*You should carefully consider all of the information in this document, including the following risk factors before making any **[REDACTED]** in relation to the H Shares. Our business, financial condition or results of operations, and the **[REDACTED]** of the H Shares could be materially and adversely affected by any of these risks. The information given is subject to the cautionary statements in "Forward-Looking Statements."*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

A substantial amount of our revenue is derived from contracts awarded through open tender. We cannot assure you that our existing service agreements may be renewed upon expiration or new service agreements may be awarded to us.

The ongoing reform in China's oil and gas sector over the past years has prompted a number of our state-owned enterprise customers to adopt open tender policies for outsourcing testing and inspection services. We have been participating in public tender processes since the Company's inception. We are required to submit new tenders upon expiration of existing service agreements or to bid for new service agreements from time to time. In relation to our existing service agreements that are awarded through open tender and are about to expire, the general timeframe for submitting new tenders for the service agreement with the same customer is approximately three months prior to expiration, depending on the receipt of a new tender invitation from the customer. So far as our Directors are aware, most of our customers have maintained an evaluation system to ensure that independent assurance providers meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance, which may change from time to time. We cannot assure you that we will meet the mandatory tendering requirements or that our overall score under our customers' evaluation system will not be reduced. Even if we are able to meet the prerequisite requirements for tendering, we cannot assure you that we would be invited to or are made aware of the open tender, that the terms and conditions of our new service agreements would be comparable to the existing ones, or that our tenders would be selected by customers. In case of any of such events, we may not be granted additional tenders, and furthermore, our reputation, business operations, financial results and profitability may be adversely affected.

In addition, other participants in the open tender process may compete against us in various manners, such as bidding with reduced prices, which could substantially affect our competitive position and lead to our failure in open tenders. As we expect to generate an increasingly larger portion of our business in the future from open tenders as required by potential customers, we may face more intense competition from other bidders in respect of service capabilities, quality and price, and we cannot assure you that we can maintain our current advantages, nor can we assure you that we will continue to prevail in any of the open tender processes, or at all.

A substantial portion of our revenue is derived from a limited number of major oil and gas producers and operators in China. Any significant reduction, delay, or cancellation of business from these key customers could materially and adversely affect our business, financial condition, and results of operations.

During the Track Record Period, our customer base exhibited high concentration, primarily comprising large-scale state-owned enterprises in the oil and gas sector. Revenue generated from Customer A and Customer B collectively accounted for approximately 59.3%, 59.8% and 56.2% of our total revenue for 2023, 2024 and 2025, respectively. In the same periods, our top five customers accounted for approximately 82.4%, 78.7% and 79.3% of our total revenue, respectively. We have established a series of market diversification strategies, as described in the section headed "Business — Customers — Customer Concentration and Diversification" in this document.

However, we cannot assure you that we will be able to maintain our business relationships with these major customers, or that they will consistently renew our framework service agreements or place sufficient specific service orders upon the expiration of existing contracts. Our bargaining power against these state-owned energy enterprises is inherently limited. Consequently, we are exposed to risks arising from macroeconomic or industry-specific tightening of our clients' internal spending budgets. Any strategic procurement policy shifts by these key customers, or competitive pricing strategies adopted by our competitors in open tenders, could result in compressed service margins or a material decline in our market share with Customer A or Customer B. Furthermore, we are directly exposed to the operational and financial credit risks of these entities. Any significant delay in their internal payment approval cycles or potential financial distress could result in increased impairment provisions on our trade receivables, constrain our working capital, and materially and adversely affect our financial condition and liquidity.

Our business requires various approvals, licenses, permits or certificates, and our failure to obtain or renew these approvals, licenses, permits or certificates in a timely manner may adversely affect our business.

We are subject to relevant laws and regulations in the PRC and other overseas jurisdictions where we operate. Pursuant to these laws and regulations, we are required to maintain various approvals, licenses, permits, and filings for our global operations. These regulatory credentials are granted only upon our satisfactory compliance with the applicable legal requirements. Our licenses and permits are subject to periodic examinations, verifications, or renewals by relevant government authorities. Some are valid only for a fixed period and are subject to accreditation or successful renewal upon expiration. We may experience difficulties, delays, or failures in obtaining or renewing the necessary approvals, licenses, and permits in any of the jurisdictions in which we operate. In addition, there can be no assurance that we will be able to obtain or renew all of the approvals, licenses and permits required for existing business operations promptly or at all. Furthermore, we may fail to timely identify changes in overarching regulatory standards, which could result in our existing qualifications failing to meet the latest requirements. We also cannot assure you that the approvals, licenses, permits or certificates we hold are adequate. If any of these occurs, our ongoing business could be interrupted, and our expansion plan may be delayed.

Complying with government regulations may require substantial expenses, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time and resources to resolve any deficiencies. We may also experience negative publicity arising from such deficiencies, which may adversely affect our financial performance and business prospects.

Our field operations are subject to inherent industrial, operational, and occupational safety hazards, and any material safety incidents could result in regulatory penalties, operational suspensions, third-party liabilities, or damage to our corporate reputation.

We provide professional and integrated testing and inspection services, ranging from casing and tubing inspection, gas leak detection, NDT, pipeline inspection, and metrology testing, at highly regulated industrial sites, such as active oil and gas facilities and long-distance pipelines. These operational environments are characterized by the coexistence of high pressure, flammable materials, and explosive substances, which inherently expose our field personnel and ongoing operations to significant hazards. These hazards include, but are not limited to, contact with toxic or hazardous substances, mechanical injuries, risks associated with high-temperature and high-pressure operations, fires, explosions, and occupational health hazards such as prolonged exposure to noise and dust. An accident or safety incident at a client-controlled site or during the provision of our services, even if not directly caused by our actions, could result in forced work stoppages, severe personnel injuries, or fatalities, and trigger immediate regulatory scrutiny, all of which would adversely affect our corporate reputation and client relationships.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material safety incidents that resulted in significant personal injuries, fatalities, material property damage, or regulatory penalties. However, the absence of material safety incidents during the Track Record Period should not be taken as an indication that such incidents will not occur in the future.

We have implemented QHSE protocols to manage these operational risks, as described in the section headed "Business — Occupational Health and Safety" in this document. However, we cannot guarantee that such protocols will be entirely sufficient to preempt or prevent all workplace accidents. The ultimate effectiveness of our QHSE measures remains subject to risks and uncertainties beyond our absolute control, including human error, third-party negligence at client-controlled sites, and unpreventable force majeure events. Any serious safety event could lead to the temporary or permanent suspension of our operations, significant administrative fines, costly third-party liability claims, and increased insurance premiums, which could materially and adversely affect our business, financial condition, and results of operations.

Our testing and inspection equipment is subject to risks of logistical delays, physical damage, or loss during transit, particularly when deployed to remote or geopolitically sensitive regions, which could disrupt our project execution and trigger contractual liabilities.

Our testing and inspection services are supported by a comprehensive portfolio of testing, inspection, processing, treatment and cleaning equipment, which primarily includes integrated NDT systems, automated inspection and processing lines, surface treatment and anti-corrosion facilities, as well as cleaning, derusting and handling equipment. While the majority of our equipment is mobile and portable, a small portion of such equipment is deployed to remote locations and/or geopolitically sensitive regions, including Iraq and other countries, to support our expanding international footprints. The transportation of such equipment to and from various project sites inherently subjects us to risks of logistical delays, physical damage, or total loss while in transit.

