People’s Government (深圳市人民政府國有資產監督管理委員會) (“**Shenzhen SASAC**”).

Hongtu Xinghe is a limited partnership established in the PRC on March 16, 2016. Shenzhen Hongtu Peacock is a limited liability company established in the PRC on July 15, 2015. Both are primarily engaged in venture capital investment and ultimately controlled by the Shenzhen SASAC, Hongtu Xinghe through its general partner, Shenzhen City Hongtu Xinghe Venture Investment Management Co., Ltd. (深圳市紅土星河創業投資管理有限公司), and Hongtu Peacock through its largest shareholder, Shenzhen Capital Group.

- (8) SCKII Limited is wholly owned by China-Korea Fund.
- (9) At the time of the Reorganization, GX High Limited was wholly owned by Beijing Guangxin. In September 2025, Beijing Guangxin transferred its interests in GX High Limited to Kaizhen Huiyun (Tianjin) Enterprise Management Consulting Partnership (L.P.) (凱臻輝韻(天津)企業管理諮詢合夥企業(有限合夥)) (“**Kaizhen Huiyun**”) and Tianjin Creative Aurora Enterprise Management Partnership (L.P.) (天津創意極光企業管理合夥企業(有限合夥)) (“**Creative Aurora**”). See “— Information About Our [REDACTED] Investors” in this section.
- (10) Yuexiu Jimei and Yuexiu Emerging Industry are limited partnerships established in the PRC on August 7, 2015 and January 21, 2016, respectively. Yuexiu Jimei and Yuexiu Emerging Industry share a general partner, Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. (廣州越秀產業投資基金管理股份有限公司), through which they are ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Guangzhou Municipal People’s Government (廣州市人民政府國有資產監督管理委員會).

REASONS FOR THE [REDACTED]

Our Company is seeking a [REDACTED] of its Shares on the Stock Exchange in order to provide further capital for the development and expansion of our Company’s business, strengthen our working capital and further raise our business profile and global presence. For further details of our future plans, see “Future Plans and Use of [REDACTED]” in this Document.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

[REDACTED] INVESTMENTS

1. Overview

We have undergone the following [REDACTED] Investments, details of which are set forth below.

Round	Form of [REDACTED] Investment	Date of agreement	Date of last payment of consideration	[REDACTED] Investor ⁽¹⁾	Registered capital of Shenzhen xTool or number of Shares subscribed for (as applicable)	Approximate consideration paid in total	Cost per Share ⁽²⁾	Discount to the [REDACTED] ⁽³⁾
Series Angel	Equity transfer from existing shareholders	July 5, 2013	July 23, 2013	SOSV LLC ⁽⁴⁾	RMB60,000	Nil	-	-
Series A	Subscription of registered capital of Shenzhen xTool by cash	March 25, 2015	June 25, 2015	Cloud Angel ⁽⁵⁾ HongShan Xinyuan SOSV LLC ⁽⁴⁾	RMB156,200 RMB178,481 RMB11,392	RMB1,000,000 RMB39,196,483.20	RMB0.04 RMB1.23	[REDACTED] % [REDACTED] %
Series B ⁽⁶⁾	Subscription of registered capital of Shenzhen xTool by cash	February 9, 2017	March 10, 2017	Shenzhen Capital Group China-Korea Fund Hongtu Xinghe Hongtu Peacock	RMB31,110 RMB10,370 RMB5,190 RMB5,190	RMB56,660,000	RMB6.04	[REDACTED] %
	Equity transfer from existing shareholders ⁽⁷⁾	April 20, 2017	June 29, 2017	Shenzhen Capital Group China-Korea Fund Hongtu Xinghe Hongtu Peacock	RMB28,008 RMB9,336 RMB4,663 RMB4,663	RMB43,340,000	RMB6.04	[REDACTED] %

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Round	Form of [REDACTED] Investment	Date of agreement	Date of last payment of consideration	[REDACTED] Investor ⁽¹⁾	Registered capital of Shenzhen xTool or number of Shares subscribed for (as applicable)	Approximate consideration paid in total	Cost per Share ⁽²⁾	Discount to the [REDACTED] ⁽³⁾
Series C	Subscription of registered capital of Shenzhen xTool by cash	August 21, 2018	November 19, 2018	Shenzhen Jiazi Beijing Guangxin ⁽⁸⁾ Langma Yongxing ⁽⁹⁾ Yuexiu Jimei Yuexiu Emerging Industry	RMB84,664 RMB28,221 RMB28,221 RMB14,111 RMB14,111	RMB300,000,000	RMB10.54	[REDACTED]%
Series D	Equity transfer from existing shareholders ⁽¹⁰⁾	June 11, 2025	December 29, 2025	Being Creative Works L.P. GCNA Holdings Limited Granite Asia IX VCC Tencent Mobility Limited Mighty Pinnacle Holding Limited	13,249,151 Shares 13,045,007 Shares 3,312,288 Shares 7,456,893 Shares 1,864,223 Shares	US\$98,790,626.65	US\$2.54	[REDACTED]%
	Subscription of Shares by cash	September 8, 2025	December 1, 2025	CG Vibe Limited Vision Knight Creative Aurora Limited Being Creative Works L.P. GCNA Holdings Limited Granite Asia IX VCC Tencent Mobility Limited Mighty Pinnacle Holding Limited	1,067,295 Shares 1,088,857 Shares 6,022,341 Shares 5,929,549 Shares 1,505,585 Shares 3,389,497 Shares 847,374 Shares	US\$80,346,558.90	US\$4.05	[REDACTED]%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) Unless otherwise disclosed above or in these notes, please refer to the paragraphs headed “— Information About Our [REDACTED] Investors” in this section below for the full legal names and other details about the [REDACTED] Investors.
- (2) The cost per Share paid by the [REDACTED] Investors has been calculated based on the amount paid by the relevant [REDACTED] Investors to acquire their equity interests and the number of Shares held by them immediately before the completion of the [REDACTED].
- (3) The discount to the [REDACTED] has been calculated based on the exchange rate as set out in the section headed “Information about this Document and the [REDACTED]” in this Document and the [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative [REDACTED] set out in this Document.
- (4) On July 5, 2013, Mr. Wang entered into a share entrustment agreement with Luo Wei (羅煒), Xiao Wenpeng (肖文鵬) and SOSV LLC, pursuant to which each of Luo Wei, Xiao Wenpeng and SOSV LLC agreed to entrust the 3.00%, 7.00% and 6.00% equity interests they each held in Shenzhen xTool, respectively, to Mr. Wang.
- (5) On May 5, 2015, the then shareholders of Shenzhen xTool resolved to allow Mr. Wang to transfer 7.00% and 3.00% of his equity interests in Shenzhen xTool to Xiao Wenpeng and Luo Wei, respectively. Following the completion of the equity transfers, the share entrustment arrangement between Mr. Wang and each of Luo Wei and Xiao Wenpeng were fully unwound. On the same day, the then shareholders of Shenzhen xTool resolved to allow Mr. Wang to transfer 3.53% and 12.41% of his equity interests in Shenzhen xTool to Wang Shu (王樹) and Shenzhen Meike Tribe Equity Investment Partnership Enterprise (L.P.) (深圳市魅客部落股權投資合夥企業(有限合夥)) (“Meike Tribe”), respectively. Meike Tribe is controlled by Mr. Wang, and later agreed to transfer its entire equity interests held in Shenzhen xTool to Mr. Wang at a total consideration of RMB124,100 in June 2017.
- (6) SOSV LLC’s initial acquisition of interests in Shenzhen xTool occurred at nil consideration. We were the first Chinese project to be included in the HAX Accelerator (then known as HAXLR8R) startup development program. As its organizer, SOSV LLC’s equity interests were received in exchange for technical support provided to the Company during its early entrepreneurial stages. The equity interests subscribed by SOSV LLC during the Series A financing were also entrusted to Mr. Wang. On January 3, 2017, the then shareholders of Shenzhen xTool resolved to allow Mr. Wang to transfer his equity interests in Shenzhen xTool held on entrustment for SOSV LLC to SOSV HK at a consideration of RMB2,460,288. Following the completion of the equity transfer, the share entrustment arrangement between Mr. Wang and SOSV LLC was fully unwound.
- (7) On July 5, 2013, Mr. Wang agreed to transfer his 15.62% equity interests in Shenzhen xTool to Zhang Pengpeng (張朋朋), who held such equity interests on behalf of Cloud Angel pursuant to a share entrustment arrangement. On March 13, 2017, Zhang Pengpeng agreed to transfer his equity interests held in Shenzhen xTool to Cloud Angel HK at a total consideration of RMB5,383,930. Following the completion of the equity transfer, the share entrustment arrangement between Zhang Pengpeng and Cloud Angel was fully unwound.
- (8) Prior to the Series B financing, the following equity transfers took place: (i) on September 19, 2016, the then shareholders of Shenzhen xTool resolved to allow the transfer of the entire of Luo Wei’s equity interests in Shenzhen xTool to Li Xudong (李旭東) at a consideration of RMB13,860,000; and (ii) on August 4, 2017, Mr. Wang entered into an equity transfer agreement with Blue Core and Blue Core I, pursuant to which Mr. Wang transferred 6.26% and 4.17% of his equity interests in Shenzhen xTool to Blue Core and Blue Core I, respectively, at a total consideration of RMB124,100.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (7) On April 20, 2017, Mr. Wang and Xiao Wenpeng entered into an equity transfer agreement with Shenzhen Capital Group, China-Korea Fund, Hongtu Xinghe and Hongtu Peacock, pursuant to which (i) Mr. Wang transferred equity interests in Shenzhen xTool to Shenzhen Capital Group, (ii) Xiao Wenpeng transferred equity interests in Shenzhen xTool to Shenzhen Capital Group, (iii) Xiao Wenpeng transferred equity interests in Shenzhen xTool to each of Hongtu Xinghe and Hongtu Peacock and (iv) Xiao Wenpeng transferred equity interests in Shenzhen xTool to China-Korea Fund.
- (8) As part of the Reorganization, Beijing Guangxin transferred its equity interests in Shenzhen xTool to GX High Limited, which was wholly owned by Beijing Guangxin at the time. In September 2025, Beijing Guangxin transferred its interests in GX High Limited to Kaizhen Huiyun and Creative Aurora for a total consideration of RMB88,610,400.
- (9) On November 17, 2022, Beijing Langma Yongxing Investment Management Co., Ltd. (北京朗瑪永興投資管理股份有限公司) (“**Langma Yongxing**”) transferred 1.26% and 0.74% of the equity interests it held in Shenzhen xTool to Zhuhai Walle Eva Investment Partnership Enterprise (L.P.) (珠海市瓦立伊娃投資合夥企業(有限合夥)) (“**Zhuhai Walle Eva**”) and Qingdao Zhongyuan Digong Investment Partnership Enterprise (L.P.) (青島翠元迪工投資合夥企業(有限合夥)) (“**Zhongyuan Digong**”), respectively, for a total consideration of RMB10,000,000. Both limited partnerships were controlled by Mr. Wang as the general partner at the time and are now deregistered. After the equity transfer, Langma Yongxing ceased to be a shareholder of Shenzhen xTool.
- (10) On June 11, 2025, Shenzhen Capital Group, Hongtu Xinghe and Hongtu Peacock transferred their Series B Preferred Shares to Being Creative Works L.P., and Shenzhen Jiazi, Yuexiu Emerging Industry and Yuexiu Jimei transferred their Series C Preferred Shares to GCNA Holdings Limited.
- On December 29, 2025, (i) SCKII Limited transferred Series B Preferred Shares to Granite Asia IX VCC; (ii) SOSV LLC transferred Series Angel-1 Preferred Shares to Tencent Mobility Limited and Mighty Pinnacle Holding Limited; and (iii) Cloud Angel transferred Series Angel-1 Preferred Shares to Tencent Mobility Limited and Mighty Pinnacle Holding Limited.
- Following the completion of these share transfers, Shenzhen Capital Group, Hongtu Xinghe, Hongtu Peacock, Yuexiu Emerging Industry, Yuexiu Jimei and SCKII Limited ceased to be Shareholders.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

2. Other Principal Terms of the [REDACTED] Investments

Basis for determining the consideration paid	The considerations for the [REDACTED] Investments were determined based on arm’s length negotiations between our Company and the [REDACTED] Investors after taking into consideration the timing of the investments and the status or valuation of our business at the relevant time.
Lock-up period	The [REDACTED] Investors will not be subject to any lock-up arrangement at the time of [REDACTED] pursuant to the relevant agreements of the [REDACTED] Investments.
Use of proceeds from the [REDACTED] Investments	As of the Latest Practicable Date, over 40% of the proceeds from the [REDACTED] Investments have been utilized for the development and operation of our business.
Strategic benefits brought by the [REDACTED] Investors to our Company	At the time of the [REDACTED] Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the [REDACTED] Investors’ investments in our Company, their industry experience and institutional support.

3. Special Rights of the [REDACTED] Investors

Our Company and, among others, the [REDACTED] Investors entered into a shareholders’ agreement dated September 8, 2025 (the “**Shareholders’ Agreement**”), pursuant to which certain shareholder rights were agreed among the parties. Pursuant to the Shareholders’ Agreement and the then effective memorandum and articles of association of our Company, certain [REDACTED] Investors were granted shareholder rights, such as the right to appoint directors, special voting rights at shareholders’ or board meetings, pre-emptive rights, anti-dilution rights, rights of first refusal, co-sale rights, repurchase rights, preferential treatment in liquidation and most-favored nations treatment.

The Shareholders’ Agreement stipulates that all preferential rights, equity transfer restrictions and other arrangements thereunder shall automatically terminate and be deemed null and void *ab initio* in accordance with, among others, applicable laws and listing rules. The special rights shall be automatically reinstated if the Company (i) has not completed a qualified [REDACTED] within eighteen months after the filing of the [REDACTED] with the CSRC or the Stock Exchange; (ii) has received a written notice from the CSRC or the Stock Exchange that the Company’s [REDACTED] for a qualified [REDACTED] has not been approved; or (iii) withdraws its [REDACTED] (whichever is earlier).

Therefore, the repurchase rights shall be terminated prior to the first filing of the [REDACTED] of the Company, and all of the special rights of the [REDACTED] Investors will be automatically terminated before the [REDACTED] in accordance with the Listing Rules and Guide for New Listing Applicants.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

4. Compliance with the Guide for New Listing Applicants

On the basis that (i) the consideration for the [REDACTED] Investments was settled more than 120 clear days before the first day of [REDACTED] of shares of our Company on the Stock Exchange; and (ii) the special rights granted to the [REDACTED] Investors have been terminated as disclosed in the paragraph headed “— Special Rights of the [REDACTED] Investors” above, the Joint Sponsors confirm that the [REDACTED] Investments are in compliance with the [REDACTED] Investment Guidance as defined in Chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange.

5. Information About Our [REDACTED] Investors

Set forth below are details for each of our [REDACTED] Investors.

Nature Ming Tian Limited

Nature Ming Tian Limited is a business company organized and existing under the laws of the British Virgin Islands. Nature Ming Tian Limited is wholly owned by Xiao Wenpeng (肖文鵬), an Independent Third Party.

RhinoPeak Holding Limited

RhinoPeak Holding Limited is a business company organized and existing under the laws of the British Virgin Islands. RhinoPeak Holding Limited is wholly owned by Lu Zhou (呂舟), an Independent Third Party.

Xudong Investment Limited

Xudong Investment Limited is a business company organized and existing under the laws of the British Virgin Islands. Xudong Investment Limited is wholly owned by Li Xudong (李旭東), an Independent Third Party.

SOSV LLC

SOSV Investments LLC (previously known as SOSVentures LLC, “SOSV LLC”) is a limited liability company incorporated and existing under the laws of the State of Delaware. It is part of SOSV, a global venture capital firm that invests in tech startups and operates the IndieBio and HAX programs, the latter of which the Company joined in 2013. SOSV is ultimately controlled by Sean O’Sullivan, an Irish citizen, entrepreneur, investor and Independent Third Party.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Cloud Angel

China Cloud Tech Angel Capital Partnership, L.P. (“**Cloud Angel**”) is a limited liability partnership incorporated and existing under the laws of the Cayman Islands. It is principally engaged in equity investment. Its general partner is CCT Angel Partners, Ltd, which is in turn wholly owned by CCT Partners S, L.P. The general partner of CCT Partners S, L.P. is CCT Ultimate Partners S Ltd., which is wholly owned by Wisdom Ascend Ventures Limited. Wisdom Ascend Ventures Limited is in turn wholly owned by Tian Suning (田溯寧), an Independent Third Party. Cloud Angel, CCT Angel Partners, Ltd and CCT Partners S, L.P. are all managed by Cloud Angel Fund (雲天使基金), an investment firm which provides venture capital funding to early stage startups in sectors including cloud computing, SaaS, network security AI, big data, hardware and robotics. The limited partners of Cloud Angel are China Cloud Tech RMB Partnership, L.P., World Sun Global Limited, JR Holding IV, Ltd., Northern Light Venture Capital III, Ltd., and HSG CV IV Holdco, Ltd., none of which hold 30% or more partnership interests in Cloud Angel.

HongShan Huanyou

Beijing HongShan Huanyou Management Consulting Center (L.P.) (北京紅杉樞優管理諮詢中心(有限合夥)) (“**HongShan Huanyou**”) is a limited partnership established in the PRC on March 11, 2019 which is principally engaged in enterprise management consulting and economic and trade consulting.

The sole limited partner of HongShan Huanyou is HongShan Xinyuan. HongShan Huanyou and HongShan Xinyuan share a general partner, Shanghai Zheyong Investment Center (L.P.) (上海喆酉投資中心(有限合夥)), whose general partner in turn is HongShan Capital Equity Investment Management (Tianjin) Co., Ltd. (紅杉資本股權投資管理(天津)有限公司), holding approximately 0.026% of the partnership interests, and is ultimately controlled by Zhou Kui (周逵), an Independent Third Party.

Shenzhen Jiazi

Shenzhen Jiazi Puzheng Multi-strategy Equity Investment Fund Partnership (L.P.) (深圳甲子普正多策略股權投資基金合夥企業(有限合夥)) (“**Shenzhen Jiazi**”) is a limited partnership established in the PRC on December 14, 2016. It is managed by CICC ALPHA (Beijing) Private Equity Investment Fund Management Co., Ltd. (中金甲子(北京)私募投資基金管理有限公司), which is in turn owned as to 51.00% by CICC Capital Operations Co., Ltd. (中金資本運營有限公司). CICC Capital Operations Co., Ltd. is wholly owned by China International Capital Corporation Limited (中國國際金融股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601995) and Hong Kong Stock Exchange (stock code: 3908).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

GX High Limited, CG Vibe Limited and Vision Knight Creative Aurora Limited

GX High Limited is a limited liability company organized and existing under the laws of the Republic of Seychelles. It is owned by Kaizhen Huiyun and Creative Aurora as to 49.50% and 50.50%, respectively.

CG Vibe Limited is a limited liability company incorporated and existing under the laws of Hong Kong. Its primary business activity is equity investment. It is owned by Kaizhen Huiyun and ultimately controlled by Cai Mingpo (蔡明潑), an Independent Third Party.

Vision Knight Creative Aurora Limited is a limited liability company organized and existing under the laws of the British Virgin Islands. It is wholly owned by Creative Aurora, which is managed by Suzhou Weitelixin Entrepreneurship Investment Management Co., Ltd. (蘇州維特力新創業投資管理有限公司) as its general partner, which is in turn controlled by Wei Zhe (衛哲), an Independent Third Party.

GCNA Holdings Limited

GCNA Holdings Limited is a limited liability company organized and existing under the laws of the Cayman Islands. Its primary business activity is equity investment. It is wholly owned by Gaocheng Fund II, L.P., whose general partner is Gaocheng Holdings GP II, Ltd, which is in turn ultimately controlled by Hong Jing (洪婧), an Independent Third Party.

Being Creative Works L.P.

Being Creative Works L.P. is a limited liability partnership organized and existing under the laws of the British Virgin Islands. It is principally engaged in equity investment.

The general partner of Being Creative Works L.P. is Being Capital China Partners LP, which is wholly owned by JY Evergreen Limited. JY Evergreen Limited is in turn wholly owned by Yan Jisheng (閔極晟), an Independent Third Party. Being Capital China Fund I LP is a limited partner of Being Creative Works L.P. with partnership interest of 78.87% and its general partner is Being Capital China Partners LP. No other partners hold 30% or more partnership interest in Being Creative Works L.P. and Being Capital China Fund I LP.

Tencent entities

Tencent Mobility Limited is a company incorporated in Hong Kong with limited liability, and is a wholly-owned subsidiary of Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Hong Kong Stock Exchange (stock codes: 0700 (HKD counter) and 80700 (RMB counter)).

Mighty Pinnacle Holding Limited is an exempted company incorporated in the Cayman Islands with limited liability. It is ultimately controlled by Tencent Holdings Limited.

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Granite Asia IX VCC

Granite Asia IX VCC is a variable capital company organized and existing under the laws of Singapore. Its primary business activity is equity investment, and it acts for and in respect of its sub-fund, namely Granite Asia IX Investments. Granite Asia IX Investments is ultimately controlled by Ji-Xun Foo, Lee Hong Wei, Jenny, Glenn Solomen, Hans Tung, Jeff Richards and Oren Yunger, each of whom is an Independent Third Party.

PUBLIC FLOAT AND FREE FLOAT

Upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Shares held by certain of our Shareholders who are, or which are indirectly controlled by, our core connected persons, will not be counted towards the public float. Details of these Shareholders and their controllers (if applicable) are set out below:

- WRC Vitality Eager Limited, which is controlled by Mr. Wang, our chairman of the Board, chief executive officer and executive Director, and one of our Single Largest Shareholders, holding [REDACTED]% of the total issued Shares;
- Current Blue core Frontiers Limited, Current Blue core Innovators Limited and Future Blue core Innovators I Limited, whose voting rights are exercised by the same management committee comprising employees of the Company and are therefore collectively regarded as our substantial Shareholders for the purpose of public float, holding in aggregate [REDACTED]% of the total issued Shares; and
- ZhuQing Walle Eva Limited, which is controlled by Mr. Feng Yang (馮洋), Mr. Li Zhimin (李治民), Mr. Cai Jian (蔡健) and Mr. Wang Yong (王勇), the directors of our subsidiaries, as well as Mr. Jin Shengze (金盛澤), our executive Director, holding [REDACTED]% of our total issued Shares.

Based on the above, it is expected that immediately following completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), a total of [REDACTED] Shares, representing [REDACTED]% of our total issued Shares, will be counted as part of the public float, which is higher than the prescribed percentage of Shares required to be held in public hands under Rule 8.08(1) of the Listing Rules (applicable at the indicative [REDACTED] set out in this Document).

Upon the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), it is expected that [REDACTED] Shares, representing a market capitalization of approximately HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the low-end of the indicative [REDACTED] set out in this Document), will be held by the public and will not be subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise). Therefore, our Company is expected to satisfy the free float requirement under Rule 8.08A of the Listing Rules.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CAPITALIZATION OF OUR COMPANY

The table below summarizes the capitalization of our Company as of the date of this Document and immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised).

Shareholder	As of the date of this Document							Immediately Upon Completion of the [REDACTED] ⁽²⁾			
	Number of Ordinary Shares	Number of Series Angel-1 Preferred Shares ⁽¹⁾	Number of Series Angel-2 Preferred Shares	Number of Series A Preferred Shares ⁽¹⁾	Number of Series B Preferred Shares ⁽¹⁾	Number of Series C Preferred Shares ⁽¹⁾	Number of Series D Preferred Shares ⁽¹⁾		Subtotal	Approximate Shareholding Percentage	Approximate Shareholding Percentage
WRC Vitality Eager Limited	86,718,476	-	-	-	-	-	-	86,718,476	31.38%	86,718,476	[REDACTED]%
Prime Blue core pioneers Limited ⁽³⁾	1,089,993	-	-	-	-	-	-	1,089,993	0.39%	1,089,993	[REDACTED]%
ZhuQing Walle Eva Limited ⁽⁴⁾	1,683,962	-	-	-	-	-	-	1,683,962	0.61%	1,683,962	[REDACTED]%
Qingzhu ZY Digong Limited ⁽⁵⁾	1,640,374	-	-	-	-	-	-	1,640,374	0.59%	1,640,374	[REDACTED]%
Current Blue core Frontiers Limited ⁽⁶⁾	23,052,370	-	-	-	-	-	-	23,052,370	8.34%	23,052,370	[REDACTED]%
Current Blue core Innovators Limited ⁽⁶⁾	8,133,900	-	-	-	-	-	-	8,133,900	2.94%	8,133,900	[REDACTED]%
Future Blue core Innovators I Limited ⁽⁶⁾	6,929,391	-	-	-	-	-	-	6,929,391	2.51%	6,929,391	[REDACTED]%

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Shareholder	As of the date of this Document										Immediately Upon Completion of the [REDACTED] ⁽²⁾	
	Number of Ordinary Shares	Number of Series Angel-1 Preferred Shares ⁽¹⁾		Number of Series Angel-2 Preferred Shares	Number of Series A Preferred Shares ⁽¹⁾		Number of Series B Preferred Shares ⁽¹⁾	Number of Series C Preferred Shares ⁽¹⁾	Number of Series D Preferred Shares ⁽¹⁾	Subtotal	Approximate Shareholding Percentage	
		Approximate Shareholding Percentage	Number of Shares ⁽¹⁾		Approximate Shareholding Percentage	Number of Shares ⁽¹⁾						
Nature Ming Tian Limited	7,766,042	-	-	-	-	-	-	-	-	7,766,042	2.81%	[REDACTED]%
Xudong Investment Limited	5,042,557	-	-	-	-	-	-	-	-	5,042,557	1.82%	[REDACTED]%
RhinoPeak Holding Limited	5,933,409	-	-	-	-	-	-	-	-	5,933,409	2.15%	[REDACTED]%
SOSV LLC	-	7,713,329	-	1,914,827	-	-	-	-	-	9,628,156	3.48%	[REDACTED]%
Cloud Angel	-	19,305,583	-	-	-	-	-	-	-	19,305,583	6.99%	[REDACTED]%
HongShan Huanyou	-	-	-	30,000,021	-	-	-	-	-	30,000,021	10.85%	[REDACTED]%
Shenzhen Jiazi	-	-	-	-	-	5,929,464	-	-	-	5,929,464	2.15%	[REDACTED]%
GX High Limited	-	-	-	-	-	4,743,534	-	-	-	4,743,534	1.72%	[REDACTED]%
GCNA Holdings Limited	-	-	-	-	-	-	13,045,007	-	5,929,549	18,974,556	6.87%	[REDACTED]%
Being Creative Works L.P.	-	-	-	-	-	-	13,249,151	-	6,022,341	19,271,492	6.97%	[REDACTED]%
Tencent Mobility Limited	-	-	7,456,893	-	-	-	-	-	3,389,497	10,846,390	3.92%	[REDACTED]%
Mighty Pinnacle Holding Limited	-	-	1,864,223	-	-	-	-	-	847,374	2,711,597	0.98%	[REDACTED]%
Granite Asia IX VCC	-	-	-	-	-	3,312,288	-	-	1,505,585	4,817,873	1.74%	[REDACTED]%
CG Vibe Limited	-	-	-	-	-	-	-	-	1,067,295	1,067,295	0.39%	[REDACTED]%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholder	As of the date of this Document							Immediately Upon Completion of the [REDACTED] ⁽²⁾			
	Number of Ordinary Shares	Number of Series		Number of Series A Preferred Shares ⁽¹⁾	Number of Series B Preferred Shares ⁽¹⁾	Number of Series C Preferred Shares ⁽¹⁾	Number of Series D Preferred Shares ⁽¹⁾		Subtotal	Approximate Shareholding Percentage	Approximate Shareholding Percentage
		Angel-1 Preferred Shares ⁽¹⁾	Angel-2 Preferred Shares								
Vision Knight Creative	-	-	-	-	-	-	1,088,857	1,088,857	0.39%	[REDACTED]%	
Aurora Limited	-	-	-	-	-	-	-	-	-	-	
Other [REDACTED] taking part in the [REDACTED].	-	-	-	-	-	-	-	-	-	[REDACTED]%	
Total	147,990,474	27,018,912	9,321,116	31,914,848	16,561,439	23,718,005	19,850,498	276,375,292	100.00%	100.00%	

Notes:

- (1) Each Series Angel-1 Preferred Share, Series Angel-2 Preferred Share, Series A Preferred Share, Series B Preferred Share, Series C Preferred Share and Series D Preferred Share shall be converted into one ordinary Share with effect upon completion of the [REDACTED].
- (2) Assuming the [REDACTED] is not exercised.
- (3) Prime Blue core pioneers Limited is held as to 13.76% by Mr. Hu Jinhong (胡錦宏), our executive Director. The other shareholders of Prime Blue core pioneers Limited are our employees, who are Independent Third Parties holding less than 25% therein each.
- (4) ZhuQing Walle Eva Limited is held as to 28.17% by Mr. Feng Yang (馮洋), 19.72% by Mr. Li Zhimin (李治民), 5.63% by Mr. Cai Jian (蔡健) and 2.82% by Mr. Wang Yong (王勇), who are directors of our subsidiaries, and 7.04% by Mr. Jin Shengze (金盛澤), our executive Director. The other shareholders of ZhuQing Walle Eva Limited are our employees, who are Independent Third Parties holding less than 25% therein each.
- (5) Qingzhu ZY Digong Limited is held as to 35.64% by Mr. Yin Jun (殷俊), 32.75% by Ms. Zhang Yi (張易) and 31.61% by Mr. Qin Ming (覃明), who are our former Directors.
- (6) Each of Current Blue core Frontiers Limited, Current Blue core Innovators Limited and Future Blue core Innovators I Limited (i) is wholly owned by Vistra Trust (Hong Kong) Limited, being the trustee appointed for the trusts established by the Company to facilitate the administration of the [REDACTED] Share Option Schemes; and (ii) has its voting rights exercised by the same management committee comprising employees of the Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

[REDACTED] SHARE OPTION SCHEMES

The Company has adopted the [REDACTED] Share Option Schemes. See “Statutory and General Information — D. [REDACTED] Share Option Schemes” in Appendix IV to this Document for details.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Adviser has confirmed that the equity transfers in respect of Shenzhen xTool as described in the paragraphs headed “Reorganization” above in this section have been completed in accordance with PRC laws and regulations.

Regulations on Overseas Listing

On February 17, 2023, the CSRC released the Overseas Listing Trial Measures and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to list overseas, both directly and indirectly, should fulfil the filing procedure and report relevant information to the CSRC. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas offering and listing will be deemed as an indirect overseas offering and listing by a domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer’s audited consolidated financial statements for the same period; and (ii) its major operational activities are carried out in the PRC or its main places of business are located in the PRC, or a majority of the senior management in charge of operation and management of the issuer are Chinese citizens or are domiciled in the PRC.

SAFE Registration

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“SAFE Circular 37”) promulgated by SAFE and which became effective on July 4, 2014, (i) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (“Overseas SPV”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (“SAFE Circular 13”), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located, and the SAFE and its branches shall perform indirect regulation over the direct investment-related foreign exchange registration via banks.

As advised by our PRC Legal Adviser, Mr. Wang, being our Single Largest Shareholder who is a PRC resident and indirectly holds Shares, completed registration under SAFE Circular 13 and SAFE Circular 37 in September 2024.

M&A Rules

Pursuant to Article 11 of the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the STA, the CSRC, the SAIC (currently known as the SAMR) and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009 with immediate effect, approval from MOFCOM is required where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it, acquires a domestic company which is related to or connected with it. Pursuant to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) effective as of January 1, 2020 and public Q&A section on the official website of MOFCOM on April 9, 2024, the approval requirements by the MOFCOM and its local branches for the establishment and registration changes of foreign-invested enterprises have been abolished since the implementation of the Foreign Investment Law of the PRC.

As advised by our PRC Legal Adviser, unless new laws and regulations are enacted, or the MOFCOM and the CSRC publish new provisions or interpretations on the M&A Rules in the future, MOFCOM approval is not required under the M&A Rules.

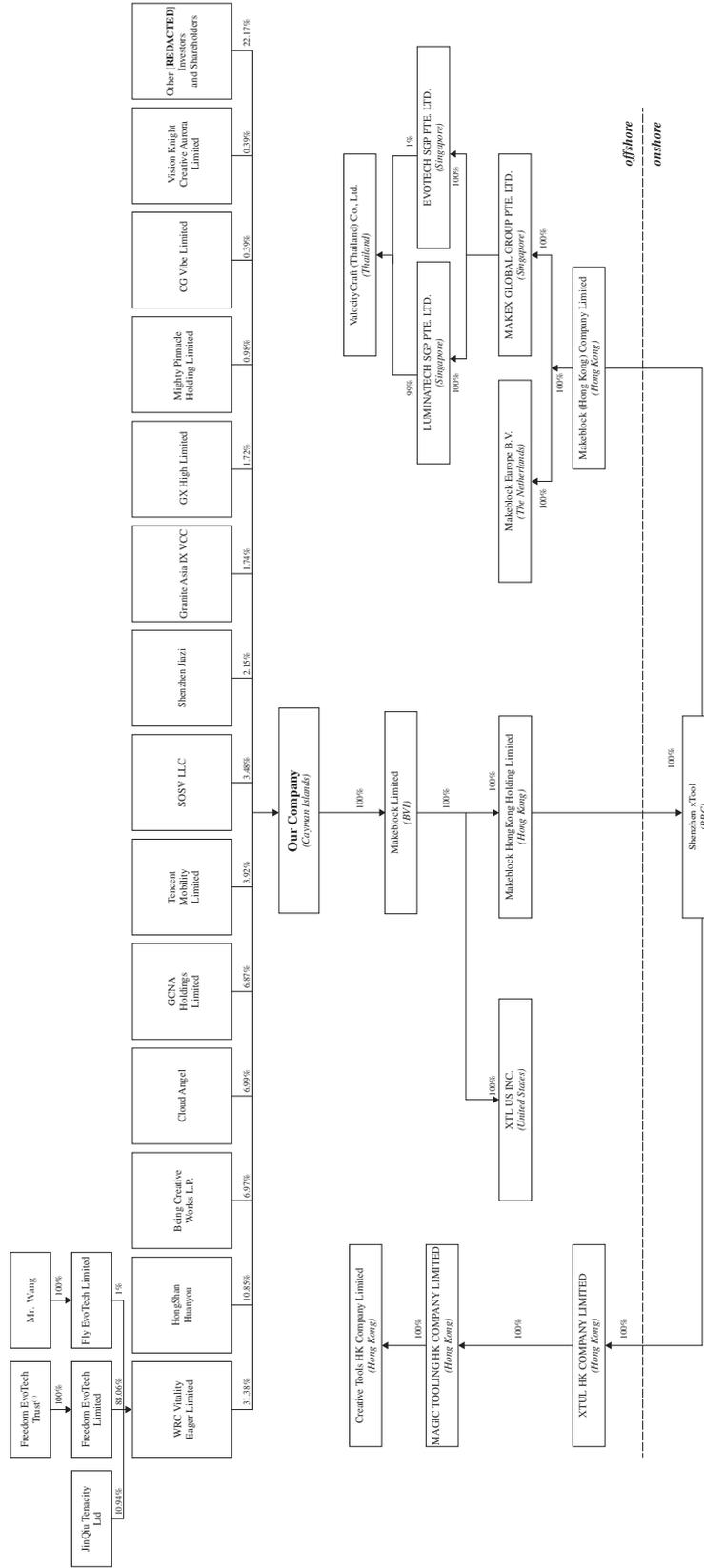
The M&A Rules may be subject to further interpretation and implementation, and our PRC Legal Adviser further advises that its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR CORPORATE STRUCTURE

Corporate Structure Immediately Before the Completion of the [REDACTED]

The following chart sets forth our Group’s simplified corporate and shareholding structure immediately prior to the completion of the [REDACTED], assuming that all of the Preferred Shares have been converted to ordinary Shares on a one-to-one basis:



Note:

- (1) Freedom EvoTech Trust is a discretionary trust established by Mr. Wang as the settlor and protector, with Visitra Trust (Singapore) Pte. Limited as the trustee and Fly EvoTech Limited, which is wholly owned by Mr. Wang, as the beneficiary.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

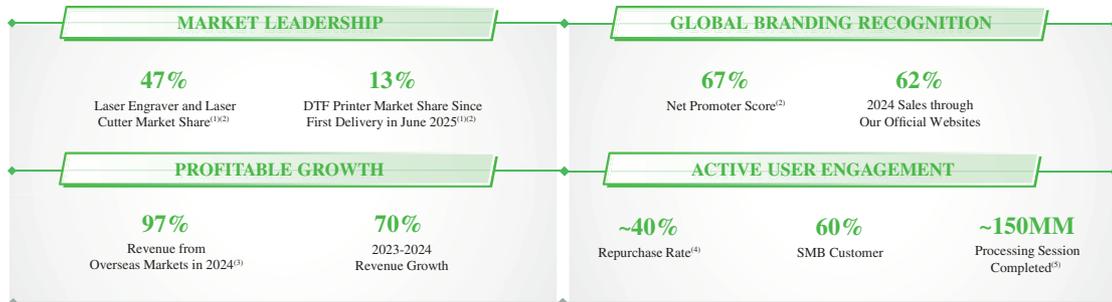
— Megan Keddell

BUSINESS



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

BUSINESS

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.

BUSINESS

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.

