
RISK FACTORS

In addition to other information in this Document, you should carefully consider the following risk factors before making an [REDACTED] in our [REDACTED]. Our business, financial condition, or results of operations could be materially and adversely affected by any of these risks. The [REDACTED] price of the [REDACTED] could decline due to any of these risks and you may lose all or part of your [REDACTED]. Additional risks and uncertainties not presently known to us or which we currently deem immaterial may arise or become material in the future and may have a material effect on us.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We operate on thin profit margins, which may render us more susceptible to economic and/or industry downturns.

Our primary business, namely sales of silver powder products, is generally a low profit margin business. For the years ended 31 December 2023, 2024, and 2025 and the five months ended 31 May 2025 and 2026, our gross profit margin was 3.9%, 3.3%, 4.7%, 2.8%, and 2.0% and our net profit margin was 2.2%, 2.0%, 3.3%, 1.4%, and 1.4%, respectively. This is mainly because we price our silver powder products by adding a mark-up to the price of silver, which represents most of the total price of our silver powder products and the total cost of our raw materials. In the years ended 31 December 2023, 2024, and 2025 the five months ended 31 May 2025 and 2026, our cost of raw materials accounted for 99.3%, 99.4%, 99.5%, 99.4%, and 99.7% of our cost of sales, respectively, and our silver nitrate procurement costs accounted for 98.6%, 99.1%, 99.6%, 99.4%, and 99.6% of our procurement costs of raw materials, respectively. Operating with thin profit margins, together with other factors such as intense market competition, may render us more vulnerable to adverse macroeconomic or industry-specific developments. In such events, our profit margins will further decrease, which may materially and adversely affect our results of operations and financial condition.

The majority of our revenue was generated from a small number of customers during the Track Record Period. Any reduced sales to key customers, customers failing to fulfil their obligations as stipulated in contracts with them, or failure to obtain new customers may significantly reduce our revenue and profit and materially and adversely affect our results of operation.

A significant portion of our revenue was generated from a small number of customers in each year/period during the Track Record Period. The sales revenue from our largest customers in each year/period during the Track Record Period accounted for 45.1%, 36.7%, 21.4%, and 20.7% of our total revenue for the respective year/period. The sales revenue from our five largest customers in each year/period during the Track Record Period accounted for 94.8%, 84.4%, 71.1%, and 72.7% of our total revenue for the respective year/period. For more details about our five largest customers in each year/period during the Track Record Period, see “Business — Customers” in this Document.

We may be affected by risks arising from customer concentration. Due to the highly competitive nature of the PV industry, we risk losing these customers in various situations including, among others, our failure to deliver high-quality products or services that meet the expectations and needs of our customers, our failure to adapt to changing market trends or technological advancements, and the prices of our products being uncompetitive. Our sales to customers could be affected by a number of factors beyond our control, including their business and financial performance, which may fluctuate due to their liquidity and creditworthiness, market demand for their products, the financial health of their downstream industries, supply and competition in their target markets, and overall industry development. Broader macroeconomic conditions, such as inflation, interest rate changes, geopolitical uncertainties, and supply chain disruptions, could also impact their purchasing decisions. Any adverse developments affecting our key customers or affiliated companies, including changes in their procurement policies or financial difficulties, could reduce their demand for our products, which may in turn materially and adversely affect our revenue and profitability.

RISK FACTORS

We source most of our key raw materials from a small number of suppliers during the Track Record Period. Any failure to obtain the required key raw materials from our existing suppliers, or inability to obtain these raw materials through secondary sources or markets may disrupt our production and materially and adversely affect our results of operation.

During the Track Record Period, our procurement of raw materials was concentrated among a relatively small number of suppliers. Our raw materials mainly include silver nitrate (AgNO_3) and other supplemental materials such as dispersants and reducing agents. Dispersants include polyvinyl pyrrolidone ($(\text{C}_6\text{H}_9\text{NO})_n$), while reducing agents include vitamin C ($\text{C}_6\text{H}_8\text{O}_6$), and hydrazine hydrate (N_2H_4). Purchases from our largest supplier of raw materials in each year/period during the Track Record Period accounted for 51.1%, 47.9%, 68.7%, and 75.1% of our total purchases during the respective year/period. Purchases from our five largest suppliers of raw materials in each year/period during the Track Record Period accounted for 97.7%, 98.3%, 98.3%, and 99.8% of our total purchases during the respective year/period. If any of our major suppliers fail to adequately fulfil their obligations or experience disruptions in production due to, for example, bankruptcy, natural disasters, labour strikes or disruption of its supply chain, or decide to unilaterally terminate their contractual arrangements with us, we may experience a significant delay in the delivery of or fail to receive previously ordered raw materials including silver nitrate and/or other supplemental materials, which would materially and adversely affect our revenue and profitability and could jeopardise our ability to meet the demands of our customers.