We have established equipment management and transportation protocols to mitigate transit-related risks, as described in the section headed "Business — Quality Control" in this document. However, we cannot assure you that these measures will eliminate all transit-related risks or that our insurance coverage will be sufficient to recoup all losses. Any severe logistical disruptions, accidents, or transit delays could disrupt our project timelines, impair our operational efficiency, and result in a failure to meet our contractual delivery obligations, which may in turn trigger liquidated damages or other penalty provisions under our client contracts. Additionally, such equipment remains vulnerable to unpredictable damage or destruction caused by force majeure events, such as earthquakes, sandstorms, and other extreme natural disasters common in the regions where we operate.

Any interruptions, shortages, or price fluctuations in the supply of power, water, or other critical natural resources could materially disrupt our laboratory testing operations.

Our operations, particularly our laboratories, data processing and interpretation centers, and certain field equipment, are highly dependent on a continuous and stable supply of power and other critical natural resources. A disruption to the electricity supply, whether caused by infrastructure failures, natural disasters, grid instability in certain developing markets where we operate, or governmental power rationing measures, could result in: (i) the interruption or corruption of ongoing inspection data processing and analysis; (ii) physical damage to sensitive, high-value laboratory instruments and testing equipment; and (iii) material delays in the delivery of inspection reports and project deliverables to our clients.

Similarly, shortages, quality fluctuations, or sudden interruptions in the supply of other natural resources essential to our daily operations, such as water for cooling, cleaning, or testing processes, and industrial gases required for certain analytical or inspection procedures, could adversely affect our operational continuity and data accuracy.

We have established internal utility monitoring and contingency guidelines to manage resource-related risks. However, we cannot assure you that we will not experience severe or prolonged energy shortages in the future, or that our alternative resource supply setups will be fully sufficient to mitigate the adverse effects of a prolonged power outage. Any prolonged shortage, brownout, or blackout for a significant period of time, or any resource supply interruption, could incur substantial remediation costs, expose us to client breach-of-contract claims, and have a material adverse effect on our business, financial condition, and results of operations.

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

Quality control is one of our core values and vital to our business. We require our operations to strictly comply with requisite regulatory or industrial standards and adhere to internal technical standards that provide detailed guidance to our day-to-day business practice. We have established an internal quality control framework and specialized operational procedures to manage our service quality, as described in the section headed "Business — Quality Control" in this document.

However, compliance with our quality control and operational measures depends heavily on the execution of our personnel. Failure of or non-compliance with these measures, including, but not limited to, human error in the field or laboratory, the engagement of personnel lacking requisite certifications, or deviations from standardized operating procedures may result in unreliable or inaccurate test or inspection results. If any of these incidents occurs, our reputation may be damaged, and the demand for our services may be reduced. To mitigate the financial consequences of such professional risks, we maintain professional indemnity insurance coverage. However, there can be no assurance that such insurance will be sufficient to cover all claims or liabilities that may arise from a failure of our quality control measures.

Changes in geopolitics, economic sanctions, export controls, and international trade policies may adversely affect our business, financial condition, and results of operations.

Our operations are exposed to risks arising from deteriorating international political relations and complex sanctions regimes administered by the U.S., the European Union, the United Nations, and other authorities. In particular, we maintain significant operations in the Middle East (including but not limited to Iraq and the United Arab Emirates). We derived approximately 7.0%, 8.9% and 13.4% of our total revenue from projects in this region for the years ended 2023, 2024 and 2025, respectively. Recently, geopolitical tensions in the Middle East have escalated significantly, notably the U.S.-Iran military confrontations in February 2026, which heightened security threats across the broader Persian Gulf region. We confirm that we do not conduct any business within Iran or with any OFAC-sanctioned Iranian entities. As of the Latest Practicable Date, these conflicts have not had a material impact on our operations. However, any further escalation could disrupt regional infrastructure, maritime navigation, and our service delivery.

Concurrently, under the shadowing impact of such escalating geopolitical frictions and complex sanctions environments, our business operations and market competitiveness heavily rely on maintaining certifications and standard compliances granted by authoritative international industry associations, such as API, TIC, and ISO. Maintaining these essential qualifications requires continuous administrative and financial interactions, including the payment of audit and membership fees, the submission of annual reports, and the utilization of their official online systems. In the event of further political polarization or overly conservative internal compliance measures adopted by these organizations, these international associations may voluntarily restrict or suspend their services to us. Furthermore, intermediary financial institutions may delay or block our cross-border remittances for such fees due to heightened compliance screening or risk-mitigation policies. Any suspension, cancellation, or non-renewal of these critical qualifications would severely impair our ability to bid for projects and fulfill client requirements.

In addition to the aforementioned geopolitical and sanctions-related compliance risks, the U.S. government has increasingly imposed targeted export controls on certain Chinese entities. As of the Latest Practicable Date, we do not use U.S.-origin items in our service delivery and remain compliant with relevant regulations. However, we cannot assure you that the scope of U.S. export controls will not expand in the future. Any potential restrictions unpredictably imposed on us, our suppliers, or our business partners regarding technology or equipment procurement could result in reputational damage, require significant management attention, or require us to adjust our procurement strategy, which may in turn affect our operational efficiency.

Separately, our international operations are subject to risks arising from changes in tariff regimes and trade protection measures, such as the U.S. tariffs introduced in February 2025 under IEEPA and Section 232. As we primarily provide TIC services, the procurement of raw materials accounts for a relatively small proportion of our cost structure. Consequently, the direct financial impact of these tariff changes on our business has been limited. Nevertheless, broader global trade disputes could negatively impact the macroeconomic environment, increase the procurement costs of specialized equipment, and reduce the capital expenditure budgets of our clients, thereby indirectly reducing the demand for our services.

The overall regulatory environment regarding trade, sanctions, and export controls is complex and subject to frequent, unpredictable changes driven by national security concerns. Any failure in screening our counterparties, future changes in our procurement strategy, or potential restrictions imposed on us or our business partners could result in reputational damage, require significant management attention, and subject us to regulatory fines or operational suspensions. Any of the foregoing events could materially and adversely affect our business, financial condition, and results of operations.

We face risks relating to our international operations and globalization strategies, particularly in the Middle East and other regions subject to geopolitical instability.

We have established a significant international footprint through our overseas service bases, project networks, and supply chains, aligned with our globalization strategy. In 2023, 2024, and 2025, revenue from overseas markets accounted for approximately 16.0%, 16.4% and 20.3%, respectively, of our total revenue. As of December 31, 2025, we served approximately 431 customers across more than 13 countries or regions. As we continue to expand internationally into diverse markets with varying economic conditions, regulatory requirements and customer demands, we encounter complexities and uncertainties, particularly in countries and regions where we have limited experience. These include challenges in understanding local market dynamics, higher costs for staffing and managing cross-border operations and complexities in optimizing global logistics and distribution networks. Any failure to adapt swiftly to local business environments or deliver high-quality, compliant services could undermine our relationships with customers, potentially harming our brand reputation and growth prospects.

Our international operations expose us to unique operational challenges and risks, including:

- ***Security and access restrictions.*** Certain project sites are located in areas subject to active or recent military conflict, elevated terrorism threat levels, or civil unrest. Access to such sites may be restricted or suspended by host government authorities or our clients at short notice, which could prevent our personnel from performing contracted services and result in project delays or cost overruns.