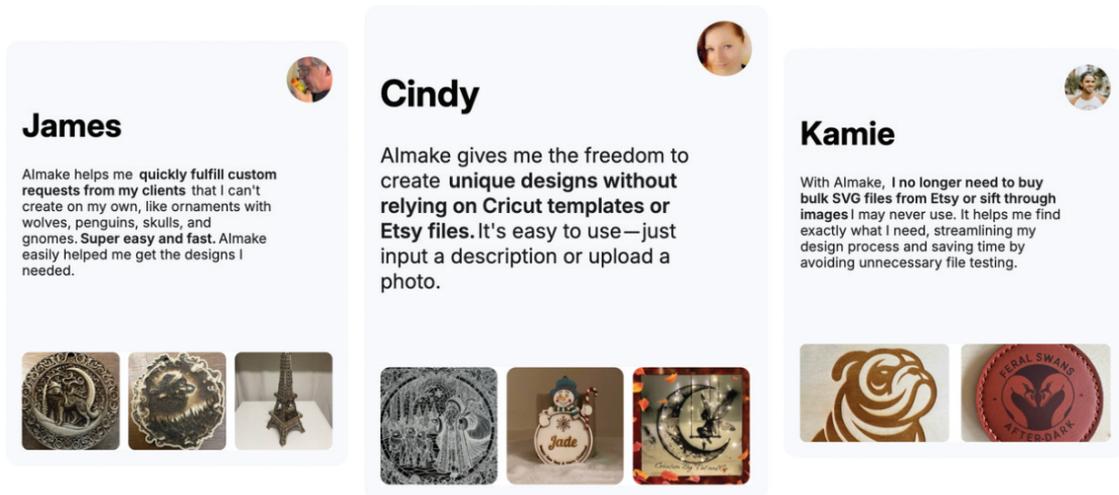
Our industry leadership reflects our product excellence, with rare and category-defining capabilities that justify a premium price and consistently support strong margins and growth. With a growing portfolio that now includes cutting, printing, foiling, drawing, writing, and welding, we are building 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.

BUSINESS



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)

BUSINESS

- 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.

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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.

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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.

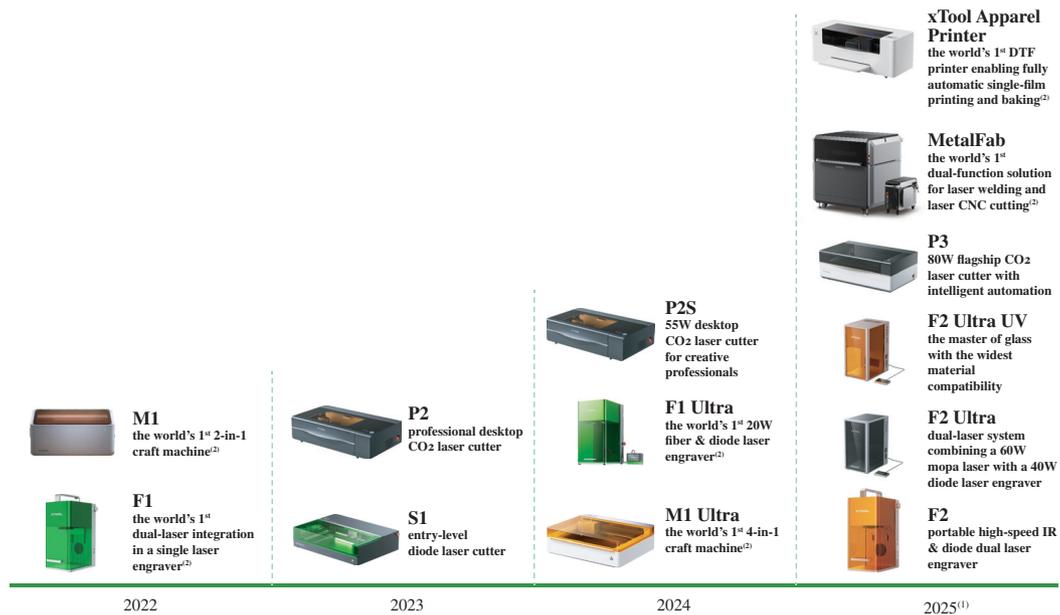
Our products exemplify state-of-the-art design and engineering excellence, seamlessly integrating technological innovation with aesthetic sophistication. Our design philosophy emphasizes user-centric functionality, precision craftsmanship, and continuous innovation, which together have positioned our 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.

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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

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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.

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- ***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.

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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 	US\$6,299- US\$6,999
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 	US\$3,249- US\$3,399

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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.

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- *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

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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:

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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

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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.

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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 	<p>US\$7,499- US\$8,999</p>
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 	<p>US\$7,499- US\$8,999</p>

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.

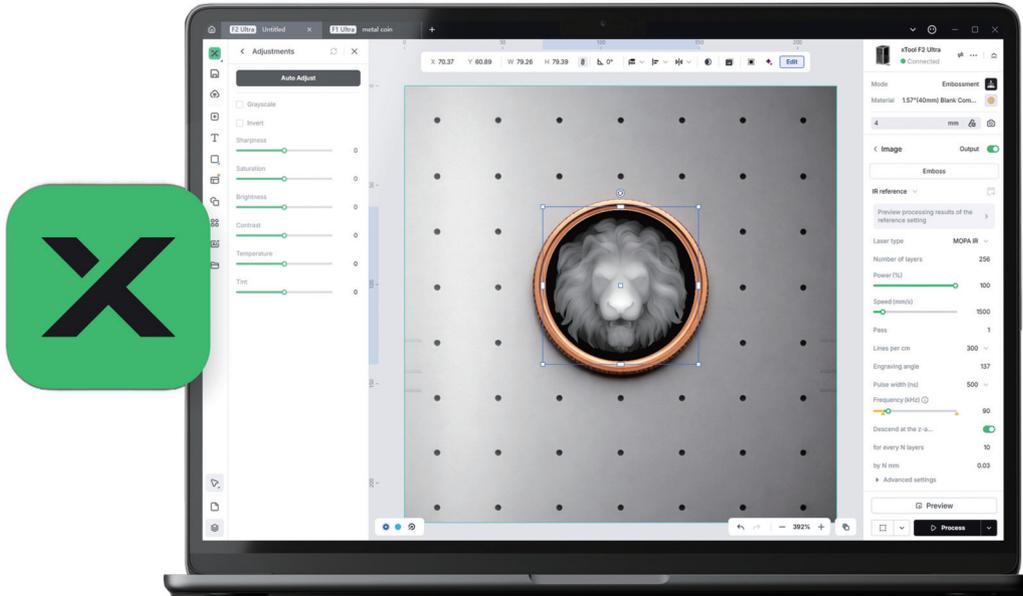
EMPOWERING CREATIVITY WITH OUR SOFTWARE OFFERINGS

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 lasering or 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.

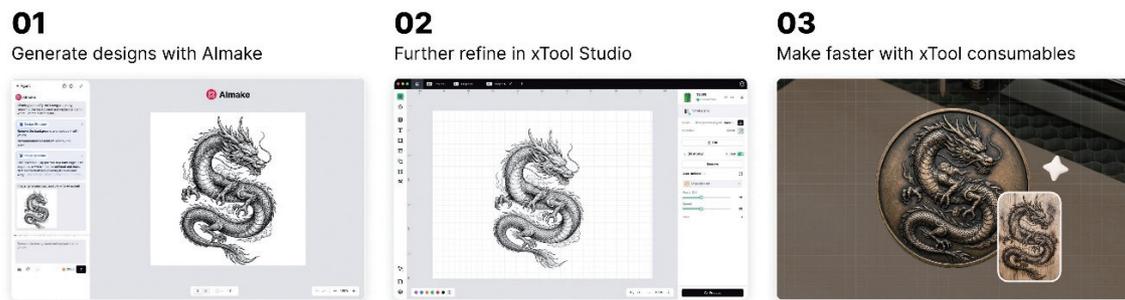
AIMake — The AI Crafting Agent

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.

BUSINESS

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.

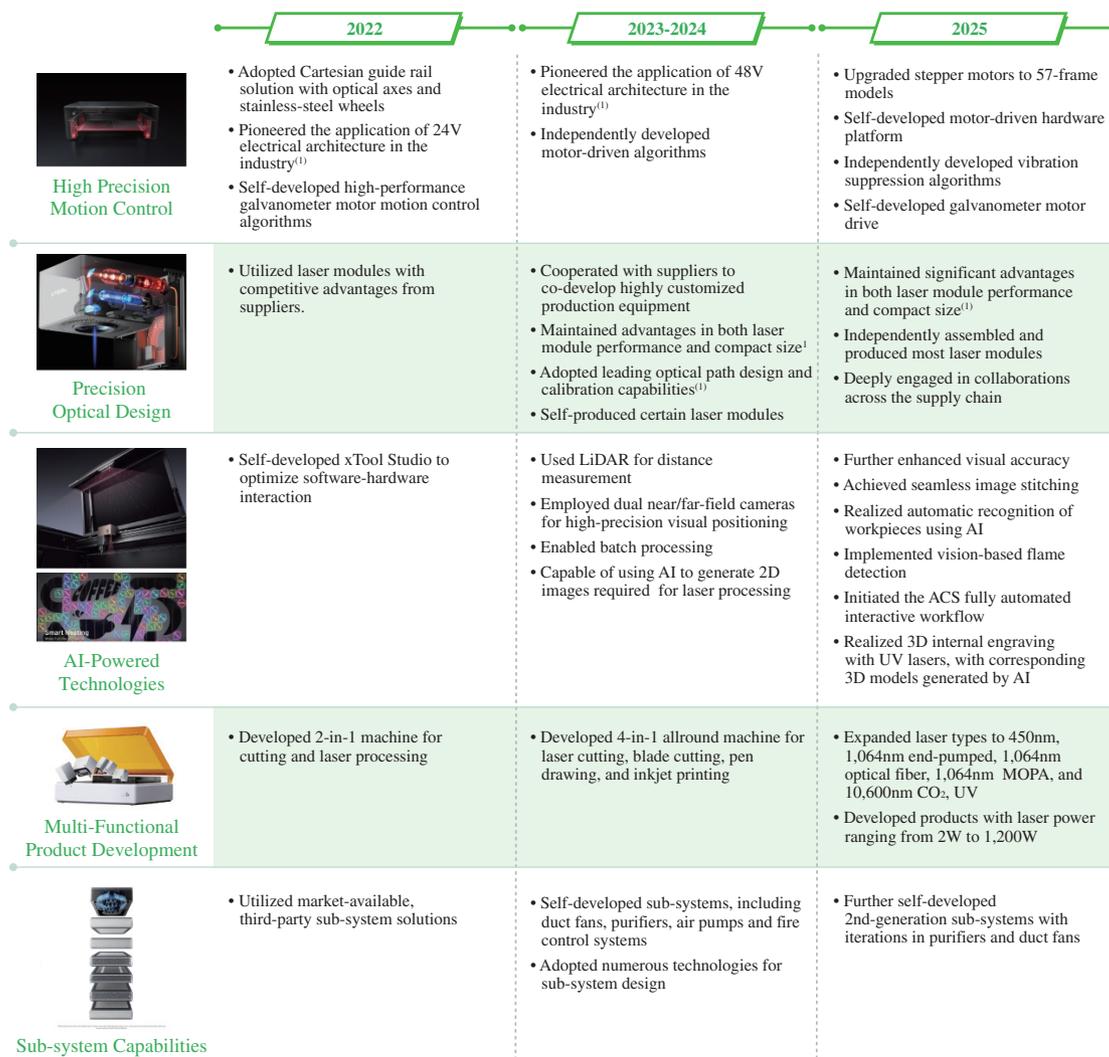
Through hardware improvement and software optimization, we continuously push innovation by breaking traditional limitations and lowering the barriers to creation and ensure a consistent and seamless user experience across our ecosystem.

BUSINESS

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.

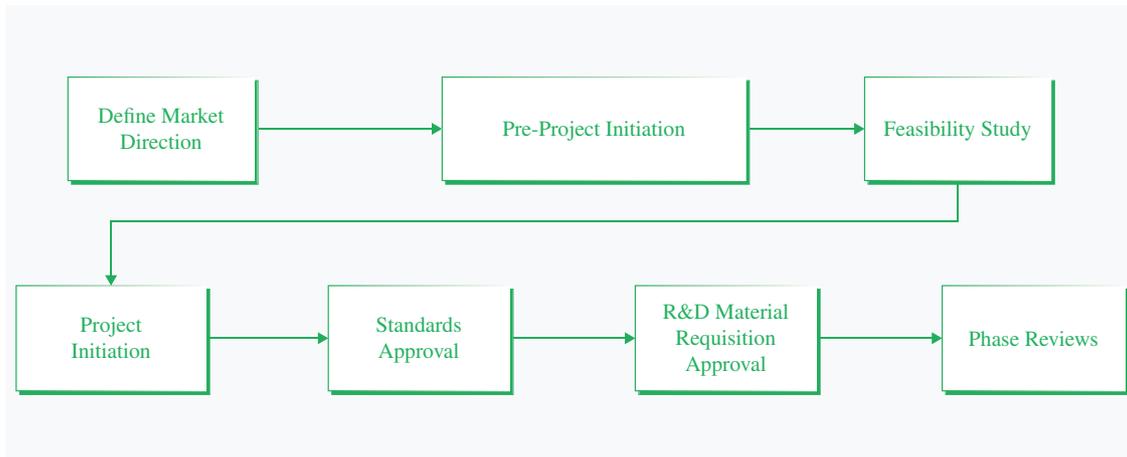
BUSINESS

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

<u>Patent Name</u>	<u>Registration No.</u>	<u>Functions</u>	<u>Filing Date</u>
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.

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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	<u>173</u>	<u>138</u>	<u>250*</u>
Number of distributors at the end of the period	<u>413</u>	<u>579</u>	<u>557</u>

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.

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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.

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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,
				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,
				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

BUSINESS

“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

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Upon [REDACTED], the Board will consist of seven Directors, including four executive Directors and three independent non-executive Directors. The following table provides certain information about our Directors:

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Director	Roles and responsibilities
Executive Directors					
Mr. Wang Jianjun (王建军)	40	Founder, chairman of the Board, chief executive officer and executive Director	June 2013	June 13, 2024	Overall management of the Group’s strategy, product, sales and marketing and business operations
Ms. Liu Yao (劉堯).	50	Executive Director and president	September 2024	December 15, 2025	Overseeing the Group’s capital markets activities, financial management, legal affairs, operation efficiency and public relations
Mr. Jin Shengze (金盛澤)	44	Executive Director and vice president	September 2019	December 15, 2025	R&D, with a focus on hardware technologies
Mr. Hu Jinhong (胡錦宏)	36	Executive Director and vice president	May 2015	December 15, 2025	R&D, with a focus on software technologies
Independent Non-executive Directors					
Dr. Ni Zewang (倪澤望)	62	Independent non-executive Director	[REDACTED]	December 15, 2025, effective upon [REDACTED]	Supervising and providing independent judgment to our Board
Mr. Zhang Saiyin (張賽音)	46	Independent non-executive Director	[REDACTED]	December 15, 2025, effective upon [REDACTED]	Supervising and providing independent judgment to our Board
Mr. Meng Tianxing (孟天行)	34	Independent non-executive Director	[REDACTED]	December 15, 2025, effective upon [REDACTED]	Supervising and providing independent judgment to our Board

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wang Jianjun (王建军), aged 40, is our founder, chairman of the Board, chief executive officer and executive Director. Mr. Wang founded our Group and became our chief executive officer in June 2013, and was re-designated as an executive Director on December 15, 2025. He is primarily responsible for the overall management of the Group’s strategy, product, sales and marketing and business operations.

Mr. Wang obtained his bachelor’s and master’s degrees in aircraft design from Northwestern Polytechnical University (西北工業大學) in the PRC in July 2007 and April 2010, respectively.

Ms. Liu Yao (劉堯), aged 50, joined our Group in September 2024 as our president and was appointed as our executive Director on December 15, 2025. She is primarily responsible for overseeing the Group’s capital markets activities, financial management, legal affairs, operation efficiency and public relations.

Prior to joining our Group, Ms. Liu worked at Deutsche Bank Group from July 2007 to December 2009, where her last position was as an associate in global banking division. Ms. Liu worked at UBS AG from December 2009 to May 2014, where her last position was an executive director in the investment bank division. Prior to June 2016, Ms. Liu served as the managing director at Red Capital (瑞德資本). From June 2016 to July 2018, Ms. Liu was the founding partner of RJ Capital (納疆資本). Ms. Liu served as an independent non-executive director of ZCZL Industrial Technology Group Company Limited (中創智領(鄭州)工業技術集團股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 0564) and the Shanghai Stock Exchange (stock code: 601717), from June 2014 to June 2020, and as an executive director and chief financial officer of Tuya Inc., a company listed on the Hong Kong Stock Exchange (stock code: 2391) and the New York Stock Exchange (stock symbol: TUYA) between May 2019 and September 2024.

Ms. Liu obtained her bachelor’s degree in materials chemistry from Xiamen University (廈門大學) in the PRC in July 1996 and her master’s degree in business administration from the Wharton School of the University of Pennsylvania in the United States in May 2007.

Mr. Jin Shengze (金盛澤), aged 44, joined our Group as a product director in September 2019. Mr. Jin is our vice president of hardware research and development (R&D) and was appointed as our executive Director on December 15, 2025. He is primarily responsible for R&D, with a focus on hardware technologies.

Prior to joining our Group, Mr. Jin worked at NCSOFT China Co., Ltd. (上海新浪樂谷信息技術有限公司, now known as 上海眾遊信息技術有限公司) starting from July 2004, at Shenzhen Tencent Computer Systems Co., Ltd. (深圳市騰訊計算機系統有限公司) (“**Shenzhen Tencent**”) starting from August 2009, at Shenzhen Shangyou Network Technology Co., Ltd. (深圳市尚遊網絡科技有限公司) as the director of mobile game operations (手游運營總監) from March 2010 to April 2015, at Shenzhen Tencent starting from June 2015, at Hope

DIRECTORS AND SENIOR MANAGEMENT

Software (Shanghai) Co., Ltd. (合得軟件(上海)有限公司) as a product director starting from November 2015, at Miracle Technology (Shenzhen) Co., Ltd. (大奇蹟科技(深圳)有限公司, previously known as Juheng Investment Technology (Shenzhen) Co., Ltd. (鉅亨投資科技(深圳)有限公司)) starting from February 2017, and at Shanghai Yousheng Education Technology Co., Ltd. (上海優盛教育科技有限公司) starting from November 2018.

Mr. Jin obtained his bachelor’s degree in communication engineering from Tongji University (同濟大學) in the PRC in July 2004.

Mr. Hu Jinhong (胡錦宏) (former name: Hu Huixiang (胡慧祥)), aged 36, joined our Group as a development engineer in May 2015. Mr. Hu is our vice president of software R&D and was appointed as our executive Director on December 15, 2025. He is primarily responsible for R&D, with a focus on software technologies.

Prior to joining our Group, Mr. Hu worked at Adin Media (Shanghai) Co., Ltd. (互眾廣告(上海)有限公司) as a development engineer from July 2014 to May 2015.

Mr. Hu obtained his bachelor’s and master’s degrees in software engineering from Wuhan University (武漢大學) in the PRC in June 2012 and June 2014, respectively.

Independent Non-executive Directors

Dr. Ni Zewang (倪澤望), aged 62, was appointed as our independent non-executive Director on December 15, 2025 with effect from the [REDACTED]. He is primarily responsible for supervising and providing independent advice and judgment to our Board.

Dr. Ni previously worked at Huawei Technologies Co., Ltd. (華為技術有限公司) as a deputy chief engineer, and at Shenzhen Taikangxin Industry Co., Ltd. (深圳泰康信工業有限公司) as a general manager. Dr. Ni held various government positions in Luohu District, Shenzhen starting from 1997. He successively served as the deputy director and director of the Luohu District Science and Technology Bureau, the deputy district mayor, the executive deputy district mayor, the district mayor and the secretary of the Luohu District Committee of the Communist Party of China. He then served as the party secretary, director and chairman of Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), a state-owned investment group in Shenzhen, from July 2015 to January 2024.

Dr. Ni received his bachelor’s and master’s degrees in automatic control from the Nanjing Institute of Technology (南京工學院) (now renamed as Southeast University (東南大學)) in the PRC in July 1983 and March 1988, respectively, and his doctoral degrees in mechanical design and manufacturing and in enterprise management from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) and Sun Yat-sen University (中山大學) in the PRC in December 1991 and June 2006, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Saiyin (張賽音), aged 46, was appointed as our independent non-executive Director on December 15, 2025 with effect from the [REDACTED]. He is primarily responsible for supervising and providing independent advice and judgment to our Board.

Mr. Zhang has served as an independent non-executive director of ClouDr Group Limited (智雲健康科技集團), a company listed on the Hong Kong Stock Exchange (stock code: 9955), since July 2022. He joined and began to serve in various roles at MINISO Group Holding Limited (名創優品集團控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 9896) and the New York Stock Exchange (stock symbol: MNSO) and its affiliates in July 2017, with his last position being a director, chief financial officer and executive vice president for MINISO Group Holding Limited from February 2020 to January 2023.

Prior to joining MINISO, Mr. Zhang served as the assistant general manager and the chief financial officer at China Resources Textiles (Holdings) Company Limited until July 2017. From September 2009 to March 2011, Mr. Zhang worked as a manager in the finance department of Shenzhen Jinjia Color Printing Group Co., Ltd. (深圳勁嘉彩印集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002191) (now known as Shenzhen Jinjia Group Co., Ltd (深圳勁嘉集團股份有限公司)). Mr. Zhang worked as a senior auditor at Deloitte, Shenzhen branch between July 2005 and September 2009, and at ZTE Corporation (中興通訊股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000063), and the Hong Kong Stock Exchange (stock code: 0763), starting from March 2004.

Mr. Zhang received his bachelor’s degree in accounting from Huazhong Agricultural University (華中農業大學) in the PRC in June 2002 and his master’s degree in accounting and finance from the University of Birmingham in the United Kingdom in December 2003. Mr. Zhang is also a fellow of the Association of Chartered Certified Accountants.

Mr. Meng Tianxing (孟天行), aged 34, was appointed as our independent non-executive Director on December 15, 2025, with effect from the [REDACTED]. He is primarily responsible for supervising and providing independent advice and judgment to our Board.

Mr. Meng previously worked as a trainee lawyer at the Shenzhen office of AllBright Law Offices (上海市錦天城(深圳)律師事務所) from July 2017 to June 2019, and has practiced as a lawyer at the Shenzhen office of Yingke Law Firm (北京市盈科(深圳)律師事務所) since July 2019.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Meng obtained his bachelor’s degree in administrative management from the Guangdong University of Finance (廣東金融學院) in the PRC in July 2014 and his master’s degree in law at Shanghai Maritime University (上海海事大學) in the PRC in June 2017. Mr. Meng became qualified as a PRC lawyer in March 2016 and obtained his PRC practicing lawyer’s certificate in August 2019. Mr. Meng obtained his Certificate of Securities Qualification (證券從業資格) issued by the Securities Association of China (中國證券業協會) in March 2018.

SENIOR MANAGEMENT

The following table provides certain information about the members of our senior management, who are responsible for the day-to-day operations and management of the business of our Group and comprises all of our executive Directors:

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as Senior Management	Roles and responsibilities
Mr. Wang Jianjun (王建军)	40	Founder, chairman of the Board, chief executive officer and executive Director	June 2013	June 24, 2013	Overall management of the Group’s strategy, product, sales and marketing and business operations
Ms. Liu Yao (劉堯)	50	Executive Director and president	September 2024	September 18, 2024	Overseeing the Group’s capital markets activities, financial management, legal affairs, operation efficiency and public relations
Mr. Jin Shengze (金盛澤)	44	Executive Director and vice president	September 2019	August 11, 2025	R&D, with a focus on hardware technologies
Mr. Hu Jinhong (胡錦宏)	36	Executive Director and vice president	May 2015	August 11, 2025	R&D, with a focus on software technologies

Mr. Wang Jianjun (王建军), aged 40, is our founder, chairman of the Board, chief executive officer and an executive Director. Please refer to “— Board of Directors — Executive Directors” in this section for his biographical details.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Liu Yao (劉堯), aged 50, is an executive Director and our president. Please refer to “— Board of Directors — Executive Directors” in this section for her biographical details.

Mr. Jin Shengze (金盛澤), aged 44, is an executive Director and our vice president. Please refer to “— Board of Directors — Executive Directors” in this section for his biographical details.

Mr. Hu Jinhong (胡錦宏), aged 36, is an executive Director and our vice president. Please refer to “— Board of Directors — Executive Directors” in this section for his biographical details.

GENERAL

Save as disclosed in this section, none of the Directors or members of senior management of our Company has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Document.

None of the Directors or members of the senior management of our Company is related to any other Directors and members of the senior management of our Company.

To the best knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company’s business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in December 2025, and (ii) understands his or her obligations as a director of a [REDACTED] issuer under the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his appointments.

COMPANY SECRETARY

Ms. Cheung Hin Kiu (張顯翹) was appointed as our company secretary in December 2025 with effect from the [REDACTED]. She is a senior manager of corporate secretarial services at Vistra. Ms. Cheung has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Cheung is a Chartered Secretary, a Chartered Governance Professional and a member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She is also a member of the Association of Chartered Certified Accountants.

BOARD COMMITTEES

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code. The Audit Committee consists of three Directors, namely Mr. Zhang Saiyin (張賽音), Dr. Ni Zewang (倪澤望) and Mr. Meng Tianxing (孟天行). Mr. Zhang Saiyin (張賽音) has the appropriate professional qualifications or accounting or related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules, and serves as the chairperson of the Audit Committee. The primary duties of the Audit Committee include, but are not limited to, the following:

- proposing the appointment or change of external auditors to our Board, and monitoring the independence of external auditors and evaluating their performance;
- examining the financial information of our Company and reviewing financial reports and statements of our Company;
- examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to our Board; and

DIRECTORS AND SENIOR MANAGEMENT

- dealing with other matters that are authorized by our Board.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with paragraph E.1 of the Corporate Governance Code. The Remuneration Committee consists of three Directors, namely Dr. Ni Zewang (倪澤望), Mr. Wang Jianjun (王建軍) and Mr. Meng Tianxing (孟天行). Dr. Ni Zewang (倪澤望) serves as the chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee include, but are not limited to, the following:

- making recommendations to the Board on the Company’s policy and structure for the Directors’ and senior management’s remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- monitoring the implementation of the remuneration system of our Company;
- making recommendations on the remuneration packages of our Directors and senior management; and
- dealing with other matters that are authorized by our Board.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code. The Nomination Committee consists of three Directors, namely Dr. Ni Zewang (倪澤望), Ms. Liu Yao (劉堯) and Mr. Zhang Saiyin (張賽音). Dr. Ni Zewang (倪澤望) serves as the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, but are not limited to, the following:

- conducting extensive searches and providing to our Board suitable candidates for our Directors, chief executive officer and other members of the senior management;
- reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually, assisting our Board in maintaining a board skills matrix and making recommendations on any proposed changes to our Board to complement the Company’s corporate strategy;
- researching and developing standards and procedures for the election of our Board members, chief executive officer and members of the senior management, and making recommendations to our Board;
- assess the independence of independent non-executive Directors;
- supporting our Company’s regular evaluation of our Board’s performance; and

DIRECTORS AND SENIOR MANAGEMENT

- dealing with other matters that are authorized by our Board.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of fees, salaries, allowances, discretionary bonuses, share-based compensation, retirement benefit scheme contributions and other benefits in kind.

For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025, the aggregate amount of remuneration paid or payable to our Directors amounted to RMB14.2 million, RMB15.9 million, and RMB8.6 million, respectively.

Under the current compensation arrangement, we estimate the total compensation before taxation to be accrued to our Directors for the year ending December 31, 2026 to be approximately RMB24.0 million.

The total emoluments for the remaining individuals among the five highest paid individuals amounted to RMB3.6 million, RMB16.5 million, and RMB13.0 million for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of our Company or any of our subsidiaries.

During the Track Record Period, none of our Directors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals during the Track Record Period.

CORPORATE GOVERNANCE

Pursuant to code provision C.2.1 of Part 2 of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules, companies [REDACTED] on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairperson and the chief executive officer should be separate and should not be performed by the same individual. We do not have a separate chairperson and chief executive officer and Mr. Wang currently performs these two roles. The Board believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

DIRECTORS AND SENIOR MANAGEMENT

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we [have] adopted the board diversity policy (“**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and educational background, and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates are expected to bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including in the areas of engineering, science, finance and law. We have three independent non-executive Directors with different industry backgrounds representing over one-third of the members of our Board. Our Company has evaluated the structure, size and composition of our Board, and is of the opinion that the structure of our Board is reasonable, and the experience and skills of the Directors in various aspects and fields enables our Company to maintain a high standard of operations.

Besides, we particularly recognize the importance of gender diversity. We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but without limitation to our Board and senior management levels. Going forward, we will continue to work to enhance gender diversity of our Board when selecting and recommending suitable candidates for Board appointments. We will maintain at least one female member of the Board at all times and the current composition of the Board satisfies this gender ratio. Our Company also intends to promote gender diversity at the mid to senior level so that our Company can maintain a balanced gender ratio at different levels. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our Board Diversity Policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the [REDACTED], our Nomination Committee will examine the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

COMPLIANCE ADVISER

We have appointed Rainbow Capital (HK) Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws.

Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;

DIRECTORS AND SENIOR MANAGEMENT

- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;
- (c) where we propose to use the [REDACTED] from the [REDACTED] in a manner different from that detailed in this Document or where our business activities, developments or results deviate from any forecast, estimate or other information in this Document; and
- (d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or [REDACTED] volume of its [REDACTED] securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS

OUR SINGLE LARGEST SHAREHOLDERS

Immediately prior to the [REDACTED], Mr. Wang, our founder, chairman of the Board, chief executive officer and executive Director, is entitled to exercise the voting rights of approximately 31.38% of the total issued share capital of our Company through WRC Vitality Eager Limited, a company which is owned as to 88.06%, 10.94% and 1% by Freedom EvoTech Limited, JinQiu Tenacity Ltd and Fly EvoTech Limited, respectively. Freedom EvoTech Limited is wholly held by Vistra Trust (Singapore) Pte. Limited as trustee of the Freedom EvoTech Trust, a discretionary trust established by Mr. Wang as the settlor and protector, and of which Fly EvoTech Limited, which is wholly owned by Mr. Wang, is the beneficiary.

Immediately following the completion of the [REDACTED] (on the basis that all the Preferred Shares are converted into Shares on a one-to-one basis and assuming the [REDACTED] is not exercised), Mr. Wang will be entitled to exercise the voting rights of approximately [REDACTED]% of the total issued share capital of our Company through WRC Vitality Eager Limited.

Accordingly, WRC Vitality Eager Limited, Freedom EvoTech Limited, Fly EvoTech Limited and Mr. Wang are the Single Largest Shareholders of our Company.

INDEPENDENCE OF OUR BUSINESS

We believe that we are capable of carrying out our business independently of our Single Largest Shareholders and their close associates after the [REDACTED] for the reasons set out below.

Management Independence

Upon the [REDACTED], our Board will consist of four executive Directors and three independent non-executive Directors, and our senior management team will comprise four members. The executive Directors and the senior management team are responsible for the day-to-day management of our operations. Notwithstanding the role of Mr. Wang on our Board and in our senior management team, our Directors are of the view that our Company is able to function independently from our Single Largest Shareholders for the following reasons:

- (i) we have appointed three independent non-executive Directors, representing over one-third of the total members of our Board, who are independent of our Single Largest Shareholders and have sufficient knowledge, experience and competence to provide impartial opinions in the decision-making process of our Board with a view to promote the interests of our Company and of the Shareholders as a whole;
- (ii) our daily management and operations are conducted by our senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS

- (iii) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions;
- (iv) where a Board meeting or Shareholders’ meeting is held to consider a proposed transaction in which our Directors or Single Largest Shareholders or any of their respective close associates have a material interest, the relevant Directors or our Single Largest Shareholders and their respective close associates shall abstain from voting on the relevant resolutions and shall not be counted towards the quorum for voting;
- (v) each of our Directors is aware of his or her fiduciary duties and responsibilities under the Listing Rules as a Director, which require that he or she act for the benefit and in the best interest of our Company, and do not allow any conflict between his or her duties as a Director and his or her personal interests; and
- (vi) our Company has adopted a series of corporate measures to manage conflicts of interest, if any, between our Company and our Single Largest Shareholders. Please refer to “Corporate Governance Measures” below for further information.

Based on the above, our Directors believe that our Board and senior management as a whole are able to play a managerial role in our Company independently from our Single Largest Shareholders and their close associates after the [REDACTED].

Operational Independence

Our Group is not operationally dependent on our Single Largest Shareholders. Our Company has full rights to make all decisions on and to carry out for our own business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession (including through our subsidiaries) of all relevant licenses necessary to carry on and operate our principal businesses, and we have sufficient operational capacity in terms of capital and employees to operate independently. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from the Single Largest Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

Based on the above, our Directors consider there to be no operational dependence on our Single Largest Shareholders or any of their close associates.

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS

Financial Independence

Our Group is not financially dependent on our Single Largest Shareholders, and we do not expect to rely on our Single Largest Shareholders or any of their close associates for financing after the [REDACTED]. Our Company has established an independent finance department, as well as implemented its own independent audit, accounting, internal control and financial management systems. We make financial decisions and determine our use of funds according to our own business needs. We have opened accounts with banks independently and do not share any bank account with our Single Largest Shareholders. We have made tax filings and paid tax independently of our Single Largest Shareholders pursuant to applicable laws and regulations. We have adequate internal resources to support our daily operations, and we are capable of obtaining financing from third parties, if necessary, without reliance on our Single Largest Shareholders.

As of the Latest Practicable Date, there was no outstanding loan extended by our Single Largest Shareholders or their close associates to us, and it is expected that our borrowing guaranteed by a Single Largest Shareholder will be repaid immediately before [REDACTED] or the guarantee provided for our benefit by such Single Largest Shareholder will be released immediately before [REDACTED]. For details, see Note 34 to the Accountants’ Report included in Appendix I to this Document.

Based on the above, our Directors consider that there is no financial dependence on our Single Largest Shareholders or any of their close associates.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Save and except for the interests of our Single Largest Shareholders in our Company and its subsidiaries, our Single Largest Shareholders and their close associates do not have any interest in any business, other than our Group, which competes or is likely to compete, either directly or indirectly, with our Group’s business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders, except for code provision C.2.1 of the Corporate Governance Code, details of which are set out in “Directors and Senior Management — Corporate Governance” in this Document.

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We have adopted the following corporate governance measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Single Largest Shareholders:

- (i) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Group enters into connected transactions with our Single Largest Shareholders or their close associates, our Company will comply with the applicable requirements under the Listing Rules;
- (ii) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Single Largest Shareholders or any of their close associates has any material interest, our Single Largest Shareholders and their close associates (as applicable) will not vote on the resolutions and shall not be counted in the quorum for voting;
- (iii) our Board consists of a balanced composition of executive and independent non-executive Directors, with independent non-executive Directors representing not less than one-third of our Board to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to perform their duties. They will review whether there is any conflict of interests between our Group and our Single Largest Shareholders on an annual basis (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders; the Single Largest Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (iv) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (v) where advice from an independent professional, such as a financial or legal adviser, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such an independent professional will be made at our Company’s expense; and
- (vi) we have appointed Rainbow Capital (HK) Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to Directors’ duties and corporate governance matters.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Single Largest Shareholders and to protect our minority Shareholders’ interests after the [REDACTED].