If our supply of raw materials is disrupted or delayed, or if we need to replace our existing suppliers, there can be no assurance that additional raw materials will be available when required or on terms favourable to us. Additionally, we may not be able to procure raw materials at reasonable prices, which could negatively impact our business or necessitate entering into longer-term contracts. Seeking alternative sources of supply to address these issues may further increase our manufacturing costs. Any such disruptions could exacerbate other risk factors, raise costs, and reduce our gross margins, thereby materially harming our business, financial condition, results of operations, and prospects.

Fluctuations in the silver price may have a material and adverse effect on our business, financial condition, and results of operations. Our historical revenue growth during the Track Record Period was partially attributable to increasing silver prices, which may not be sustainable.

Our business, financial condition, and results of operations may be significantly influenced by fluctuations in the price of silver. Specifically, we determine the selling price of our silver powder products by adding a mark-up to the price of silver. The price of silver is the determinant of the selling price of our silver powder products for our customers and directly affects our revenue. Additionally, silver nitrate is our primary raw material, and the procurement costs for silver nitrate make up the vast majority of our cost of sales. In particular, during the years ended 31 December 2023, 2024, and 2025 and the five months ended 31 May 2025 and 2026, our cost of raw materials accounted for 99.3%, 99.4%, 99.5%, 99.4%, and 99.7% of our cost of sales, respectively, and our silver nitrate procurement costs accounted for 98.6%, 99.1%, 99.6%, 99.4%, and 99.6% of our procurement costs of raw materials, respectively. Therefore, any fluctuations in the price of silver can directly impact our revenue, costs, gross profit, and gross profit margin. Our historical results of operations have been affected by these fluctuations. For more information, see “Financial Information — Review of Historical Results of Operations” section in this Document.

The price of silver is subject to volatility due to external factors such as market supply and demand. Consequently, we are exposed to the market risk associated with fluctuations in the price of silver. For instance, according to Frost & Sullivan, the average price of silver in China increased from RMB4.9 thousand per kg to RMB8.6 thousand per kg between 2023 and 2025, with a CAGR of 32.5%, and it is projected to reach RMB13.0 thousand per kg in 2030, growing at a CAGR of 8.6% from 2025 to 2030. In addition, according to the same source, the average price of silver in China increased by 152.1% from RMB7.1 thousand per kg during the five months ended 31 May 2025 to RMB17.9 thousand per kg during the five months ended 31 May 2026.

RISK FACTORS

You should pay particular attention to the fact that our historical revenue growth during the Track Record Period was to a large extent attributable to increasing silver prices, which may not be sustainable. See “Business — Impact of Silver Price on Our Performance” for details on the trends of our revenue, our sales volume, and silver prices during the Track Record Period. See “Financial Information — Factors Affecting our Results of Operations and Financial Condition — Silver Price” for a sensitivity analysis of the effects of hypothetical fluctuations in silver price on our revenue during the Track Record Period.

We are highly dependent on a single product category, namely silver powder, and our efforts to develop and diversify our product portfolio other than silver powder may not be successful.

During the Track Record Period, we derived almost all of our revenue from sales of silver powder products. In the years ended 31 December 2023, 2024, and 2025 and the five months ended 31 May 2025 and 2026, revenue generated from the sales of silver powder accounted for 99.1%, 97.4%, 97.3%, 96.0%, and 98.8% of our total revenue, respectively. We expect that the production and sales of silver powder products will continue to contribute to the vast majority of our total revenue in the near term. Given our significant reliance on a single product category, market acceptance of our silver powder products is critical to our future success. Any adverse developments affecting the demand for or pricing of silver powder, including changes in industry trends, customer preferences, technological advancements, competition from alternative materials, or regulatory developments, could materially and adversely impact our business, financial condition, and results of operations.

Furthermore, our current business strategy includes efforts to explore product portfolio other than silver powder such as copper powder. However, there can be no assurance that any of these initiatives will succeed. If we fail to develop, launch, and market new products successfully, or if these products do not gain sufficient market traction, we may be unable to recoup our investments, which in turn could materially and adversely affect our business, financial condition, and results of operations.

The industry we operate in is characterised by rapid technological changes and advancements, which requires us to invest substantial resources in R&D, sustain technological innovation and keep up with the technological upgrades and iterations in a timely manner. Failure to do so could result in delays or failure to bring new and competitive products to the market, materially and adversely affecting our financial performance.