- ***Dependence on government-controlled energy sector clients.*** A substantial portion of our Middle Eastern revenue is derived from contracts with national oil companies and government-affiliated entities. These contracts may be subject to political considerations, budgetary constraints linked to oil price fluctuations, and extended payment cycles, which could affect our revenue recognition and cash flow.
- ***Visa, work permit, and local content requirements.*** Our ability to deploy personnel to Middle Eastern project sites is dependent on obtaining timely visa and work permit approvals from host country authorities. Certain jurisdictions have implemented or are considering local content and nationalization requirements that may require us to increase the proportion of locally hired personnel or locally sourced goods and services, potentially increasing our operating costs and reducing operational flexibility.
- ***Cultural and operational environment.*** Operating in the Middle East requires adaptation to local business customs, legal systems, and cultural expectations. Any failure to navigate these differences effectively could damage client relationships or expose us to legal or regulatory risks in the relevant jurisdictions.

Moreover, our international operations are subject to a broad and evolving range of laws, regulations and regulatory requirements in the multiple jurisdictions in which we conduct business. Meeting these requirements may require dedicated management time and resources, engagement of external advisers, and ongoing monitoring, which may result in substantial compliance and administrative costs.

Furthermore, our international operations are influenced by local political and economic conditions, as well as broader macroeconomic developments. Changes in regulatory priorities or macroeconomic indicators, such as inflation, currency fluctuations, or interest rate shifts in the jurisdictions where we operate, could reduce client capital expenditure budgets, weaken investment confidence and adversely affect demand for our services. We cannot assure you that we will be able to anticipate and mitigate all the above risks as we continuously expand our business. Failure to navigate these risks effectively could lead to operational disruptions, increased costs, lost revenue opportunities, or inability to execute our globalization strategies, thereby materially and adversely affecting our business.

Our future success depends on the effective execution of our localized operation strategies in overseas markets. Failure to achieve our localization targets, retain local technical talents, or adapt to evolving labor nationalization regulations could impair our international growth and adversely affect our profitability.

We rely heavily on localized operations to drive our international expansion, optimize cross-border operational costs, and enhance execution efficiency, particularly in our core hubs within the Middle East. We have implemented localization expansion strategies, as described in the section headed "Business — Our Business Strategy" in this document.

However, the successful execution of this strategy remains subject to localized socioeconomic uncertainties and strict regulatory barriers. We cannot assure you that we will consistently be able to attract, systematically train, and retain sufficient qualified local engineering and technical personnel to meet our rapid project mobilization needs. Furthermore, local governments in our key overseas markets, such as Iraq and the UAE, may abruptly elevate mandatory local content mandates or impose more aggressive labor nationalization quotas, which would significantly contract the availability of eligible personnel and escalate local talent poaching among competitors. Navigating these volatile local labor laws, managing foreign workplace cultural frictions, and structuring compliant local compensation packages require a disproportionate diversion of our managerial resources. Any material failure to meet mandatory localized hiring quotas could expose us to significant administrative fines, the suspension of local corporate or operational licenses, or debarment from bidding for lucrative projects with national oil companies, thereby eroding our competitive cost advantages and materially and adversely affecting our business and prospects.

Deterioration in labor relations, labor shortages or significant increases in labor costs could materially and adversely affect our business, financial condition, results of operations and prospects.

Our business is labor-intensive and knowledge based. Our success depends critically on our ability to recruit, train, retain, and motivate a sufficient number of qualified technical personnel, including certified inspection engineers, field technicians, data analysts, and other specialists. Failure to maintain an adequate and skilled workforce may result in reduced operational capacity, delays in project execution, and a decline in service quality, which in turn could damage client relationships and our reputation as a reliable service provider. Any deterioration in labor relations, including disputes or strikes, could disrupt our operations at critical project sites, delay deliverables, and cause substantial harm to our business.

Although we strive to maintain a safe, supportive, and compliant work environment, workplace incidents involving employees or employee dissatisfaction cannot be entirely eliminated. Additionally, the labor-related laws and regulations in the various jurisdictions where we operate (primarily including the PRC, the Middle East, Central Asia, Africa, Southeast Asia and South America) are complex and may increase our compliance costs. Our failure to comply with any of these laws could lead to litigation, labor disputes, regulatory investigations, increased insurance premiums, and negative publicity, all of which could amplify our operational and financial risks.

Our operations are also subject to fluctuations in demand that strain our workforce management. The demand for our inspection and testing services is largely driven by mandatory statutory and regulatory compliance requirements, as well as the capital expenditure cycles of our clients in the oil and gas sector. During periods of concentrated project mobilization or tight deadlines, pressure on our existing technical teams increases significantly. Recruiting additional qualified personnel on short notice is challenging, costly, and may result in compromises on experience or training levels, potentially affecting service standards. Inability to scale our workforce efficiently in response to demand peaks could lead to delays, failure to meet contractual obligations, and loss of business opportunities.

Furthermore, significant increases in labor costs driven by wage inflation, regulatory changes or competitive pressures could negatively impact our profitability. Competition for key personnel, particularly qualified technical professionals, could require us to offer higher compensation and other benefits in order to attract and retain them, which would increase our costs and could materially and adversely affect our profit margins. In 2023, 2024 and 2025, our staff costs constituted approximately 33.3%, 32.3% and 25.1% of our total costs of sales, respectively. If we fail to effectively manage labor relations, maintain an adequate pipeline of qualified technical staff, or control labor cost inflation, our business operations, financial condition, and operating results could be materially and adversely affected.

We may pursue growth through acquisitions in the future, and any failure to identify, complete, or integrate acquisitions successfully, and we may require additional capital that may not be available to us.

Part of our long-term growth strategy may involve selective acquisitions of businesses or assets, particularly to enhance our technological capabilities, obtain necessary licenses or operational permits in new geographic markets (especially overseas), or achieve strategic synergies. However, we have no present agreements or commitments to undertake any material acquisition, and there is no guarantee that we will be able to continue to identify attractive acquisition opportunities or successfully acquire identified targets on favorable terms.

Our acquisition strategy requires significant capital, and we may need to raise additional funds through public or private debt or equity financing to fund such capital expenditures. Our ability to obtain external financing in the future at a reasonable cost is subject to a variety of uncertainties, including our future financial condition, the condition of the global and domestic financial markets, and general economic conditions. If we are unable to obtain financing in a timely manner, at a reasonable cost and on acceptable terms, we may be forced to delay, downsize or abandon our potential acquisitions and market expansion plans. Furthermore, we may be required to incur substantial indebtedness to finance future acquisitions, which may impose a significant burden on our operations and financial condition, while raising funds through the issuance of new equity would lead to the dilution of our existing shareholders' interests.

Even if we successfully complete an acquisition, we may experience problems and difficulties in executing, managing and integrating the acquired businesses. The integration process is complex and may result in unforeseen operational difficulties, weaker financial performance, or require a disproportionate amount of management attention. We may also encounter unknown or contingent liabilities from acquired entities, such as legal claims, environmental issues, or contractual obligations, resulting in unexpected costs or asset write-offs. Additionally, in a competitive bidding environment, we may overpay for targets, potentially leading to goodwill impairment charges.