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED], assuming the [REDACTED] is not exercised, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Capacity/ Nature of Interest ⁽¹⁾	Number of Shares Held	Approximate percentage of shareholding in the total issued share capital of our Company	
			Shares held as of the date of this Document	Immediately following the completion of the [REDACTED]
Mr. Wang ⁽²⁾	Founder of trust	86,718,476	31.38%	[REDACTED]%
Vistra Trust (Singapore) Pte. Limited ⁽²⁾	Trustee	86,718,476	31.38%	[REDACTED]%
Freedom EvoTech Limited ⁽²⁾	Interest in controlled corporation	86,718,476	31.38%	[REDACTED]%
WRC Vitality Eager Limited ⁽²⁾	Beneficial owner	86,718,476	31.38%	[REDACTED]%
Vistra Trust (Hong Kong) Limited ⁽³⁾	Trustee	38,115,661	13.79%	[REDACTED]%
Current Blue core Frontiers Limited ⁽³⁾	Beneficial owner	23,052,370	8.34%	[REDACTED]%
Zhou Kui ⁽⁴⁾	Interest in controlled corporation	30,000,021	10.85%	[REDACTED]%
HongShan Capital Equity Investment Management (Tianjin) Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	30,000,021	10.85%	[REDACTED]%
Shanghai Zheyong Investment Center ⁽⁴⁾	Interest in controlled corporation	30,000,021	10.85%	[REDACTED]%
HongShan Xinyuan ⁽⁴⁾	Interest in controlled corporation	30,000,021	10.85%	[REDACTED]%
HongShan Huanyou ⁽⁴⁾	Beneficial owner	30,000,021	10.85%	[REDACTED]%
Tian Suning ⁽⁵⁾	Interest in controlled corporation	19,305,583	6.99%	[REDACTED]%
Wisdom Ascend Ventures Limited ⁽⁵⁾	Interest in controlled corporation	19,305,583	6.99%	[REDACTED]%
E Lixin ⁽⁵⁾	Interest in controlled corporation	19,305,583	6.99%	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Capacity/ Nature of Interest ⁽¹⁾	Number of Shares Held	Approximate percentage of shareholding in the total issued share capital of our Company	
			Shares held as of the date of this Document	Immediately following the completion of the [REDACTED]
CCT Ultimate Partners S Ltd. ⁽⁵⁾	Interest in controlled corporation	19,305,583	6.99%	[REDACTED]%
CCT Partners S, L.P. ⁽⁵⁾	Interest in controlled corporation	19,305,583	6.99%	[REDACTED]%
CCT Angel Partners, Ltd ⁽⁵⁾	Interest in controlled corporation	19,305,583	6.99%	[REDACTED]%
Cloud Angel ⁽⁵⁾	Beneficial owner	19,305,583	6.99%	[REDACTED]%
Hong Jing ⁽⁶⁾	Interest in controlled corporation	18,974,556	6.87%	[REDACTED]%
Gaocheng Holdings GP II, Ltd ⁽⁶⁾	Interest in controlled corporation	18,974,556	6.87%	[REDACTED]%
Gaocheng Fund II, L.P. ⁽⁶⁾	Interest in controlled corporation	18,974,556	6.87%	[REDACTED]%
GCNA Holdings Limited ⁽⁶⁾	Beneficial owner	18,974,556	6.87%	[REDACTED]%
Yan Jisheng ⁽⁷⁾	Interest in controlled corporation	19,271,492	6.97%	[REDACTED]%
JY Evergreen Limited ⁽⁷⁾	Interest in controlled corporation	19,271,492	6.97%	[REDACTED]%
Being Capital China Partners LP ⁽⁷⁾	Interest in controlled corporation	19,271,492	6.97%	[REDACTED]%
Being Capital China Fund I LP ⁽⁷⁾	Interest in controlled corporation	19,271,492	6.97%	[REDACTED]%
Being Creative Works L.P. ⁽⁷⁾	Beneficial owner	19,271,492	6.97%	[REDACTED]%

Notes:

- (1) All interests stated are long positions.
- (2) WRC Vitality Eager Limited is owned as to 88.06% and 1% by Freedom EvoTech Limited and Fly EvoTech Limited, respectively. Freedom EvoTech Limited is wholly held by Vistra Trust (Singapore) Pte. Limited as trustee of the Freedom EvoTech Trust, a discretionary trust established by Mr. Wang as the settlor and protector, and of which Fly EvoTech Limited, which is wholly owned by Mr. Wang, is the beneficiary. Therefore, each of Mr. Wang, Vistra Trust (Singapore) Pte. Limited and Freedom EvoTech Limited is deemed to be interested in the Shares held by WRC Vitality Eager Limited by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS

- (3) Current Blue core Frontiers Limited is wholly owned by Vistra Trust (Hong Kong) Limited. Vistra Trust (Hong Kong) Limited also wholly owns Current Blue core Innovators Limited and Future Blue core Innovators I Limited, which hold 8,133,900 Shares and 6,929,291 Shares, respectively. Therefore, Vistra Trust (Hong Kong) Limited is deemed to be interested in the Shares held by Current Blue core Frontiers Limited, Current Blue core Innovators Limited and Future Blue core Innovators I Limited by virtue of the SFO.
- (4) To the best of our Directors’ knowledge, the sole limited partner of HongShan Huanyou is HongShan Xinyuan, and the general partner shared by HongShan Huanyou and HongShan Xinyuan is Shanghai Zheyong Investment Center (L.P.), whose general partner in turn is HongShan Capital Equity Investment Management (Tianjin) Co., Ltd., which is ultimately controlled by Zhou Kui. Therefore, each of Zhou Kui, HongShan Capital Equity Investment Management (Tianjin) Co., Ltd., Shanghai Zheyong Investment Center (L.P.) and HongShan Xinyuan is deemed to be interested in the Shares held by HongShan Huanyou by virtue of the SFO.
- (5) To the best of our Directors’ knowledge, the general partner of Cloud Angel, CCT Angel Partners, Ltd, is wholly owned by CCT Partners S, L.P. The general partner of CCT Partners S, L.P. is CCT Ultimate Partners S Ltd., which is wholly owned by Wisdom Ascend Ventures Limited. Wisdom Ascend Ventures Limited is in turn wholly owned by Tian Suning. E Lixin is a limited partner of CCT Partners S, L.P. with 99% partnership interest. Therefore, each of Tian Suning, Wisdom Ascend Ventures Limited, E Lixin, CCT Ultimate Partners S Ltd., CCT Partners S, L.P., CCT Angel Partners, Ltd is deemed to be interested in the Shares held by Cloud Angel by virtue of the SFO.
- (6) To the best of our Directors’ knowledge, GCNA Holdings Limited is wholly owned by Gaocheng Fund II, L.P. The general partner of Gaocheng Fund II, L.P. is Gaocheng Holdings GP II, Ltd, which is ultimately controlled by Hong Jing. Therefore, each of Hong Jing, Gaocheng Holdings GP II, Ltd and Gaocheng Fund II, L.P. is deemed to be interested in the Shares held by GCNA Holdings Limited by virtue of the SFO.
- (7) To the best of our Directors’ knowledge, the general partner of Being Creative Works L.P. is Being Capital China Partners LP, which is wholly owned by JY Evergreen Limited. JY Evergreen Limited is in turn wholly owned by Yan Jisheng. Being Capital China Fund I LP is a limited partner of Being Creative Works L.P. with partnership interest of 78.87% and its general partner is Being Capital China Partners LP. Therefore, each of Being Capital China Fund I LP, Being Capital China Partners LP, JY Evergreen Limited and Yan Jisheng is deemed to be interested in the Shares held by Being Creative Works L.P. by virtue of the SFO.

Save as disclosed above and the section headed “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders” in Appendix IV to this Document, our Directors are not aware of any person who will, immediately following completion of the [REDACTED], assuming the [REDACTED] is not exercised, have any interest and/or short position in the Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of our Company or other members of the Group.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the [REDACTED].

As at the date of this Document, our authorized share capital was US\$50,000 divided into (i) 371,615,182 ordinary Shares of par value of US\$0.0001 each; (ii) 27,018,912 Series Angel-1 Preferred Shares of par value of US\$0.0001 each; (iii) 9,321,116 Series Angel-2 Preferred Shares of par value of US\$0.0001 each; (iv) 31,914,848 Series A Preferred Shares of par value of US\$0.0001 each; (v) 16,561,439 Series B Preferred Shares of par value of US\$0.0001 each; (vi) 23,718,005 Series C Preferred Shares of par value of US\$0.0001 each; and (vii) 19,850,498 Series D Preferred Shares of par value of US\$0.0001 each.

As at the date of this Document, our issued share capital consisted of (i) 147,990,474 ordinary Shares; (ii) 27,018,912 Series Angel-1 Preferred Shares; (iii) 9,321,116 Series Angel-2 Preferred Shares; (iv) 31,914,848 Series A Preferred Shares; (v) 16,561,439 Series B Preferred Shares; (vi) 23,718,005 Series C Preferred Shares; and (vii) 19,850,498 Series D Preferred Shares.

All of the Preferred Shares will be converted into ordinary Shares on a one-to-one basis by way of re-designation and re-classification with effect upon completion of the [REDACTED].

Assuming the [REDACTED] is not exercised, the share capital of our Company immediately after the [REDACTED] will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares <i>(US\$)</i>	Approximate percentage of issued share capital <i>(%)</i>
Shares in issue	276,375,292	27,637.5292	[REDACTED]
Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	100.00

SHARE CAPITAL

Assuming the [REDACTED] is exercised in full, the share capital of our Company upon completion of the [REDACTED] will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares <i>(US\$)</i>	Approximate percentage of issued share capital <i>(%)</i>
Shares in issue	276,375,292	27,637.5292	[REDACTED]
Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>100.00</u>

ASSUMPTIONS

The above tables assume the [REDACTED] becomes unconditional, the [REDACTED] is completed, and that each of the Preferred Shares are converted into Shares on a one-to-one basis upon [REDACTED].

RANKING

The [REDACTED] are shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued (including all the Shares as converted from Preferred Shares upon completion of the [REDACTED]) and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of our Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution (i) increase its share capital by the creation of new shares of such amount and with such rights, priorities and privileges attached to such shares as the members may determine; (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; (iii) sub-divide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (iv) cancel any shares which, as at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled; (v) make provision for the allotment and issue of shares which do not carry any voting rights; (vi) change the currency of denomination of its share capital; and/or (vii) reduce its share premium account in any manner authorized, and subject to any conditions prescribed by law. In addition, our Company may reduce its share capital or any capital redemption reserve subject to the provisions of the Cayman Companies

SHARE CAPITAL

Act by special resolution. For more details, please see “Summary of the Constitution of the Company and the Company Laws of the Cayman Islands — 2. Articles of Association — 2.1(c) Alteration of Capital” in Appendix III to this Document.

[REDACTED] SHARE OPTION SCHEMES

The Company has adopted the [REDACTED] Share Option Schemes. See “Statutory and General Information — D. [REDACTED] Share Option Schemes” in Appendix IV to this Document for details.

GENERAL MANDATE TO (I) ISSUE SHARES AND (II) SELL AND/OR TRANSFER TREASURY SHARES

Subject to the [REDACTED] becoming unconditional, our Directors [have been] granted a general mandate to (i) allot, issue and deal with any Shares or securities convertible into Shares, and (ii) sell and/or transfer Shares out of treasury that are held as treasury shares of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the [REDACTED] (excluding (i) the additional Shares which may be issued pursuant to the exercise of the [REDACTED], and (ii) treasury shares, if any); and
- the aggregate nominal value of Shares repurchased by the Company under the authority referred to in the paragraph headed “— General Mandate to Repurchase Shares” in this section.

This general mandate to issue Shares and sell and/or transfer treasury shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject the [REDACTED] becoming unconditional, our Directors [have been] granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the total number of Shares in issue immediately following the completion of the [REDACTED] (excluding (i) the additional Shares which may be issued pursuant to the exercise of the [REDACTED], and (ii) treasury shares, if any).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are [REDACTED] (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Statutory and General Information — A. Further Information about our Group — 5. Repurchases of Our Own Securities” in Appendix IV to this Document.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company’s next annual general meeting is required by Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

See “Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of Our Shareholders” in Appendix IV to this Document for further details of the repurchase mandate.

FINANCIAL INFORMATION

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

These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties, over which we do not have control. In evaluating our business, you should carefully consider all of the information, including, but not limited to, that set forth under “Risk Factors,” “Forward-Looking Statements” and provided elsewhere in this Document.

For the purpose of this section, unless the context otherwise requires, references to 2023 and 2024 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a global premium consumer-tech brand that empowers digital-to-physical creation. Our product offerings include (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) accessories and consumables that complement our core product lines.

Since launching our first diode laser engraver and 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.

Our strong operational execution has supported solid financial results. During the Track Record Period, both revenue and profitability delivered robust growth. Our total revenue increased by 70.0% from RMB1,456.6 million in 2023 to RMB2,475.9 million in 2024 and increased by 18.6% from RMB1,498.4 million in the first nine months of 2024 to RMB1,776.7 million in the first nine months of 2025. Our gross profit grew by 56.4% from RMB862.0 million in 2023 to RMB1,347.8 million in 2024 and increased by 20.7% from RMB824.3

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million in the first nine months of 2024 to RMB994.7 million in the first nine months of 2025. In addition to scaling rapidly, our profitability remains stable with overall gross profit margin amounted to 59.2%, 54.4%, 55.0% and 56.0% in 2023, 2024, the nine months ended September 30, 2024 and 2025, respectively.

BASIS OF PREPARATION

Our historical financial information during the Track Record Period has been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”). For details of the basis of preparation, see Note 1 to the Accountants’ Report included in Appendix I to this Document. Further details of the material accounting policy information adopted are set out in Note 2 of the Accountants’ Report included in Appendix I to this Document.

The preparation of our historical financial information during the Track Record Period in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. Judgments made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are disclosed in Note 3 to the Accountants’ Report included in Appendix I to this Document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations have been, and are expected to continue to be, influenced by various general factors affecting the global consumer tech industry, including overall macroeconomic and its impact on consumer behavior, production and procurement costs, geopolitical dynamics and regulatory developments, and the overall competitive landscape. Adverse movements in any of these areas may have a material impact on our business and results of operations. In addition to these general factors, our results of operations are affected by the following company specific factors, including:

Demand for Our Tech-enabled Personal Creative Tools Market

Our business growth and financial performance depend on the demand for our products. Our revenue amounted to RMB1,456.6 million, RMB2,475.9 million, RMB1,498.4 million and RMB1,776.7 million in 2023, 2024, and the nine months ended September 30, 2024 and 2025, respectively. Demand for our products has benefited from the rapid expansion of the global market for tech-enabled personal creative tools, which is underpinned by rising personalization trends and strong growth in the creator economy. As more individuals and small businesses seek to express creativity, customize products and monetize their skills, adoption of accessible, high-performance creative tools has continued to increase. According to CIC, the market size for global tech-enabled personal creative tools in terms of GMV has been growing rapidly, projected to expand from US\$6.8 billion in 2024 to US\$39.1 billion in 2030 with a CAGR of 33.8%, and further to US\$87.0 billion in 2035 with a CAGR of 17.3%.

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Technological innovation also plays a critical role in shaping market demand. Advances in areas such as compact laser engraving and cutting systems, precision motion control, and intuitive design software have significantly lowered the barriers to entry for creative tools. Capabilities that were once available only in industrial settings, such as high-resolution engraving, multi-material cutting, and automated workflow design, are increasingly affordable and accessible to individual creators and SMB owners. As technology continues to improve and prices become more attainable, we expect the addressable market for creative tools to broaden further.

Ability to Launch and Upgrade Products to Meet Evolving Customer Needs

Our results of operations and financial performance are influenced by our ability to successfully launch new products and continuously upgrade existing ones in response to evolving customer needs. We have a strong track record of successful product development and commercialization, demonstrating our ability to respond effectively to shifts in market trends and user preferences. Our portfolio now spans a wide spectrum of creative tools, from compact consumer-friendly models designed for beginners to high-power machines tailored for professional creators and SMB owners. For example, in the first half of 2024, we launched advanced laser products, serving as the primary driver of our revenue growth, and in 2025, we expanded beyond laser-based tools and launched our xTool apparel printer, generating RMB100.7 million in revenue from material printers and accessories in the nine months ended September 30, 2025. The ability to consistently introduce new models, accessories, and functional add-ons enables us to remain relevant as customer expectations evolve.

Our strong product innovation capability is supported by extensive, ongoing engagement with users across our online and offline communities. By closely monitoring and collecting feedback, and identifying pain points, we are able to translate customer insights into targeted product enhancements and software upgrades. Constant firmware updates introduce advanced features, such as batch processing, to improve productivity and user experience. This customer-driven development approach strengthens user satisfaction, promotes repeat engagement, and fosters long-term brand loyalty. These efforts have contributed to customer high repurchase level, with nearly 40% repurchase rate through xTool official website since 2022.

Maintaining an agile development cycle is essential for ensuring continued market acceptance of new products and upgrades. We focus on rigorous testing, quality assurance, and providing user education resources, such as tutorials, community support, and training materials, to help customers fully realize the value of our products. By prioritizing continuous improvement and customer-centric innovation, we aim to broaden our product ecosystem, enhance user experience, and strengthen our competitive position in a rapidly evolving creative tools market.

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Expansion of Sales Channels and User Community

Our go-to-market approach combines both direct sales and distribution, capitalizing on the unique advantages of each approach to create synergistic benefits. Our operation results and financial performance are influenced by the growth of our direct sales through our official website, which serves as our primary sales channel and an important touchpoint for user engagement. Revenue generated from our official websites amounted to RMB774.2 million, RMB1,538.6 million, RMB912.9 million and RMB1,086.0 million in 2023, 2024 and the nine months ended September 30, 2024 and 2025, representing 53.1%, 62.1%, 60.9% and 61.1% of our total revenue, respectively. In addition to direct sales, we continue to leverage third-party e-commerce platforms and our distributor network to broaden market reach and improve accessibility across different regions, showcasing our brand awareness and visibility.

Our online and offline user communities further support channel expansion and enhance sales conversion. Atomm, our online creative platform, strengthens engagement by offering design resources and interactive content. Our registered users on Atomm reached approximately 212,000 as of September 30, 2025. Offline, our xTool Squad network provides hands-on product experiences and live demonstrations, helping prospective users better understand our products before purchase. As of September 30, 2025, we built a network of 470 xTool Squad by leveraging our SMB users’ existing offline presence across 32 countries. These physical spaces allow prospective buyers to experience our products firsthand, lowering purchase hesitation and boosting conversion rates. Our online and offline communities strengthen user loyalty and support a premium pricing strategy.

We have made continued investments in sales channel development and community engagement. Our selling and marketing expenses amounted to RMB394.9 million, RMB562.5 million, RMB350.4 million and RMB402.0 million in 2023, 2024, the nine months ended September 30, 2024 and 2025, respectively, representing 27.1%, 22.7%, 23.4% and 22.6% of our total revenue for the same periods. As brand awareness and user mindshare continue to expand, we are optimizing our marketing spend to improve efficiency and support sustainable long-term growth.

Sustained R&D Commitment to Maintain Leadership in a Fast-Moving Industry Landscape

Our financial performance is influenced by our sustained investment in R&D, which is essential in an industry defined by rapid technological advancement and continually rising customer expectations. Ongoing R&D enables us to enhance our core technologies, explore emerging trends, and integrate new capabilities into our products, ensuring that our solutions remain aligned with evolving user needs and ahead of industry developments. This commitment allows us to deliver cutting-edge features and superior performance, reinforcing our market-leading position and strengthening xTool’s differentiation in a competitive landscape.

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A strong R&D engine also supports our premium brand positioning by enabling us to offer advanced technical capabilities and long-term value that are difficult for competitors to replicate. Importantly, continuous innovation and the release of new, tech-forward solutions help us attract new users while also encouraging existing customers to upgrade to more advanced models or expand their toolsets, which contributes to recurring revenue opportunities and serves as a key driver of our long-term growth.

Reflecting our commitment to innovation, our R&D expenses amounted to RMB156.6 million, RMB359.2 million, RMB247.6 million and RMB308.9 million in 2023, 2024, the nine months ended September 30, 2024 and 2025, respectively, representing 10.8%, 14.5%, 16.5% and 17.4% of total revenue for the same periods. Our premium product pricing reflects our substantial investment in research and development. We expect continued investment in R&D to remain critical for maintaining our technological leadership, expanding our product ecosystem, and delivering sustained value to users.

Ability to Control Costs and Improve Operational Efficiency

In addition to the initiatives to optimize our revenue and sales channel mix, our profitability is also influenced by our ability to manage cost of sales and improve operational efficiency. Our cost of sales amounted to RMB594.6 million, RMB1,128.0 million, RMB674.1 million and RMB781.9 million in 2023, 2024, the nine months ended September 30, 2024 and 2025, respectively, representing 40.8%, 45.6%, 45.0% and 44.0% of our total revenue for the same periods. Our primary cost components include laser heads, electronic parts, materials and consumables. We are actively executing initiatives to optimize sourcing, refine production workflows and strengthen supplier coordination to improve cost efficiency across our operations. In 2023, 2024, the nine months ended September 30, 2024 and 2025, our operating expenses, being the sum of selling and marketing expenses, administrative expenses, and research and development costs, amounted to RMB684.5 million, RMB1,158.5 million, RMB750.6 million, and RMB889.4 million, respectively, representing 47.0%, 46.8%, 50.1% and 50.1% of our total revenue for the same periods.

We continue to enhance operational leverage through technology-enabled process improvements, effective supply chain management and disciplined oversight of operating expenses. These efforts are aimed at improving production efficiency and supporting margin growth. As we scale our business, maintaining strong cost control and operational discipline will remain critical to sustaining long-term profitability and supporting our overall growth strategy.

Our Products are Subject to Seasonality

Our sales exhibit seasonality, with revenue typically peaking in the fourth quarter of each year. This reflects consumer purchasing patterns during major holiday and promotional periods such as Black Friday, Thanksgiving and Christmas, when demand for personal creative and maker-focused products increases. As a result, fourth-quarter revenue generally exceeds that of other quarters. We prepare for these seasonal fluctuations by adjusting inventory levels, strengthening customer support and logistics capacity, and increasing marketing activities ahead of peak demand. Effective planning around these trends helps us manage cash flow, reduce stockout risks and maintain a consistent customer experience throughout the year.

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KEY OPERATING METRICS

We regularly review a number of key operating metrics to evaluate our core business operations, identify trends, formulate financial projections and make strategic decisions. The following table presents certain of our key operating data for the years/periods indicated.

	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
	(unit)	(RMB)	(unit)	(RMB)	(unit)	(RMB)	(unit)	(RMB)
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	106,774	—	138,830	—	85,948	—	73,958	—

For details, see “Period-to-Period Comparison of Results of Operations.”

MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATES

Some of our accounting policies require us to apply estimates, assumptions, and complex judgments related to accounting items. These estimates, assumptions, and judgments have a significant impact on our financial position and results of operations. Our management continuously evaluates such estimates, assumptions, and judgments based on past experience, industry practices, and expectations of future events that are deemed reasonable under the circumstances. During the Track Record Period, there had not been any material deviation from our management’s estimates or assumptions and actual results, and we had not made any material changes to these estimates or assumptions. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

Our material accounting policy information, estimates and judgments, which are important for understanding our financial condition and results of operations, are set forth in further detail in Notes 2 and 3 to the Accountants’ Report included in Appendix I to this Document.

Set forth below are accounting policies that we believe are material to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements.

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Inventories

We carry inventories at the lower of cost and net realizable value.

We calculate cost using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Contract liabilities

We recognize contract liability when the customer pays non-refundable consideration before the we recognize the related revenue. We also recognize contract liability if we have an unconditional right to receive non-refundable consideration before we recognize the related revenue. In such latter cases, a corresponding receivable is also recognized.

Financial liabilities issued to investors

A contract that contains an obligation to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. Even if the obligations to purchase are conditional on the counterparty exercising a right to redeem, the financial instruments with preferred rights are recognized as financial liability initially at the present value of the redemption amount and subsequently measured at amortized cost with interest charged in finance costs.

Redeemable preferred shares

Our redeemable preferred shares are subject to the investors' request to redeem for cash upon the occurrence of events that are beyond the control of both the holders and us, which give rise to financial liabilities.

The financial liabilities are initially measured at the present value of the redemption amount, which represents the settlement that would be triggered by the event with the highest settlement outcome, and may change from time to time. Changes in the carrying amount of the financial liabilities are charged to profit or loss.

Revenue

We are the principal for our revenue transactions and recognized revenue on a gross basis, including the sales of laser-based personal creative tools and material printers.

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We recognize revenue from the sale of products over self-operated online stores or third-party e-commerce platforms at the point in time when control of the products is transferred to the customer, generally on the receipt of products by customers.

We recognize revenue from the sale of products offline at the point in time when control of the products is transferred to the customer. We recognize revenue from the sale of domestic products when we have delivered the products to the location and the customer takes the possession of and accepts the goods according to the sales contract. We recognize revenue from the sale of overseas products at the corresponding points of time according to trade terms.

Accounting Estimates and Judgments

The significant sources of estimation uncertainty in the process of applying our accounting policies are as follows:

Share-based compensation expenses

We operate share incentive plan, under which we receive services from employees as consideration for equity instruments (options). The fair value of the services received in exchange for the grant of the equity instruments (options) is recognized as an expense on the consolidated statement of profit or loss with a corresponding.

In terms of the options awarded to employees, the total amount to be expensed is determined by reference to the fair value of equity instruments (options) granted, excluding the impact of any service and non-market performance vesting conditions; and including the impact of any non-vesting conditions.

Recognition and measurement of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of us and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss, in absolute amounts, for the years/periods indicated.

	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>							
Revenue	1,456,636	100.0	2,475,861	100.0	1,498,367	100.0	1,776,666	100.0
Cost of sales	<u>(594,607)</u>	<u>(40.8)</u>	<u>(1,128,039)</u>	<u>(45.6)</u>	<u>(674,066)</u>	<u>(45.0)</u>	<u>(781,935)</u>	<u>(44.0)</u>
Gross profit	862,029	59.2	1,347,822	54.4	824,301	55.0	994,731	56.0
Other net income	14,880	1.0	49,393	2.0	30,709	2.1	41,885	2.4
Selling and marketing expenses	(394,912)	(27.1)	(562,524)	(22.7)	(350,413)	(23.4)	(402,000)	(22.6)
Administrative expenses	(133,007)	(9.1)	(236,791)	(9.6)	(152,598)	(10.2)	(178,575)	(10.1)
Research and development costs	<u>(156,588)</u>	<u>(10.8)</u>	<u>(359,194)</u>	<u>(14.5)</u>	<u>(247,563)</u>	<u>(16.5)</u>	<u>(308,856)</u>	<u>(17.4)</u>
Profit from operations	<u>192,402</u>	<u>13.2</u>	<u>238,706</u>	<u>9.6</u>	<u>104,436</u>	<u>7.0</u>	<u>147,185</u>	<u>8.3</u>
Changes in the carrying amount of financial liabilities issued to investors/redeemable preferred shares	(72,151)	(4.9)	(80,908)	(3.3)	(59,522)	(4.0)	(63,446)	(3.6)
Other finance costs	<u>(2,786)</u>	<u>(0.2)</u>	<u>(10,047)</u>	<u>(0.4)</u>	<u>(6,467)</u>	<u>(0.4)</u>	<u>(11,297)</u>	<u>(0.6)</u>
Finance costs	<u>(74,937)</u>	<u>(5.1)</u>	<u>(90,955)</u>	<u>(3.7)</u>	<u>(65,989)</u>	<u>(4.4)</u>	<u>(74,743)</u>	<u>(4.2)</u>
Profits before taxation	117,465	8.1	147,751	6.0	38,447	2.6	72,442	4.1
Income tax (expenses)/credit	<u>(6,542)</u>	<u>(0.5)</u>	<u>770</u>	<u>0.0</u>	<u>14,135</u>	<u>0.9</u>	<u>10,670</u>	<u>0.6</u>
Profits for the year/period	<u>110,923</u>	<u>7.6</u>	<u>148,521</u>	<u>6.0</u>	<u>52,582</u>	<u>3.5</u>	<u>83,112</u>	<u>4.7</u>

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Non-IFRS Financial Measure

We use adjusted net profit, a non-IFRS financial measure, in evaluating our operating results and for financial and operational decision-making purposes. We believe that adjusted net profit (non-IFRS) helps identify underlying trends in our business, provides useful information about our results of operations, and enhances the overall understanding of our past performance and future prospects.

Adjusted net profit (non-IFRS) should not be considered in isolation or construed as an alternative to profit from operations, net profit or any other measure of performance or as an indicator of our operating performance. Adjusted net profit (non-IFRS) presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage [REDACTED] and others to review our financial information in its entirety and not rely on a single financial measure.

Adjusted net profit (non-IFRS) represents net profit excluding (i) share-based compensation expenses and (ii) changes in the carrying amount of financial liabilities issued to investors/redeemable preferred shares. The table below sets forth our adjusted net profit (non-IFRS) for the years indicated.

	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)</i>	
Profit for the year/period . . .	110,923	148,521	52,582	83,112
Add:				
Share-based compensation				
expenses	–	29,037	16,668	25,761
Changes in the carrying				
amount of financial				
liabilities issued to				
investors/redeemable				
preferred shares	<u>72,151</u>	<u>80,908</u>	<u>59,522</u>	<u>63,446</u>
Adjusted net profit				
(non-IFRS)	<u>183,074</u>	<u>258,466</u>	<u>128,772</u>	<u>172,319</u>

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Revenue By Geographical Market

The following table sets forth a breakdown of our total revenue by geographical market in absolute amounts and as a percentage of total revenue for the periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2023		2024		2024		2025	
	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>				<i>(unaudited)</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	1,456,636	100.0	2,475,861	100.0	1,498,367	100.0	1,776,666	100.0

Note:

* mainly include Chinese Mainland, Canada and Australia

During the Track Record Period, we generate our revenue primarily from the U.S. and Europe. In 2023, 2024, the nine months ended September 30, 2024 and 2025, the revenue generated from the U.S. amounted to RMB897.9 million, RMB1,421.1 million, RMB882.6 million, and RMB972.9 million, respectively, accounting for 61.6%, 57.4%, 58.9% and 54.8% of our total revenue for the same periods. In 2023, 2024, the nine months ended September 30, 2024 and 2025, the revenue generated from Europe amounted to RMB331.3 million, RMB699.0 million, RMB391.3 million, and RMB537.9 million, respectively, accounting for 22.8%, 28.2%, 26.1% and 30.3% of our total revenue for the same periods.

By Sales Channel

The following table sets forth a breakdown of our total revenue by sales channel in absolute amounts and as a percentage of total revenue for the periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2023		2024		2024		2025	
	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>				<i>(unaudited)</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 platform	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	1,456,636	100.0	2,475,861	100.0	1,498,367	100.0	1,776,666	100.0

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Further information about the movement of our selling and marketing expenses during the Track Record Period is set forth in “— Period-to-Period Comparison of Results of Operations.”

Administrative Expenses

Our administrative expenses consist of (i) staff cost, (ii) payment processing fees, (iii) depreciation and amortization, (iv) consulting service fee, (v) share-based compensation expenses, (vi) tax and surcharges, and (vii) others. Payment processing fees refer to the fees incurred in connection with the transactions fulfilled through our official websites, which are charged by third-party payment channels, such as Shopify Payments and PayPal.

The following table sets forth a breakdown of our administrative expenses, in absolute amounts and as a percentage of our total administrative expenses, for the years/periods indicated.

	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>(in thousands, except for percentages)</i>				<i>(unaudited)</i>			
Staff cost	67,508	50.8	103,330	43.6	74,752	49.0	78,839	44.1
Payment processing fees	33,653	25.3	72,813	30.8	39,919	26.2	43,861	24.6
Depreciation and amortization	6,380	4.8	11,054	4.7	7,102	4.6	12,510	7.0
Consulting service fee	4,740	3.6	10,926	4.6	5,584	3.7	10,249	5.7
Share-based compensation expenses	—	—	6,611	2.8	4,474	2.9	8,672	4.9
Tax and surcharges	5,624	4.2	9,087	3.8	4,989	3.3	9,077	5.1
Others	15,102	11.3	22,970	9.7	15,778	10.3	15,367	8.6
Total	133,007	100.0	236,791	100.0	152,598	100.0	178,575	100.0

In 2023, 2024 and the nine months ended September 30, 2024 and 2025, our administrative expenses amounted to RMB133.0 million, RMB236.8 million, RMB152.6 million and RMB178.6 million, respectively, representing 9.1%, 9.6%, 10.2% and 10.1% of our total revenue for the same periods. Our staff cost represents a significant portion of our total administrative expenses during the Track Record Period.

Further information about the movement of our administrative expenses during the Track Record Period is set forth in “— Period-to-Period Comparison of Results of Operations.”

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Other Net Income

Our other net income consists of (i) bank interest income, (ii) net gain on financial assets measured at fair value through profit or loss (“**FVPL**”), (iii) net (loss)/gain on derivatives financial instruments, (iv) net (loss)/gain on disposal of property, plant and equipment and right-of-use assets, (v) government grants, (vi) net foreign exchange (loss)/gain, and (vii) others. Our other net income was RMB14.9 million, RMB49.4 million, RMB30.7 million and RMB41.9 million in 2023, 2024, the nine months ended September 30, 2024 and 2025, respectively, accounting for 1.0%, 2.0%, 2.0% and 2.4% of our total revenue in the respective years/periods.

The following table sets forth the breakdown of our other net income for the years/periods indicated.

	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>			
Bank interest income . . .	6,342	42.6	19,426	39.3	12,966	42.2	21,580	51.5
Net gain on financial assets measured at FVPL	171	1.1	4,949	10.0	4,163	13.6	1,953	4.7
Net (loss)/gain on derivatives financial instruments	(23)	(0.2)	3,038	6.2	820	2.7	572	1.4
Net (loss)/gain on disposal of property, plant and equipment and right-of-use assets	(2,344)	(15.8)	(1,158)	(2.3)	(105)	(0.3)	410	1.0
Government grants . . .	7,142	48.0	14,623	29.6	13,751	44.8	3,979	9.5
Net foreign exchange gain/(loss)	3,849	25.9	9,004	18.2	(574)	(1.9)	12,400	29.6
Others	(257)	(1.6)	(489)	(1.0)	(312)	(1.1)	991	2.3
Total	<u>14,880</u>	<u>100.0</u>	<u>49,393</u>	<u>100.0</u>	<u>30,709</u>	<u>100.0</u>	<u>41,885</u>	<u>100.0</u>

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According to the EIT Law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. Makeblock Co., Ltd. obtained the certificate of high-technology enterprise and is subject to income tax rate at 15% during the Track Record Period.

For the years ended December 31, 2023 and 2024, certain subsidiaries of our Group fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprises in the PRC. According to the EIT Law and its relevant regulations, they were entitled to a preferential income tax rate of 5% on taxable income.

Under the PRC EIT Law and its relevant regulations, 100% additional tax deduction is allowed for qualified research and development costs during the Track Record Period.

Hong Kong

Pursuant to the income tax rules and regulations of Hong Kong, when the taxable income does not exceed HK\$2 million, the subsidiary in Hong Kong were liable to the Profits Tax at a rate of 8.25%, and at a rate of 16.5% when the taxable income exceeding HK\$2 million.

United States

Pursuant to the income tax rules and regulations of US, our subsidiary in US was liable to the US profits tax at a rate of 21% federal tax and 2.5%-11.5% state tax.

Netherlands

Pursuant to the income tax rules and regulations of Netherlands, when the taxable income does not exceed EUR200,000, the subsidiary in Netherlands was liable to the profits tax at a rate of 19%, and at a rate of 25.8% when the taxable income exceeding EUR200,000.

Profit for the Year/Period

We recorded profit for the year/period of RMB110.9 million, RMB148.5 million, RMB52.6 million and RMB83.1 million in 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively.

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PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2025 Compared with Nine Months Ended September 30, 2024

Revenue

Our revenue increased by 18.6% from RMB1,498.4 million for the nine months ended September 30, 2024 to RMB1,776.7 million for the nine months ended September 30, 2025, respectively, primarily due to revenue growth of our laser-based personal creative tools and accessories, and to a lesser extent to the recent launch and rapid ramp-up of our material printers and accessories in 2025.

Laser-based personal creative tools and accessories. Revenue from laser-based personal creative tools and accessories increased by 12.9% from RMB1,343.8 million for the nine months ended September 30, 2024 to RMB1,517.4 million for the nine months ended September 30, 2025, respectively, primarily attributable to the increased bundle average selling price of our laser-based personal creative tools and accessories from RMB15.6 thousand in the first nine months of 2024 to RMB21.1 thousand in the nine months ended September 30, 2025, as we introduced more advanced laser machines with premium pricing, despite our bundle units sold decreased from 85.9 thousand units in the first nine months of 2024 to 71.9 thousand units in the first nine months of 2025, primarily attributable to the discontinuation of certain product lines in accordance with our product development strategy in anticipation of launches of replacement and upgraded products in the near future. In addition, the decrease of the sales volume in the first nine months of 2025 was partly due to the different timing of new product launches, with key product releases concentrated in the first half of 2024 and the second half of 2025.

Material printers and accessories. Revenue from material printers and accessories was nil for the nine months ended September 30, 2024 to RMB100.7 million in the nine months ended September 30, 2025, as we started selling material printers and accessories in 2025. We sold 2.0 thousand bundle units of material printers and accessories in the first nine months of 2025 with bundle average selling price being RMB49.6 thousand.

Consumables and others. Revenue from consumables and others remained stable at RMB158.6 million for the nine months ended September 30, 2024 and RMB154.5 million for the nine months ended September 30, 2025.

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Cost of Sales

Our cost of sales increased 16.0% from RMB674.1 million for the nine months ended September 30, 2024 to RMB781.9 million for the nine months ended September 30, 2025, respectively, primarily driven by the increase of material costs from RMB436.2 million in the first nine months of 2024 to RMB539.6 million in the first nine months of 2025, and the increase of freight expenses and others from RMB237.0 million in the first nine months of 2024 to RMB241.3 million in the first nine months of 2025, in each case, consistent with the growth of total revenue during the same periods.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 20.7% from RMB824.3 million for the nine months ended September 30, 2024 to RMB994.7 million for the nine months ended September 30, 2025, respectively. Our gross profit margin remained relatively stable at 55.0% and 56.0% for the nine months ended September 30, 2024 and 2025, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 14.7% from RMB350.4 million for the nine months ended September 30, 2024 to RMB402.0 million for the nine months ended September 30, 2025, respectively, primarily attributable to an increase in marketing and advertising expenses from RMB184.0 million for the nine months ended September 30, 2024 to RMB222.5 million for the nine months ended September 30, 2025, respectively, primarily due to our customer acquisition needs during the initial phase of introducing material printers to the market. The increase of staff costs from RMB92.2 million in the nine months ended September 30, 2024 to RMB97.3 million in the nine months ended September 30, 2025 also contributed to the increase of our selling and marketing expenses, primarily due to the expansion of sales team overseas. The share-based compensation expenses for our employees in the marketing department increased from RMB4.1 million for the nine months ended September 30, 2024 to RMB6.0 million for the nine months ended September 30, 2025. Excluding share-based compensation expenses, the selling and marketing expenses as a percentage of our total revenue decreased from 23.1% for the nine months ended September 30, 2024 to 22.3% for the nine months ended September 30, 2025.