The silver powder manufacturing industry evolves rapidly and is subject to rapid technological changes and developments. For example, in recent years, leading PV cell market participants have gradually turned their attention from P-type cells to N-type cells, which led to a rapid increase in the production and market adoption of N-type cells. Our future success, in part, depends on our ability to continue to improve the quality and performance of our existing products and develop and introduce new products that integrate new technological advances. If we are unable to integrate prevalent technological advances into our product offerings or design, develop, manufacture and market new products successfully in a timely manner or at all, our operating results and prospects may be adversely affected. We may fail to bring new and competitive products to the market in a timely manner or at all. Any foregoing failure could threaten our market position and damage our reputation. In the event we are unable to manage or mitigate the risks associated with technological changes and advancements, our business operation, profitability and future growth may be adversely affected.

Short-term orders from customers and counterparty risks may materially and adversely affect our business.

During the Track Record Period, we have not entered into any long-term or exclusive agreements with customers and sales of our products with our customers were characterised by short-term orders placed by our customers from time to time. As such, we primarily rely on ongoing communications with our customers in order to predict the future volume of our purchase orders.

RISK FACTORS

We cannot guarantee that our existing customers will continue to place orders with us, place orders of no less than the current volume of products, or not cancel any orders placed with us in the future. A variety of conditions, both specific to an individual customer and generally affecting the customer’s industry, can cause a customer to reduce or delay orders previously anticipated by or already placed with us, which could adversely impact our business. Given the volatility of short-term orders, we may experience an adverse change in our revenue. If any of these customers terminates their contracts with us or significantly reduces the amount of purchases from us, we may not be able to find replacement customers in the near term, and our results of operations could be adversely affected.

We rely on the market demand for our silver powder products from the PV paste and PV cell industry. Any slowdown or decrease in downstream demand or technological developments resulting in substitute products may have a material and adverse impact on us.

Our silver powder products are primarily used in the production of PV silver paste for manufacturing PV cells. There is no guarantee that the demand for PV silver paste will remain at previous levels or continue to grow in the future. Therefore, any potential changes in the demand for PV silver paste may have a significant impact on our PV silver powder sales. Technological advancements and the development of alternative materials to PV silver powder used in PV cells could negatively impact the demand for our silver powder products. As global commodity prices fluctuate, alternative materials may become more cost-effective, potentially rendering our silver powder products less marketable or even obsolete. According to Frost & Sullivan, at present, the alternative solutions for PV silver powder primarily focus on silver-coated copper and electroplated copper technologies. Any of these events could have a material adverse effect on our businesses, financial condition and results of operations.

Decline in the PV cell prices in downstream PV industry may have a material and adverse effect on our business, financial condition, and results of operations.

Our silver powder products are primarily used in the production of PV silver paste for manufacturing PV cells. Revenue generated from our silver powder products accounted for 99.1%, 97.4%, 97.3%, 96.0%, and 98.8% of our total revenue in the years ended 31 December 2023, 2024 and 2025 and the five months ended 31 May 2025 and 2026, respectively. We rely on the market demand for our silver powder products from downstream PV industry. When there is a decline in the PV cell prices in downstream PV industry, the downstream PV cell manufactures may seek to maintain their profit margin by exerting downward pressure on our sale prices of silver powder products, delaying or reducing purchases for our silver powder products, or switching to competitors who offer technologically advanced products or alternatives with lower prices. Consequently, any potential decline in the PV cells prices in downstream PV industry, which is beyond our control, may have a significant impact on our PV silver powder sales, thereby adversely affecting our business, financial condition and results of operations.

We face intense market competition, and the PV silver powder industry may undergo unforeseen changes under rapid development. If we fail to compete successfully, our business and results of operations may be materially and adversely affected.

We are a PV silver powder manufacturer in China. We currently face and will continue to face, significant competition from other manufacturers of similar products. According to Frost & Sullivan, due to high technical barrier, there were nearly 30 PV silver powder manufacturers globally as of 31 December 2025. Our competitors may enjoy several competitive advantages over us, including, but not limited to, better brand recognition, more financial resources, longer operating history, stronger R&D capabilities, larger customer base and stronger relationships with suppliers.

We believe that our ability to compete effectively against other market participants depends upon many factors, some of which are beyond our control. These factors include: the quality, reliability, and technological advancement of our products compared to those of our competitors; our ability to identify and capture new market opportunities in advance of our competitors; our

RISK FACTORS

reputation relative to our competitors; regulations or government policies in the industry where we operate; our ability to attract, retain, and motivate talented; and our ability to manage and grow our operations cost-effectively. We may be unable to compete successfully against these competitors or new market entrants, which may adversely affect our business and financial performance.

We may face an overcapacity of production in China’s PV silver powder industry.