There can be no assurance that any acquisition or strategic investment will deliver the expected benefits or recoup our investments, and failure to do so could lead to financial losses, impaired growth, or competitive setbacks. If we are unable to manage these risks effectively, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We operate in a competitive industry, and we expect competition to intensify in the future, which could materially and adversely affect our business.

The independent testing, inspection, and certification market in China and in our key overseas markets is competitive. Although the competitive landscape varies across regions and service segments, we expect competitive pressures to intensify significantly in the coming years.

We face competition from both established international and domestic players on multiple fronts, including technical capabilities, service quality, geographic coverage, brand reputation, and pricing. Some of our competitors may possess greater financial resources, broader service networks, or longer operating histories in specific regions. These advantages may allow them to adopt aggressive pricing strategies, extend more favorable commercial terms to clients, or secure key projects.

If we are unable to effectively differentiate our services, maintain our service standards, or manage downward pricing pressures without compromising profitability, we may fail to retain major clients or win new contracts. Any failure to compete effectively in this environment could lead to a loss of market share, which would materially and adversely affect our business, financial condition, and results of operations.

Our revenue and cash flows are subject to significant seasonal fluctuations, and interim financial results may not be indicative of our full-year performance.

The demand for our independent inspection and testing services is closely linked to the capital expenditure plans and operational activity cycles of our clients in the oil and gas sector. Historically, our revenue has been higher in the second half of the year, particularly during the fourth quarter.

This seasonality is primarily driven by customer budgeting patterns among large state-owned enterprises, winter climatic limitations in northern China which temporarily reduce exploration activities, and concentrated year-end project settlement cycles common in our industry. As a result of these concurrent factors, our revenue, profitability, and operating cash flows inevitably fluctuate from quarter to quarter, which may result in significantly greater working capital requirements during the first half of the fiscal year. Accordingly, performance assessments based on our interim financial results, such as those for a single quarter or a half-year period, are highly volatile and may not accurately reflect or serve as a reliable indicator of our full-year operating trends.

If we fail to effectively manage our operational costs and cash flows during off-peak periods, or if we experience critical asset underutilization or personnel shortages when failing to scale up our technical resources to meet surging customer demand during peak seasons, our business operations, financial condition, and operating results could be materially and adversely affected.

We may not be able to successfully execute our strategy to diversify into new energy and other sectors, and our existing oil and gas business may be adversely affected by China's energy transition.

A significant portion of our revenue is currently derived from inspection and testing services for clients in China's oil and gas sector. China's ongoing energy transition, driven by national policies promoting decarbonization, electrification and renewable energy development, may over time materially affect the investment focus and operations of these clients. Reduced capital expenditure on traditional oil and gas exploration and production could lower the demand for our conventional offerings, such as OCTG services. Furthermore, the accelerated retirement or conversion of fossil-fuel-based assets could further shrink our traditional market.

We have adopted a strategy to diversify our business into new energy and other selected sectors, including pharmaceuticals, shipbuilding, municipal pipeline networks and other technology-driven verticals, leveraging the sector-agnostic nature of our core testing and inspection technologies, as described in the section headed "Business — Our Business Strategy". However, these strategic initiatives require substantial investments in research, training, and obtaining new accreditations, and their commercial success is subject to uncertainties. We have limited operating experience in these new sectors, and we cannot assure you that we will be able to compete effectively against established players, secure sufficient customer demand, or generate revenue or profitability from these initiatives comparable to that of our existing business. If China's energy transition progresses faster than anticipated, or if we fail to effectively execute our diversification and adaptation strategies and acquire the necessary expertise to serve these evolving needs, we may lose our competitive edge. Any such failure could lead to diminished project opportunities, asset impairments, and a decline in our market position, which could materially and adversely affect our business, financial condition, and results of operations.

We may not be able to successfully scale our technology-driven testing and inspection platform into new industries, service lines or geographies.

Our growth strategy depends in part on our ability to scale our proprietary testing and inspection technologies and platforms, which we believe are largely sector-agnostic, into new energy, industrial equipment and other technology-driven sectors beyond our current core oil and gas customer base, as described in the section headed "Business — Our Business Strategy." Successfully scaling into a new sector typically requires us to obtain new industry-specific qualifications and accreditations, recruit or train personnel with relevant domain expertise, adapt our equipment and methodologies to different technical standards, and build a customer base and track record in markets where we currently have limited or no operating history.

We cannot assure you that demand for our services in these new sectors will develop as we anticipate, that we will be able to achieve sufficient scale to generate revenue or margins comparable to our existing business, or that our capital expenditure and other investments in this expansion will generate an adequate return. If we are unable to scale our platform effectively, our new energy and other sector initiatives may remain immaterial to our overall results of operations for longer than anticipated, and we may not achieve the diversification benefits we expect, which could materially and adversely affect our growth prospects.

Our business depends substantially on the continued service, performance, and strategic vision of our senior management, and our operations, global expansion, and capital market valuation could be materially and adversely affected if we lose their services.

Our future performance depends on the service and contribution of our experienced management to oversee and execute our business plans, identify and pursue new opportunities, and ensure smooth business operations across our decentralized project networks. In particular, our executive directors and senior management team bring critical industry expertise and regulatory compliance capabilities derived from their extensive tenure in the energy sector, which are essential for navigating complex regulatory landscapes across multiple jurisdictions.

However, we cannot assure you that we will be able to consistently retain our core management team or secure immediate, equally qualified replacements upon any unexpected departures. The loss of services of our management, or any simultaneous defection of key personnel to competitors, could significantly delay or prevent us from achieving our strategic objectives or disrupt our corporate governance arrangements. Furthermore, as our management maintains stable and long-term institutional relationships with major industry participants and key customers, any leadership instability could disrupt client communications, affect our participation in crucial public bidding processes, and adversely affect our major revenue-generating accounts, which may in turn impact investor confidence and adversely affect the **[REDACTED]** of our H Shares.

We face intense competition for highly skilled technical specialists and certified inspection engineers. Any failure to attract, systematically train, or retain sufficient technical talents could disrupt our research and development activities, affect our testing accuracy, and result in contract cancellations or professional indemnity claims.

As a technology-intensive and highly specialized independent third-party TIC service provider, our core market competitiveness and service quality rely heavily on our research and development workforce and certified field personnel, including certified NDT inspection engineers, casing tightness technicians, and metrology specialists. As of the Latest Practicable Date, our technical personnel held over 1,870 professional technical qualifications in aggregate, demonstrating the high qualification requirements inherent in our operations.

However, competition for certified technical talent possessing both robust theoretical engineering expertise and practical on-site operational capabilities under harsh, remote oilfield environments is highly competitive. We face talent retention risks from both international comprehensive TIC giants and domestic players, and we may be forced to incur significantly higher employee remuneration costs and recruitment expenses to retain highly skilled technical professionals, which would directly increase our cost of sales and compress our profit margins. We cannot assure you that we will be able to continuously hire, train, or retain qualified staff needed to support our automated equipment upgrades and intelligent software innovations. Any significant shortage or departure of our core R&D specialists or certified technical professionals could stall our proprietary technology upgrades, force the deployment of under-qualified staff to active high-pressure fields, and increase the risks of human error or operational non-compliance. Such operational failures could result in unreliable or inaccurate test or inspection results, trigger contract cancellations or liquidated damages claims from national oil companies, and diminish our scoring under customers' evaluation systems during open tenders, which could materially and adversely affect our operating cash flows and brand reputation.