Administrative Expenses

Our general and administrative expenses increased by 17.0% from RMB152.6 million for the nine months ended September 30, 2024 to RMB178.6 million for the nine months ended September 30, 2025, respectively, primarily attributable to (i) an increase in depreciation and amortization expenses from RMB7.1 million in the nine months ended September 30, 2024 to RMB12.5 million in the nine months ended September 30, 2025 as a result of increased leased office led by our expanded overseas team, (ii) an increase in consulting service fee from RMB5.6 million in the nine months ended September 30, 2024 to RMB10.2 million in the nine months ended September 30, 2025, primarily in relation to the Reorganization, and (iii) an

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increase in tax and surcharges from RMB5.0 million in the nine months ended September 30, 2024 to RMB9.1 million in the nine months ended September 30, 2025. Our share-based compensation expenses for our employees in the administrative department increased from RMB4.5 million for the nine months ended September 30, 2024 to RMB8.7 million for the nine months ended September 30, 2025. Excluding share-based compensation expenses, the administrative expenses as a percentage of our total revenue decreased from 9.9% for the nine months ended September 30, 2024 to 9.6% for the nine months ended September 30, 2025.

Research and Development Expenses

Our research and development expenses increased by 24.8% from RMB247.6 million for the nine months ended September 30, 2024 to RMB308.9 million for the nine months ended September 30, 2025, respectively, primarily attributable to (i) the increase of our staff cost from RMB207.0 million for the nine months ended September 30, 2024 to RMB238.5 million for the nine months ended September 30, 2025, primarily due to expansion of our R&D team, and (ii) the increase of raw materials and consumables used from RMB14.0 million for the nine months ended September 30, 2024 to RMB30.6 million for the nine months ended September 30, 2025, primarily due to the increase of the number of research projects. The share-based compensation expenses for the employees in the R&D department increased from RMB7.3 million in the nine months ended September 30, 2024 to RMB10.2 million in the nine months ended September 30, 2025. Excluding share-based compensation expenses, the research and development expenses as a percentage of our total revenue increased from 16.0% for the nine months ended September 30, 2024 to 16.8% for the nine months ended September 30, 2025.

Other Net Income

Our other net income increased by 36.4% from RMB30.7 million for the nine months ended September 30, 2024 to RMB41.9 million for the nine months ended September 30, 2025, respectively, primarily attributable to (i) an increase in net foreign exchange gain from loss of RMB0.6 million for the nine months ended September 30, 2024 to net foreign exchange gain of RMB12.4 million for the nine months ended September 30, 2025, primarily attributable to stronger U.S. dollars and Euro against RMB during the period, and (ii) an increase in bank interest income from RMB13.0 million for the nine months ended September 30, 2024 to RMB21.6 million for the nine months ended September 30, 2025, respectively, primarily due to the increased interest rate of foreign currencies for our foreign-currency denominated deposits, partially offset by a decrease in government grants from RMB13.8 million for the nine months ended September 30, 2024 to RMB4.0 million for the nine months ended September 30, 2025.

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Changes in the Carrying Amount of Financial Liabilities Issued to Investors/Redeemable Preferred Shares

The changes in the carrying amount of financial liabilities issued to investors/redeemable preferred shares decreased by 6.6% from negative RMB59.5 million for the nine months ended September 30, 2024 to negative RMB63.4 million for the nine months ended September 30, 2025, respectively, primarily attributable to the increased interest for certain shareholders calculated on a compound interest basis.

Other Finance Costs

Our other finance costs increased by 74.7% from RMB6.5 million for the nine months ended September 30, 2024 to RMB11.3 million for the nine months ended September 30, 2025, respectively, primarily attributable to an increase in interest on bank loans from RMB5.4 million for the nine months ended September 30, 2024 to RMB10.3 million for the nine months ended September 30, 2025, respectively, primarily due to our strategic approach to optimizing financial returns.

Income Tax Expenses/Credit

We recorded income tax credit of RMB14.1 million and RMB10.7 million for the nine months ended September 30, 2024 and 2025, respectively.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 58.0% from RMB52.6 million for the nine months ended September 30, 2024 to RMB83.1 million for the nine months ended September 30, 2025.

Year Ended December 31, 2024 Compared with Year Ended December 31, 2023

Revenue

Our revenue increased by 70.0% from RMB1,456.6 million in 2023 to RMB2,475.9 million in 2024, primarily due to revenue growth of our laser-based personal creative tools and accessories, and to a lesser extent to the revenue growth of our consumables and others.

Laser-based personal creative tools and accessories. Revenue from laser-based personal creative tools and accessories increased by 74.2% from RMB1,266.5 million in 2023 to RMB2,206.4 million in 2024, primarily attributable to the increase in bundle average selling price of our laser-based personal creative tools and accessories from RMB11.9 thousand in 2023 to RMB15.9 thousand in 2024 resulting from the more advanced products we launched, and the increased sales volume from 106.8 thousand units in 2023 to 138.8 thousand units in 2024 due to new product launches and further sales penetration especially through our official websites.

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Consumables and others. Revenue from consumables and others increased by 41.8% from RMB190.1 million in 2023 to RMB269.5 million in 2024 in lines with the growth of our business.

Cost of Sales

Our cost of sales increased by 89.7% from RMB594.6 million in 2023 to RMB1,128.0 million in 2024, primarily driven by the increase of material costs from RMB408.1 million in 2023 to RMB756.5 million in 2024 and the increase of freight expenses and others from RMB186.5 million in 2023 to RMB370.2 million in 2024, in line with our growth of total revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 56.4% from RMB862.0 million in 2023 to RMB1,347.8 million in 2024. Our gross profit margin decreased from 59.2% in 2023 to 54.4% in 2024, primarily due to changes in our geographic market mix and product pricing strategies.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 42.4% from RMB394.9 million in 2023 to RMB562.5 million in 2024, primarily attributable to (i) the increase in marketing and advertising expenses from RMB216.0 million in 2023 to RMB313.6 million in 2024, primarily due to our increased advertising investment in online digital platforms, as well as influencer collaborations and offline retail brand store engagement initiatives to expand our brand awareness and support sales growth across multiple channels, and (ii) an increase in staff cost from RMB88.7 million in 2023 to RMB130.3 million in 2024, resulting from an increase in number of sales staff and salary scale. The share-based compensation expenses for our employees in the marketing department increased from nil in 2023 to RMB7.8 million in 2024. Excluding share-based compensation expenses, the selling and marketing expenses as a percentage of our total revenue decreased from 27.1% in 2023 to 22.4% in 2024.

Administrative Expenses

Our general and administrative expenses increased by 78.0% from RMB133.0 million in 2023 to RMB236.8 million in 2024, primarily attributable to the increase in (i) payment processing fees, which are mainly fees charged by third-party payment channels for the sales made through our official websites, from RMB33.7 million in 2023 to RMB72.8 million in 2024, driven by our higher revenue generated from our official websites, (ii) staff costs from RMB67.5 million in 2023 to RMB103.3 million in 2024, and (iii) share-based compensation expenses from nil in 2023 to RMB6.6 million in 2024. Excluding share-based compensation expenses, the administrative expenses as a percentage of our total revenue increased from 9.1% in 2023 to 9.3% in 2024.

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Research and Development Expenses

Our research and development expenses increased by 129.4% from RMB156.6 million in 2023 to RMB359.2 million in 2024, primarily attributable to increase in staff cost from RMB132.9 million in 2023 to RMB292.8 million in 2024, primarily due to our increased number and salary scale of R&D staff, aligning with the expansion of our business. The share-based compensation for our employees in the R&D department increased from nil in 2023 to RMB13.4 million in 2024. Excluding share-based compensation expenses, the research and development expenses as a percentage of our total revenue increased from 10.8% in 2023 to 14.0% in 2024.

Other Net Income

Our other net income increased by 231.9% from RMB14.9 million in 2023 to RMB49.4 million in 2024, primarily attributable to (i) an increase in bank interest income from RMB6.3 million in 2023 to RMB19.4 million in 2024, primarily due to the increased bank deposits and increased interest rate, (ii) an increase in government grants from RMB7.1 million in 2023 to RMB14.6 million in 2024, and (iii) an increase in net foreign exchange gain from RMB3.8 million in 2023 to RMB9.0 million in 2024, primarily driven by stronger U.S. dollars and Euro against RMB during the period.

Changes in the Carrying Amount of Financial Liabilities Issued to Investors/Redeemable Preferred Shares

The changes in the carrying amount of financial liabilities issued to investors/redeemable preferred shares increased by 12.1% from negative RMB72.2 million in 2023 to negative RMB80.9 million in 2024, respectively, primarily attributable to the increased interest for certain shareholders calculated on a compound interest basis.

Other Finance Costs

Our other finance costs increased from RMB2.8 million in 2023 to RMB10.0 million in 2024, primarily due to an increase in interest on bank loans from RMB1.2 million in 2023 to RMB8.7 million in 2024, resulting from the increase in bank borrowings.

Income Tax Expenses/Credit

We recorded income tax expenses of RMB6.5 million in 2023, primarily due to origination and reversal of temporary differences of deferred tax of RMB2.4 million and current income tax expense of RMB4.1 million in 2023. We recorded income tax credit of RMB0.8 million in 2024.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 33.9% from RMB110.9 million in 2023 to RMB148.5 million in 2024.

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DISCUSSION OF CERTAIN KEY ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which has been extracted from our consolidated financial statements included in Appendix I to this Document.

	As of December 31,		As of September 30,
	2023	2024	2025
			<i>(unaudited)</i>
	<i>(RMB in thousands)</i>		
Total non-current assets	114,029	218,171	257,771
Total current assets	1,004,586	2,036,023	2,573,490
Total assets	1,118,615	2,254,194	2,831,261
Total non-current liabilities	20,850	21,173	31,843
Total current liabilities	1,393,263	2,348,620	2,562,634
Total liabilities	1,414,113	2,369,793	2,594,477
Net (liabilities)/assets	(295,498)	(115,599)	236,784

Current Assets and Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,		As of September 30,	As of November 30,
	2023	2024	2025	2025
			<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>(RMB in thousands)</i>			
Current assets				
Derivative financial instruments	–	2,428	–	–
Inventories	333,904	433,035	857,463	831,425
Trade and other receivables	104,052	113,644	158,057	230,624
Amounts due from shareholders	2,358	381,082	–	–
Financial assets at FVPL	11,353	–	251,206	410,390
Time deposits	28,983	15,803	25,983	14,144
Restricted cash	32,128	95,478	144,119	338,157
Cash and cash equivalents	491,808	994,553	1,136,662	1,027,125
Total current assets	1,004,586	2,036,023	2,573,490	2,851,865

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	As of December 31,		As of September 30,	As of November 30,
	2023	2024	2025	2025
			<i>(unaudited)</i>	<i>(unaudited)</i>
			<i>(RMB in thousands)</i>	
Current liabilities				
Trade and other payables	465,432	684,615	711,421	780,713
Amounts due to shareholders . . .	–	381,180	200,063	–
Contract liabilities	87,040	138,991	150,426	290,935
Bank loans	100,339	307,060	490,778	431,345
Lease liabilities	13,763	15,899	15,537	17,041
Derivative financial instruments	168	1,676	–	–
Income tax payables	2,215	4,896	25,761	25,730
Financial liabilities issued to investors	717,433	–	–	–
Redeemable preferred shares . .	–	805,014	958,518	967,760
Other current liabilities	6,873	9,289	10,130	10,131
Total current liabilities	<u>1,393,263</u>	<u>2,348,620</u>	<u>2,562,634</u>	<u>2,523,655</u>
Net current (liabilities)/assets .	<u>(388,677)</u>	<u>(312,597)</u>	<u>10,856</u>	<u>328,210</u>

Our net current assets increased from RMB10.9 million as of September 30, 2025 to RMB328.2 million as of November 30, 2025, primarily due to the increase in current assets and decrease in current liabilities. Our current assets increased primarily attributable to (i) an increase in restricted cash from RMB144.1 million as of September 30, 2025 to RMB338.2 million as of November 30, 2025, primarily due to payments received from Black Friday sales not yet reaching the settlement period of the collection platform, and (ii) an increase in financial assets at FVPL from RMB251.2 million as of September 30, 2025 to RMB410.4 million as of November 30, 2025, partially offset by a decrease in cash and cash equivalents from RMB1,136.7 million as of September 30, 2025 to RMB1,027.1 million as of November 30, 2025. Our current liabilities decreased primarily attributable to (i) a decrease in amounts due to shareholders from RMB200.1 million as of September 30, 2025 to nil as of November 30, 2025, mainly due to the settlement with the shareholders, and (ii) a decrease in bank loans from RMB490.8 million as of September 30, 2025 to RMB431.3 million as of November 30, 2025, partially offset by an increase in contract liabilities from RMB150.4 million as of September 30, 2025 to RMB290.9 million as of November 30, 2025, primarily due to our increased sales in Black Friday.

We recorded net current assets of RMB10.9 million as of September 30, 2025 compared to the net current liabilities of RMB312.6 million as of December 31, 2024, primarily due to the increase in current assets outweighs the increase in current liabilities. Our current assets increased primarily attributable to (i) an increase in inventories from RMB433.0 million as of December 31, 2024 to RMB857.5 million as of September 30, 2025, primarily due to our

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strategic inventory stocking in anticipation of the peak season in the fourth quarter of 2025, and (ii) an increase in financial assets at FVPL from nil as of December 31, 2024 to RMB251.2 million as of September 30, 2025. Our current liabilities increased primarily attributable to (i) an increase in bank loans, primarily due to our greater financing needs for inventory purchases, and (ii) an increase in redeemable preferred shares from RMB805.0 million as of December 31, 2024 to RMB958.5 million as of September 30, 2025, primarily attributable to the increased principal and accrued interest for certain shareholders, partially offset by a decrease in amounts due to shareholders from RMB381.2 million as of December 31, 2024 to RMB200.1 million as of September 30, 2025, primarily due to the settlement with the shareholders.

Our net current liabilities decreased from RMB388.7 million as of December 31, 2023 to RMB312.6 million as of December 31, 2024, primarily due to the increase in current assets outweighs the increase in current liabilities. Our current assets increased, primarily attributable to (i) an increase in cash and cash equivalents from RMB491.8 million as of December 31, 2023 to RMB994.6 million as of December 31, 2024, (ii) an increase in amounts due from shareholders from RMB2.4 million as of December 31, 2023 to RMB381.1 million as of December 31, 2024, mainly due to the increased receivables from shareholders in connection with the Reorganization, and (iii) an increase in inventories from RMB333.9 million as of December 31, 2023 to RMB433.0 million as of December 31, 2024, in line with our business growth. Our current liabilities increased primarily attributable to (i) an increase in amounts due to shareholders from nil as of December 31, 2023 to RMB381.2 million as of December 31, 2024, mainly due to the increased payables to shareholders in connection with the Reorganization, (ii) an increase in trade and other payables from RMB465.4 million as of December 31, 2023 to RMB684.6 million as of December 31, 2024, mainly due to higher trade payables resulting from our business growth, and (iii) an increase in bank loans from RMB100.3 million as of December 31, 2023 to RMB307.1 million as of December 31, 2024, mainly due to our increased borrowing.

Assets

Property, Plant and Equipment

Our property, plant and equipment consist of (i) machinery and equipment, (ii) leasehold improvements, (iii) office equipment and others, (iv) vehicles, and (v) ownership interest in land held for own use. The following table sets forth the breakdown of our property, plant and equipment as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
			<i>(unaudited)</i>
			<i>(RMB in thousands)</i>
Machinery and equipment	8,436	18,643	29,317
Leasehold improvements	15,746	19,742	19,418
Office equipment and others	2,533	5,686	5,424

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	As of December 31,		As of September 30,
	2023	2024	2025
			<i>(unaudited)</i>
			<i>(RMB in thousands)</i>
Vehicles	506	865	765
Ownership interest in land held for own use	—	41,722	43,303
Total	27,221	86,658	98,227

The carrying amount of our property, plant and equipment increased from RMB27.2 million as of December 31, 2023 to RMB86.7 million as of December 31, 2024, mainly due to (i) an increase in ownership interests in land held for own use from nil to RMB41.7 million, primarily attributable to our acquisition of land in Thailand, (ii) an increase in machinery and equipment from RMB8.4 million as of December 31, 2023 to RMB18.6 million as of December 31, 2024, primarily attributable to our strategic expansion of manufacturing capabilities, and (iii) an increase in leasehold improvement from RMB15.7 million as of December 31, 2023 to RMB19.7 million as of December 31, 2024, primarily due to renovation of our production facilities in the PRC and Thailand, and our office in Shenzhen.

The carrying amount of our property, plant and equipment increased from RMB86.7 million as of December 31, 2024 to RMB98.2 million as of September 30, 2025 mainly due to an increase in machinery and equipment from RMB18.6 million as of December 31, 2024 to RMB29.3 million as of September 30, 2025, primarily due to our strategic expansion of manufacturing capabilities.

Right-of-use Assets

Our right-of-use assets consist primarily of properties leased for own use. As of December 31, 2023, 2024 and September 30, 2025, our right-of-use assets were RMB31.4 million, RMB32.8 million, and RMB43.5 million, respectively. During the Track Record Period, the increase in right-of-use assets was attributable to the addition of offices and warehouses.

Intangible Assets

The carrying amount of our intangible assets increased from RMB0.5 million as of December 31, 2023 to RMB1.1 million as of December 31, 2024, and subsequently increased to RMB1.7 million as of September 30, 2025, primarily due to the purchase of additional software to enhance information security protection and improve operation efficiency.

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Financial Assets Measured at FVPL

Our financial assets measured at FVPL consists of current and non-current portions.

Our current portion of financial assets measured at FVPL decreased from RMB11.4 million as of December 31, 2023 to nil as of December 31, 2024 due to the maturation and redemption of our wealth management product. Our current portion of financial assets measured at FVPL further increased to RMB251.2 million as of September 30, 2025, primarily due to the subscription of wealth management products.

Our non-current portion of financial assets measured at FVPL increased from nil as of December 31, 2023 to RMB30.0 million as of December 31, 2024, primarily due to our equity investment in 2024. Our non-current portion of financial assets measured at FVPL subsequently decreased to RMB9.1 million as of September 30, 2025, primarily due to termination of the equity investment in unlisted equity securities.

With regard to the purchase of wealth management products, including our structured deposits, we have established an investment policy focused on risk diversification and stable returns, with fund security as the top priority. We invest only in low-risk products issued by reputable banks. We strategically monitor risk management from time to time. The Board sets the overall investment strategy and approves material investments, while delegating authority to the finance department to conduct investment activities within approved limits. Our finance department is primarily responsible for formulating, executing, and overseeing our investment decisions. To support this, we have put in place the following treasury policies and internal authorization controls:

- We have formulated internal control measures to regulate our process of investment in wealth management products;
- The finance department will support to source wealth management product investment opportunities, performing analysis, seeking necessary approvals, executing transactions, and managing ongoing investments when necessary; and
- Investments in wealth management products could be made when we have surplus cash that is not required for our short-term working capital purposes and in no event beyond the amount authorized by our senior management team.

Prior to making an investment, we will evaluate the sufficiency of our remaining working capital for our business needs, operating activities, research and development need, and capital expenditures to assess and determine the amount available for investment following the proposed transaction. We adopt a prudent approach in selecting financial assets. Our investment strategy related to financial assets focuses on prudently minimizing financial risks by aligning investment maturities with anticipated operating cash needs, while aiming to deliver stable and reasonable returns to benefit our shareholders. We make investment decisions related to financial assets on a case-by-case basis after thoroughly considering a number of factors, including but not limited to the macro-economic environment, general

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market conditions, risk control and credit of invested subjects, our own working capital conditions, and the expected profit or potential loss of the investment. To control our risk exposure, we have in the past sought and may continue in the future to seek other low-risk wealth management products.

To the extent that we will have surplus cash that is not required for our short-term working capital purposes, we will continue to consider investing in wealth management products taking into account the considerations above as appropriate to be in our best interest. Our investments in wealth management products after the [REDACTED] will be subject to compliance with Chapter 14 of the Listing Rules.

Deferred Tax Assets

The carrying amount of deferred tax assets remained relatively stable from RMB52.3 million as of December 31, 2023 to RMB60.1 million as of December 31, 2024, and subsequently increased to RMB94.1 million as of September 30, 2025, primarily due to the recognition of deferred tax assets with regard to tax losses incurred by certain subsidiaries with accounting profit further deducted in arriving tax losses by preferential tax policy allowing additional deductions for R&D expenses.

Derivative Financial Instruments Assets

Our derivative financial instruments assets increased from nil as of December 31, 2023 to RMB2.4 million as of December 31, 2024, primarily due to an increase in financial instruments held as forward cash instruments to mitigate the risks of exchange rate fluctuations.

Our derivatives financial instrument assets subsequently reduced to nil as of September 30, 2025, primarily attributable to the maturity of such financial instruments.

Inventory

Our inventories primarily include (i) raw materials, (ii) semi-finished products and work-in-progress, and (iii) finished products.

The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		As of September 30,
	2023	2024	2025
			<i>(unaudited)</i>
			<i>(RMB in thousands)</i>
Raw materials	43,064	60,955	86,993
Semi-finished products and work-in-progress	30,739	21,043	34,693
Finished goods	<u>260,101</u>	<u>351,037</u>	<u>735,777</u>
Total	<u>333,904</u>	<u>433,035</u>	<u>857,463</u>

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Our inventories increased from RMB333.9 million as of December 31, 2023 to RMB433.0 million as of December 31, 2024, primarily ascribed to (i) an increase in finished goods from RMB260.1 million as of December 31, 2023 to RMB351.0 million as of December 31, 2024, in line with our business growth, and (ii) an increase in raw materials from RMB43.1 million as of December 31, 2023 to RMB61.0 million as of December 31, 2024, primarily due to our strategic inventory buildup in anticipation of business growth, partially offset by a decrease in semi-finished products and work-in-progress from RMB30.7 million as of December 31, 2023 to RMB21.0 million as of December 31, 2024, primarily resulting from increased production activity that converted semi-finished goods and work-in-progress into finished goods.

Our inventories subsequently increased to RMB857.5 million as of September 30, 2025, primarily attributable to the increase in finished goods from RMB351.0 million as of December 31, 2024 to RMB735.8 million as of September 30, 2025, as we strategically increased our inventory levels in anticipation of strong holiday sales in the fourth quarter of 2025.

We assess net realizable value of inventories from time to time during the Track Record Period and may make provision to write down our inventories to their net realizable value if they become expired or damaged, or their prices go down, and their net realizable value substantially decreases. We made such write-downs of inventory to inventories of RMB6.9 million, RMB8.8 million, and RMB11.1 million as of December 31, 2023, 2024 and September 30, 2025.

The following table sets forth an aging analysis of our inventories, as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
			<i>(unaudited)</i>
			<i>(RMB in thousands)</i>
Within 1 year	332,032	430,136	852,826
Over 1 year	8,730	11,732	15,757
Subtotal	340,762	441,868	868,583
Write-downs of inventory	(6,858)	(8,833)	(11,120)
Total	333,904	433,035	857,463

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The following table sets forth our inventory turnover days during the periods indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
			<i>(unaudited)</i>
		<i>(days)</i>	
Inventory turnover days ⁽¹⁾	159.1	124.1	226.1

Note:

- (1) Inventory turnover days for a period are calculated as the average of the opening and closing value of inventory balances (net of allowance) divided by the cost of sales for the relevant period, and then multiplied by the number of days in that period.

Our inventory turnover days decreased from 159.1 days in 2023 to 124.1 days in 2024, primarily attributable to the increase in sales volume. Our inventory turnover days increased to 226.1 days in the nine months ended September 30, 2025, primarily attributable to our strategic inventory stocking in anticipation of the peak season in the fourth quarter of 2025.

As of November 30, 2025, RMB314.5 million, or 36.7% of inventories outstanding as of September 30, 2025, had been subsequently settled.

Trade and Other Receivables

Our trade and other receivables primarily consist of (i) trade receivables, net of loss allowance, (ii) prepayments, (iii) VAT recoverable, (iv) prepaid income tax, and (v) other receivables and deposits, net of loss allowance.

The following table sets forth a breakdown of our trade and other receivables as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
			<i>(unaudited)</i>
		<i>(RMB in thousands)</i>	
Trade receivables, net of loss allowance	49,006	50,575	76,033
Prepayments	11,137	11,836	14,848
VAT recoverable	20,269	24,701	35,514
Prepaid income tax	74	4,647	58

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	As of December 31,		As of September 30,
	2023	2024	2025
			<i>(unaudited)</i>
	<i>(RMB in thousands)</i>		
Other receivables and deposits, net of loss allowance	23,566	21,885	31,604
Total	104,052	113,644	158,057

Our trade and other receivables increased from RMB104.1 million as of December 31, 2023 to RMB113.6 million as of December 31, 2024, primarily attributed to (i) an increase in prepaid income tax from RMB0.1 million as of December 31, 2023 to RMB4.6 million as of December 31, 2024, and (ii) in increase in VAT recoverable from RMB20.3 million as of December 31, 2023 to RMB24.7 million as of December 31, 2024.

Our trade and other receivables subsequently increased to RMB158.1 million as of September 30, 2025, primarily attributable to (i) an increase in trade receivables, net of loss allowance from RMB50.6 million as of December 31, 2024 to RMB76.0 million as of September 30, 2025, primarily driven by our business growth, (ii) an increase in VAT recoverable from RMB24.7 million as of December 31, 2024 to RMB35.5 million as of September 30, 2025, and (iii) an increase in other receivables and deposits, net of loss allowance from RMB21.9 million as of December 31, 2024 to RMB31.6 million as of September 30, 2025.

As of December 31, 2023, 2024 and September 30, 2025, we recorded loss allowances for trade receivables of RMB3.2 million, RMB2.7 million and RMB4.4 million, respectively. For further details on impairment provisions, refer to Note 32 of the Accountants’ Report in Appendix I to this Document.

The following table sets forth an aging analysis of our trade receivables, based on the invoice date and net of loss allowance, as of the dates indicated.

	As of December 31,		As of September 30,
	2024	2024	2025
			<i>(unaudited)</i>
	<i>(RMB in thousands)</i>		
Within 1 year	47,860	49,447	75,713
Over 1 year but less than 2 years	1,133	568	256
Over 2 years but less than 3 years	13	560	64
Total	49,006	50,575	76,033

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

	For the year ended December 31,		For the nine months ended September 30,
	2023	2024	2025
		(days)	(unaudited)
Trade receivables turnover days ⁽¹⁾	9.4	7.3	9.8

Note:

- (1) Trade receivables turnover days for a period are calculated as the average of the opening and ending balances of trade receivables, net of allowance divided by revenue for the relevant period, and then multiplied by the number of days in that period.

Our trade receivables turnover days decreased from 9.4 days in 2023 to 7.3 days in 2024, primarily attributable to our increased revenue from online channels which carries shorter credit terms than offline channels. Our trade receivables turnover days subsequently increased to 9.8 days in the nine months ended September 30, 2025, primarily attributable to our increased revenue from offline channels which carries longer credit terms than online channels.

As of November 30, 2025, RMB71.1 million, or 93.5% of our trade receivables outstanding as of September 30, 2025, had been subsequently settled.

Amounts Due from Shareholders

Amounts due from shareholders increased from RMB2.4 million as of December 31, 2023 to RMB381.1 million as of December 31, 2024, primarily attributable to the increased receivables from shareholders in connection with the Reorganization.

Amounts due from shareholders decreased from RMB381.1 million as of December 31, 2024 to nil as of September 30, 2025, primarily attributable to the payment of such receivables to shareholders in connection with the Reorganization.

Time Deposits

Our time deposits decreased from RMB29.0 million as of December 31, 2023 to RMB15.8 million as of December 31, 2024, primarily due to maturity and withdrawal of time deposit.

Our time deposits subsequently increased to RMB26.0 million as of September 30, 2025, primarily due to subscription of the time deposits.

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Restricted Cash

Our restricted cash consist of (i) restricted deposits pledged in respect of bills payables, (ii) restricted funds held on third-party e-commerce platforms, (iii) restricted cash for derivative financial instruments, and (iv) others.

The following table sets forth a breakdown of our pledged bank deposits.

	As of December 31,		As of September 30,
	2023	2024	2025
			<i>(unaudited)</i>
			<i>(RMB in thousands)</i>
Restricted deposits pledged in respect of bills payables	19,053	84,496	72,476
Restricted funds held on third-party platforms	11,142	10,961	12,503
Restricted cash for derivative financial instruments	–	–	56,986
Others	1,933	21	2,154
Total	<u>32,128</u>	<u>95,478</u>	<u>144,119</u>

Our restricted cash increased from RMB32.1 million as of December 31, 2023 to RMB95.5 million as of December 31, 2024, primarily attributable to an increase in deposits pledged in respect of bills payables from RMB19.1 million as of December 31, 2023 to RMB84.5 million as of December 31, 2024, aligning with the change of bill payables.

Our restricted cash subsequently increased to RMB144.1 million as of September 30, 2025 due to the increase in restricted cash for derivative financial instruments, which are related to the purchase of foreign currency forward contract.

Cash and Cash Equivalents

Our cash and cash equivalents consist of (i) cash at bank and in hand, and (ii) cash on third-party e-commerce platforms.

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The following table sets forth a breakdown of our cash and cash equivalents.

	As of December 31,		As of September 30,
	2023	2024	2025
			<i>(unaudited)</i>
			<i>(RMB in thousands)</i>
Cash at bank and in hand	454,837	936,948	1,031,728
Cash on third-party platforms	<u>36,971</u>	<u>57,605</u>	<u>104,934</u>
Total	<u>491,808</u>	<u>994,553</u>	<u>1,136,662</u>

Our cash and cash equivalents increased from RMB491.8 million as of December 31, 2023 to RMB994.6 million as of December 31, 2024, primarily attributed to an increase in cash at bank and in hand from RMB454.8 million as of December 31, 2023 to RMB936.9 million as of December 31, 2024, mainly due to the increased profits driven by our business growth. Our cash and cash equivalents further increased to RMB1,136.7 million as of September 30, 2025, primarily due to the increase of cash at bank and in hand from RMB936.9 million as of December 31, 2024 to RMB1,031.7 million as of September 30, 2025, mainly due to the increased profits driven by our business growth and the funds raised through financing activities.

Liabilities

Trade and Other Payables

Our trade and other payables primarily consist of (i) trade payables, (ii) bills payable, (iii) accrued payroll, (iv) other tax payables, (v) payable for investment in unlisted equity securities, and (vii) other payables and accruals.

The following table sets forth a breakdown of our trade and other payables as of the dates indicated.

	As of December 31,		As of September 30,
	2024	2024	2025
			<i>(unaudited)</i>
			<i>(RMB in thousands)</i>
Trade payables	218,488	232,340	331,930
Bills payable	18,744	84,073	93,360
Accrued payroll	69,663	114,245	78,001
Other tax payables	76,556	102,824	83,792

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	As of December 31,		As of September 30,
	2023	2024	2025
			<i>(unaudited)</i>
			<i>(RMB in thousands)</i>
Payables for investment in unlisted equity securities	–	15,000	1,580
Other payables and accruals	<u>81,981</u>	<u>136,133</u>	<u>122,758</u>
Total	<u>465,432</u>	<u>684,615</u>	<u>711,421</u>

Our trade and other payables increased from RMB465.4 million as of December 31, 2023 to RMB684.6 million as of December 31, 2024, primarily attributable to (i) the increase in bills payable from RMB18.7 million as of December 31, 2023 to RMB84.1 million as of December 31, 2024, primarily attributable to the adoption of bank acceptance bills as a new settlement method, along with negotiated extensions of payment terms with suppliers to a period of one to three months, and (ii) the increase in accrued payroll from RMB69.7 million as of December 31, 2023 to RMB114.2 million as of December 31, 2024, primarily attributable to the increase in the amount of unpaid employee compensation.

Our trade and other payables subsequently increased from RMB684.6 million as of December 31, 2024 to RMB711.4 million as of September 30, 2025, primarily due to an increase in trade payables from RMB232.3 million as of December 31, 2024 to RMB331.9 million as of September 30, 2025, partially offset by (i) a decrease in accrued payrolls from RMB114.2 million as of December 31, 2024 to RMB78.0 million as of September 30, 2025, and (ii) a decrease in other tax payables from RMB102.8 million as of December 31, 2024 to RMB83.8 million as of September 30, 2025.

We are generally granted a credit period ranging from 30 days to 120 days by our suppliers on purchases of goods. The following table sets forth the aging analysis of our trade payables based on the invoice date as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
			<i>(unaudited)</i>
			<i>(RMB in thousands)</i>
Within 1 year	233,708	315,553	424,130
Over 1 year but less than 2 years	2,753	50	307
Over 2 years but less than 3 years	47	45	80
Over 3 years	<u>724</u>	<u>765</u>	<u>773</u>
Total	<u>237,232</u>	<u>316,413</u>	<u>425,290</u>

FINANCIAL INFORMATION

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

	As of December 31,		As of September 30,
	2023	2024	2025
		(days)	(unaudited)
Trade payables turnover days ⁽¹⁾	91.1	72.9	98.9

Note:

- (1) Trade payables turnover days for a period are calculated as the average of the opening and closing trade payables balances (net of allowance) divided by the cost of sales for the relevant period, and then multiplied by the number of days in that period.

The turnover days of our trade payables decreased from 91.1 days in 2023 to 72.9 days in 2024, primarily attributable to the accelerated settlement of supplier balance. The turnover days of our trade payables subsequently increased to 98.9 days in the nine months ended September 30, 2025, primarily attributable to our strategic inventory buildup in anticipation of the peak season in the fourth quarter of the year.

As of November 30, 2025, RMB261.0 million, or 78.6% of our trade payables outstanding as of September 30, 2025, had been subsequently settled.

Amounts Due to Shareholders

Amounts due to shareholders consist of (i) amount due to certain shareholders arising from the Reorganization, and (ii) deposits and advance payment from certain shareholders for the issuance of Series D preferred shares.

The following table sets forth the breakdown of amounts due to shareholders for the years/periods indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
			(unaudited)
		(RMB in thousands)	
Amounts due to certain shareholders arising from the Reorganization	–	381,180	–
Deposits and advance payment from certain shareholders for the issuance of Series D preferred shares	–	–	200,063
Total	–	381,180	200,063

The amounts due to shareholders in 2024 was attributable to the increased payables to shareholders in connection with the Reorganization. The investment payable to shareholders was attributable to the deposits we received from certain shareholders in connection with the Series D financing, which was subsequently repaid or converted into Series D preferred shares.

FINANCIAL INFORMATION

Contract Liabilities

Our contract liabilities primarily represent advance payments from customers, for which the underlying goods are yet to be provided.

Our contract liabilities increased from RMB87.0 million as of December 31, 2023 to RMB139.0 million as of December 31, 2024, primarily attributable to the increased advance payments we received from our customers driven by our business growth.

Our contract liabilities subsequently increased to RMB150.4 million as of September 30, 2025, primarily attributable to the increased payment we received from our customers relating to the customer loyalty scheme we launched to retain customers.

Derivative Financial Instruments Liabilities

Our derivative financial instruments liabilities increased from RMB0.2 million as of December 31, 2023 to RMB1.7 million as of December 31, 2024, primarily due to an increase in value of foreign currency forward contracts.

Our derivatives financial instrument liabilities reduced to nil as of September 30, 2025, primarily attributable to the settlement of derivative financial instruments.

Income Tax Payables

Our income tax payable increased from RMB2.2 million as of December 31, 2023 to RMB4.9 million as of December 31, 2024 and further to RMB25.8 million as of September 30, 2025 in line with the growth of our business.

Other Liabilities

Our other liabilities represent warranty provisions.

The following table sets forth a breakdown of our other liabilities as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
			<i>(unaudited)</i>
			<i>(RMB in thousands)</i>
Warranty provisions			
Within 1 year	6,873	9,289	10,130
More than 1 year	<u>1,117</u>	<u>2,357</u>	<u>3,203</u>
Total	<u>7,990</u>	<u>11,646</u>	<u>13,333</u>

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we relied on cash and cash equivalents, cash generated from operations, and bank loans as the major sources of liquidity. We intend to finance our future capital requirements in the same manner after the [REDACTED]. We do not anticipate any changes to the availability of financing to fund our operation in the future.

Cash Flow

The following table sets forth our cash flows for the years/periods indicated.

	For the year ended December 31,		For the nine months ended September 30,	
	2023	2024	2024	2025
			<i>(unaudited)</i>	<i>(unaudited)</i>
			<i>(RMB in thousands)</i>	
Net cash generated from/(used in) operating activities	369,905	372,964	(35,777)	(208,834)
Net cash (used in) investing activities	(69,676)	(62,002)	(118,000)	(339,326)
Net cash generated from financing activities	<u>73,030</u>	<u>183,781</u>	<u>217,805</u>	<u>694,323</u>
Net increase in cash and cash equivalents	373,259	494,743	64,028	146,163
Effect of foreign exchange rate changes	(4,317)	8,002	13,011	(4,054)
Cash and cash equivalents at the beginning of the year/period . .	<u>122,866</u>	<u>491,808</u>	<u>491,808</u>	<u>994,553</u>
Cash and cash equivalents at the end of the year/period . . .	<u>491,808</u>	<u>994,553</u>	<u>568,847</u>	<u>1,136,662</u>

Net Cash Generated from/(Used in) Operating Activities

Net cash used in operations in the nine months ended September 30, 2025, was RMB208.8 million, which primarily consists of profit before taxation of RMB72.4 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include cashflow increasing factors of (i) finance costs of RMB74.7 million, and (ii) share-based compensation expenses of RMB25.8 million, partially offset by decrease in bank interest income of RMB21.6 million. The amount was further adjusted by changes in working capital, primarily including cashflow decreasing factors of (i) increase in inventories of RMB424.4 million, (ii) increase in trade and other receivables of RMB45.4 million, partially offset by increase in trade and other payables of RMB41.2 million.