We may fail to keep pace with technological developments and changing client demands in the testing and inspection industry, which could adversely affect our market competitiveness.

The testing and inspection technology landscape, including in the oil and gas sector, the new energy and other sectors into which we are expanding, is characterized by ongoing technical innovations, including the integration of automated diagnostics and intelligent data analytics. Our continuous technological research initiatives and active patent portfolios are described in the section headed "Business — Intellectual Property" in this document.

However, we cannot assure you that our ongoing R&D efforts will consistently yield commercially viable innovations on a timely basis, or at all. If our competitors develop more advanced automated OCTG testing methods or disruptive alternative NDT technologies that enhance accuracy or efficiency beyond our current capabilities, or if we fail to accurately anticipate and adapt to our clients' evolving technological specifications, the demand for our existing service offerings may significantly decline. Any failure to keep pace with these market-driven technological developments will diminish our competitive scoring edge in open tenders, suppress our premium service pricing, and materially and adversely affect our business, financial condition, and growth prospects.

We rely on our proprietary information technology platforms and data systems to deliver our services, and any failure, cybersecurity incident, or data integrity issue affecting these systems could materially and adversely affect our business.

As described in the section headed "Business — Information Technology Systems," we have developed a series of proprietary, AI-enabled management platforms, including our NDT management platform, casing and tubing management platform, metrology testing management platform and smart factory management platform, which support core functions such as data acquisition and analysis, defect recognition, report generation, and warehousing and asset management. We also maintain a customer and supplier information database on a third-party-procured enterprise management platform.

Our ability to deliver accurate, timely and reliable testing and inspection services is increasingly dependent on the continuous and secure operation of these systems. Any system failure, service interruption, or loss of access to these platforms, whether due to technical malfunction, natural disaster, or otherwise, could delay our project execution and report delivery. In addition, despite the data security measures we have implemented, including encrypted backup, access permission controls, server whitelists and firewalls, we cannot assure you that our information systems will be free from unauthorized access, cyberattacks, data breaches, or other security incidents. Any unauthorized access to, or corruption, loss or leakage of, our proprietary testing data, AI models, or our customers' confidential information could compromise the integrity and credibility of our testing and inspection results, expose us to claims from affected customers, subject us to regulatory investigation or penalties under applicable data protection and cybersecurity laws, and damage our reputation as an independent and trustworthy service provider, any of which could materially and adversely affect our business, financial condition and results of operations.

We may fail to obtain, maintain, or timely renew necessary accreditations and licenses under new or revised regulatory and industry standards, which could disrupt our operations.

As an independent TIC service provider, our ability to legally operate and conduct testing services depends strictly on obtaining and maintaining specific laboratory accreditations, government qualifications, and industry standard certifications from domestic and international regulatory authorities. Our current key institutional accreditations and regulatory compliance records are described in the section headed "Business — Approvals, Licenses and Permits" in this document.

Regulatory bodies and industry associations periodically revise their assessment criteria, technical thresholds, and compliance mandates. We cannot guarantee that we will always be able to adapt our quality control systems or upgrade our laboratory equipment in time to comply with these evolving standards. Any failure to maintain our existing certifications, or any material delay in renewing our mandatory licenses upon expiration, could result in the temporary suspension of our testing operations, total disqualification from participating in public bidding processes with state-owned energy enterprises, or significant administrative penalties. Any such disqualification would disrupt our ongoing project execution and could adversely affect our brand reputation and business prospects.

We may not be able to procure certain key raw materials or lease equipment from suppliers on acceptable terms or in a timely manner, any material disruption in their supply or price volatility may adversely affect our business.

For the years ended 31 December 2023, 2024 and 2025, purchases from our five largest suppliers accounted for approximately 28.7%, 25.3% and 34.3% of our total purchases, respectively. While we maintain alternative sourcing options, we concentrate our purchases among a select group of reliable suppliers to ensure quality consistency and commercial efficiency. However, this concentration exposes us to risks associated with the financial stability and operational continuity of these major suppliers. Furthermore, as is customary in our industry, we generally do not enter into long-term supply contracts or hedge against raw material price volatility. Consequently, we are exposed to sudden market price spikes or inflationary pressures, and we cannot assure you that we will be able to pass on such increased procurement costs to our clients in a timely manner, or at all.

Although backup suppliers are theoretically available, qualifying a new supplier to meet our strict quality standards and client specifications can be a time-consuming and costly process. Any unexpected termination of business relations, capacity constraints, or financial distress experienced by our major suppliers could force us to source from alternative vendors at higher costs, or result in technical incompatibility of leased equipment. Such operational frictions, quality inconsistencies, or failure by our suppliers to meet local environmental and regulatory standards could disrupt our project execution schedule, lead to potential breach of contract claims from our clients, and materially and adversely affect our business, financial condition, results of operations, and brand reputation.

The execution of our capital expenditure plan is subject to some uncertainty.

While our historical capital expenditures on property, plant, and equipment have not constituted a significant portion of our total procurement spending, we expect to commit a substantial amount of capital, primarily derived from the net **[REDACTED]** of this **[REDACTED]**, to expand our technical capacities. Specifically, we plan to invest in the upgrade and expansion of our R&D laboratories and the procurement of advanced R&D and testing equipment, as further described in the section headed "Future Plans and Use of **[REDACTED]**" in this document.

The execution of these planned capital projects remains subject to inherent operational risks, including sudden shortages of specialized materials, engineering or technical bottlenecks, weather interference, delays in equipment delivery, or localized friction in obtaining required regulatory permits or environmental approvals. We cannot assure you that we will be able to acquire all planned testing equipment on schedule or within our budgeted allocations. Any significant delays or material cost overruns in executing these capital projects could severely disrupt our strategic initiatives, and could require alternative funding or scaling back of this plan, which would materially and adversely affect our business, financial condition, and growth prospects.

Failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other business partners may adversely affect our business.

We are exposed to the risk of misconduct, including negligence, fraud, embezzlement, corruption, bribery, and other unlawful or unethical acts, which may be committed by individuals within our organization or by external parties with whom we engage. In our line of business, such misconduct could take the form of manipulation or falsification of inspection data or reports, provision of improper advantages to secure business, or circumvention of internal controls for personal gain. Such activities, if they occur, could result in severe consequences, including substantial direct financial losses, governmental and regulatory investigations, significant administrative or criminal penalties, debarment from government contracts, and lasting damage to our reputation as an independent and trustworthy service provider. Additionally, misconduct by suppliers or other third parties could disrupt our supply chain, compromise the quality of inputs essential to our services, and erode customer confidence, thereby undermining our operational stability.

While we have established internal control systems, compliance policies (including codes of conduct and anti-corruption procedures), and whistleblowing channels designed to prevent, deter, and detect such activities, no system of controls can provide absolute assurance that all misconduct will be prevented or detected in a timely manner. The increasing complexity and geographic scope of our operations, coupled with our reliance on numerous third-party relationships, further heighten this risk. A failure to adequately prevent, or to identify and remediate, significant fraudulent or illegal conduct could lead to costly litigation, regulatory sanctions, loss of key licenses or accreditations, and business disruptions. Any of these outcomes could have a material adverse effect on our business, financial condition, and results of operations.

If we fail to maintain an effective system of internal controls and risk management, our operational capabilities, financial results and regulatory compliance could be materially and adversely affected.

The integrity of our operations and financial reporting, as an independent third-party inspection service provider with a geographically dispersed footprint, is fundamental. While we have established an internal control framework designed to provide reasonable assurance over operational effectiveness, financial reporting reliability, and legal compliance, this system faces significant and evolving challenges. Our ongoing business expansion into multiple jurisdictions, including operationally complex regions, tests our ability to enforce control policies consistently across a decentralized, project-based organization. Furthermore, our service quality and data integrity are inherently dependent on the strict adherence of field personnel to standardized procedures, creating a control environment vulnerable to human error or deviation that may not be immediately detected. This reliance is compounded by our dependence on information systems for core functions; ensuring the stability, security, and integration of these systems is critical as we scale. Additionally, transitioning to a **[REDACTED]** will subject us to more stringent regulatory standards, frequent audits, and public scrutiny, necessitating substantial and ongoing investment to document, maintain, and enhance our control environment to meet the requirements of the HKEX Listing Rules.

Despite management's commitment to continuous improvement, we cannot assure the perpetual effectiveness of our internal controls. They may be circumvented, contain inherent design limitations, or become outdated due to internal business changes or material shifts in industry trends. A failure of our internal controls could manifest in various materially adverse ways, such as undetected material misstatements in financial reports, the failure to identify key project or financial risks, an inability to prevent fraud or asset misappropriation, violations of data security or anti-corruption laws leading to penalties and litigation, and ultimately, damage to our reputation as a reliable independent verifier and the loss of client confidence. Any such material control weakness could have a material and adverse effect on our business, financial condition, and results of operations.

Our operations are subject to extensive environmental laws and regulations across multiple jurisdictions. Failure to comply with such requirements, or any tightening thereof, could result in significant liabilities and increased compliance costs.

In the course of providing our inspection and testing services, we and our clients' facilities at which we operate are subject to a broad range of environmental laws and regulations in each jurisdiction where we maintain operations. In the provision of our services, our personnel may come into contact with, or be required to handle, hazardous substances including chemical cleaning agents, anti-corrosion coatings, and other regulated materials. The generation, use, storage, transportation, and disposal of such substances are subject to stringent regulatory requirements.

The environmental regulatory framework in the PRC and other jurisdictions where we operate has been subject to ongoing tightening in recent years. If more stringent compliance standards, emission limits, or waste disposal requirements are imposed — whether through new legislation, amendments to existing regulations, or more rigorous enforcement practices — we may be required to incur additional capital expenditure to upgrade our waste treatment, emission control, or hazardous substance management facilities and processes or modify our service delivery methods to comply with new requirements. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material environmental regulatory penalties, remediation orders, or third-party claims arising from environmental contamination. However, additional environmental liabilities may arise in the future, at sites where we currently operate, or as a result of changes in the interpretation or enforcement of existing environmental regulations that result in previously compliant practices being deemed non-compliant.

As we operate across multiple jurisdictions, including the PRC, Iraq, the United Arab Emirates, Kazakhstan, Indonesia, Uzbekistan and Chad, we are required to comply with the respective environmental regulatory frameworks of each jurisdiction. The varying and potentially inconsistent requirements across different jurisdictions increase the complexity and cost of our environmental compliance efforts. Any failure to comply with applicable environmental regulations in any jurisdiction where we operate could result in fines, penalties, remediation costs, and reputational damage, any of which could have a material adverse effect on our business, financial condition, and results of operations

There can be no assurance that our Company or our subsidiaries will continue to benefit from preferential tax treatments.

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》)(the "**EIT Law**") and its relevant implementation regulations, the statutory enterprise income tax ("**EIT**") rate applicable to enterprises in the PRC is 25%. In addition, the EIT Law and its related regulations provide for various preferential tax treatments for enterprises that satisfy certain qualifying conditions, including but not limited to reduced tax rates and enhanced deductions for eligible expenditures.

During the Track Record Period, our Company has been recognized as a High and New Technology Enterprise and has qualified for Western Development tax incentives (the "**Western Development**") during the Track Record Period. Certain of our key PRC subsidiaries are also qualified for the Western Development tax incentives. Consequently, these entities were entitled to enjoy a reduced EIT rate of 15% during the years ended December 31, 2023, 2024 and 2025, subject to meeting certain annual qualification criteria. In addition, our PRC subsidiaries benefited from the preferential super deduction policy for research and development expenses, under which we adopted a additional deduction rate of 100% from January 1, 2023 to December 31, 2025.

There can be no assurance that our Company or any of our relevant subsidiaries will continue to meet the qualification criteria upon the next re-assessment for HNTE status or the Western Development tax incentives, or that the relevant government authorities will not impose more stringent criteria in the future. The HNTE certification and certain regional tax incentives are typically valid for a fixed term and require periodic renewal. If we or any of our subsidiaries fail to maintain such statuses, the applicable EIT rate would revert to the statutory rate of 25%. In 2023, 2024 and 2025, our Group's effective income tax rates were approximately 12.7%, 12.7% and 15.3%, respectively.

When our currently available tax benefits expire, are revoked, or otherwise become unavailable, or if the relevant tax laws, regulations, or their interpretation are amended in a manner unfavorable to us, the effective income tax rate applicable to our PRC subsidiaries may increase significantly. Any such increase could have a material adverse effect on our financial condition and results of operations. See "Financial Information — Description of Selected Components of Consolidated Statements of Profit or Loss — Income Tax Expense" for further details regarding the tax treatments applicable to our Group during the Track Record Period.

We are subject to anti-corruption, anti-bribery, and similar complex laws across multiple jurisdictions. Any real or perceived non-compliance with such laws could subject us to significant administrative sanctions, criminal penalties, debarment from government contracts, and damage to our corporate reputation.

We are subject to strict anti-corruption, anti-bribery and similar laws and regulations in the various jurisdictions in which we conduct our testing and inspection activities, including the PRC and our overseas markets. In the ordinary course of our business, our field personnel and management frequently have direct or indirect interactions with officials, inspectors, and employees of government agencies, regulatory bodies, and state-owned energy enterprises. These routine operational interactions inherently subject us to an elevated level of regulatory compliance risks and intense anti-bribery scrutiny.

Although we maintain internal compliance policies, strict codes of conduct, and specialized screening procedures regarding anti-corruption practices, as described in the section headed "Business — Quality Control" in this document, we cannot guarantee that our internal control framework will be entirely absolute or effective in preempting all improper conduct. Our directors, officers, employees, overseas representatives, localized consultants, or third-party agents may engage in unauthorized, fraudulent, or improper activities — such as offering improper commercial advantages to secure project awards in public tenders or circumventing internal protocols for personal gain — for which we could be held strictly or vicariously liable under extraterritorial anti-corruption legislation (such as the U.S. Foreign Corrupt Practices Act or the UK Bribery Act). Any such non-compliance, whether substantiated or merely alleged, could trigger disruptive whistleblower complaints, adverse media coverage, or joint regulatory investigations. The resulting collateral consequences could include significant civil and criminal fines, the imposition of external compliance monitors, cancellation of existing framework contracts, or debarment from future public tenders, which could materially and adversely affect our business, financial condition and results of operations.