FINANCIAL INFORMATION

Net cash generated from operating activities in 2024 was RMB373.0 million, which primarily consists of profit before taxation of RMB147.8 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items, primarily including cashflow increasing factors of (i) changes in finance costs of RMB91.0 million, (ii) equity-settled share-based transaction of RMB29.0 million, (iii) depreciation of right-of-use assets of RMB15.2 million, and (iv) depreciation of property, plant and equipment of RMB12.6 million, partially offset by decrease in bank interest income of RMB19.4 million. The amount was further adjusted by changes in working capital, primarily including cashflow increasing factors of (i) an increase in trade and other payables of RMB203.5 million, and (ii) an increase in contract liabilities of RMB52.0 million, partially offset by (i) an increase in inventories of RMB99.1 million, and (ii) an increase in restricted cash of RMB63.4 million.

Net cash generated from operating activities in 2023 was RMB369.9 million, which primarily consists of profit before taxation of RMB117.5 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items, primarily including cashflow increasing factor of (i) changes in finance costs of RMB74.9 million, and (ii) depreciation of right-of-use assets of RMB12.1 million, partially offset by bank interest income of RMB6.3 million. The amount was further adjusted by changes in working capital, primarily including cashflow increasing factor of (i) an increase in trade and other payables of RMB255.5 million, and (ii) an increase in contract liabilities of RMB71.4 million, partially offset by (i) an increase in inventories of RMB149.5 million, and (ii) increase in trade and other receivables of RMB37.5 million.

Net Cash Used in Investing Activities

Net cash used in investing activities in the nine months ended September 30, 2025 was RMB339.3 million, primarily consists of cashflow decreasing factors of (i) payment for acquisition of financial assets measured at FVPL of RMB372.3 million, and (ii) placement of time deposits of RMB230.3 million, partially offset by cashflow increasing factors of (i) proceeds from maturity of time deposits of RMB222.5 million, and (ii) RMB130.3 million of proceeds from disposal of financial assets measured at FVPL.

Net cash flows used in investing activities in 2024 was RMB62.0 million, which primarily consists of cashflow decreasing factors of (i) payment for acquisition of financial assets measured at FVPL of RMB715.8 million, and (ii) payment for the purchase of property, plant and equipment of RMB80.2 million, partially offset by proceeds from disposal of financial assets measured at FVPL of RMB719.2 million.

Net cash used in investing activities in 2023 was RMB69.7 million, which primarily consists of cashflow decreasing factors (i) payment for acquisition of financial assets measured at FVPL of RMB74.7 million, (ii) placement of time deposits of RMB35.4 million, and (iii) payment for the purchase of property, plant and equipment of RMB30.5 million, partially offset by proceeds from disposal of financial assets measured at FVPL of RMB63.7 million.

FINANCIAL INFORMATION

Net Cash Flows Generated from Financing Activities

Net cash flows generated from financing activities in the nine months ended September 30, 2025 was RMB694.3 million, which primarily consists of (i) proceeds from bank loans of RMB510.1 million, (ii) proceeds from issuance of redeemable preferred shares to investors of RMB335.6 million, and (iii) proceeds from shareholders in connection of the Reorganization of RMB381.1 million, partially offset by (i) payments to shareholders in connection of the Reorganization of RMB381.1 million, and (ii) repayment of bank loans of RMB336.7 million.

Net cash flows generated from financing activities in 2024 was RMB183.8 million, which primarily consists of proceeds from bank loans of RMB451.0 million, and partially offset by repayment of bank loans of RMB253.0 million.

Net cash flows generated from financing activities in 2023 was RMB73.0 million, which primarily consists of proceeds from bank loans of RMB106.3 million, partially offset by (i) repayments of bank loans of RMB21.0 million, and (ii) capital element of lease rentals paid of RMB10.7 million.

INDEBTEDNESS

As of November 30, 2025, being the latest practicable date for the purpose of the indebtedness statement, we had total indebtedness of RMB475.3 million, including bank loans and lease liabilities.

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

	As of December 31,		As of September 30,	As of November 30,
	2023	2024	2025	2025
			<i>(unaudited)</i>	<i>(unaudited)</i>
			<i>(RMB in thousands)</i>	
Current				
Bank loans	100,339	307,060	490,778	431,345
Lease liabilities	13,763	15,899	15,537	17,041
Non-current				
Lease liabilities	19,733	18,816	28,640	26,888
Total	133,835	341,775	534,955	475,274

FINANCIAL INFORMATION

Bank Loans

Our bank loans were RMB100.3 million, RMB307.1 million, and RMB490.8 million and RMB431.3 million as of December 31, 2023, 2024, September 30, 2025 and November 30, 2025, respectively. The interest rates range from 1.80% to 4.98% during the Track Record Period. As of November 30, 2025, our unutilized bank facilities amounted to RMB137.5 million.

During the Track Record Period, all bank loans were repayable within 1 year or on demand.

Lease Liabilities

We are the lessee in respect of certain properties held under leases for our buildings and others during the Track Record Period.

Our lease liabilities remained relatively stable at RMB33.5 million as of December 31, 2023 to RMB34.7 million as of December 31, 2024. Our lease liabilities subsequently increased to RMB44.2 million as of September 30, 2025, primarily attributable to the renewal of certain leases and execution of new lease agreements. Our lease liabilities decreased to RMB43.9 million as of November 30, 2025, primarily due to rental payments.

Except as otherwise disclosed under the sections titled “— Indebtedness” as of September 30, 2025, we did not have any material bank overdrafts, loans, or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, other recognized lease liabilities, guarantees, or other material contingent liabilities. Our Directors confirm that there have been no material changes in our indebtedness since the Latest Practicable Date and up to the date of this Document.

CAPITAL EXPENDITURES

Our historical capital expenditures primarily included payments for the purchase of property, plant and equipment and intangible assets. The following table sets forth our capital expenditures for the years/periods indicated.

	For the year ended December 31,		For the nine months ended September 30,
	2023	2024	2025
			<i>(unaudited)</i>
			<i>(RMB in thousands)</i>
Payments for the purchase of property, plant and equipment and intangible assets	<u>30,523</u>	<u>80,163</u>	<u>29,931</u>
Total	<u>30,523</u>	<u>80,163</u>	<u>29,931</u>

FINANCIAL INFORMATION

We will continue to make capital expenditures to support the expected growth of our business and our expansion plans. For details, see “Future Plans and Use of [REDACTED] — Use of [REDACTED].” We intend to fund these future capital expenditures with financial resources available to us, including our existing cash and bank balances, cash flows generated from our operating activities and net [REDACTED] from the [REDACTED].

CAPITAL COMMITMENTS

As of December 31, 2023, 2024 and September 30, 2025, we had capital commitment related to the procurement of equipment in an aggregate amount of RMB0.2 million, RMB0.4 million, and RMB7.8 million.

KEY FINANCIAL RATIOS

The following table sets forth our selected key financial ratios for the years/periods indicated:

	For the year ended December 31,		For the nine months ended September 30,	
	2023	2024	2024	2025
			<i>(unaudited)</i>	<i>(unaudited)</i>
Gross margin	59.2%	54.4%	55.0%	56.0%
Net profit margin	7.6%	6.0%	3.5%	4.7%
Adjusted net profit margin (Non-IFRS measure) ⁽¹⁾	12.6%	10.4%	8.6%	9.7%

Note:

- (1) Adjusted net profit margin (non-IFRS measure) for a given period refers to adjusted net profit (non-IFRS measure) as a percentage of total revenue for that period. For a reconciliation of adjusted net profit (non-IFRS measure) to profit for the year, see “— Consolidated Statements of Profit or Loss — Non-IFRS Financial Measure.”

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details of our related party transactions, see Note 34 to the Accountants’ Report included in Appendix I to this Document. With respect to the guarantee provided by a director, such guarantee will either be repaid or released immediately before the [REDACTED].

Our Directors are of the view that each of the related party transactions set out in Note 34 to the Accountants’ Report included in Appendix I to this Document was conducted in the ordinary course of business on an arm’s length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

FINANCIAL INFORMATION

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet arrangement.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISK

We are exposed to a variety of market and other financial risks, including foreign currency risk, credit risk, interest rate risk, liquidity risk and capital management risk. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables.

The Group's exposure to credit risk arising from cash and cash equivalents, restricted cash and time deposits with more than three months to maturity is limited because the counterparties are state-owned banks or reputable commercial banks for which we consider having low credit risk.

Liquidity Risk

Our policy is to regularly monitor liquidity requirements, and to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from interest-bearing borrowings. Our interest-bearing borrowings at variable rates and fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively. We do not use financial derivatives to hedge against the interest rate risk. However, if interest rate fluctuates significantly, we would take appropriate measures to manage interest risk exposure.

FINANCIAL INFORMATION

Currency Risk

We are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars, Euros, RMB and Japanese yen.

Our finance department has a professional team to manage the risk arising from fluctuation of exchange rates, with approach of signing forward foreign exchange hedging contracts and controlling the scale of foreign currency assets and liabilities, to minimize foreign exchange risk, and to reduce the impact of exchange rate fluctuations on business performance.

DIVIDENDS

During the Track Record Period, we did not declare any dividends to our Shareholders.

Any declaration and payment as well as the amount of dividends will be subject to our Articles and the Cayman Companies Act. Our board of directors has the discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. As advised by our Cayman Islands legal adviser, we are a holding company incorporated under the laws of the Cayman Islands, pursuant to which, the financial position of accumulated deficit does not prohibit us from declaring and paying dividends to our Shareholders. Dividends may still be declared and paid out of our share premium account notwithstanding our profitability, provided that our Memorandum and Articles do not prohibit such payment and our Company is able to pay its debts as they fall due in the ordinary course of business immediately after such payment.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion, and the Joint Sponsors concur, that, taking into account the financial resources available to our Group, including the estimated net [REDACTED] from the [REDACTED] and the expected cash flows generated from operating activities, we have sufficient working capital for our present requirements and for the next 12 months from the date of this Document.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

As of September 30, 2025, we did not have any distributable reserves.

[REDACTED] EXPENSES

Our [REDACTED] expenses mainly include (i) [REDACTED]-related expenses, such as [REDACTED] fees and [REDACTED], and (ii) non-[REDACTED]-related expenses, comprising professional fees paid to our legal advisers and reporting accountants for their services rendered in relation to the [REDACTED] and the [REDACTED], and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED], accounting for approximately [REDACTED] of our gross [REDACTED]. Among such estimated total [REDACTED] expenses, we expect to pay [REDACTED]-related expenses of RMB[REDACTED], professional fees for our legal advisers and reporting accountants of RMB[REDACTED] and other fees and expenses of RMB[REDACTED]. An estimated amount of RMB[REDACTED] for our [REDACTED] expenses, accounting for approximately [REDACTED] of our gross [REDACTED], is expected to be expensed through the statement of profit or loss and an estimated amount of RMB[REDACTED] is expected to be recognized directly as a deduction from equity upon the [REDACTED]. We did not recognize any [REDACTED] expenses in 2023, 2024 and the nine months ended September 30, 2025, in our consolidated statements of profit or loss.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of the Document, there had been no material adverse change in our financial, operational or trading position, indebtedness, contingent liabilities or prospects since September 30, 2025, being the end date of the periods reported on in the Accountants’ Report set out in Appendix I to this Document, and there had been no event since September 30, 2025, that would materially affect the information shown in the Accountants’ Report set out in Appendix I to this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except for the amounts due from related parties as disclosed in this section, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

[REDACTED]

FINANCIAL INFORMATION

[REDACTED]

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business — Our Growth Strategies” for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive net [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED], after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], assuming no [REDACTED] is exercised and an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the midpoint of the indicative [REDACTED] stated in this Document.

In line with our strategies, we intend to use the net [REDACTED] for the following purposes, subject to changes with respect to our evolving business needs and changing market conditions:

- **Approximately [REDACTED]% or HK\$[REDACTED] of the net [REDACTED] will be allocated to research and development to reinforce our technological leadership.**
 - (i) Approximately [REDACTED]% or HK\$[REDACTED] of the net [REDACTED] will be allocated to accelerating our product innovation, including the development of new products and the enhancement of existing product performance, which will be achieved mainly through strategic investments in three key areas: (a) top-tier talent acquisition, (b) advancing testing and prototyping capabilities, and (c) expanding experimental projects.

We aim to build a world-class R&D team by hiring additional professionals, including experts with strong academic backgrounds and proven achievements in developing tech-enabled personal creative tools over the next two to three years.

Through these initiatives, we aim to significantly enhance the functionality, quality, and user accessibility of our current products by improving laser power efficiency, optimizing optical and motion systems, and expanding material compatibility. We also plan to broaden our product portfolio by exploring diverse printing technologies and extending our offering across a wider range of price points. These will enable us to address the varied needs of different customer segments and diverse usage scenarios.

- (ii) Approximately [REDACTED]% or HK\$[REDACTED] of the net [REDACTED] will be allocated to advancing our core hardware and software. For hardware, key investments will focus on developing next-generation high-precision motion control systems, enhancing advanced optical components, refining print architecture, and further optimizing motion control to achieve measurable gains in both accuracy and operational speed. For software, we will enhance computer visual recognition, processing path algorithm, 3D modeling, AIGC, material detection, and automated parameter optimization, ensuring seamless integration between our machines and intelligent software platforms.

FUTURE PLANS AND USE OF [REDACTED]

These initiatives will be supported by continued hiring of specialized technical talent and the strategic upgrade of our dedicated labs and testing centers for laser-based personal creative tools and material printers, enabling faster prototyping and rigorous performance validation.

All outlined activities are planned for implementation over the next two to three years, to strengthen our technology leadership, improve system efficiency, shorten development cycles, and deliver consistently superior user experiences across our expanding product portfolio.

- **Approximately [[REDACTED]%] or HK\$[REDACTED] of the net [REDACTED] will be used to expand our vibrant overseas user community and enhance our brand awareness.**
 - (i) Approximately [[REDACTED]%] or HK\$[REDACTED] of the net [REDACTED] will be invested in expanding the scale and impact of our online and offline user community over the next 3 years.

For our online community, we will expand the capabilities of our proprietary platform, Atomm, through the introduction of diversified features including AI-powered creative tools to lower user barriers for content creation, Atomm Creator Programs to incentivize high-quality content production, and the launch of Creator Academy to provide support and provide courses for creators, strengthening the foundation for our creator community.

For our offline community, we will strengthen our physical presence by growing the network of xTool Squad and hosting targeted community events, driving both activation and expansion of our offline user base.

Together, these parallel efforts are designed to build a dynamic, interconnected ecosystem that stimulates content sharing, co-creation, and user-driven collaboration, ultimately strengthening brand loyalty and extending the reach and influence of our products.

- (ii) Approximately [[REDACTED]%] or HK\$[REDACTED] of the net [REDACTED] will be used to further strengthening our brand presence across both online and offline channels. Our online branding strategy focuses on measurable, high-impact initiatives, including targeted digital advertising on leading e-commerce platforms and high-traffic video channels to drive conversions and brand visibility, as well as strategic social media engagement through collaborations with selected key opinion leaders. For our offline channels, we plan to deepen partnerships with established retail brands, launch integrated brand campaigns, and implement localized marketing activations to build stronger resonance in key markets.

FUTURE PLANS AND USE OF [REDACTED]

- **Approximately [[REDACTED]]% or HK\$[REDACTED] of the net [REDACTED] will be used to enhance our manufacturing capacity and strengthen supply chain resilience.**
 - (i) Approximately [[REDACTED]]% or HK\$[REDACTED] of the net [REDACTED] will be invested in expanding and upgrading our manufacturing facilities in China over the next 3 years. We will scale up our domestic bases through infrastructure enhancements and process optimization, upgrading existing equipment and enhancing manufacturing layout to support scalable growth and ensure consistent product quality. In addition, we will upgrade our supply chain systems through the digitalization of core processes, including the adoption of advanced software solutions and the establishment of after-sales warehouse personnel, rental, and inventory management systems. These investments will enhance both the resilience and cost efficiency of our supply chain operations.
 - (ii) Approximately [[REDACTED]]% or HK\$[REDACTED] of the net [REDACTED] will be dedicated to selective strategic upward investments in the supply chain that aligns with our business strategy. We aim to build a more regionally distributed supplier ecosystem to ensure resilience and cost efficiency. These investments have no fixed timeline or predetermined targets, and may be pursued as suitable opportunities arise. As of the Latest Practicable Date, we have not identified any investment or acquisition target or enter into any definitive investment or acquisition agreement.
- **Approximately [[REDACTED]]% or HK\$[REDACTED] of the net [REDACTED] will be used to expand our overseas operation.**

We plan to scale our overseas operations and upgrade infrastructure in strategically important regions, such as the U.S. and Europe. We will expand our local teams in these key regions and provide comprehensive employee training, ensuring more effective localization of promotional strategies and after-sales support. Through our existing overseas subsidiaries, these measures will enable efficient overseas operations and deliver consistent superior customer service.

- **Approximately [[REDACTED]]% or HK\$[REDACTED] of the net [REDACTED] will be allocated to general corporate purposes, including providing additional working capital.**

FUTURE PLANS AND USE OF [REDACTED]

In the event that the [REDACTED] is set at the maximum [REDACTED] or the minimum [REDACTED] of the indicative [REDACTED], the net [REDACTED] of the [REDACTED] will increase or decrease by approximately HK\$[REDACTED] or HK\$[REDACTED], respectively. If we make an upward or downward [REDACTED] adjustment to set the final [REDACTED] to be above or below the mid-point of the [REDACTED], we will increase or decrease the allocation of the net [REDACTED] to the above purposes on a pro rata basis.

The additional net [REDACTED] that we would receive if the [REDACTED] was exercised in full would be (i) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the maximum [REDACTED] of the indicative [REDACTED]), (ii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED]) and (iii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the minimum [REDACTED] of the indicative [REDACTED]). We intend to apply the additional net [REDACTED] to the above uses on a pro rata basis.

To the extent that the net [REDACTED] of the [REDACTED] are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-[69], received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XTOOL INNOVATE LIMITED, MORGAN STANLEY ASIA LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of xTool Innovate Limited (formerly known as “Makeblock”) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-[69], which comprises the consolidated statements of financial position of the Group as at 31 December 2023 and 2024, the statement of financial position of the Company as at 31 December 2024 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2023 and 2024 (the “Track Record Period”), and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-[69] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified

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Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants’ report, a true and fair view of the Company’s financial position as at 31 December 2024 and the Group’s financial position as at 31 December 2023 and 2024, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of interim financial information

We have reviewed the interim financial information of the Group which comprises the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2025 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the nine months ended 30 September 2024 and 2025 and other explanatory information (the “Interim Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” as issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified

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ACCOUNTANTS' REPORT

in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 31(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[Date]

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HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi (“RMB”))

	Note	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Revenue	4	1,456,636	2,475,861	1,498,367	1,776,666
Cost of sales		(594,607)	(1,128,039)	(674,066)	(781,935)
Gross profit		862,029	1,347,822	824,301	994,731
Other net income	5	14,880	49,393	30,709	41,885
Selling and marketing expenses . .		(394,912)	(562,524)	(350,413)	(402,000)
Administrative expenses		(133,007)	(236,791)	(152,598)	(178,575)
Research and development costs .		(156,588)	(359,194)	(247,563)	(308,856)
Profit from operations		192,402	238,706	104,436	147,185
Changes in carrying amount of financial liabilities issued to investors/redeemable preferred shares		(72,151)	(80,908)	(59,522)	(63,446)
Other finance costs		(2,786)	(10,047)	(6,467)	(11,297)
Finance costs	6(a)	(74,937)	(90,955)	(65,989)	(74,743)
Profit before taxation	6	117,465	147,751	38,447	72,442
Income tax (expense)/credit	7(a)	(6,542)	770	14,135	10,670
Profit for the year/period		110,923	148,521	52,582	83,112
Earnings per share					
Basic and diluted (RMB)	10	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in RMB)

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Profit for the year/period	110,923	148,521	52,582	83,112
Other comprehensive income for the year/period				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of financial statements of the Company . .	–	(451)	–	5,081
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of financial statements of overseas subsidiaries	(4,076)	2,792	2,013	2,604
Other comprehensive income for the year/period	<u>(4,076)</u>	<u>2,341</u>	<u>2,013</u>	<u>7,685</u>
Total comprehensive income for the year/period	<u>106,847</u>	<u>150,862</u>	<u>54,595</u>	<u>90,797</u>

The accompanying notes form part of the Historical Financial Information.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	At 31 December		At
		2023	2024	30 September
		RMB'000	RMB'000	2025
				RMB'000
				<i>(unaudited)</i>
Non-current assets				
Property, plant and equipment	11	27,221	86,658	98,227
Right-of-use assets	12	31,431	32,845	43,483
Intangible assets		459	1,095	1,722
Financial assets at fair value through profit or loss (“FVPL”)	18	–	30,000	9,090
Deferred tax assets	28(b)	52,329	60,075	94,143
Other non-current assets		2,589	7,498	11,106
		<u>114,029</u>	<u>218,171</u>	<u>257,771</u>
Current assets				
Derivative financial instruments	13	–	2,428	–
Inventories	15	333,904	433,035	857,463
Trade and other receivables	16	104,052	113,644	158,057
Amounts due from shareholders	17	2,358	381,082	–
Financial assets at FVPL	18	11,353	–	251,206
Time deposits	19	28,983	15,803	25,983
Restricted cash	20	32,128	95,478	144,119
Cash and cash equivalents	21(a)	491,808	994,553	1,136,662
		<u>1,004,586</u>	<u>2,036,023</u>	<u>2,573,490</u>
Current liabilities				
Trade and other payables	22	465,432	684,615	711,421
Amounts due to shareholders	23	–	381,180	200,063
Contract liabilities	24	87,040	138,991	150,426
Bank loans	25	100,339	307,060	490,778
Lease liabilities	26	13,763	15,899	15,537
Derivative financial instruments	13	168	1,676	–
Income tax payables	28(a)	2,215	4,896	25,761
Financial liabilities issued to investors	29(a)	717,433	–	–
Redeemable preferred shares	29(b)	–	805,014	958,518
Other current liabilities	27	6,873	9,289	10,130
		<u>1,393,263</u>	<u>2,348,620</u>	<u>2,562,634</u>
Net current (liabilities)/assets		<u>(388,677)</u>	<u>(312,597)</u>	<u>10,856</u>
Total assets less current liabilities		<u>(274,648)</u>	<u>(94,426)</u>	<u>268,627</u>

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	<i>Note</i>	At 31 December		At
		2023	2024	30 September
		<i>RMB'000</i>	<i>RMB'000</i>	<i>2025</i>
				<i>RMB'000</i>
Non-current liabilities				
Lease liabilities	26	19,733	18,816	28,640
Other non-current liabilities	27	1,117	2,357	3,203
		<u>20,850</u>	<u>21,173</u>	<u>31,843</u>
		-----	-----	-----
NET (LIABILITIES)/ASSETS		<u>(295,498)</u>	<u>(115,599)</u>	<u>236,784</u>
CAPITAL AND RESERVES				
Paid-in capital		1,412	–	–
Share capital	31(a)	–	90	90
Reserves	31(c)	(296,910)	(115,689)	236,694
TOTAL (DEFICIT)/EQUITY		<u>(295,498)</u>	<u>(115,599)</u>	<u>236,784</u>

The accompanying notes form part of the Historical Financial Information.

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ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	<i>Note</i>	<u>At 31 December 2024</u> <i>RMB’000</i>	<u>At 30 September 2025</u> <i>RMB’000</i>
Non-current asset			
Investments in subsidiaries	<i>14</i>	420,011	441,263
		<u>420,011</u>	<u>441,263</u>
Current assets			
Other receivables	<i>16</i>	10,733	225,359
Amounts due from shareholders	<i>17</i>	370,522	–
Cash and cash equivalents	<i>21</i>	19,999	205,435
		<u>401,254</u>	<u>430,794</u>
Current liabilities			
Redeemable preferred shares	<i>29(b)</i>	805,014	958,518
Other payables	<i>22</i>	386,803	–
Amounts due to shareholders	<i>23</i>	–	83,063
		<u>1,191,817</u>	<u>1,041,581</u>
Net current liabilities		<u>(790,563)</u>	<u>(610,787)</u>
NET LIABILITIES		<u>(370,552)</u>	<u>(169,524)</u>
CAPITAL AND RESERVES			
Share capital	<i>31(a)</i>	90	90
Reserves	<i>31(c)</i>	<u>(370,642)</u>	<u>(169,614)</u>
TOTAL DEFICIT		<u>(370,552)</u>	<u>(169,524)</u>

The accompanying notes form part of the Historical Financial Information.

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	Paid-in capital*	Share capital	Capital reserve	PRC statutory reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Total (deficit)/equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		<i>31(a)</i>	<i>31(c)(i)</i>	<i>31(c)(iii)</i>	<i>31(c)(ii)</i>	<i>31(c)(iv)</i>		
(Unaudited)								
Balance at 1 January 2025	–	90	27,843	13,998	38,888	7,206	(203,624)	(115,599)
Changes in equity for the nine months ended								
30 September 2025:								
Profit for the period	–	–	–	–	–	–	83,112	83,112
Other comprehensive income	–	–	–	–	–	7,685	–	7,685
Total comprehensive income for the period	–	–	–	–	–	7,685	83,112	90,797
Modifications on redeemable preferred shares upon issuance of Series D preferred shares	–	–	235,825	–	–	–	–	235,825
Share-based compensation expenses	–	–	–	–	25,761	–	–	25,761
Balance at 30 September 2025 (unaudited)	–	90	263,668	13,998	64,649	14,891	(120,512)	236,784

Note

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6(b)

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ACCOUNTANTS’ REPORT

	Paid-in capital*	Share capital	Capital reserve	PRC statutory reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Total deficit
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		<i>31(a)</i>	<i>31(c)(i)</i>	<i>31(c)(iii)</i>	<i>31(c)(ii)</i>	<i>31(c)(iv)</i>		
(Unaudited)								
Balance at 1 January 2024	1,412	—	26,521	706	9,851	4,865	(338,853)	(295,498)
Changes in equity for the nine months ended								
30 September 2024:								
Profit for the period	—	—	—	—	—	—	52,582	52,582
Other comprehensive income	—	—	—	—	—	2,013	—	2,013
Total comprehensive income for the period	—	—	—	—	—	2,013	52,582	54,595
Effect arising from the Reorganisation	(1,412)	90	1,322	—	—	—	—	—
Share-based compensation expenses	—	—	—	—	16,668	—	—	16,668
Balance at 30 September 2024 (unaudited)	—	90	27,843	706	26,519	6,878	(286,271)	(224,235)

Note

6(b)

* The balances as at 1 January 2023 and 31 December 2023 represent the paid-in capital of the former holding company of the Group, Makeblock Co., Ltd. (“Shenzhen xTool”), prior to the completion of the Reorganisation.

The accompanying notes form part of the Historical Financial Information.

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CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	<i>Note</i>	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Operating activities:					
Cash generated from/(used					
in) operations	21(b)	366,452	363,575	(42,251)	(230,369)
Interest received		5,479	18,234	12,010	19,010
(Payments for)/refund of					
income tax		(2,026)	(8,845)	(5,536)	2,525
Net cash generated					
 from/(used in) operating					
 activities		<u>369,905</u>	<u>372,964</u>	<u>(35,777)</u>	<u>(208,834)</u>
Investing activities:					
Payments for the purchase of					
property, plant and					
equipment and intangible					
assets		(30,523)	(80,163)	(71,553)	(29,931)
Proceeds from disposal of					
property, plant and					
equipment		–	–	–	400
Placement of time deposits . .		(35,405)	(44,109)	(28,125)	(230,289)
Proceeds from maturity of					
time deposits		7,291	58,782	43,249	222,499
Payment for restricted cash					
related to derivative					
financial instruments		–	–	–	(56,986)
Payments for acquisition of					
financial assets measured					
at FVPL		(74,706)	(715,753)	(593,855)	(372,338)
Proceeds from disposal of					
financial assets measured					
at FVPL		63,667	719,241	532,284	130,319
Payment for investment					
included in other					
non-current assets		–	–	–	(3,000)
Net cash used in investing					
 activities		<u>(69,676)</u>	<u>(62,002)</u>	<u>(118,000)</u>	<u>(339,326)</u>

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ACCOUNTANTS’ REPORT

	<i>Note</i>	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Financing activities:					
Capital element of lease					
rentals paid	21(c)	(10,702)	(15,251)	(10,899)	(13,740)
Interest element of lease					
rentals paid	21(c)	(1,571)	(1,375)	(1,059)	(984)
Proceeds from bank loans . . .	21(c)	106,299	451,000	376,000	510,115
Repayments of bank loans . .	21(c)	(20,996)	(252,951)	(148,595)	(336,710)
Payments to shareholders in connection with the					
Reorganisation		–	(20,000)	(20,000)	(381,082)
Receipts from shareholders in connection with the					
Reorganisation		–	20,000	20,000	381,082
Deposits and advance					
payment received from the shareholders for the issuance of redeemable preferred shares		–	–	–	200,063
Capital injections from investors		–	2,358	2,358	–
Proceeds from issuance of redeemable preferred shares	21(c)	–	–	–	335,579
Net cash generated from financing activities		<u>73,030</u>	<u>183,781</u>	<u>217,805</u>	<u>694,323</u>
Net increase in cash and cash equivalents		373,259	494,743	64,028	146,163
Effect of foreign exchange rate changes		(4,317)	8,002	13,011	(4,054)
Cash and cash equivalents at beginning of the year/period		<u>122,866</u>	<u>491,808</u>	<u>491,808</u>	<u>994,553</u>
Cash and cash equivalents at end of the year/period .	21(a)	<u>491,808</u>	<u>994,553</u>	<u>568,847</u>	<u>1,136,662</u>

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

xTool Innovate Limited (formerly known as “Makeblock”) (the “Company”) was incorporated in the Cayman Islands on 13 June 2024 as an exempted company with limited liability under the Companies Act (Revised) of the Cayman Islands.

The Company is an investment holding company. The Company has not carried on any business operation since the date of its incorporation save for the Group reorganisation below. The Company and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and sales of laser-based personal creative tools and material printers.

Prior to the incorporation of the Company, the above-mentioned principal activities were carried out by Shenzhen xTool and its subsidiaries. To rationalise the corporate structure in preparation of the [REDACTED] of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Group underwent the reorganisation, as detailed in the section headed “History, Reorganisation and Corporate Structure” in the Document (the “Reorganisation”). Upon completion of the Reorganisation, the Company became the holding company of the Group.

As the Reorganisation only involved inserting a newly formed entity with no substantive operations as the new holding company of Shenzhen xTool, the former holding company of the Group, and there were no changes in the economic substance of the ownership and the business of the Group. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition, with Shenzhen xTool treated as the acquirer for accounting purposes. The Historical Financial Information has been prepared and presented as a continuation of the financial statements of Shenzhen xTool with the assets and liabilities of Shenzhen xTool recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

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The Company has direct or indirect interests in the following principal subsidiaries:

Company name	Place and date of incorporation /reestablishment	Particulars of issued and paid-up capital	Proportion of ownership interest				Principal activities	Name of statutory auditor in 2023	Name of statutory auditor in 2024
			At 31 December		At 30 September				
			2023	2024	2025	As at the date of this report			
<i>Directly held by the Company</i>									
Makeblock Limited (i)	British Virgin Islands, 30 July 2024	1 share	N/A	100%	100%	100% Investment holding	N/A	N/A	
<i>Indirectly held by the Company</i>									
Makeblock HongKong Holding Limited (i)	Hong Kong, 09 August 2024	10,000 shares	N/A	100%	100%	100% Investment holding	N/A	N/A	
Shenzhen xTool* (深圳市創客工場科技有限公司) (ii)	Chinese Mainland, 24 June 2013	RMB1,189,873	100%	100%	100%	100% Research and development, manufacturing and sales	Rongcheng Certified Public Accountants (Special General Partnership) 容誠會計師事務所 (特殊普通合夥)	Rongcheng Certified Public Accountants (Special General Partnership) 容誠會計師事務所 (特殊普通合夥)	
XTL US INC. (i)	United States, 10 September 2021	20,000 shares	100%	100%	100%	100% Sales and marketing	N/A	N/A	
Creative Tools HK Company Limited (ii)	Hong Kong, 26 January 2022	10,000 shares	100%	100%	100%	100% Sales and marketing	TC-Professional CPA Limited	Wu Wallen, CPA (Practising)	
Makeblock (Hong Kong) Company Limited (ii)	Hong Kong, 16 January 2023	10,000 shares	100%	100%	100%	100% Sales and marketing	Lee Chi Fai & Co. Certified Public Accountants	Lee Chi Fai & Co. Certified Public Accountants	
Makeblock Europe B.V. (ii)	The Kingdom of Netherlands, 01 June 2017	200,000 shares	100%	100%	100%	100% Sales and marketing	Otterspeer Haasnoot & Partners	Otterspeer Haasnoot & Partners	

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Notes:

- (i) No audited financial statements of these entities have been prepared for the Track Record Period.
- (ii) The financial statements of Shenzhen xTool for the years ended 31 December 2023 and 2024 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. The financial statements of Makeblock Europe B.V. for the years ended 31 December 2023 and 2024 were prepared in accordance with IFRS Accounting Standards. The financial statements of Creative Tools HK Company Limited for the years ended 31 December 2023 and 2024 were prepared in accordance with Hong Kong Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard. The financial statements of Makeblock (Hong Kong) Company Limited ended 31 December 2023 and 2024 were prepared in accordance with HKFRS Accounting Standards.
- * The English translation of all above companies is for reference only. The official names of the companies established in the PRC are in Chinese.

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”). Further details of the material accounting policy information are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period are set out in Note 36.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Interim Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The Historical Financial Information and the Interim Financial Information are presented Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial assets at fair value through profit or loss (“FVPL”) (see Note 2(d)); and
- derivative financial instruments (see Note 2(e)).

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(b) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Historical Financial Information from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(d) Other investments in securities

The Group’s policies for investments in securities, other than investments in subsidiaries are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 32. These investments are subsequently accounted for as follows, depending on their classification.

(i) *Non-equity investments*

Non-equity investments are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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- Fair value through other comprehensive income (“FVOCI”) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in other comprehensive income (“OCI”). When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost of FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis but may only be made if the investment meets the definition of equity from the issuer’s perspective. If such election is made, for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other net income.

(e) Derivative financial instruments

The Group holds derivative financial instruments to manage its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives during the Track Record Period are as follows:

- Ownership interests in land held for own use is not depreciated.
- Machinery and equipment 3 to 10 years
- Vehicles 4 years
- Office equipment and others 5 years
- Leasehold improvements Shorter of useful lives or lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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(g) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(i)(ii)).

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(i)). The estimated useful lives of right-of-use asset are determined on the same basis as lease terms.

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see Notes 2(e), 2(t) and 2(i)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents, time-deposit, restricted cash, amounts due from shareholders and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

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Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 90 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’ or if an external rating is not available, the asset has an internal rating of ‘performing’. Performing means that the counterparty has a strong financial position and there are no past due amounts.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

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(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (“CGU”s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(u)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 2(l)).

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. All receivables are subsequently stated at amortised cost (see Note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see Note 2(i)(i)).

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(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Financial liabilities issued to investors

A contract that contains an obligation to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. Even if the obligations to purchase are conditional on the counterparty exercising a right to redeem, the financial instruments with preferred rights are recognised as financial liability initially at the present value of the redemption amount and subsequently measured at amortised cost with interest charged in finance costs.

(p) Redeemable preferred shares

The Group’s redeemable preferred shares are subject to the investors’ request to redeem for cash upon the occurrence of events that are beyond the control of both the Group and the holders, which give rise to financial liabilities.

The financial liabilities are initially measured at the present value of the redemption amount, which represents the settlement that would be triggered by the event with the highest settlement outcome, and may change from time to time. Changes in the carrying amount of the financial liabilities are charged to profit or loss.

The Group derecognises the financial liabilities arising from redeemable preferred shares when, and only when, the Group’s redemption obligations are discharged, cancelled, or have expired. When the redemption obligations expire without exercise or when the redeemable preferred shares are mandatorily converted into ordinary shares upon the [REDACTED] of the Company, the carrying amount of the financial liabilities is reclassified or transferred to equity.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(y).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based compensation expenses

The grant-date fair value of share-based compensation expenses granted to employees is measured using the binomial lattice model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in separate financial statements of the Company.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises costs for a restructuring.

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(s) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(t) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see Note 2(i)(ii)).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

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(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services.

Further details of the Group’s revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sales of laser-based personal creative tools and material printers. In determine whether the Group acts as principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group’s ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax, other sales taxes or any trade discounts. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

The Group offers warranties for its products for up to one or two years from the date of sale. A related provision is recognised in accordance with Note 2(t).

The Group typically offers customers of laser-based personal creative tools and material printers that are not made-to-order with rights of return for a period of 14 to 30 days upon customer acceptance. It also offers retrospective cumulative volume rebates to certain major customers of laser machines and material printers when their purchases reach an agreed threshold. Such rights of return and volume rebates give rise to variable consideration. The Group uses an expected value approach to estimate variable consideration based on the Group’s current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of laser machines and material printers, the Group recognises revenue after taking into account adjustment to transaction price arising from returns and rebates as mentioned above. A refund liability is recognised for the expected returns and rebates. A right to recover returned goods and corresponding adjustment to cost of sales are also recognised for the right to recover products from customers. This right to recover returned goods is measured at the former carrying amount of the inventory less any expected costs to recover goods (including potential decreases in the value of the returned goods).