We are subject to laws and regulations relating to social insurance and housing provident fund, and any failure to comply with such requirements may expose the Company to corresponding legal liabilities.

Under the relevant PRC laws and regulations, including the Regulation on the Administration of Housing Provident Funds and the PRC Social Insurance Law, PRC enterprises are required to establish housing provident fund accounts for their employees, complete social insurance registration and make contributions to social insurance and housing provident fund in a timely and full manner. Although we were not subject to any material administrative penalties imposed by the relevant authorities in connection with our social insurance and housing provident fund contributions during the Track Record Period, there can be no assurance that our historical and current practices in this regard will always be regarded as fully compliant by the relevant regulatory authorities, particularly in light of the evolving interpretation, application and enforcement of the relevant laws and regulations.

If the relevant authorities determine that our practices are non-compliant, we may be ordered to pay the outstanding social insurance and/or housing provident funds within a prescribed time period. Pursuant to the PRC Social Insurance Law and the Regulation on the Administration of the Housing Provident Funds, we may be subject to additional administrative penalties if we fail to comply with such prescribed rectification deadline set by the competent authorities.

As advised by our PRC Legal Advisors, considering that (1) we have obtained written confirmations and credit reports issued by certain relevant authorities that no administrative penalty was imposed on us during the Track Record Period; (2) as of the Latest Practicable Date, we had not received any notification from the relevant PRC regulatory authorities requiring us to pay material shortfalls or imposing fines on us with respect to social insurance and housing provident funds; (3) we were not aware of any employee complaints nor were involved in any labor disputes with our employees with respect to social insurance and housing provident funds; and (4) we undertake to make full contributions or to pay the shortfall within a prescribed time period if and when requested by the competent government authorities. In addition, pursuant to various notices and policies issued by relevant government authorities, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises' historical overdue social insurance contributions. Based on the analysis above, our PRC Legal Advisers are of the view that, under the premise that there are no significant changes to current PRC policies and regulations or to the enforcement and supervision requirements of local governments and that there are no employee complaints, litigation or arbitration proceedings, the likelihood that we would be subject to material administrative penalties or centralized collection due to our failure to make full social insurance and housing provident fund contributions is remote. Notwithstanding the foregoing, any failure by us to comply with other applicable labor laws and regulations in the PRC may also expose us to liabilities, penalties or claims for compensation by employees. See "Business — Compliance — Social Insurance and Housing Provident Funds."

Our insurance coverage may not be sufficient.

We maintain insurance policies to cover certain aspects of our operations in line with customary industry practices. For details of our insurance policy, please refer to the section headed "Business – Insurance" in this document. However, these policies are subject to coverage limits, deductibles, and exclusions. Certain material risks may fall outside their scope, or the costs of a claim may exceed the applicable policy limits. Moreover, there is no assurance that claims will be paid in full or in a timely manner, as insurers may dispute coverage or face solvency issues.

Our risk exposure is not static and may outpace our insurance protection. As we expand into new markets, develop new service lines, or engage with different client segments, we may encounter novel risks that are not adequately addressed by our current insurance portfolio. A failure to accurately assess these evolving exposures or to procure appropriate additional coverage on a timely basis could leave us effectively uninsured for significant new activities. Similarly, evolving industry standards or more stringent client contract requirements may impose new insurance obligations that we are unable to satisfy.

Although we had not made, or been the subject of, any material insurance claims, and we did not experience any business interruptions or losses or damages to our properties that had a material adverse effect on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date, this historical experience is not a reliable indicator of the future. If we incur substantial costs from an event that is uninsured, underinsured, or for which insurance recovery is delayed or denied, it could have a material adverse effect on our business, financial condition, and results of operations.

We may not be able to adequately protect our proprietary technologies, patents, and technical know-how. Any unauthorized misappropriation of our intellectual property or protracted infringement claims by third parties could compromise our technical edge and disrupt our operations.

Our long-term market competitiveness and brand equity rely heavily on a combination of statutory intellectual property rights and strict internal confidentiality protections to safeguard our core proprietary technologies, such as automated OCTG drift testers and AI-based radiographic film interpretation systems. The factual details of our intellectual property portfolio are described in the section headed "Business — Intellectual Property" in this document.

However, we cannot assure you that our protective measures will be fully sufficient to prevent sophisticated technological misappropriation, or that unauthorized third-party infringement does not currently exist or will not surface in the future. As we operate a decentralized, project-based organization with a geographically dispersed footprint, preventing the unauthorized leak of core technical workflows or custom-developed testing software algorithms by departing technical specialists or field sub-contractors is inherently complex. Furthermore, the legal frameworks governing intellectual property rights in certain developing markets where we operate may not offer the same level of robust protection or enforcement predictability as in more developed jurisdictions.

To defend our proprietary edge, we may be forced to initiate costly litigation or enforcement actions against infringing competitors. Such legal proceedings may result in significant financial outlays, divert resources from our research and development budgets, and divert top management's time and attention. Conversely, we also face the risk of being subjected to third-party allegations of intellectual property infringement or patent opposition proceedings. Any adverse determination in such intellectual property disputes could subject us to significant damages liabilities, force us to pay ongoing royalties, compel us to undertake costly redesigns of our proprietary equipment lines, or subject us to judicial injunctions prohibiting the utilization of our core technologies, which would lead to project delays, contract cancellations, and lost revenue opportunities.

We may be exposed to credit risk arising from our trade receivables. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.

As of December 31, 2023, 2024 and 2025, our gross trade receivables amounted to RMB240.2 million, RMB274.6 million and RMB338.5 million, respectively. We generally grant a credit term of two months to our major oil and gas customers, and credit terms of six to nine months to our other customers. The difference in credit terms is primarily attributable to the industry position and nature of our customers. See "Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Trade Receivables" in this document.

We cannot assure you that we will be able to collect all or any of our trade receivables on time, or at all. Our customers may face unexpected circumstances. For example, our trade receivables turnover days increased from 177 days in 2023 to 214 days in 2024, and further increased to 230 days in 2025, primarily attributable to delays in payment by certain major customers as a result of their internal working capital management and commercial arrangements. As a result, we may not be able to receive such customers' payment of outstanding debts in full, or at all, and may be exposed to credit risk. The occurrence of such an event would materially and adversely affect our financial condition and results of operations.

Force majeure events, such as natural disasters, adverse weather conditions, public health and public security hazards, may disrupt our business and operations.

Our field inspection, testing, and asset integrity operations are highly vulnerable to unpredictable force majeure events that are completely beyond our control. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any force majeure event with a material adverse effect on our operations.

However, our major production infrastructures and service footprints are concentrated in specific regions that are inherently susceptible to challenging climatic and environmental risks. Specifically, for the year ended December 31, 2025, approximately 79.7% of our total revenue was generated from our field operations in the PRC (with key regional execution centers strategically located across Xinjiang and Southwest China), and approximately 13.4% of our revenue was derived from projects in Middle East.

Our field personnel and automated testing equipment in these regions are frequently exposed to severe localized natural hazards, including destructive dust storms and sandstorms, extreme operational temperatures, or regional security instabilities. Any such environmental friction or natural disaster could result in forced work stoppages, physical destruction of high-value laboratory instruments, unexpected malfunctions or total failure of our information management networks, and severe logistics delays. Due to the decentralized and hazardous nature of active oilfield environments, these unpredictable disruptions could prevent our technical teams from executing contracted services on schedule, incur significant remediation costs, expose our Group to client default claims, and have a material adverse effect on our business, financial condition, and results of operations.