Revenue from the sale of products over self-operated online stores or third-party e-commerce platforms is recognised at the point in time when control of the products is transferred to the customer, generally on the receipt of products by customers.

Revenue from the sale of products offline is recognised at the point in time when control of the products is transferred to the customer. Revenue from the sale of domestic products is recognised when the Group has delivered the products to the location and the customer takes the possession of and accepts the goods according to the sales contract. Revenue from the sale of overseas products is recognised at the corresponding points of time according to trade terms.

If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis except when a variable consideration is allocated to a specific performance obligation in the contract. Generally, the Group establishes standalone selling prices with reference to the observable prices of products or services sold separately in comparable circumstances to similar customers.

Revenue allocated to product-related bundled services is deferred and recognised on a straight-line basis over the estimated period they are expected to be provided.

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The Group operates membership programs for official website customers who can earn loyalty points on their purchases. Points are redeemable against any future purchases of the Group’s products or other offerings provided by the Group. The Group allocates a portion of the consideration to loyalty points based on the relative stand-alone selling prices. The amount allocated to the membership programs is deferred and recognised as revenue when loyalty points are redeemed or expire. Unused loyalty points generally expire in 24 months after they are granted.

(ii) Interest income

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(iii) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised as income in the profit or loss on a straight-line basis over the useful lives of the related asset.

(v) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve.

(w) Related parties

- (a) A person, or a close member of that person’s family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group’s parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

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- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 32(e) contain information about the assumptions and their risk factors relating to valuation of fair value of financial instruments. Other significant sources of estimation uncertainty are as follows:

(a) Share-based compensation expenses

The Group operates share incentive plan, under which it receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the services received in exchange for the grant of the equity instruments (options) is recognised as an expense on the consolidated statement of profit or loss with a corresponding increase in equity.

In terms of the options awarded to employees, the total amount to be expensed is determined by reference to the fair value of equity instruments (options) granted:

- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

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Service and non-market performance conditions are included in calculation of the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statements of profit or loss, with a corresponding adjustment to equity. In some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. When the options are exercised, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium. Further details are given in Note 30.

(b) Recognition and measurement of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is set out below:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue from contracts with customers within the scope of IFRS 15				
Laser-based personal creative tools and accessories	1,266,526	2,206,380	1,343,823	1,517,430
Material printers and accessories	–	–	–	100,680
Consumables and others	190,110	269,481	154,544	158,556
	<u>1,456,636</u>	<u>2,475,861</u>	<u>1,498,367</u>	<u>1,776,666</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is set out below:

	Years ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Point-in-time	1,455,987	2,470,357	1,494,750	1,769,124
Over-time	649	5,504	3,617	7,542
	<u>1,456,636</u>	<u>2,475,861</u>	<u>1,498,367</u>	<u>1,776,666</u>

No revenue from individual customer contributes over 10% of total revenue of the Group for the Track Record Period.

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts for products that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of products that had an original expected duration of one year or less.

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6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	Note	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Changes in the carrying amount of:					
– financial liabilities issued to investors	29(a)	72,151	62,692	59,522	–
– redeemable preferred shares	29(b)	–	18,216	–	63,446
		<u>72,151</u>	<u>80,908</u>	<u>59,522</u>	<u>63,446</u>
Interests on:					
– bank loans	25(c)	1,215	8,672	5,408	10,313
– lease liabilities	26(c)	1,571	1,375	1,059	984
		<u>2,786</u>	<u>10,047</u>	<u>6,467</u>	<u>11,297</u>
Other finance costs		<u>2,786</u>	<u>10,047</u>	<u>6,467</u>	<u>11,297</u>
Total finance costs		<u>74,937</u>	<u>90,955</u>	<u>65,989</u>	<u>74,743</u>

(b) Staff costs:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Salaries, wages and other benefits	309,382	566,098	399,944	456,390
Contributions to defined contribution retirement plans (i)	6,564	14,877	10,143	13,771
Share-based compensation expenses	–	29,037	16,668	25,761
	<u>315,946</u>	<u>610,012</u>	<u>426,755</u>	<u>495,922</u>

(i) Defined contribution retirement plans

Employees of the Group’s PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Company and its subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

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(c) **Other items:**

	Note	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Cost of inventories sold	15(b)	443,865	821,928	476,295	614,472
Depreciation:					
– owned property, plant and equipment	11	5,336	12,565	7,669	14,679
– right-of-use assets	12	12,110	15,199	11,064	12,917
Amortisation of intangible assets		71	273	196	163
Provision for/(reversal of) impairment loss on trade and other receivables		802	(330)	(1,100)	1,499
		<u>802</u>	<u>(330)</u>	<u>(1,100)</u>	<u>1,499</u>

For the years ended 31 December 2023 and 2024 and the nine months ended 30 September 2024 and 2025, cost of inventories sold includes RMB24,802,000, RMB58,964,000, RMB38,472,000 (unaudited), RMB59,047,000 (unaudited) relating to staff costs, depreciation and amortisation expenses respectively which amounts are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) **Taxation in the consolidated statements of profit or loss represents:**

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Current tax:				
Provision for the year/period	4,086	6,976	3,219	22,786
Under provision in respect of prior years	65	–	–	612
	4,151	6,976	3,219	23,398
Deferred tax:				
Origination and reversal of temporary differences	2,391	(7,746)	(17,354)	(34,068)
	<u>6,542</u>	<u>(770)</u>	<u>(14,135)</u>	<u>(10,670)</u>

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(b) Reconciliation between tax expenses/(credit) and accounting profit at applicable tax rates:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Profit before taxation	117,465	147,751	38,447	72,442
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	31,974	40,710	8,422	31,956
Effect of preferential tax rate (ii)	(16,091)	(14,808)	(9,887)	(3,061)
Effect of additional deduction on research and development expenses (iii)	(19,270)	(45,585)	(28,153)	(44,754)
Effect of changes in the carrying amount of financial liabilities issued to investors	10,823	9,403	8,928	–
Effect of non-deductible expenses	791	4,243	2,802	3,937
Under provision in respect of prior years/periods	65	–	–	612
Effect of temporary differences and tax losses not recognised	(1,750)	5,267	3,753	640
Actual tax expenses/(credit)	6,542	(770)	(14,135)	(10,670)

(i) Pursuant to the tax rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

Pursuant to the Enterprise Income Tax (the “EIT”) Law of the PRC (the “EIT Law”), the Company and its subsidiaries established and operated in the PRC are liable to EIT at a rate of 25% unless otherwise specified.

Pursuant to the income tax rules and regulations of Hong Kong, when the taxable income does not exceed HK\$2 million, the subsidiary in Hong Kong were liable to the Profits Tax at a rate of 8.25%, and at a rate of 16.5% when the taxable income exceeding HK\$2 million.

Pursuant to the income tax rules and regulations of the United States (“US”), the subsidiary in the US were liable to the US Profits Tax at a rate of 21% Federal Tax and 2.5%-11.5% State Tax.

Pursuant to the income tax rules and regulations of Netherlands, when the taxable income does not exceed EUR 200,000, the subsidiary in Netherlands were liable to the Profits Tax at a rate of 19%, and at a rate of 25.8% when the taxable income exceeding EUR 200,000.

(ii) According to the EIT Law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. Shenzhen xTool obtained the certificate of high-technology enterprise and is subject to income tax rate at 15% during the Track Record Period.

For the years ended 31 December 2023 and 2024, certain subsidiaries of the Group fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprise in Chinese Mainland. According to the EIT Law and its relevant regulations, they were entitled to a preferential income tax rate of 5% on taxable income.

(iii) Under the PRC EIT Law and its relevant regulations, 100% additional tax deduction is allowed for qualified research and development costs during the Track Record Period.

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8 DIRECTORS’ EMOLUMENTS

Directors’ emoluments during the Track Record Period which were included in the staff costs as disclosed in Note 6(b) are as follows:

Year ended 31 December 2023

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based compensation (f)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman							
Wang Jianjun (a)	–	1,176	7,500	9	8,685	–	8,685
Executive directors							
Wang Chengbao (b)	–	623	1,010	–	1,633	–	1,633
Yin Jun (b)	–	776	450	9	1,235	–	1,235
Qin Ming (b)	–	741	440	9	1,190	–	1,190
Zhang Yi (b)	–	897	510	9	1,416	–	1,416
Non-executive directors							
Qin Jie (c)	–	–	–	–	–	–	–
Wang Hao (c)	–	–	–	–	–	–	–
Chen Mei (c)	–	–	–	–	–	–	–
Zhu Feng (c)	–	–	–	–	–	–	–
		<u>4,213</u>	<u>9,910</u>	<u>36</u>	<u>14,159</u>	–	<u>14,159</u>
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Year ended 31 December 2024

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based compensation (f)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman							
Wang Jianjun (a)	–	2,087	5,599	10	7,696	–	7,696
Executive directors							
Wang Chengbao (b)	–	945	670	–	1,615	1,165	2,780
Yin Jun (b)	–	773	452	9	1,234	524	1,758
Qin Ming (b)	–	773	572	10	1,355	233	1,588
Zhang Yi (b)	–	994	539	9	1,542	583	2,125
Non-executive directors							
Qin Jie (c)	–	–	–	–	–	–	–
Wang Hao (c)	–	–	–	–	–	–	–
Chen Mei (c)	–	–	–	–	–	–	–
Zhu Feng (c)	–	–	–	–	–	–	–
		<u>5,572</u>	<u>7,832</u>	<u>38</u>	<u>13,442</u>	<u>2,505</u>	<u>15,947</u>
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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Nine months ended 30 September 2025 (Unaudited)

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based compensation (f)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman							
Wang Jianjun (a) . . .	–	1,819	1,680	8	3,507	–	3,507
Executive directors							
Wang Chengbao (b) .	–	597	201	–	798	874	1,672
Yin Jun (b)	–	584	135	7	726	393	1,119
Qin Ming (b)	–	585	172	8	765	175	940
Zhang Yi (b)	–	738	162	8	908	437	1,345
Non-executive directors							
Qin Jie (c)	–	–	–	–	–	–	–
Wang Hao (c)	–	–	–	–	–	–	–
Chen Mei (c)	–	–	–	–	–	–	–
Zhu Feng (c)	–	–	–	–	–	–	–
	–	4,323	2,350	31	6,704	1,879	8,583
	–	–	–	–	–	–	–

Nine months ended 30 September 2024 (Unaudited)

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based compensation (f)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman							
Wang Jianjun (a) . . .	–	1,481	4,199	7	5,687	–	5,687
Executive directors							
Wang Chengbao (b) .	–	741	503	–	1,244	874	2,118
Yin Jun (b)	–	578	339	7	924	393	1,317
Qin Ming (b)	–	579	429	7	1,015	175	1,190
Zhang Yi (b)	–	747	404	7	1,158	437	1,595
Non-executive directors							
Qin Jie (c)	–	–	–	–	–	–	–
Wang Hao (c)	–	–	–	–	–	–	–
Chen Mei (c)	–	–	–	–	–	–	–
Zhu Feng (c)	–	–	–	–	–	–	–
	–	4,126	5,874	28	10,028	1,879	11,907
	–	–	–	–	–	–	–

Notes:

- (a) Wang Jianjun was appointed as an executive director of the Company in June 2024.
- (b) Wang Chengbao, Yin Jun, Qin Ming and Zhang Yi were appointed as executive directors of the Company in September 2024 and resigned in December 2025.
- (c) Qin Jie, Wang Hao, Chen Mei and Zhu Feng were appointed as executive directors of the Company in September 2024. Qin Jie and Wang Hao resigned in December 2025.
- (d) Liu Yao, Jin Shengze and Hu Jinhong were appointed as executive directors of the Company in December 2025.
- (e) Ni Zewang, Zhang Saiyin and Meng Tianxing were appointed as independent non-executive directors of the Company in December 2025 with effect from the [REDACTED].

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(f) These represent the estimated value of share-based compensation expenses granted to the directors under the Company’s Share Option Scheme. The value of these expenses are measured according to the Group’s accounting policies as set out in Note 2(r)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of share-based compensation expenses, including the principal terms and number of options granted, are disclosed in Note 30.

During the Track Record Period, no director or chief executive has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors and the chief executive as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the five individuals with the highest emoluments of the Group for the years ended 31 December 2023 and 2024, and the nine months ended 30 September 2024 and 2025, 3, 2, 2 (unaudited) and 1 (unaudited) individual’s emoluments are disclosed in Note 8 and the emoluments in respect of the remaining 2, 3, 3 (unaudited) and 4 (unaudited) individuals during the Track Record Period are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Salaries, allowance and benefits				
in kind	1,781	4,671	3,516	4,262
Discretionary bonuses	1,759	2,048	1,536	614
Retirement scheme contributions . . .	–	19	14	23
Share-based compensation expenses . .	18	9,776	7,332	8,097
	<u>3,558</u>	<u>16,514</u>	<u>12,398</u>	<u>12,996</u>

The emoluments of the individuals who are not director and with the highest emoluments are within the following bands:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals (unaudited)
HK\$				
1,500,001 – 2,000,000	1	–	–	1
2,000,001 – 2,500,000	1	–	–	1
2,500,001 – 3,000,000	–	–	1	1
3,000,001 – 3,500,000	–	1	1	–
4,000,001 – 4,500,000	–	1	–	–
7,500,001 – 8,000,000	–	–	–	1
8,000,001 – 8,500,000	–	–	1	–
10,000,001 – 10,500,000	–	1	–	–

During the Track Record Period, no amounts were paid or payable by the Group to the above non-director highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

10 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of preparation and presentation set out Note 1.

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11 PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	Vehicles	Office equipment and others	Leasehold improvements	Ownership interests in land held for own use	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:						
At 1 January 2023	12,725	4	330	7,095	–	20,154
Additions	6,048	604	2,795	16,965	–	26,412
Disposals	(272)	–	–	(260)	–	(532)
Currency translation difference . .	4	–	2	(2)	–	4
At 31 December 2023 and 1 January 2024	18,505	608	3,127	23,798	–	46,038
Additions	14,690	544	4,587	11,672	41,419	72,912
Disposals	(5,487)	–	(995)	(16)	–	(6,498)
Currency translation difference . .	(1)	–	(42)	(2)	303	258
At 31 December 2024 and 1 January 2025	27,707	1,152	6,677	35,452	41,722	112,710
Additions	16,615	497	713	7,428	–	25,253
Disposals	(246)	(500)	(60)	–	–	(806)
Currency translation difference . .	89	–	33	36	1,581	1,739
At 30 September 2025	44,165	1,149	7,363	42,916	43,303	138,896
Accumulated depreciation:						
At 1 January 2023	(8,209)	(1)	(277)	(5,372)	–	(13,859)
Charge for the year	(2,112)	(101)	(317)	(2,806)	–	(5,336)
Written back on disposals	255	–	–	124	–	379
Currency translation difference . .	(3)	–	–	2	–	(1)
At 31 December 2023 and 1 January 2024	(10,069)	(102)	(594)	(8,052)	–	(18,817)
Charge for the year	(3,809)	(185)	(910)	(7,661)	–	(12,565)
Written back on disposals	4,815	–	472	3	–	5,290
Currency translation difference . .	(1)	–	41	–	–	40
At 31 December 2024 and 1 January 2025	(9,064)	(287)	(991)	(15,710)	–	(26,052)
Charge for the year	(5,774)	(176)	(944)	(7,785)	–	(14,679)
Written back on disposals	30	79	26	–	–	135
Currency translation difference . .	(40)	–	(30)	(3)	–	(73)
At 30 September 2025	(14,848)	(384)	(1,939)	(23,498)	–	(40,669)
Net book value:						
At 31 December 2023	8,436	506	2,533	15,746	–	27,221
At 31 December 2024	18,643	865	5,686	19,742	41,722	86,658
At 30 September 2025	29,317	765	5,424	19,418	43,303	98,227

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12 RIGHT-OF-USE ASSETS

	Properties leased for own use
	<i>RMB’000</i>
Cost:	
At 1 January 2023	20,271
Additions	62,452
Disposals	(35,021)
Currency translation difference	(3)
At 31 December 2023 and 1 January 2024	47,699
Additions	25,280
Disposals	(7,541)
Lease modification	(7,099)
Currency translation difference	516
At 31 December 2024 and 1 January 2025	58,855
Additions	26,695
Disposals	(6,083)
Lease modification	120
Currency translation difference	240
At 30 September 2025	79,827
Accumulated depreciation:	
At 1 January 2023	(6,982)
Charge for the year	(12,110)
Written back on disposals	2,812
Currency translation difference	12
At 31 December 2023 and 1 January 2024	(16,268)
Charge for the year	(15,199)
Written back on disposals	5,446
Currency translation difference	11
At 31 December 2024 and 1 January 2025	(26,010)
Charge for the period	(12,917)
Written back on disposals	2,495
Currency translation difference	88
At 30 September 2025	(36,344)
Net book value:	
At 31 December 2023	31,431
At 31 December 2024	32,845
At 30 September 2025	43,483

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	At 31 December		At 30 September	
	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
Depreciation charge of right-of-use assets by class of underlying asset:				
Properties leased for own use	12,110	15,199	11,064	12,917
Interest on lease liabilities (<i>Note 6(a)</i>) . .	1,571	1,375	1,059	984
Expense relating to short-term leases . . .	2,716	5,851	4,737	3,876
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	571	1,510	919	1,213

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The additions to right-of-use assets were primarily related to the capitalised lease payments payable under new tenancy agreements. The newly added leased properties are mainly for office and warehouse building.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 21(d), 26 and 32(b), respectively.

(a) Properties leased for own use

The Group has obtained the right to use properties and land through tenancy agreements. The leases typically run for an initial period of 1 to 5 years, which is the same as the useful lives of right-of-use assets.

Some leases include an option to terminate the lease before the end of the contract term. The Group considers it reasonably certain not to exercise the option to early terminate at lease commencement date.

13 DERIVATIVE FINANCIAL INSTRUMENTS

	Year ended 31 December		Nine months ended 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Derivative financial assets			
– held as cash flow forward instruments	–	2,428	–
Derivative financial liabilities			
– held as cash flow forward instruments	(168)	(1,676)	–
	<u>(168)</u>	<u>752</u>	<u>–</u>

14 INVESTMENTS IN SUBSIDIARIES

	At 31 December	At 30 September
	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Investment in a subsidiary	390,974	386,465
Deemed investments arising from share-based compensation expenses	<u>29,037</u>	<u>54,798</u>
	<u>420,011</u>	<u>441,263</u>

15 INVENTORIES

(a) Inventories in the consolidated of financial position comprise:

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Raw materials	43,064	60,955	86,993
Semi-finished products and work-in-progress . . .	30,739	21,043	34,693
Finished products	<u>260,101</u>	<u>351,037</u>	<u>735,777</u>
	<u>333,904</u>	<u>433,035</u>	<u>857,463</u>

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(b) The analysis of the amount of inventories recognised as costs and included in profit or loss is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Carrying amount of inventories sold . . .	439,618	819,817	473,746	612,445
Write-down of inventories	4,247	2,111	2,549	2,027
	<u>443,865</u>	<u>821,928</u>	<u>476,295</u>	<u>614,472</u>

16 TRADE AND OTHER RECEIVABLES

The Group

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Trade receivables, net of loss allowance	49,006	50,575	76,033
Prepayments	11,137	11,836	14,848
VAT recoverable	20,269	24,701	35,514
Prepaid income tax (<i>Note 28(a)</i>)	74	4,647	58
Other receivables and deposits, net of loss allowance	23,566	21,885	31,604
	<u>104,052</u>	<u>113,644</u>	<u>158,057</u>

All of the trade and other receivables of the Group are expected to be recovered or recognised as expenses within one year.

As of the end of each reporting period, the ageing analysis of trade receivables of the Group (which are included in trade and other receivables) based on the invoice date and net of loss allowance, is as follows:

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Within 1 year	47,860	49,447	75,713
Over 1 year but less than 2 years	1,133	568	256
Over 2 years but less than 3 years	13	560	64
	<u>49,006</u>	<u>50,575</u>	<u>76,033</u>

Details on the Group’s credit policy and credit risk arising from trade receivables are set out in Note 32(a).

The Company

	At 31 December	At 30 September
	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Amounts due from subsidiaries	<u>10,733</u>	<u>225,359</u>

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17 AMOUNTS DUE FROM SHAREHOLDERS

The Group

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Amounts due from shareholders	2,358	381,082	–

The Company

	At 31 December		At 30 September
	2024		2025
	<i>RMB'000</i>		<i>RMB'000</i> <i>(unaudited)</i>
Amounts due from shareholders		370,522	–

The amounts due from shareholders as at 31 December 2024 arose from the Reorganisation.

18 FINANCIAL ASSETS MEASURED AT FVPL

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Non-current assets			
Investment in unlisted equity securities	–	30,000	9,090
Current assets			
Wealth management products	11,353	–	251,206

The Group’s wealth management products which were non-principal guaranteed were purchased from banks with variable interest or variable return rate during the Track Record Period. Wealth management products of Nil, Nil and RMB7,816,000 (unaudited) were pledged for bank loans as at 31 December 2023 and 2024 and 30 September 2025 respectively.

19 TIME DEPOSITS

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Term deposits with initial terms over three months but within one year	28,983	15,803	25,983

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20 RESTRICTED CASH

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Restricted deposits pledged in respect of bills payable (i)	19,053	84,496	72,476
Restricted funds held on third-party platforms (ii)	11,142	10,961	12,503
Restricted cash for derivative financial instruments (iii)	–	–	56,986
Others	1,933	21	2,154
	<u>32,128</u>	<u>95,478</u>	<u>144,119</u>

- (i) Deposits pledged in respect of bills payable will be released upon its maturity within six months.
- (ii) Restricted funds held on e-commerce platforms will be released within two to fourteen days after the respective transaction.
- (iii) Restricted cash for derivative financial instruments are pledged for the purchase of foreign currency forward contracts.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Cash in hand	84	143	156
Cash at bank	454,753	936,805	1,031,572
Cash on third-party platforms	36,971	57,605	104,934
Cash and cash equivalents	<u>491,808</u>	<u>994,553</u>	<u>1,136,662</u>

The Company

	At 31 December	At 30 September
	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Cash at bank	<u>19,999</u>	<u>205,435</u>

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(b) Reconciliation of profit before taxation to cash generated from/(used in) operations:

	Note	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Profit before taxation		117,465	147,751	38,447	72,442
Adjustments for:					
Depreciation of property, plant and equipment	6(c)	5,336	12,565	7,669	14,679
Depreciation of right-of-use assets	6(c)	12,110	15,199	11,064	12,917
Amortisation of intangible assets	6(c)	71	273	196	163
Net loss/(gain) on disposal of property, plant and equipment and right-of-use assets	5	2,344	1,158	105	(410)
Finance costs	6(a)	74,937	90,955	65,989	74,743
Bank interest income	5	(6,342)	(19,426)	(12,966)	(21,580)
Net gain on financial assets measured at FVPL	5	(171)	(4,949)	(4,163)	(1,953)
Net loss/(gain) on derivatives financial instruments	5	23	(3,038)	(820)	(572)
Share-based compensation expenses	6(b)	–	29,037	16,668	25,761
Changes in working capital:					
Increase in inventories		(149,529)	(99,131)	(155,442)	(424,428)
Decrease/(increase) in restricted cash		18,132	(63,350)	(62,729)	8,345
Increase in trade and other receivables		(37,502)	(179)	(741)	(45,436)
Increase in trade and other payables		255,477	203,456	42,234	41,164
Increase in contract liabilities		71,387	51,951	11,644	11,435
Increase in other current liabilities		1,280	2,416	2,401	841
Decrease/(increase) in other non-current assets		317	(2,353)	(2,277)	674
Increase in other non-current liabilities		1,117	1,240	470	846
Cash generated from/(used in) operations		<u>366,452</u>	<u>363,575</u>	<u>(42,251)</u>	<u>(230,369)</u>

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(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group’s liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group’s cash flow statement as cash flows from financing activities.

	<u>Bank loans</u>	<u>Lease liabilities</u>	<u>Total</u>
	<i>RMB’000</i> <i>(Note 25)</i>	<i>RMB’000</i> <i>(Note 26)</i>	<i>RMB’000</i>
At 1 January 2023	14,052	14,110	28,162
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(10,702)	(10,702)
Interest element of lease rentals paid	–	(1,571)	(1,571)
Proceeds from bank loans	106,299	–	106,299
Repayment of bank loans	(20,996)	–	(20,996)
Total changes from financing cash flows	<u>85,303</u>	<u>(12,273)</u>	<u>73,030</u>
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	62,452	62,452
Decrease in lease liabilities due to disposal of right-of-use assets	–	(32,373)	(32,373)
Interest expenses (<i>Note 6(a)</i>)	1,215	1,571	2,786
Total other changes	<u>1,215</u>	<u>31,650</u>	<u>32,865</u>
Exchange adjustments	<u>(231)</u>	<u>9</u>	<u>(222)</u>
At 31 December 2023	<u>100,339</u>	<u>33,496</u>	<u>133,835</u>

	<u>Bank loans</u>	<u>Lease liabilities</u>	<u>Total</u>
	<i>RMB’000</i> <i>(Note 25)</i>	<i>RMB’000</i> <i>(Note 26)</i>	<i>RMB’000</i>
At 1 January 2024	100,339	33,496	133,835
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(15,251)	(15,251)
Interest element of lease rentals paid	–	(1,375)	(1,375)
Proceeds from bank loans	451,000	–	451,000
Repayment of bank loans	(252,951)	–	(252,951)
Total changes from financing cash flows	<u>198,049</u>	<u>(16,626)</u>	<u>181,423</u>
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	25,280	25,280
Decrease in lease liabilities due to disposal of right-of-use assets	–	(2,214)	(2,214)
Modification in lease liabilities	–	(7,099)	(7,099)
Interest expenses (<i>Note 6(a)</i>)	8,672	1,375	10,047
Total other changes	<u>8,672</u>	<u>17,342</u>	<u>26,014</u>
Exchange adjustments	<u>–</u>	<u>503</u>	<u>503</u>
At 31 December 2024	<u>307,060</u>	<u>34,715</u>	<u>341,775</u>

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	Bank loans	Lease liabilities	Redeemable preferred shares	Total
	<i>RMB'000</i> <i>(Note 25)</i>	<i>RMB'000</i> <i>(Note 26)</i>	<i>RMB'000</i> <i>(Note 29)</i>	<i>RMB'000</i>
(Unaudited)				
At 1 January 2025	307,060	34,715	805,014	1,146,789
Changes from financing cash flows:				
Capital element of lease rentals paid	–	(13,740)	–	(13,740)
Interest element of lease rentals paid	–	(984)	–	(984)
Proceeds from issuance of redeemable preferred shares to investors	–	–	335,579	335,579
Proceeds from bank loans	510,115	–	–	510,115
Repayment of bank loans	(336,710)	–	–	(336,710)
Total changes from financing cash flows	173,405	(14,724)	335,579	494,260
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	26,695	–	26,695
Decrease in lease liabilities due to disposal of right-of-use assets	–	(3,946)	–	(3,946)
Modification in lease liabilities	–	120	–	120
Changes in the carrying amount of redeemable preferred shares (<i>Note 6(a)</i>)	–	–	63,446	63,446
Decrease in liabilities arising from changes in interest rates for preferred shares	–	–	(235,825)	(235,825)
Interest expenses (<i>Note 6(a)</i>)	10,313	984	–	11,297
Total other changes	10,313	23,853	(172,379)	(138,213)
Exchange adjustments	–	333	(9,696)	(9,363)
At 30 September 2025	490,778	44,177	958,518	1,493,473

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	Bank loans	Lease liabilities	Total
	<i>RMB'000</i> <i>(Note 25)</i>	<i>RMB'000</i> <i>(Note 26)</i>	<i>RMB'000</i>
(Unaudited)			
At 1 January 2024	100,339	33,496	133,835
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(10,899)	(10,899)
Interest element of lease rentals paid	–	(1,059)	(1,059)
Proceeds from bank loans	376,000	–	376,000
Repayment of bank loans	(148,595)	–	(148,595)
Total changes from financing cash flows	227,405	(11,958)	215,447
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	23,044	23,044
Decrease in lease liabilities due to disposal of right-of-use assets	–	(2,214)	(2,214)
Modification in lease liabilities	–	(7,099)	(7,099)
Interest expenses <i>(Note 6(a))</i>	5,408	1,059	6,467
Total other changes	5,408	14,790	79,720
Exchange adjustments	–	503	503
At 30 September 2024	333,152	36,831	369,983

(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statements for leases comprise the following:

	At 31 December		At 30 September	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Within operating cash flows	3,287	7,361	5,656	5,089
Within financing cash flows	12,273	16,626	11,958	14,724
	15,560	23,987	17,614	19,813

These amounts are related to lease rentals paid.

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22 TRADE AND OTHER PAYABLES

The Group

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Trade payables	218,488	232,340	331,930
Bills payable (i)	18,744	84,073	93,360
Accrued payroll	69,663	114,245	78,001
Other tax payables	76,556	102,824	83,792
Payables for investment in unlisted equity securities	–	15,000	1,580
Other payables and accruals	81,981	136,133	122,758
	<u>465,432</u>	<u>684,615</u>	<u>711,421</u>

(i) Bills payable are pledged by deposits for issuance of bills payable (Note 20).

The Company

	At 31 December	At September 30
	2024	2025
	RMB'000	RMB'000 (unaudited)
Payables for investment in a subsidiary	<u>386,803</u>	<u>–</u>

As of the end of each reporting period, the ageing analysis of trade payables and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Within 1 year	233,708	315,553	424,130
Over 1 year but less than 2 years	2,753	50	307
Over 2 years but less than 3 years	47	45	80
Over 3 years	724	765	773
	<u>237,232</u>	<u>316,413</u>	<u>425,290</u>

23 AMOUNTS DUE TO SHAREHOLDERS

The Group

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Amounts due to certain shareholders arising from the Reorganisation	–	381,180	–
Deposit and advance payment from certain shareholders for the issuance of Series D preferred shares (i)	–	–	200,063
	–	<u>381,180</u>	<u>200,063</u>

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The Company

	At 31 December	At 30 September
	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Advance payment from certain shareholders for the issuance of Series D preferred shares (i)	–	83,063
	<u>–</u>	<u>83,063</u>

(i) Deposits and advance payment from the shareholders for the issuance of Series D preferred shares are either refunded or converted as redeemable preferred shares upon the completion of Series D preferred shares registration as set out in Note 35.

Amounts due to shareholders are unsecured, interest-free and repayable on demand.

24 CONTRACT LIABILITIES

Contract liabilities mainly represent the advance payments (excluding output VAT) from customers, for which the underlying goods and services are yet to be provided. The output VAT contained in the advance payments has been classified under trade and other payables.

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Advanced payment received	84,448	132,423	134,642
Customer loyalty scheme	2,592	6,568	15,784
	<u>87,040</u>	<u>138,991</u>	<u>150,426</u>

Contract liabilities are expected to be settled within the Group’s normal operating cycle and will be recognised as revenue when the related performance obligations are satisfied. The management of the Group expects most of the contract liabilities at the reporting period end will be recognised as revenue within 12 months, expect that certain contract liabilities related to the customer loyalty scheme will be recognised as revenue when the points are redeemed by the customers, which are expected to occur over the next 24 months.

25 BANK LOANS

(a) Bank loans were secured as follows:

	<i>Note</i>	At 31 December		At 30 September
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Bank loans				
–Secured and pledged (i)		–	–	3,531
–Unsecured and guaranteed (ii)	34(b)	96,339	307,060	487,247
–Unsecured and unguaranteed		4,000	–	–
		<u>100,339</u>	<u>307,060</u>	<u>490,778</u>

(i) Wealth management products with carrying amount of RMB7,816,000 (unaudited) as at 30 September were pledged against the bank loans.

(ii) Bank loans were guaranteed by a director as at 31 December 2023 and 2024 and 30 September 2025.

(b) The analysis of the repayment schedule and covenants of bank loans is as follows:

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Within 1 year or on demand	100,339	307,060	490,778
	<u>100,339</u>	<u>307,060</u>	<u>490,778</u>

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Certain of banking facilities are subject to the fulfilment of covenants. Some of those are related to financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the related loans would become payable on demand. As at 31 December 2023 and 2024 and 30 September 2025, none of the covenants relating to drawn down facilities had been breached.

26 LEASE LIABILITIES

As of the end of each reporting period, the lease liabilities were repayable as follows:

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Within 1 year	13,763	15,899	15,537
	-----	-----	-----
After 1 year but within 2 years	11,403	11,840	10,507
After 2 years but within 5 years	8,330	6,976	18,133
	-----	-----	-----
	19,733	18,816	28,640
	-----	-----	-----
	33,496	34,715	44,177
	=====	=====	=====

27 OTHER LIABILITIES

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Warranty provisions			
– Within 1 year	6,873	9,289	10,130
– More than 1 year	1,117	2,357	3,203
	-----	-----	-----
	7,990	11,646	13,333
	=====	=====	=====

Under the terms of the Group’s sales agreements, the Group offers warranties for its products (see Note 2(u)(i)). Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within the warranty periods prior to the end of the reporting period. The amount of provision takes into account the Group’s recent claim experience and is only made where a warranty claim is probable.

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

(i) *Balances of current taxation*

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Income tax payables	2,215	4,896	25,761
Prepaid income tax (Note 16)	(74)	(4,647)	(58)
	-----	-----	-----
	2,141	249	25,703
	=====	=====	=====

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(ii) *Movement of balances of current taxation*

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Balance at 1 January	15	2,141	249
Provision for current income tax for the year/period	4,086	6,976	22,786
Under provision in respect of prior years	65	–	612
(Payment)/refund during the year/period	(2,026)	(8,845)	2,525
Effect of foreign exchange rate changes and others	1	(23)	(469)
Balance at 31 December/30 September	<u>2,141</u>	<u>249</u>	<u>25,703</u>

(b) Deferred tax assets and liabilities recognised:

(i) *Movement of each component of deferred tax assets*

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the year/period are as follows:

	Tax losses carry forward	Credit loss allowance	Inventory provision	Lease liabilities	Unrealised profit of intra- group sales	Right-of- use assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	19,261	276	390	1,871	34,732	(1,810)	–	54,720
(Charged)/credited to profit or loss	(18,416)	554	943	324	7,198	(268)	7,274	(2,391)
At 31 December 2023 and 1 January 2024	845	830	1,333	2,195	41,930	(2,078)	7,274	52,329
Credited/(charged) to profit or loss	6,159	(221)	22	(20)	375	47	1,384	7,746
At 31 December 2024 and 1 January 2025	7,004	609	1,355	2,175	42,305	(2,031)	8,658	60,075
Credited/(charged) to profit or loss	33,436	343	1,014	1,102	6,164	(1,116)	(6,875)	34,068
At 30 September 2025	<u>40,440</u>	<u>952</u>	<u>2,369</u>	<u>3,277</u>	<u>48,469</u>	<u>(3,147)</u>	<u>1,783</u>	<u>94,143</u>

(ii) Deferred tax assets not recognised:

In accordance with the accounting policy set out in Note 2(s), as at 31 December 2023 and 2024 and 30 September 2025, certain entities of the Group have not recognised deferred tax assets in respect of their cumulative losses of RMB143,430,000, RMB184,916,000 and RMB197,464,000 (unaudited), and temporary differences of RMB456,000, RMB3,450,000 and RMB1,802,000 (unaudited), respectively as certain entities of the Group are not considered probable that taxable profits in foreseeable future will be available against which the tax losses or temporary differences can be utilised.

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Information about the deferred tax assets not recognised set out below:

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Unrecognised tax losses arising from Chinese Mainland			
– due within 5-10 years	124,627	152,694	167,325
Unrecognised tax losses arising from overseas entities outside of Chinese Mainland			
– due within 10 years	14,867	15,143	11,045
– no expiry date	3,936	17,079	19,094
Total unrecognised tax losses	143,430	184,916	197,464
Unrecognised temporary differences	456	3,450	1,802
	<u>143,886</u>	<u>188,366</u>	<u>199,266</u>

(c) Deferred tax liabilities not recognised:

The Corporate Income Tax Law of the PRC and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings of PRC enterprises accumulated beginning on 1 January 2008. As at 31 December 2023 and 2024 and 30 September 2025, the Group has not recognised deferred tax liabilities in respect of undistributed earnings of Nil, RMB132,917,000 and RMB227,705,000 as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributable in the foreseeable future.

29 FINANCIAL LIABILITIES ISSUED TO INVESTORS/REDEEMABLE PREFERRED SHARES

(a) Financial liabilities issued to investors

As of 1 January 2023, Shenzhen xTool had completed the Series Angel, Series A, Series B and Series C financings during the period of 2013 to September 2018 from certain third-party investors through capital subscription of Shenzhen xTool’s registered capital. Shenzhen xTool granted preferential redemption rights and liquidation rights to the Series C, Series B and Series A investors, while the Series Angel investors are not entitled to any preferential redemption right or liquidation right. The key terms of the preferred rights granted to the abovementioned Series C, Series B and Series A investors are summarised as follows:

Redemption rights

Series A, Series B and Series C investors shall have a right to require the Shenzhen xTool to redeem all or part of their investments upon the occurrence of certain contingent events including but not limited to the failure of a qualified [REDACTED] before a specified date or a material breach on the agreement by the Group or the founder.

The redemption price for Series C, Series B and Series A investors shall equal to the sum of (i) the actual investment amount, plus (ii) an internal rate of return of 12% or 8%, or a compound annual rate of return of 10%, plus (iii) any declared but unpaid cumulative dividends.

In the event of any liquidation or deemed liquidation events, the liquidation price of Series C, Series B and Series A investors equals to higher of (i) the investment amount plus a simple annual interest rate of 8%; or (ii) the proportionate entitlement to the distributable assets based on their shareholding in the Group, and in the priority order of the Series C investors, the Series B investors and then the Series A investors. The deemed liquidation events includes but not limited to circumstances beyond the Group’s control that renders the Group in difficulty to continue in the normal course of business or material adverse effect on the Group’s business or operations.

The Company recognised its obligation to pay cash to those investors with redemption rights and liquidation preferences as financial liabilities issued to investors, because not all triggering events are within the control of the Company.

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As part of the Reorganisation in 2024, the above financial liabilities issued by Shenzhen xTool were replaced by the redeemable preferred shares issued by the Company.

The movements of the financial liabilities issued to investors during the Track Record Period are as follows:

	At 31 December 2023 <i>RMB'000</i>	At 31 December 2024 <i>RMB'000</i> <i>(unaudited)</i>
At the beginning of the year	645,282	717,433
Changes in the carrying amount of financial liabilities issued to investors	72,151	62,692
Effect arising from the Reorganisation	–	(780,125)
At the end of the year	<u>717,433</u>	<u>–</u>

(b) Redeemable preferred shares

As part of the Reorganisation in 2024, the Company allotted and issued a total of 36,340,028 Series Angel preferred shares, 31,914,848 Series A preferred shares, 16,561,439 Series B preferred shares and 23,718,005 Series C preferred shares with certain preferential rights, to replace the financial liabilities issued by Shenzhen xTool. The redemption rights and liquidation preference attached to the preferred shares were carried over from the corresponding financial liabilities previously issued to these investors. In addition, each preferred shareholder shall be entitled to convert any or all of preferred shares, at any time, into such number of ordinary shares at an initial conversion ratio of 1:1 subject to customary anti-dilution adjustments, and each preferred share shall automatically be converted into the appropriate number of ordinary shares at the then-effective conversion price in effect at the time immediately upon the closing of a qualified [REDACTED]. Moreover, each preferred share shall be entitled to the number of votes equal to the number of ordinary shares into which such preferred shares could be converted.

In September 2025, the Company further consummated the issuance of 11,672,005 Series D preferred shares with similar preferential redemption and liquidation rights at a price determined by the initial investment amount plus an interest and declared but unpaid cumulative dividends upon the occurrence of redemption events or liquidation events.

Upon the issuance of Series D preferred shares, certain amendments were made to the Series A, Series B and Series C preferred shares, including (i) the redemption date was postponed to the fourth anniversary of the Series D preferred shares issuance date, (ii) the interest rates in redemption events and liquidation events were revised, and (iii) the redemption rights attached to preferred shares held by certain investors were removed. As a result of the above amendments on the terms, the Group recognised an addition in capital reserve of RMB235,825,000 for the nine months ended 30 September 2025.

The redemption rights shall be terminated prior to the first filing of the [REDACTED] of the Company, and all of the other special rights of the preferred shareholders will be automatically terminated before the [REDACTED] of the Company’s shares on the Stock Exchange.

Authorised preferred shares

	Number of shares	Amount <i>USD'000</i>
At 13 June 2024 (date of incorporation)	–	–
Effect arising from Reorganisation	108,534,320	11
Balance at 31 December 2024 and 1 January 2025	108,534,320	11
Issuance of preferred shares	19,850,498	2
Balance at 30 September 2025	<u>128,384,818</u>	<u>13</u>

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The movement of preferred shares issued and fully paid as follows.

	<u>Number of shares</u>	<u>Amount</u>	<u>Amount</u>
		<i>USD’000</i>	<i>RMB’000</i>
At 13 June 2024 (date of incorporation)	–	–	–
Effect arising from Reorganisation	<u>108,534,320</u>	<u>11</u>	<u>78</u>
Balance at 31 December 2024 and 1 January 2025	108,534,320	11	78
Issuance of preferred shares	<u>11,672,005</u>	<u>1</u>	<u>8</u>
Balance at 30 September 2025	<u><u>120,206,325</u></u>	<u><u>12</u></u>	<u><u>86</u></u>

The movements of the financial liabilities recognised for the redeemable preferred shares during the Track Record Period are as follows:

	<u>At 31 December</u>	<u>At 30 September</u>
	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>
At beginning of the year/period	–	805,014
Effect arising from the Reorganisation	780,125	–
Changes in the carrying amount of redeemable preferred shares	18,216	63,446
Issuance of redeemable preferred shares	–	335,579
Decrease in liabilities arising from the modifications upon issuance of Series D preferred shares	–	(235,825)
Currency translation difference	<u>6,673</u>	<u>(9,696)</u>
At the end of the year/period	<u><u>805,014</u></u>	<u><u>958,518</u></u>

30 SHARE-BASED COMPENSATION EXPENSES

Share Option Schemes

In April 2024, Shenzhen xTool granted 11,840,000 share options as equity-based awards to qualified employees with the purpose of motivating and rewarding certain employees.

As part of the Reorganisation, in October 2024, the Company adopted a share option plan (the “2024 Share Option Scheme”) and granted a total of 11,840,000 share options to entirely replace the previous share options in April 2024. Compared with previous share options, there were no changes between the new and predecessor share option scheme other than the change of issuer of share options from Shenzhen xTool to the Company. Meanwhile, under the 2024 Share Option Scheme, the Company further granted an additional 2,841,500 share options to the employees.

In August 2025, the Company adopted a new share option plan (the “2025 Share Option Scheme”) as the reward, the number of 5,047,000 share options were granted to the employees.

Both the share options under the 2024 Share Option Scheme and 2025 Share Option Scheme have a contractual term of eight years from the grant date. The share options are vested over a period of one to four years of continuous service under four different schedules: (i) 25% of which vest upon each anniversary of the stated vesting commencement date over the four years, (ii) 50% of which vest upon the first anniversary of the stated vesting commencement date and the remaining 50% vested over the following two years on an annual basis, (iii) 75% of which vest upon the first anniversary of the stated vesting commencement date and the remaining 25% vested upon the second anniversary of the stated vesting commencement date, or (iv) 100% of which fully vest upon the first anniversary of the stated vesting commencement date. In addition to the service condition above, the granted options are also subjected to the grantees’ certain performance-based conditions. The share options under the 2024 Share Option Scheme and 2025 Share Option Scheme do not contain the repurchase obligation by the Company.

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The share options under the 2024 Share Option Scheme and 2025 Share Option Scheme shall be not exercisable until it is vested according to the option agreement and the Company has consummated a qualified [REDACTED].

(i) The number of share options granted to employees is summarised as follows:

	At 31 December		At 30 September
	2023	2024	2025
			(unaudited)
Outstanding as at the beginning of the year/period	–	–	14,571,500
Granted	–	14,681,000	5,047,000
Forfeited	–	(110,000)	(990,000)
Outstanding as at the end of the year/period	–	14,571,000	18,628,500
Exercisable at the end of the year/period	–	–	–

(ii) *Fair value of share options and assumptions*

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The estimate of the fair value of the newly granted share options is measured based on the binomial lattice model.

	At 31 December		At 30 September
	2023	2024	2025
			(unaudited)
Fair value at grant date	–	RMB5.11 to RMB5.12	RMB12.81
Exercise price	–	RMB0.26	RMB0.26
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	–	53.08%-53.12%	52.81%
Expected dividend yield	–	0%	0%
Average risk-free interest rate	–	2.2%	1.8%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. The valuation of the options is based on the best estimates from Company by taking into account a number of assumptions and is subject to limitation of the valuation model. Changes in the subjective input assumptions could materially affect the fair value estimate.

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31 CAPITAL, RESERVES AND DIVIDENDS

(a) Share Capital

The Company was incorporated in the Cayman Islands on 13 June 2024 with authorised share capital of USD50,000 divided into (i) 371,615,182 ordinary shares of par value of USD0.0001 each, (ii) 36,340,028 Series Angel Preferred Shares of par value of USD0.0001 each, (iii) 31,914,848 Series A Preferred Shares of par value of USD0.0001 each, (iv) 16,561,439 Series B Preferred Shares of par value of USD0.0001 each, (v) 23,718,005 Series C Preferred Shares of par value of USD0.0001 each, and (vi) 19,850,498 Series D Preferred Shares of par value of USD0.0001 each.

The Company established certain trust companies in November 2024 for the purpose of issuing ordinary shares to the grantees upon their exercise of share options. All the ordinary shares issued to the trust companies are presented as shares held for share-based compensation in the Company’s consolidated balance sheets. For the years ended 31 December 2023 and 2024, the Company issued 18,769,391 and 19,346,270 ordinary shares to these trust companies.

Details of movement of the authorised, issued and fully paid share capital of the Company are as follows:

Authorised ordinary share capital

	<u>Number of shares</u>	<u>Amount</u>
		<i>USD’000</i>
At 13 June 2024 (date of incorporation)	–	–
Effect arising from the Reorganisation	391,465,680	39
Balance at 31 December 2024 and 1 January 2025	391,465,680	39
Reduction of authorised ordinary shares	(19,850,498)	(2)
Balance at 30 September 2025	<u>371,615,182</u>	<u>37</u>

Ordinary shares, issued and fully paid

	<u>Number of ordinary shares</u>	<u>Number of shares held for share-based compensation</u>	<u>Total shares</u>	<u>Amount</u>	<u>Amount</u>
				<i>USD’000</i>	<i>RMB’000</i>
At 13 June 2024 (date of incorporation)	–	–	–	–	–
Issuance of ordinary shares	128,644,204	(18,769,391)	109,874,813	13	90
Balance at 31 December 2024 and 1 January 2025	128,644,204	(18,769,391)	109,874,813	13	90
Issuance of ordinary shares	19,346,270	(19,346,270)	–	–	–
Balance at 30 September 2025	<u>147,990,474</u>	<u>(38,115,661)</u>	<u>109,874,813</u>	<u>13</u>	<u>90</u>

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(b) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group’s consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company’s individual components of equity during the Track Record Period are set out below:

		Share capital	Capital reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Total deficit
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	Note	31(a)	31(c)(i)	31(c)(ii)	31(c)(iv)		
At 13 June 2024 (date of incorporation)							
		-	-	-	-	-	-
Changes in equity for the period in 2024:							
Loss for the period		-	-	-	-	(23,340)	(23,340)
Other comprehensive income		-	-	-	(451)	-	(451)
Total comprehensive income for the year		-	-	-	(451)	(23,340)	(23,791)
Capital injection from shareholders	31(a)	90	-	-	-	-	90
Effect arising from the Reorganisation		-	(375,888)	-	-	-	(375,888)
Share-based compensation expenses	6(b)	-	-	29,037	-	-	29,037
Balance at 31 December 2024		<u>90</u>	<u>(375,888)</u>	<u>29,037</u>	<u>(451)</u>	<u>(23,340)</u>	<u>(370,552)</u>
		Share capital	Capital reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Total deficit
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	Note	31(a)	31(c)(i)	31(c)(ii)	31(c)(iv)		
(Unaudited)							
Balance at 1 January 2025		90	(375,888)	29,037	(451)	(23,340)	(370,552)
Changes in equity for the nine months ended 30 September 2025:							
Loss for the period		-	-	-	-	(65,639)	(65,639)
Other comprehensive income		-	-	-	5,081	-	5,081
Total comprehensive income for the period		-	-	-	5,081	(65,639)	(60,558)
Effect arising from changes in interest rates for preferred shares	31(a)	-	235,825	-	-	-	235,825
Share-based compensation expenses	6(b)	-	-	25,761	-	-	25,761
Balance at 30 September 2025 (unaudited)		<u>90</u>	<u>(140,063)</u>	<u>54,798</u>	<u>4,630</u>	<u>(88,979)</u>	<u>(169,524)</u>

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(c) Nature and purposes of reserves

(i) Capital reserve

The capital reserve mainly comprises the net contributions from the investors.

(ii) Share-based compensation reserve

The share-based compensation reserve represents the portion of the grant date fair value granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based compensation expenses in Note 2(r)(ii).

(iii) PRC statutory reserve

According to the PRC Company Law, the Company’s PRC subsidiaries are required to transfer 10% of their profit after taxation, as determined under the PRC accounting regulations, to statutory reserve until the reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to reserve, the profit after taxation shall be the amount determined based on the statutory financial statements prepared in accordance with PRC accounting standards. The transfer to this reserve must be made before distribution of dividend to shareholders. Statutory reserve fund can be used to cover previous years’ losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policies set out in Note 2(v).

(d) Dividends

No dividends have been declared by the Company during the Track Record Period.

(e) Capital management

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group’s business.

The Group’s exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group’s credit risk is primarily attributable to trade and other receivables.

The Group’s exposure to credit risk arising from cash and cash equivalents, restricted cash and time deposits with more than three months to maturity is limited because the counterparties are state-owned banks or reputable commercial banks for which the Group considers to have low credit risk.

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Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days to 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The trade receivables from the Group’s five largest customers at 31 December 2023 and 2024 and 30 September 2025 represented 23%, 27% and 30% of the total trade receivables respectively, while 3%, 22% and 9% of the total trade receivables were due from the largest single customer respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group’s historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on billing aging status is not further distinguished between the Group’s different customer bases.

The following table provides information about the Group’s exposure to credit risk and ECLs for trade receivables:

	2023		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Within 1 year	5.84%	50,826	2,966
Over 1 year but less than 2 years	10.01%	1,259	126
Over 2 years but less than 3 years	50.00%	26	13
More than 3 years	100.00%	59	59
		<u>52,170</u>	<u>3,164</u>

	2024		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Within 1 year	3.99%	51,504	2,057
Over 1 year but less than 2 years	9.98%	631	63
Over 2 years but less than 3 years	50.00%	1,120	560
More than 3 years	100.00%	68	68
		<u>53,323</u>	<u>2,748</u>

	As at 30 September 2025		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
(Unaudited)			
Within 1 year	4.06%	78,917	3,204
Over 1 year but less than 2 years	10.18%	285	29
Over 2 years but less than 3 years	50.00%	128	64
More than 3 years	100.00%	1,150	1,150
		<u>80,480</u>	<u>4,447</u>

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Expected loss rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the Track Record Period is as follows:

	At 31 December		At 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Balance at 1 January	(2,207)	(3,164)	(2,748)
Impairment losses (recognised)/reversed during the year/period	(945)	419	(1,605)
Currency translation differences	(12)	(3)	(94)
Balance at 31 December/30 September . . .	<u>(3,164)</u>	<u>(2,748)</u>	<u>(4,447)</u>

Other receivables and deposits

Credit risk in respect of other receivables and deposits is limited since the balance mainly includes deposits for short-term leases and export tax rebates.

The Group measures loss allowances for other receivables and deposits at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The Group assessed that there is no significant loss allowance recognised in accordance with IFRS 9 for other receivables and deposits as at 31 December 2023 and 2024 and 30 September 2025.

(b) Liquidity risk

The Group’s policy is to regularly monitor liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group’s financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay.

	At 31 December 2023				
	Contractual undiscounted cash outflow				Carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	
Bank loans	101,897	–	–	101,897	100,339
Trade and other payables	465,432	–	–	465,432	465,432
Lease liabilities	15,950	12,008	9,573	37,531	33,496
Financial liabilities issued to investors	717,433	–	–	717,433	717,433
	<u>1,300,712</u>	<u>12,008</u>	<u>9,573</u>	<u>1,322,293</u>	<u>1,316,700</u>

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At 31 December 2024

	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans	310,863	–	–	310,863	307,060
Trade and other payables	684,615	–	–	684,615	684,615
Amounts due to shareholders	381,180	–	–	381,180	381,180
Lease liabilities	17,658	12,136	7,077	36,871	34,715
Redeemable preferred shares	805,014	–	–	805,014	805,014
	<u>2,199,330</u>	<u>12,136</u>	<u>7,077</u>	<u>2,218,543</u>	<u>2,212,584</u>

At 30 September 2025

	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)					
Bank loans	496,395	–	–	496,395	490,778
Trade and other payables	711,421	–	–	711,421	711,421
Amounts due to shareholders	200,063	–	–	200,063	200,063
Lease liabilities	18,226	11,812	19,182	49,220	44,177
Redeemable preferred shares	958,518	–	–	958,518	958,518
	<u>2,384,623</u>	<u>11,812</u>	<u>19,182</u>	<u>2,415,617</u>	<u>2,404,957</u>

(c) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s interest rate risk arises primarily from interest-bearing borrowings. The Group’s interest-bearing borrowings at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. However, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest risk exposure.

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(i) Interest rate risk profile

The Group’s interest-bearing borrowings and lease liabilities’ interest rates profile at the end of each reporting period are set out as follows:

	At 31 December		At 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Fixed rate instruments			
Bank loans	90,325	307,060	390,707
Lease liabilities	33,496	34,715	44,177
	<u>123,821</u>	<u>341,775</u>	<u>434,884</u>
Variable rate instruments			
Bank loans	10,014	–	100,071
	<u>10,014</u>	<u>–</u>	<u>100,071</u>

(ii) Sensitivity analysis

At 31 December 2023 and 2024 and 30 September 2025, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decrease/increase in the Group’s profit after tax and accumulated losses as follows.

	Increase/(decrease) in basis points	(Decrease)/increase in profit after tax for the year/period	(Decrease)/increase in accumulated losses for the year/period
		RMB’000	RMB’000
At 31 December 2023			
Basis points	100	85	(85)
Basis points	(100)	(85)	85
At 31 December 2024			
Basis points	100	–	–
Basis points	(100)	–	–
At 30 September 2025			
Basis points	100	835	(835)
Basis points	(100)	(835)	835

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars (“USD”), Euros (“EUR”), RMB and Japanese yen (“JPY”).

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(i) Exposure to currency risk

The following table details the Group’s exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year-end date. Differences resulting from the translation of the financial statements of foreign operations into the Group’s presentation currency are excluded.

Exposure to foreign currencies as at 31 December 2023 (expressed in RMB)				
	USD RMB’000	EUR RMB’000	RMB RMB’000	JPY RMB’000
Cash and cash equivalents	165,292	31,511	809	9,885
Restricted cash	11,830	–	–	–
Time deposits	21,743	–	–	–
Trade and other receivables	558,925	22,877	1,606	10,427
Trade and other payables	(306,881)	(1,412)	(279,000)	(64)
	<u>450,909</u>	<u>52,976</u>	<u>(276,585)</u>	<u>20,248</u>

Exposure to foreign currencies as at 31 December 2024 (expressed in RMB)				
	USD RMB’000	EUR RMB’000	RMB RMB’000	JPY RMB’000
Cash and cash equivalents	332,650	53,434	33,518	8,841
Restricted cash	11,717	–	–	–
Time deposits	–	–	15,803	–
Trade and other receivables	849,678	23,023	1,147,177	17,854
Trade and other payables	(450,232)	(4,121)	(1,060,935)	(9,268)
	<u>743,813</u>	<u>72,336</u>	<u>135,563</u>	<u>17,427</u>

Exposure to foreign currencies as at 30 September 2025 (expressed in RMB)				
	USD RMB’000	EUR RMB’000	RMB RMB’000	JPY RMB’000
Cash and cash equivalents	460,346	24,365	4,174	2,451
Restricted cash	72,476	–	–	–
Time deposits	25,983	–	–	–
Trade and other receivables	1,328,244	3,286	696	27,660
Trade and other payables	(1,269,813)	(19,034)	(19,179)	(18,043)
	<u>617,236</u>	<u>8,617</u>	<u>(14,309)</u>	<u>12,068</u>

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(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group’s profit after tax (and accumulated losses) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	At 31 December 2023		At 31 December 2024		At 30 September 2025	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and accumulated losses	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and accumulated losses	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and accumulated losses
	RMB’000		RMB’000		RMB’000 (unaudited)	
USD	5%	19,467	5%	31,860	5%	25,179
	(5)%	(19,467)	(5)%	(31,860)	(5)%	(25,179)
EUR	5%	2,218	5%	3,068	5%	351
	(5)%	(2,218)	(5)%	(3,068)	(5)%	(351)
RMB	5%	(10,431)	5%	9,514	5%	(2,889)
	(5)%	10,431	(5)%	(9,514)	(5)%	2,889
JPY	5%	853	5%	734	5%	381
	(5)%	(853)	(5)%	(734)	(5)%	(381)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities’ profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group’s presentation currency. The analysis is performed on the same basis during the Track Record Period.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group’s financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

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The Group has a team performing valuations for the financial instruments categories into Level 2 and Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. Valuation assessment with analysis of changes in fair value measurement is prepared by the team at each reporting date and is reviewed and approved by the chief financial officer.

	Fair value at 31 December 2023	Fair value measurements as at 31 December 2023 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets at FVPL:				
– Wealth management products . . .	11,353	–	–	11,353
– Derivative financial liabilities . . .	(168)	–	(168)	–
	<u>11,185</u>	<u>–</u>	<u>(168)</u>	<u>11,353</u>

	Fair value at 31 December 2024	Fair value measurements as at 31 December 2024 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets at FVPL:				
– Unlisted equity securities	30,000	–	30,000	–
– Derivative financial liabilities . . .	(1,676)	–	(1,676)	–
– Derivative financial assets	2,428	–	2,428	–
	<u>30,752</u>	<u>–</u>	<u>30,752</u>	<u>–</u>

	Fair value at 30 September 2025	Fair value measurements as at 30 September 2025 categorised into		
		Level 1	Level 2	Level 3
	RMB'000 (unaudited)	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets at FVPL:				
– Unlisted equity securities	9,090	–	9,090	–
– Wealth management products . . .	251,206	–	–	251,206
	<u>260,296</u>	<u>–</u>	<u>9,090</u>	<u>251,206</u>

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

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Information about Level 2 fair value measurements

The fair values of derivative financial instrument have been estimated using a discounted cash flow valuation model and is supported by observable inputs. The most significant observable inputs are exchange rates and interest rates.

31 December 2023

Description	Valuation techniques	Observable inputs	Range
Derivative financial instrument	Discounted cash flow method	Future foreign exchange rate	7.19-7.50

31 December 2024

Description	Valuation techniques	Observable inputs	Range
Derivative financial instrument	Discounted cash flow method	Future foreign exchange rate	6.94-7.60
Unlisted equity securities	Recent transaction price	Expected rate of return	10%

30 September 2025

Description	Valuation techniques	Observable inputs	Range
Unlisted equity securities	Recent transaction price	Expected rate of return	10%

Information about Level 3 fair value measurements

The fair values of wealth management products and unlisted equity security have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors of the Company to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products. The directors of the Company believe that the estimated fair values resulting from the valuation technique are reasonable, and that they were the most appropriate values at the end of each of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of these financial assets at FVPL and the sensitivity analysis at the end of each of the reporting period:

31 December 2023

Description	Valuation techniques	Significant unobservable inputs	Range	Increase/ (decrease) percentage in Significant unobservable inputs	Effect on Fair Value
Wealth management products	Discounted cash flow method	Interest return rate	4.50%-5.10%	0.50% (0.50)%	57 (57)

RMB'000

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30 September 2025

Description	Valuation techniques	Significant unobservable inputs	Range	Increase/ (decrease) percentage in significant unobservable inputs	Effect on Fair Value
					<i>RMB'000</i>
Wealth management products	Discounted cash flow method	Interest return rate	2.11%-5.10%	0.50% (0.50)%	1,256 (1,256)

The movement during the Track Record Period in the balance of these Level 3 fair value measurements are as follows:

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
At the beginning of the year/period	–	11,353	–
Purchase	74,706	700,753	363,248
Net gain on financial assets measured at FVPL	171	4,949	1,953
Redemption	(63,522)	(717,123)	(113,995)
Exchange (loss)/gain	(2)	68	–
At the end of the year/period	<u>11,353</u>	<u>–</u>	<u>251,206</u>

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group’s financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2023 and 2024 and 30 September 2025.

33 COMMITMENTS

Capital commitments outstanding as at 31 December 2023 and 2024 and 30 September 2025 not provided for in the Historical Financial Information were as follows:

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Contracted for acquisition of property, plant and equipment	<u>198</u>	<u>366</u>	<u>7,821</u>

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34 MATERIAL RELATED PARTY TRANSACTIONS

Names and relationship of the related parties that had material transactions with the Group during the Track Record Period are disclosed as following:

Name of party	Relationship
Mr. Wang Jianjun	Shareholder with significant influence and executive director
WRC Vitality Eager Limited	Shareholder with significant influence and controlled by executive director
China Cloud Tech Angel Capital Partnership, L.P.	Shareholder with significant influence
Beijing Sequoia Xinyuan Equity Investment Center (L.P.)* 北京紅杉信遠股權投資中心(有限合夥)	Shareholder with significant influence
Shenzhen Capital Group Co., Ltd.* 深圳市創新投資集團有限公司	Shareholder with significant influence
Shenzhen Jiazi Puzheng Duo Strategic Equity Investment Fund Partnership (L.P.)* 深圳甲子普正多策略股權投資基金合夥企業(有限合夥)	Shareholder with significant influence

* The English translation of these entities is for reference only. The official names of the entities established in the PRC are in Chinese.

(a) Balances with related parties

At 31 December 2023 and 2024 and 30 September 2025, the Group had the following non-trade related balances with related parties:

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Amounts due from shareholders with significant influence:			
Mr. Wang Jianjun	2,358	–	–
WRC Vitality Eager Limited	–	8,180	–
China Cloud Tech Angel Capital Partnership, L.P.	–	2,528	–
Beijing Sequoia Xinyuan Equity Investment Center (L.P.)	–	36,835	–
Shenzhen Capital Group Co., Ltd.	–	59,995	–
Shenzhen Jiazi Puzheng Duo Strategic Equity Investment Fund Partnership (L.P.)	–	149,986	–
	<u>2,358</u>	<u>257,524</u>	<u>–</u>
Amounts due to shareholders with significant influence:			
WRC Vitality Eager Limited	–	8,118	–
China Cloud Tech Angel Capital Partnership, L.P.	–	2,528	–
Beijing Sequoia Xinyuan Equity Investment Center (L.P.)	–	36,839	–
Shenzhen Capital Group Co., Ltd.	–	60,000	–
Shenzhen Jiazi Puzheng Duo Strategic Equity Investment Fund Partnership (L.P.)	–	150,000	–
	<u>–</u>	<u>257,485</u>	<u>–</u>

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(b) Guarantees issued by related parties

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Guarantees issued by a related party in respect of bank loans borrowed by the Group:			
Mr. Wang Jianjun	96,339	307,060	487,247
Guarantees issued to a related party in respect of personal loans and borrowings:			
Mr. Wang Jianjun	–	5,000	5,000

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group’s directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	At 31 December		At 30 September	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Salaries, wages and other benefits	4,213	8,102	6,020	6,241
Discretionary bonuses	9,910	8,521	6,391	2,556
Contributions to defined contribution retirement plan	36	38	28	31
Share-based compensation expenses	–	9,077	6,808	6,808
	<u>14,159</u>	<u>25,738</u>	<u>19,247</u>	<u>15,636</u>

35 SIGNIFICANT NON-ADJUSTING EVENTS AFTER THE TRACK RECORD PERIOD

In November 2025, the Company consummated the additional issuance of 8,178,493 Series D preferred shares to certain third-party investors with an aggregate consideration of US\$33,103,000 in cash.

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36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD

Up to the date of this report, the IASB has issued a number of amendments, new standards and interpretations, which are not yet effective for the Track Record Period and which have not been adopted in preparing the Historical Financial Information. These developments include:

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, <i>Financial instruments</i> and IFRS 7, <i>Financial instruments: disclosures – Contracts referencing nature dependent electricity</i>	1 January 2026
Amendments to IFRS 9, <i>Financial instruments</i> and IFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
IFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

IFRS 18, Presentation and disclosure in financial statements

IFRS 18 will replace IAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity’s financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18 and the adoption of IFRS 18 is not expected to have material effect on how the Group’s results and financial positions have been presented.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 September 2025.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE COMPANY LAWS OF THE CAYMAN ISLANDS**

Set out below is a summary of certain provisions of the constitution of the Company and certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on June 13, 2024 under the Companies Act. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

1. MEMORANDUM OF ASSOCIATION

The Memorandum provides, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted (and therefore include acting as an investment holding company) and that the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] and will become effective on the [REDACTED]. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of Shares

The share capital of the Company consists of a single class of ordinary shares.

(b) Variation of Rights of Existing Shares or Classes of Shares

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the rights attached to any class of Shares for the time being issued (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the Shares of that class present and voting in person (whether physically or by virtual attendance with the use of technology) or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate meeting, except that the necessary quorum shall be two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative), or representing by proxy, at least one-third of the issued Shares of that class. Every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him, and any holder of Shares of the class present in person (whether physically or by virtual attendance with the use of technology), or by proxy may demand a poll.

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For the purposes of a separate class meeting, the Board may treat two or more classes of Shares as forming one class of Shares if the Board considers that such classes of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.

Any rights conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

(c) Alteration of Capital

The Company may by ordinary resolution:

- (i) increase its share capital by the creation of new Shares of such amount and with such rights, priorities and privileges attached to such Shares as it may determine;
- (ii) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares. On any consolidation of fully paid Shares and division into Shares of a larger amount, the Board may settle any difficulty which may arise as it thinks expedient and, in particular (but without prejudice to the generality of the foregoing), may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a consolidated Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser(s) thereof and the validity of such transfer shall not be questioned, and the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated Share or Shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (iii) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum; and
- (iv) cancel any Shares which, as at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

The Company may by special resolution reduce its share capital or any undistributable reserve, subject to the provisions of the Companies Act.

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(d) Transfer of Shares

Subject to the terms of the Articles, any member of the Company may transfer all or any of his Shares by an instrument of transfer. If the Shares in question were issued in conjunction with rights, options, warrants or units issued pursuant to the Articles on terms that one cannot be transferred without the other, the Board shall refuse to register the transfer of any such Share without evidence satisfactory to it of the like transfer of such right, option, warrant or unit.

Subject to the Articles and the requirements of the Stock Exchange, all transfers of Shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a recognised clearing house or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Company in respect of that Share.

Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the Board thinks fit. The Board may, in its absolute discretion, at any time transfer any Share on the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

The Board may, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid Share) to a person of whom it does not approve or on which the Company has a lien, or a transfer of any Share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any Share to more than four joint holders. It may also decline to recognise any instrument of transfer if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

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The register of members may, subject to the Listing Rules and the relevant section of the Companies Ordinance, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid Shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Redemption of Shares

Subject to the provisions of the Companies Act, the Listing Rules and any rights conferred on the holders of any Shares or attaching to any class of Shares, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the members or the Company. The redemption of such Shares shall be effected in such manner and upon such other terms as the Company may by special resolution determine before the issue of such Shares.

(f) Power of the Company to Purchase its own Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to purchase or otherwise acquire all or any of its own Shares (which includes redeemable Shares), provided that the manner and terms of purchase have first been authorised by ordinary resolution and that any such purchase shall only be made in accordance with the relevant code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong from time to time in force.

(g) Power of any Subsidiary of the Company to own Shares in the Company

There are no provisions in the Articles relating to the ownership of Shares in the Company by a subsidiary.

(h) Calls on Shares and Forfeiture of Shares

Subject to the terms of allotment and issue of any Shares (if any), the Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the Shares held by them (whether in respect of par value or share premium). A member who is the subject of the call shall (subject to receiving at least 14 clear days' notice specifying the time or times for payment) pay to the Company at the time or times so specified the amount called on his Shares. A call may be made payable either in one sum or by instalments, and shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed. The joint holders of a Share shall be severally as well as jointly liable for the payment of all calls and instalments due in respect of such Share.

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If a call remains unpaid after it has become due and payable, the member from whom the sum is due shall pay interest on the unpaid amount at such rate as the Board shall determine (together with any expenses incurred by the Company as a result of such non-payment) from the day it became due and payable until it is paid, but the Board may waive payment of such interest or expenses in whole or in part.

If a member fails to pay any call or instalment of a call after it has become due and payable, the Board may, for so long as any part of the call or instalment remains unpaid, give to such member not less than 14 clear days' notice requiring payment of the unpaid amount together with any interest which may have accrued and which may still accrue up to the date of payment (together with any expenses incurred by the Company as a result of such non-payment). The notice shall specify a further day on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the Shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any Share in respect of which the notice was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. Such forfeiture shall include all dividends, other distributions and other monies payable in respect of the forfeited Share and not paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares, shall surrender to the Company for cancellation the certificate(s) for the Shares forfeited and shall remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the Shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of payment as the Board may determine and any expenses incurred by the Company as a result of such non-payment.

2.2 Directors

(a) Appointment, Retirement and Removal

The Company may by ordinary resolution of the members elect any person to be a Director. The Board may also appoint any person to be a Director at any time, either to fill a casual vacancy or as an additional Director subject to any maximum number fixed by the members in general meeting or the Articles. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

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The members may by ordinary resolution remove any Director (including a managing or executive Director) before the expiration of his term of office, notwithstanding anything in the Articles or any agreement between the Company and such Director, and may by ordinary resolution elect another person in his stead. Nothing shall be taken as depriving a Director so removed of any compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he resigns from his office as Director;
- (ii) the Director is absent, without being represented by proxy or an alternate Director appointed by him, for a continuous period of 12 months without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such absence vacated his office;
- (iii) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (iv) the Director dies or an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (v) the Director is prohibited from being or ceases to be a Director by operation of law;
- (vi) the Director has been required by the Stock Exchange to cease to be a Director or no longer qualifies to be a Director pursuant to the Listing Rules; or
- (vii) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. If the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire at each annual general meeting shall be those who have been in office longest since their last re-election or appointment and, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

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(b) Power to Allot and Issue Shares and other Securities

Subject to the provisions of the Companies Act, the Memorandum and Articles and, where applicable, the Listing Rules, and without prejudice to any rights or restrictions for the time being attached to any Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no Shares shall be issued at a discount to their par value.

The Company may issue rights, options, warrants or convertible securities or securities of a similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company on such terms as the Board may from time to time determine.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to Dispose of the Assets of the Company or any of its Subsidiaries

Subject to the provisions of the Companies Act and the Memorandum and Articles, the Board may exercise all powers and do all acts and things which may be exercised or done by the Company to dispose of the assets of the Company or any of its subsidiaries. No alteration to the Memorandum or Articles shall invalidate any prior act of the Board which would have been valid if such alteration or direction had not been made or given.

(d) Borrowing Powers

The Board may exercise all the powers of the Company to raise or borrow money, secure the payment of any sum or sums of money for the purposes of the Company, mortgage or charge all or any part of its undertaking, property and uncalled capital of the Company, and, subject to the Companies Act, issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

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(e) Remuneration

A Director shall be entitled to receive such sums as shall from time to time be determined by the Board or the Company in general meetings. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in connection with attendance at meetings of the Board or committees of the Board, or general meetings of the Company or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company and the discharge of their duties as Directors, and/or to receive fixed allowances in respect thereof as may be determined by the Board.

The Board or the Company in general meetings may also approve additional remuneration to any Director for any services which in the opinion of the Board or the Company in general meetings go beyond such Director's ordinary routine work as a Director.

(f) Compensation or Payments for Loss of Office

There are no provisions in the Articles relating to compensation or payment for loss of office.

(g) Loans to Directors

There are no provisions in the Articles relating to making of loans to Directors.

(h) Disclosure of Interest in Contracts with the Company or any of its Subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company.

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, nor shall any such contract or any other contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director is in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding such office or of the fiduciary relationship established by it, provided that the nature of interest of any Director or alternate Director in any such contract or transaction shall be disclosed by such Director or alternate Director at or prior to the consideration and vote thereon.

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A Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or other proposal in which he or any of his close associate(s) has a material interest, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum for such resolution. This prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of Shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit or (B) any pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of Shares, debentures or other securities of the Company by virtue only of his/their interest in those Shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Unless otherwise determined, two Directors shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

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2.4 Alterations to the Constitutional Documents and the Company's Name

The Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed, by special resolution of the Company.

2.5 Meetings of Members

(a) *Special and Ordinary resolutions*

A special resolution must be passed by a majority of not less than two-thirds (other than in relation to any resolution approving changes to the Company's constitutional documents or a voluntary winding up of the Company, in which case a special resolution must be passed by a majority of not less than three-fourths) of the voting rights held by such members as, being entitled so to do, vote in person (whether physically or by virtual attendance with the use of technology), or by proxy or, in the case of any members which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. A special resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

An ordinary resolution, in contrast, is a resolution passed by a simple majority of the voting rights held by such members as, being entitled to do so, vote in person (whether physically or by virtual attendance with the use of technology), or by proxy or, in the case of any member which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting. An ordinary resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

The provisions of special resolutions and ordinary resolutions shall apply *mutatis mutandis* to any resolutions passed by the holders of any class of shares.

(b) *Voting Rights and Right to Demand a Poll*

Subject to any rights, restrictions or privileges as to voting for the time being attached to any class or classes of Shares, at any general meeting: (a) on a poll every member present in person (whether physically or by virtual attendance with the use of technology), or, in the case of a member being a corporation, by its duly authorised representative or by proxy shall have one vote for every Share and (b) on a show of hands every member who is present in person (whether physically or by virtual attendance with the use of technology), or, in the case of a member being a corporation, by its duly authorised representative or by proxy shall have one vote. For the avoidance of doubt, votes may be cast by members by electronic means, if such means are provided.

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In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of the relevant Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands (whether physically or by virtual attendance with the use of technology).

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation or other non-natural person could exercise as if it were a natural person member of the Company.

If a recognised clearing house or its nominee(s) is a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company, provided that if more than one person is so authorised, the authorisation shall specify the number and class of Shares in respect of which each such person is so authorised. A person so authorised shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house or its nominee(s) as if such person were a natural person member of the Company, including the right to speak and vote individually on a show of hands or on a poll (whether physically or by virtual attendance with the use of technology).