Our business, financial condition and results of operations may be adversely affected by fluctuations in foreign exchange rates.

We are exposed to market risks from fluctuations in foreign currency exchange rates due to our international operations, including transactions, investments and financing activities denominated in currencies other than the RMB. For the years ended December 31, 2023, 2024 and 2025, approximately 16.0%, 16.4% and 20.3% of our total revenue, respectively, was generated from overseas markets, and a material portion of both our total revenue and costs was denominated in currencies other than RMB, primarily U.S. dollars. We do not currently hedge our foreign currency exposure. Our overseas businesses are typically settled in foreign currencies and translated into RMB for consolidated financial reporting, and significant exchange rate volatility between the RMB and currencies like the U.S. dollar, euro, or others could alter our operating income, affect gross profit margins and generate foreign exchange gains or losses between sales recognition and receipt of payments. For instance, appreciation of the RMB against foreign currencies could raise the effective prices of our service in overseas markets, reducing competitiveness and potentially decreasing sales volumes. Conversely, depreciation of the RMB could increase the costs of imported raw materials from international suppliers, thereby compressing our profit margins and elevating overall expenses.

We may also face challenges from changes in foreign exchange regulations, restrictions on fund remittances, or limitations on the availability and effectiveness of hedging instruments. Currency market volatility could heighten our financing costs, complicate budgeting and planning, and introduce uncertainty into our financial results. If we are unable to effectively manage significant exchange rate fluctuations or related events, we may incur net foreign currency losses or other adverse financial impacts, which could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THIS [REDACTED]

There has been no prior public market for our H Shares, and their price and trading volume may be volatile following the [REDACTED], which could result in substantial losses to investors.

Prior to the **[REDACTED]**, there was no public market for our H Shares. The **[REDACTED]** for our H Shares will be determined through negotiations between us and the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**), and the initial **[REDACTED]** may not be indicative of the **[REDACTED]** for our H Shares after the **[REDACTED]** completes. We have applied for the **[REDACTED]** of, and permission to deal in, our H Shares on the Stock Exchange. However, an active, liquid public trading market for our H Shares may not develop, or if developed, may not be sustained following the **[REDACTED]**.

The **[REDACTED]** and **[REDACTED]** of our H Shares may fluctuate significantly and rapidly after the **[REDACTED]** due to various volatility drivers, many of which are beyond our control. These market-wide and company-specific factors include, but are not limited to: (i) variations in our quarterly or semi-annual operating results and financial performance; (ii) success or failure of our ongoing cross-border expansion strategies; (iii) changes in securities analysts' financial estimates or investment recommendations regarding our Group or the TIC industry; (iv) additions or departures of core senior management or key R&D specialists; (v) strategic litigation, intellectual property disputes, or regulatory compliance investigations; and (vi) general economic, geopolitical, and market conditions inside the PRC, Hong Kong, and international capital markets.

Furthermore, the Hong Kong stock market has experienced substantial **[REDACTED]** and **[REDACTED]** in recent years, which has frequently affected the **[REDACTED]** of newly **[REDACTED]** equity securities regardless of the specific operating performance of the underlying issuers. Any lack of an active market or subsequent intense **[REDACTED]** could severely impair your ability to liquidate your **[REDACTED]** and may result in substantial financial losses on your **[REDACTED]** in our H Shares.

We may not declare dividends on our H Shares in the future.

There is no assurance as to when and in what form dividends will be paid on our H Shares following the **[REDACTED]**. Declaring dividends on our H shares is subject to the discretion of our Board and is contingent upon a comprehensive assessment of our financial condition, operational results, and capital requirements, among other considerations, and will be subject to our Shareholders' approval. We may not 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.

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

The **[REDACTED]** of our H Shares in the **[REDACTED]** may be higher than the net tangible book value per H Share immediately prior to the **[REDACTED]**. As a result, **[REDACTED]** of our H Shares in the **[REDACTED]** may experience immediate dilution in net tangible book value. In addition, we may need to raise additional funds in the future and may **[REDACTED]** or securities convertible into Shares. **[REDACTED]** of our H Shares may experience further dilution in the net tangible book value per Share if we **[REDACTED]** or securities in the future.

Future sales or issuances, or perceived future sales or issuances, of substantial amounts of our H Shares could adversely affect the [REDACTED] of our Shares.

If our existing shareholders sell, or are perceived as intending to sell, substantial amounts of our Shares, following the **[REDACTED]**, the **[REDACTED]** of our Shares could fall. Such sales, or perceived potential sales, by our existing shareholders might make it more difficult for us to issue new equity or equity-related securities in the future at a time and place we deem appropriate. If any existing shareholder or shareholders sell a substantial amount of ordinary shares after the expiration of the lock-up period, the prevailing **[REDACTED]** for our Shares could be adversely affected. See "**[REDACTED]**" for additional information regarding resale restrictions.

In addition, we may **[REDACTED]** or **[REDACTED]** for future acquisitions or other purposes. If we issue **[REDACTED]** or **[REDACTED]**, your ownership interests in our company would be diluted and this in turn could have a material adverse effect on the **[REDACTED]** of our Shares.

Future financing may cause a dilution in your shareholding or place restrictions on our operations.

We may require additional funding to meet our working capital or capital expenditure requirements or in connection with any acquisition we may make in the future. If we raise such funding through issuance of new equity or equity-linked securities, it may cause a dilution in the percentage of ownership of our then existing shareholders. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions; limit our ability to pursue our business strategies;
- require us to dedicate a substantial portion of our cash flow from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Certain facts, forecasts and statistics in this document relating to China, the economic conditions thereof and the energy testing and inspection industry derived from official government publications, market data providers and other independent third-party sources may not be reliable.

This document includes facts, forecasts, and other statistics relating to China, its economic conditions, and the energy testing and inspection industry, which are derived from various official government publications, market data providers, and other independent third-party sources, including the Frost & Sullivan Report, an independent industry expert. While we generally believe these sources to be reliable, we cannot guarantee their quality or reliability. This information has not been prepared or independently verified by our Company, the **[REDACTED]**, or any of their respective affiliates or advisers, and we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China.

We have, however, taken reasonable care in reproducing or extracting the official government publications and reports of other market data providers and independent third-party sources for disclosure in this document. Due to potentially flawed or ineffective collection methods or discrepancies between published information and market practice, these facts and statistics may be inaccurate or not comparable to those produced for other economies. Furthermore, we cannot assure that they are stated or compiled on the same basis or with the same degree of accuracy as in other jurisdictions. **[REDACTED]** should carefully consider how much weight or importance to place on such facts.

This document contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our actual performance for the periods of time to which such statements relate.

This document contains certain forward-looking statements relating to our plans, objectives, expectations and intentions. When used in this document, the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements involve known and possibly unknown risks, uncertainties and other factors which may cause our actual performance or achievements to be materially different from the anticipated performance or achievements expressed or implied by the forward-looking statements in this document. Such forward-looking statements are based on numerous assumptions as to our present and future business strategies and the environment in which we will operate in the future. Our actual performance or achievements may differ materially from those disclosed in this document.