All members of the Company (including a member which is a recognised clearing house (or its nominee(s))) shall have the right to (i) speak at a general meeting and (ii) and vote at a general meeting (whether physically or by virtual attendance with the use of technology), except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

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(c) Annual General Meetings and Extraordinary General Meetings

The Company must hold a general meeting as its annual general meeting in each financial year. Such meeting shall be specified as such in the notices calling it, and must be held within six months after the end of the Company's financial year. A meeting of the members or any class thereof may be held by telephone, tele-conferencing or other electronic means, provided that all participants are able to communicate contemporaneously with one another, and participation in a meeting in such manner shall constitute presence at such meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. In addition, one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per Share basis) in the share capital of the Company may make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition, which must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists, shall be deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office of the Company. If the Board does not within 21 days from the date of deposit of such requisition duly proceed to convene a general meeting to be held within the following 21 days, the requisitionists or any of them representing more than one-half of the total voting rights of all the requisitionists may themselves convene a general meeting, but any such meeting so convened shall be held no later than the day falling three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Board, and all reasonable expenses incurred by the requisitionists shall be reimbursed to the requisitionists by the Company.

(d) Notices of Meetings and Business to be Conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the date, time, place and agenda of the meeting, the particulars of the resolution(s) to be considered at the meeting, the general nature of the business to be considered at the meeting and details for members to attend the meeting virtually with the use of technology (if applicable).

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address, (to the extent permitted by the Listing Rules and all applicable laws and regulations) by electronic means or (in the case of a notice) by advertisement published in the manner prescribed under the Listing Rules.

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Notwithstanding that a meeting of the Company is called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights held by such members.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Board in its absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Board also has the power to provide in every notice calling a general meeting that in the event of a gale warning, a black rainstorm warning or extreme conditions is/are in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Board may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

- (A) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning, a black rainstorm warning or extreme conditions being in force on the day of the general meeting;
- (B) the Board shall determine the date, time, place and details for members to attend virtually with the use of technology for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting. Such notice shall specify the date, time and place at which the postponed meeting will be reconvened, details for members to attend such postponed meeting virtually with the use of technology (if applicable) and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

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- (C) only the business set out in the notice of the original meeting shall be considered at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be considered at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be considered at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles.

(e) Quorum for Meetings and Separate Class Meetings

No business shall be considered at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (whether physically or by virtual attendance with the use of technology), or in the case of a member being a corporation, by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to approve the variation of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued Shares of that class.

(f) Proxies

Any member of the Company (including a member which is a recognised clearing house (or its nominee(s))) entitled to attend and vote at a meeting of the Company is entitled to appoint another person (being a natural person) as his proxy to attend and vote in his place. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is a natural person and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were a natural person member present in person (whether physically or by virtual attendance with the use of technology) at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing and executed under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation or other non-natural person, either under its seal or under the hand of a duly authorised representative. The appointor should be allowed to send the instrument appointing a proxy by electronic means.

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The Board shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be sent by electronic means (if such means are provided) or deposited and the place and time (being no later than the time appointed for the commencement of the meeting or adjourned meeting to which the instrument of proxy relates) at which such instrument shall be deposited.

Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form that complies with the Listing Rules as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at a general meeting at which any business is to be considered shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise the discretion of the proxy in respect of) each resolution dealing with any such business.

2.6 Accounts and Audit

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions in accordance with the Companies Act.

The books of accounts of the Company shall be kept at the principal place of business of the Company in Hong Kong or, subject to the provisions of the Companies Act, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director. No member (not being a Director) or other person shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or as authorised by the Board or the Company in general meeting.

The Board shall cause to be prepared and laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law and the Listing Rules.

The members shall at each annual general meeting appoint auditor(s) to hold office by ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members at the annual general meeting at which they are appointed by ordinary resolution of the members or in any other manner as specified in such ordinary resolution. The members may, at any general meeting convened and held in accordance with

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the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other Methods of Distribution

Subject to the Companies Act and the Articles, the Company may by ordinary resolution resolve to declare dividends and other distributions on Shares in issue in any currency and authorise payment of the dividends or distributions out of the funds of the Company lawfully available therefor, provided that (i) no dividends shall exceed the amount recommended by the Board, and (ii) no dividends or distributions shall be paid except out of the realised or unrealised profits of the Company, out of the share premium account or as otherwise permitted by law.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. In addition, the Board may from time to time declare and pay special dividends on Shares of such amounts and on such dates as it thinks fit.

Except as otherwise provided by the rights attached to any Shares, all dividends and other distributions shall be paid according to the amounts paid up on the Shares that a member holds during the period in respect of which the dividends and distributions are paid. No amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share.

The Board may deduct from any dividends or other distributions payable to any member of the Company all sums of money (if any) then payable by him to the Company on account of calls or otherwise. The Board may retain any dividends or distributions payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividends or other distributions payable by the Company on or in respect of any Share shall carry interest against the Company.

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Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may further resolve:

- (a) that such dividend be satisfied in whole or in part in the form of an allotment of Shares credited as fully paid on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee.

Upon the recommendation of the Board, the Company may by ordinary resolution resolve in respect of any one particular dividend of the Company determine that notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividends, distributions or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder of such Shares or by cheque or warrant sent by post to the registered address of such holder, or in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company, or to such person and to such address as the holder or joint holders may in writing direct. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other monies payable in respect of the Shares held by them as joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied in whole or in part by the distribution of specific assets of any kind.

Any dividends or other distributions which remain unclaimed for six years from the date on which such dividends or distributions become payable shall be forfeited and shall revert to the Company.

2.8 Inspection of Corporate Records

For so long as any part of the share capital of the Company is [REDACTED] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

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2.9 Rights of Minorities in relation to Fraud or Oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 below.

2.10 Procedures on Liquidation

Subject to the Companies Act, the members of the Company may by special resolution resolve to wind up the Company voluntarily or by the court.

Subject to any rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares:

- (a) if the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed *pari passu* among such members in proportion to the amount paid up on the Shares held by them at the commencement of the winding up; and
- (b) if the assets available for distribution among the members of the Company are insufficient to repay the whole of the Company's paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or ought to be paid up, on the Shares held by them at the commencement of the winding up.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the approval of a special resolution and any other approval required by the Companies Act, divide among the members in kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like approval, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

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3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on June 13, 2024 subject to the Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company Operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share Capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in section 37 of the Companies Act;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial Assistance to Purchase Shares of a Company or its Holding Company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of Shares and Warrants by a Company and its Subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

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A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and Distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of Minorities and Shareholders' Suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

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3.7 Disposal of Assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and Auditing Requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange Control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

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3.12 Loans to Directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of Corporate Records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of Members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of Directors and Officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

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A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving

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company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies in the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting members have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

3.18 Mergers and Consolidations involving a Foreign Company

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; and (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidated is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will

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be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

3.19 Reconstructions and Amalgamations

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with, (ii) the members have been fairly represented at the meeting in question, (iii) the transaction is such as a businessman would reasonable approve and (iv) the transaction is not one that would more properly be sanctioned under some other provisions of the Companies Act or that would amount to a "fraud on the minority".

If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his shares), which may be available to dissenting members of corporations in other jurisdictions.

3.20 Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.21 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

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3.22 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2024 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. If a company is considered to be a "relevant entity" and is conducting one or more of the nine "relevant activities", then such company will be required to comply with the economic substance requirements in relation to the relevant activity from 1 July 2019. All companies whether a relevant entity or not is required to file an annual report with the Registrar of Companies in the Cayman Islands confirming whether or not it is carrying on any relevant activities.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands laws, has sent to the Company a letter of advice summarising the aspects of the Companies Act set out in section 3 above. This letter, together with copies of the Companies Act, the Memorandum and the Articles, is on display on the websites of the Stock Exchange and the Company as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display — Documents Available on Display" in Appendix V to this Document. Any person wishing to have a detailed summary of the Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on June 13, 2024. Our registered office is at Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, P. O. Box 32311, Grand Cayman, KY1-1209, Cayman Islands. Accordingly, our Company’s corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Articles of Association is set out in the section headed “Summary of the Constitution of the Company and the Company Laws of the Cayman Islands” in Appendix III to this Document.

Our headquarters and principal place of business in the PRC are at 4/F, Tower C3, Nanshan Zhiyuan, No. 1001 Xueyuan Avenue, Nanshan District, Shenzhen, Guangdong, PRC. Our Company has established its principal place of business in Hong Kong at Room 1915, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong and has been registered as a non-Hong Kong company on December 17, 2025 under Part 16 of the Companies Ordinance with the Registrar of Companies in Hong Kong. Ms. Cheung Hin Kiu (張顯翹) has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong.

2. Changes in the Share Capital of Our Company

Save as disclosed in the section headed “History, Reorganization and Corporate Structure” in this Document, there has been no alteration in our share capital of our Company within the two years immediately preceding the date of this Document.

3. Changes in the Share Capital of Our Subsidiaries

Save as disclosed in the section headed “History, Reorganization and Corporate Structure” in this Document, there has been no alterations of share capital of our subsidiaries within the two years preceding the date of this Document.

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4. Resolutions of our Shareholders

Pursuant to the written resolutions of all Shareholders passed on [●], among other things:

- (a) the Memorandum and Articles of Association were approved and adopted conditional upon [REDACTED];
- (b) the [REDACTED] and the [REDACTED] were approved;
- (c) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to (i) allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) and (ii) sell and/or transfer Shares out of treasury that are held as treasury shares which might require Shares to be allotted, issued, or dealt with, or to be sold and/or transferred out of treasury that are held as treasury shares, other than pursuant to the [REDACTED] or pursuant to a rights issue or pursuant to the exercise of any subscription rights attaching to any warrants or any option scheme or similar arrangement which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, Shares not exceeding 20% of the number of the Shares in issue (excluding (i) the additional Shares which may be issued pursuant to the exercise of the [REDACTED], and (ii) any treasury shares) immediately following completion of the [REDACTED];
- (d) a general unconditional mandate (“**Repurchase Mandate**”) was given to our Directors to exercise all the powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognised by the SFC and the Stock Exchange for this purpose, provided that such number of Shares shall not exceed 10% of the total number of Shares in issue immediately following the completion of the [REDACTED] (excluding (i) the additional Shares which may be issued pursuant to the exercise of the [REDACTED], and (ii) any treasury shares); and
- (e) the Repurchase Mandate was extended by the addition to the number of the Shares which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by the Company pursuant to the mandate to purchase shares referred to in paragraph (e) above, provided that such amount shall not exceed 10% of the total number of the Shares in issue (excluding any treasury shares) immediately following the completion of the [REDACTED], excluding any Shares to be sold, or issued and allotted pursuant to the exercise of the [REDACTED].

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Each of the general mandates referred to in paragraphs (c), (d) and (e) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company immediately following the completion of the [REDACTED], unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting immediately following the completion of the [REDACTED] is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

Repurchases of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this Document concerning the repurchase of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a [REDACTED] on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of shares (which must be fully paid up) by a company with a [REDACTED] on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of all Shareholders dated [●], the Repurchase Mandate was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the number of Shares in issue (excluding any treasury shares) immediately following the completion of the [REDACTED] but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] until the conclusion of our next annual general meeting immediately following the completion of the [REDACTED], or the date by which our next annual general meeting immediately following the completion of the [REDACTED] is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

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(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association, the Hong Kong Listing Rules, the applicable laws of Cayman Islands and other applicable laws and regulations. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange as amended from time to time. Subject to the foregoing, any purchases by the Company may be made out of profits or out of proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading restrictions

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue (excluding any treasury shares) immediately after the completion of the [REDACTED] (but not taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]). Our Company may not issue new Shares, or a sale or transfer of any treasury shares, or announce a proposed issue of new Shares, or a sale or transfer of any treasury shares for a period of 30 days immediately following a share repurchase without the prior approval of the Stock Exchange. For the avoidance of doubt, this restriction will not apply to (i) a new issue of Shares, or a sale or transfer of treasury shares under a capitalization issue, (ii) a grant of share awards or options under a share scheme that complies with Chapter 17 of the Listing Rules or a new issue of Shares or a transfer of treasury shares upon vesting or exercise of share awards or options under the share scheme that complies with Chapter 17 of the Listing Rules, and (iii) a new issue of Shares or a transfer of treasury shares pursuant to the exercise of warrants, share options or similar instruments requiring the issuer to issue securities which were outstanding prior to the repurchase. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of [REDACTED] Shares which are in the hands of the [REDACTED] falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing [REDACTED] for the five preceding [REDACTED] days on which its shares were [REDACTED] on the Stock Exchange.

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(iv) Status of repurchased Shares

Following a repurchase of Shares, the Company may cancel any repurchased Shares and/or hold them as treasury shares subject to, among others, market conditions and its capital management needs at the relevant time of the repurchases, which may change due to evolving circumstances.

(v) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of 30 days immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional.

In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

The Company may not purchase any of its Shares on the Stock Exchange for a period of 30 days after any sale or transfer of any treasury shares on the Stock Exchange, without the prior approval of the Stock Exchange.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, and whether the purchased Shares are cancelled following settlement of any such purchase or held as treasury shares, and where applicable, the reasons for any deviation from the intention statement previously disclosed by the Company. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly breakdown of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

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(vii) Connected parties

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(b) Reasons and impact for repurchases

The Directors believe that it is in the best interests of our Company and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of Hong Kong.

On the basis of the current financial position as disclosed in this Document and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this Document. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of the Directors are from time to time appropriate for our Company.

(d) Interim measures

For any treasury shares of the Company deposited with [REDACTED] pending resale on the Stock Exchange, the Company shall, upon approval by the Board, implement the below interim measures which include (without limitation):

- (i) procuring its broker not to give any instructions to [REDACTED] to vote at general meetings for the treasury shares deposited with [REDACTED];
- (ii) in the case of dividends or distributions (if any and where applicable), withdrawing the treasury shares from [REDACTED], and either re-register them in its own name as treasury shares or cancel them, in each case before the relevant record date for the dividend or distributions; or
- (iii) taking any other measures to ensure that it will not exercise any Shareholders' rights or receive any entitlements which would otherwise be suspended under the applicable laws if those Shares were registered in its own name as treasury shares.

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(e) General

The Company did not hold any treasury shares as of the Latest Practicable Date and will not hold any treasury shares upon [REDACTED]. To the best knowledge of the Directors, neither the explanatory statement contained herein nor the proposed share repurchase has unusual features.

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

The Directors have undertaken that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations in the Cayman Islands.

Any repurchase of Shares that results in the number of Shares held by the [REDACTED] being reduced to less than such minimum percentage prescribed by the Stock Exchange could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the [REDACTED] shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the general mandate to repurchase Shares.

No core connected person has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

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B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contract (not being a contract entered into in the ordinary course of business) within the two years preceding the date of this Document that is or may be material:

(a) [REDACTED].

2. Intellectual Property Rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks which we consider to be material to our Group’s business:

No.	Trademark	Class	Owner	Registration Number	Place of Registration	Expiry Date
1..	XTOOL	7	Shenzhen xTool	018312609	EU	September 24, 2030
2..	XTOOL	7	Shenzhen xTool	6660789	United States	March 1, 2032
3..	XTOOL	7	Shenzhen xTool	58504840	China	February 20, 2032
4..	XTOOL	7	Shenzhen xTool	1636168	United Kingdom	November 1, 2031
5..	XTOOL	7	Shenzhen xTool	1636168	South Korea	November 1, 2031
6..	XTOOL	7	Shenzhen xTool	1636168	Japan	November 1, 2031
7..	XTOOL	7	Shenzhen xTool	1636168-1345071	Canada	November 1, 2031
8..	XTOOL	7	Shenzhen xTool	306190786	Hong Kong	March 12, 2033
9..	XTOOL	7	Shenzhen xTool	7932338	United States	September 2, 2035
10..	XTOOL	7, 9	Shenzhen xTool	UK00004048572	United Kingdom	May 7, 2034

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(b) Patents

As of the Latest Practicable Date, we are the owner of the following material patents, details of which are as follows:

No.	Patent description	Category	Registered Owner	Place of Registration	Filing Date
1. . .	Laser processing equipment	Invention	Shenzhen xTool	China	June 30, 2021
2. . .	Laser and cutting machining apparatus	Invention	Shenzhen xTool	China	August 18, 2021
3. . .	Method for calculation, device for laser processing and computer-readable storage medium	Invention	Shenzhen xTool	China	August 18, 2021
4. . .	A control method, device, and equipment for processing	Invention	Shenzhen xTool	China	October 26, 2021
5. . .	Computer numerical control machine and machining method thereof, and system	Invention	Shenzhen xTool	United States	November 26, 2024
6. . .	Object positioning method, machining method, apparatus, device, and medium	Invention	Shenzhen xTool	United States	November 26, 2024
7. . .	Method for realizing processing alignment, numerical control machine, system and readable storage medium	Invention	Shenzhen xTool	China	October 19, 2023
8. . .	Halftone methods, apparatus, equipment, printing systems, and storage media	Invention	Shenzhen xTool	China	December 20, 2024
9. . .	Control methods for printing systems, electronic equipment, storage media, and printing systems	Invention	Shenzhen xTool	China	October 30, 2024

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(c) Copyright

As of the Latest Practicable Date, the key copyrights in relation to the business of our Group were:

No.	Copyright Name	Place of Registration	Registration Number
1. . .	XTOOL	China	2022-F-10171944
2. . .	激光加工設備xTool S1嵌入式軟件V1.0	China	2023SR1375762
3. . .	激光加工設備xTool F1嵌入式軟件V1.0	China	2023SR1497182
4. . .	激光加工設備xTool P2嵌入式軟件V1.0	China	2023SR1507882
5. . .	xTool Creative Space iOS端應用軟件V2.0	China	2024SR1712109
6. . .	激光加工設備xTool M1 Ultra嵌入式軟件V1.0	China	2024SR1708825
7. . .	xTool Creative Space iPad端應用軟件V2.0	China	2024SR1720613
8. . .	xTool Creative Space Android端應用軟件V2.0	China	2024SR1730952
9. . .	激光加工設備xTool F1 Ultra 嵌入式軟件V1.0	China	2024SR1735638
10. . .	Customthings 定制工具軟件V1.0	China	2024SR1885852

(d) Domain Name

As of the Latest Practicable Date, we had registered the following domain names which we consider to be material to our business:

No.	Domain Name	Registered Owner	Registration Date	Expiry Date
1. . .	xtool.com	Shenzhen xTool	July 27, 2013	July 28, 2033
2. . .	makextool.com	Shenzhen xTool	November 5, 2024	November 5, 2026
3. . .	atomm.com	Shenzhen xTool	February 4, 2018	February 5, 2026
4. . .	customthings.com	Shenzhen xTool	December 5, 2002	December 5, 2026

Save as disclosed above, as of the Latest Practicable Date, there were no other intellectual property rights which are or may be material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the [REDACTED]

Save as disclosed in the section headed “Substantial Shareholders” and below, immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), so far as our Directors are aware, none of our Directors and

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chief executive has any interests and short positions in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or (ii) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) contained in the Listing Rules:

Name of Shareholder	Capacity/Nature of Interest ⁽¹⁾	Number of Shares Held	Approximate percentage of shareholding in the total issued share capital of our Company	
			As of the Latest Practicable Date	Immediately following the completion of the [REDACTED] ⁽²⁾
Mr. Wang ⁽³⁾	Founder of trust	86,718,476	31.38%	[REDACTED]%
Ms. Liu Yao (劉堯)	Beneficial owner	2,846,100 ⁽⁴⁾	1.03%	[REDACTED]%
Mr. Jin Shengze (金盛澤)	Beneficial owner	700,000 ⁽⁴⁾	0.25%	[REDACTED]%
Mr. Hu Jinhong (胡錦宏)	Beneficial owner	400,000 ⁽⁴⁾	0.14%	[REDACTED]%

Notes:

- (1) All interests stated are long positions.
- (2) Assuming the [REDACTED] is not exercised.
- (3) Mr. Wang is deemed to be interested in the Shares held by WRC Vitality Eager Limited, which is owned as to 88.06% and 1% by Freedom EvoTech Limited and Fly EvoTech Limited, respectively. Freedom EvoTech Limited is wholly held by Vistra Trust (Singapore) Pte. Limited as trustee of the Freedom EvoTech Trust, a discretionary trust established by Mr. Wang as the settlor and protector, and of which Fly EvoTech Limited, which is wholly owned by Mr. Wang, is the beneficiary.
- (4) Represents the Shares underlying all Share Options, whether vested or unvested, granted to each Director pursuant to the [REDACTED] Share Option Schemes.

(b) Interests of the substantial shareholders in the Shares

Save as disclosed in “Substantial Shareholders”, immediately following the completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

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(c) Interests of the substantial shareholders in other members of our Group

As of the Latest Practicable Date, our Directors are not aware of any other persons who would, immediately following the completion of the [REDACTED], be directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group (other than our Company).

2. Particulars of Service Contracts

(a) Executive Directors

Each of the executive Directors [has] entered into a service contract with our Company under which they agreed to act as executive Directors for an initial term of three years commencing from the [REDACTED], which may be terminated by not less than three months’ notice in writing served by either the executive Director or our Company.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) Independent non-executive Directors

Each of the independent non-executive Directors [has] signed an appointment letter with our Company for a term of three years with effect from the [REDACTED]. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

3. Director’s Remuneration

Save as disclosed in “Directors and Senior Management” and Note 8 to the Accountants’ Report set out in Appendix I to this Document, for the two financial years ended December 31, 2023 and 2024, and the nine months ended September 30, 2025, none of our Directors received other remunerations of benefits in kind from us.

4. Disclaimers

Save as disclosed in this Document:

- (a) none of the Directors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code, in each case once our Shares are [REDACTED] on the Stock Exchange;

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- (b) none of our Directors is aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED]), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;
- (c) none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who own more than 5% of the number of issued shares of our Company have any interests in the five largest customers or the five largest suppliers of our Group; and
- (d) none of our Directors or any of the parties listed in “Qualifications of Experts” of this Appendix is:
 - (i) interested in our promotion, or in any assets which have been, within two years immediately preceding the date of this Document, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group; or
 - (ii) materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to our business.

D. [REDACTED] SHARE OPTION SCHEMES

1. Summary of Terms

The following is a summary of the principal terms of the [REDACTED] Share Option Schemes, namely the 2024 Equity Incentive Plan and Future Equity Incentive Plan (which were originally adopted and approved by the Board and Shareholders on October 8, 2024 and amended and restated in their entirety on August 7, 2025), and the 2025 Equity Incentive Plan (which was originally adopted and approved by the Board and Shareholders on August 26, 2025 and September 8, 2025, respectively).

The terms of the [REDACTED] Share Option Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as the [REDACTED] Share Option Schemes do not involve the grant of Share Options after the [REDACTED].

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(a) Purpose

The purpose of the [REDACTED] Share Option Schemes is to help the Company secure and retain the services of employees and consultants (if any), to provide incentives for such persons to exert maximum efforts for the success of the Company, and to provide means by which such persons may benefit from increases in the value of Shares.

(b) Eligible participants

Only (i) employees who are management personnel appointed by the Board, (ii) key employees of the Group who have a significant impact on the future business performance and development of any member of the Group, and (iii) consultants whose contributions are determined by the Company to have a significant impact on the future business performance and development of any member of the Group are eligible to receive Share Options.

A person to whom a Share Option is granted pursuant to the [REDACTED] Share Option Schemes, or, if applicable, any other person who holds an outstanding Share Option, is referred to as a “**Participant**”.

(c) Administration

The [REDACTED] Share Option Schemes shall be administered by person(s) appointed by the Board (the “**Administrator**”). The Administrator may delegate limited authority to specified officers of the Company to execute, on behalf of the Company, any instrument required to effect a Share Option previously granted by the Administrator. The Board may retain the authority to concurrently administer the [REDACTED] Share Option Schemes with the Administrator and may, at any time, revert in the Board some or all of the powers previously delegated.

The Administrator shall have the right (i) to interpret and construe the provisions of the [REDACTED] Share Option Schemes, (ii) to determine the persons who will be granted Share Options under the [REDACTED] Share Option Schemes, the number and the exercise or strike price and other terms of Share Options granted thereto, (iii) to make such appropriate and equitable adjustments to the terms of Share Options granted under the [REDACTED] Share Option Schemes as it deems necessary, (iv) to adopt such procedures and rules as are necessary or appropriate to permit any Participants who are foreign nationals or employed outside the PRC to participate in the [REDACTED] Share Option Schemes (provided that Board approval will not be necessary for immaterial modifications to any Option Agreement (as defined below) that are required for compliance with the laws of the relevant foreign jurisdiction); (v) to accelerate the vesting of any Share Options, in whole or in part, at the Administrator’s sole discretion; and (vi) to make such other decisions or determinations as it shall deem appropriate in the administration of the [REDACTED] Share Option Schemes, including but not limited to establishing trusts for the purpose of managing the [REDACTED] Share Option Schemes.

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All determinations, interpretations and constructions made by the Administrator in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

(d) Duration and termination

Each of the [REDACTED] Share Option Schemes became effective on the earlier of (i) the date that it was first approved by the Board, and (ii) the date it was adopted by the Board (each an “**Effective Date**”). No Share Options may be granted under the [REDACTED] Share Option Schemes while they are suspended or after they are terminated.

The Administrator may suspend or terminate the [REDACTED] Share Option Schemes at any time. Unless terminated sooner by the Administrator, the [REDACTED] Share Option Schemes will automatically terminate on the day before the eighth (8th) anniversary of the earlier of (i) the date it is adopted by the Board or (ii) approved by the Shareholders. Except as otherwise provided by the [REDACTED] Share Option Schemes or in the Option Agreement, any Share Options (whether vested or unvested) will terminate immediately upon the termination of the [REDACTED] Share Option Schemes, and the Participant will be prohibited from exercising his or her Share Options (whether vested or unvested) from and after the time of such termination.

Suspension or termination of the [REDACTED] Share Option Schemes will not impair rights and obligations under any Share Option granted while the [REDACTED] Share Option Schemes is in effect except with the written consent of the affected Participant or as otherwise permitted in the [REDACTED] Share Option Schemes.

(e) Grants of Share Options

The [REDACTED] Share Option Schemes provide for the grant of Share Options to purchase ordinary Shares of our Company. Each award of a Share Option will be evidenced by a written agreement between the Company and a Participant setting out the terms and conditions of the Share Option grant (an “**Option Agreement**”). Each Option Agreement will be subject to the terms and conditions of the [REDACTED] Share Option Scheme under which it is granted.

(f) Maximum number of Shares

The maximum number of ordinary Shares that may be delivered subject to the Share Options granted under [REDACTED] Share Option Schemes is 38,115,661 Shares. The Shares deliverable under the 2024 Equity Incentive Plan will be ordinary Shares held by Current Blue core Frontiers Limited and Current Blue core Innovators Limited. The Shares deliverable under the Future Equity Incentive Plan will be ordinary Shares held by Future Blue core Innovators I Limited. The Shares deliverable under the 2025 Equity Incentive Plan will be ordinary Shares held by Current Blue core Frontiers Limited.

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(g) Vesting

The total number of ordinary Shares subject to a Share Option may vest and become exercisable in periodic installments that may or may not be equal. The Share Option may be subject to such other terms and conditions on the time or times when it may or may not be exercised as the Administrator may deem appropriate. The vesting provisions of individual Share Options may vary. The exercise of a Share Option is further subject to any applicable minimum exercise requirements set out in the Option Agreement.

(h) Exercise of Share Options

To the extent permitted by applicable legal requirements, and unless otherwise determined by the Board, a Share Option shall not be exercisable until (i) it is vested according to an Option Agreement, and (ii) the Company has consummated a qualified [REDACTED].

Except as otherwise provided in the applicable Option Agreement or other agreement between the Participant and the Company, if a Participant's continuous service with a member of the Group terminates (other than for cause and other than upon the Participant's death or disability), then the Participant may exercise his or her Share Option (to the extent that the Participant was entitled to exercise such Share Option as of the date of termination of continuous service) within the period of time ending on the earlier of (i) the date thirty (30) days following the termination of the Participant's continuous service (or such longer or shorter period specified in the applicable Option Agreement, which period will not be less than thirty (30) days if necessary to comply with applicable legal requirements unless such termination is for cause) and (ii) the expiration of the term of the Share Option as set forth in the Option Agreement. If, after termination of continuous service, the Participant does not exercise his or her Share Option within the applicable time frame, the Share Option will terminate.

(i) Exercise price

The exercise price of the Shares granted under the [REDACTED] Share Option Schemes is RMB0.26 per Share. If payment is made in other currencies, such exercise price shall be converted at the central parity rates on the relevant date of payment of exercise price.

(j) Adjustments

In the event of a capitalization adjustment of the Company (namely any change that is made relating to the ordinary Shares subject to any [REDACTED] Share Option Scheme or Share Option after its respective Effective Date without the receipt of consideration by the Company, provided that the conversion of any convertible securities of the Company will not be treated as a capitalization adjustment), the Administrator will appropriately and proportionately adjust (i) the class(es) and maximum number of securities subject to such [REDACTED] Share Option Scheme, (ii) the class(es) and maximum number of securities that

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may be issued pursuant to the exercise of Share Options, and (iii) the class(es) and number of securities and the price per Share of Shares subject to outstanding Share Options. The determination of the Administrator will be final, binding and conclusive.

(k) Non-transferability of Share Options

Unless otherwise approved by the Administrator, the Share Options and the rights and privileges conferred under the [REDACTED] Share Option Schemes shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise) in any manner, and shall not be subject to sale under execution, attachment, levy or similar process and may be exercised during the lifetime of the Participant only by the Participant. The terms of the Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Participant.

(l) Amendments

The Board may at any time amend, add to or delete provisions of the [REDACTED] Share Option Schemes, provided that no such amendment, addition or deletion shall adversely affect the rights of any Participant in respect of any Share Options already granted to such Participant or modify the restrictions on amendments that protect such rights.

(m) Dissolution or liquidation

Except as otherwise provided in the Option Agreement, in the event of a dissolution or liquidation of the Company, all outstanding Share Options (whether vested or unvested) will terminate immediately prior to the completion of such dissolution or liquidation, provided, however, that the Administrator may, in its sole discretion, cause some or all Share Options to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Share Options have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

(n) Repurchase right

Upon termination of employment or service of a Participant, the Company may, subject to applicable laws, repurchase Shares acquired under the [REDACTED] Share Option Schemes, typically at fair market value in the case of a termination other than for cause and, in the case of a termination for cause, at the original exercise price paid for such Shares.

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2. Outstanding Share Options

We have applied for, and [have been] granted (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules; and (ii) a certificate of exemption from the SFC exempting our Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with information about the Share Options granted under the [REDACTED] Share Option Schemes. For further details, see “Waivers and Exemption — Waiver and Exemption in Relation to the [REDACTED] Share Option Schemes”.

As of the date of this Document, the Grantees of outstanding Share Options under the [REDACTED] Share Option Schemes include four connected persons of the Company and 245 other Grantees. Details of the outstanding Share Options granted under the [REDACTED] Share Option Schemes as of the Latest Practicable Date are set out below:

Name/number of Grantee(s)	Position held in our Group	Address	Grant date	Exercise price ⁽¹⁾	Vesting schedule ⁽²⁾	Number of Shares underlying the Share Options	Approximate shareholding percentage immediately following the completion of the [REDACTED]
<i>(RMB)</i>							
Connected persons of the Company							
Ms. Liu Yao (劉堯)	Executive Director and president	Flat 16C, Block 1, Braemar Hill Mansions, 15-43 Braemar Hill Road, North Point, Hong Kong	November 8, 2024	0.26	3 years	2,134,575	[REDACTED]%
Mr. Jin Shengze (金盛澤)	Executive Director and vice president	Room 503, Building 7A, Phase I of Gaofa Xi'an Garden, 5th Avenue, Xin'an Sub-district, Bao'an District, Shenzhen, Guangdong, PRC	September 8, 2025	0.26	4 years	200,000	[REDACTED]%

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Name/number of Grantee(s)	Position held in our Group	Address	Grant date	Exercise price ⁽¹⁾	Vesting schedule ⁽²⁾	Number of Shares underlying the Share Options	Approximate shareholding percentage immediately following the completion of the [REDACTED]
				(RMB)			
Mr. Hu Jinhong (胡錦宏)	Executive Director and vice president	Room 3H, Huigui Ge Huixin Garden, No. 16 Beidou Road, Luohu District, Shenzhen, Guangdong, PRC	September 8, 2025	0.26	4 years	200,000	[REDACTED]%
Mr. He Qingcheng (何清城)	Director of subsidiary	No. 8 Zengcuo’an North Road, Siming District, Xiamen, Fujian, PRC	September 8, 2025	0.26	4 years	40,000	[REDACTED]%
Subtotal						2,574,575	[REDACTED]%
Other Grantees of the [REDACTED] Share Option Schemes (employees)							
218 other Grantees with outstanding Share Options to acquire 1 to 49,999 Shares	–	–	April 25, 2024 to September 8, 2025	0.26	2 to 4 years	3,243,250	[REDACTED]%
20 other Grantees with outstanding Share Options to acquire 50,000 to 99,999 Shares	–	–	April 25, 2024 to September 8, 2025	0.26	2 to 4 years	1,341,500	[REDACTED]%
7 other Grantees with outstanding Share Options to acquire 100,000 or more Shares	–	–	April 25, 2024 to September 8, 2025	0.26	4 years	1,222,500	[REDACTED]%
Subtotal						5,807,250	[REDACTED]%
Total						8,381,825	[REDACTED]%

Notes:

- (1) The Share Options were granted at nil consideration.
- (2) The Share Options may only be exercised after the [REDACTED]. As of the Latest Practicable Date, all of the Shares underlying the outstanding Share Options have been allotted and issued and are held by Current Blue core Frontiers Limited, Current Blue core Innovators Limited and Future Blue core Innovators I Limited prior to the [REDACTED]. Accordingly, even if all of the outstanding Share Options granted under the [REDACTED] Share Option Schemes are exercised, there will not be any dilution effect on the shareholding of our Shareholders nor any impact on the earnings per Share arising from the exercise of the outstanding Share Options.

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E. OTHER INFORMATION

1. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

2. No Material Adverse Change

The Directors confirm that there has been no material change in the financial or trading position or prospects of our Group since September 30, 2025 (being the date to which the latest consolidated financial statements of our Group were prepared) and up to the date of this Document.

3. The Joint Sponsors

The Joint Sponsors is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The fee payable by our Company to the Joint Sponsors to act as sponsors to our Company in connection with the [REDACTED] is US\$500,000 in total.

4. Preliminary expenses

We have not incurred any material preliminary expenses.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Document:

<u>Name</u>	<u>Qualification</u>
Morgan Stanley Asia Limited . .	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

<u>Name</u>	<u>Qualification</u>
Huatai Financial Holdings (Hong Kong) Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities as defined under the SFO
Jingtian & Gongcheng	Legal adviser to our Company as to PRC laws
Harney Westwood & Riegels	Legal adviser to our Company as to Cayman Islands laws
KPMG	Certified Public Accountants and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
China Insights Industry Consultancy Limited.	Industry consultant

7. Consent of Experts

Each of the experts named above has given and has not withdrawn its respective written consent to the issue of this Document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this Document in the form and context in which it is respectively included.

8. Binding Effect

This Document shall have the effect, if an application is made in pursuance of this Document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. Bilingual document

The English and Chinese language versions of this Document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

MISCELLANEOUS

Save as otherwise disclosed in this Document:

- (a) within the two years preceding the date of this Document: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;
- (b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) there are no arrangements under which future dividends are waived or agreed to be waived;
- (e) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;
- (f) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;
- (g) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong; and
- (h) no part of the equity or debt securities of our Company, if any, is currently [REDACTED] on or dealt in on any stock exchange or trading system, and no such [REDACTED] or permission to [REDACTED] on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought.

APPENDIX V

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 7. Consent of Experts” in Appendix IV to this Document; and
- (b) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts” in Appendix IV to this Document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Company’s website (www.xtool.com) and the Stock Exchange’s website (<https://www.hkexnews.hk>) up to and including the date which is 14 days from the date of this Document:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the consolidated financial statements of our Group for the two financial years ended December 31, 2023 and 2024, and the nine months ended September 30, 2025;
- (c) the Accountants’ Report from KPMG, the text of which is set out in Appendix I to this Document;
- (d) the report on the unaudited [REDACTED] financial information from KPMG, the text of which is set out in Appendix II to this Document;
- (e) the legal opinion issued by Jingtian & Gongcheng, our PRC Legal Adviser in respect of general matters and property interests of our Group in the PRC;
- (f) the letter of advice from Harney Westwood & Riegels, our legal adviser as to the laws of the Cayman Islands, summarizing certain aspects of the Cayman Companies Act referred to in Appendix III to this Document;
- (g) the report issued by China Insights Industry Consultancy Limited, a summary of which is set forth in the section headed “Industry Overview” in this Document;
- (h) the material contracts referred to in the section entitled “Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts” in Appendix IV to this Document;

APPENDIX V

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY**

- (i) the written consents referred to in the section entitled “Statutory and General information — E. Other Information — 7. Consent of Experts” in Appendix IV to this Document;
- (j) the service contracts and the letters of appointment with our Directors referred to in the section headed “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Particulars of Service Contracts” in Appendix IV to this Document;
- (k) the terms of the [REDACTED] Share Option Schemes; and
- (l) the Cayman Companies Act.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a list of grantees under the [REDACTED] Share Option Schemes, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Davis Polk & Wardwell at 10/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Document.