According to Frost & Sullivan, other market players in China have also been expanding their production capacity in recent years. If the expansion of production capacity across the industry outpaces the growth in demand from PV silver paste manufacturers and PV cell producers, the industry may experience overcapacity. According to Frost & Sullivan, as of 31 December 2025, the utilisation rate of PV silver powder production facilities in China was approximately 32.0%. This rate is calculated by dividing the total actual production volume of PV silver powder in the year by the total designed production capacity of PV silver powder in the year. The future demand for PV silver powder is influenced by numerous factors beyond our control, including the macroeconomic environment in China, government policies affecting the PV sector, technological advancements leading to reduced silver consumption in PV applications, and shifts in supply chain dynamics. If supply significantly exceeds demand, competition among silver powder producers may become more intense, leading to potential price reductions, margin compression, and increased pressure to secure and retain customers. Any prolonged overcapacity in the industry could materially and adversely affect our business, financial condition, and results of operations.

We may be exposed to the credit risk of our customers, and failure to collect our trade and bills receivables in a timely manner may have a material and adverse effect on our financial condition and results of operations.

Our business operations are subject to the risk of payment deferrals and/or defaults by our customers. As of 31 December 2023, 2024 and 2025 and 31 May 2026, our trade and bills receivables amounted to RMB94.1 million, RMB175.4 million, RMB44.6 million, and RMB79.8 million, respectively. Our trade and bills receivables turnover days were 6.2 days, 12.5 days, 7.9 days, and 2.3 days in 2023, 2024 and 2025 and the five months ended 31 May 2026, respectively. As our businesses continue to develop, our trade and bills receivables may continue to rise and would increase our credit risk exposure. Customers that experience financial difficulties or liquidity constraints may fail to settle their payables to us in whole or in part. Any significant delays in payment or default could reduce our cash inflow, increase our working capital needs, and materially and adversely affect our liquidity, financial condition and results of operations.

Our level of indebtedness may materially and adversely affect our ability to raise additional capital to fund our operations, expose us to interest rate risk to the extent of our variable rate debt, and prevent us from meeting our obligations under our indebtedness.

During the Track Record Period, we, to a certain extent, relied on bank borrowings to finance our capital expenditures and business operations. We expect that we may continue to do so in the future, and our liquidity risk may increase. As of 31 December 2023, 2024, 2025 and 31 May 2026, our interest-bearing bank borrowings amounted to RMB151.7 million, RMB206.3 million, RMB111.9 million and nil, respectively. As of the same dates, our gearing ratio was 61.6%, 63.4%, 59.6% and 47.8%, respectively.

The high level of bank borrowings and gearing ratio may (i) make it more difficult for us to satisfy our obligations under our indebtedness, exposing us to the risk of default, (ii) require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings, thus reducing the availability of our cash flow for other purposes; (iii) increase our vulnerability to adverse economic or industry conditions; (iv) limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate; (v) limit our ability to borrow additional funds; and (vi) increase our exposure to unpredictable adverse events, such as not having enough cash to cover potential product liability and/or expenses for upgrading technologies or equipment requirement for our production.

RISK FACTORS

The success of our business depends on our ability to attract, train, and retain highly skilled employees and key personnel.

We rely on the expertise and experience of our key personnel including, among others, key executives and R&D personnel in developing business strategies, product R&D, business operations and maintaining relationships with customers. If we lose the services of any of our key personnel, we may not be able to find a suitable replacement with comparable knowledge and experience, and our business, financial condition, results of operations and prospects may be materially and adversely affected. We may need to offer better remuneration and other benefits to attract and retain key personnel, and therefore, we cannot assure you that we will have the resources to fully achieve our staffing needs or that our costs and expenses will not increase significantly as a result of increased talent acquisition and retention cost. Our failure to attract and retain competent personnel and any increase in staffing costs to retain such personnel may have a negative impact on our ability to maintain our competitive position and grow our business. If this occurs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be able to implement other expansions as planned. Expanding our business may exceed the original budget and may not necessarily achieve the expected economic benefits or commercial feasibility.

Our revenue realised steady growth over the past several years, and we intend to maintain our competitive advantages by, among others, expanding our business in the PV silver powder industry as well as exploring new business opportunities in non-silver powder materials and non-PV silver powder applications. Such expansion plans and any other future expansion plans would require significant capital investments in new production facilities and the engagement of additional qualified personnel. The success of our business expansion plans depends on various factors, many of which are beyond our control. For example, our expansion plans are subject to conforming and obtaining various permits, approvals and filings in compliance with applicable laws and regulations, including those relating to land use, environmental protection, and industry-specific standards. Any failure or delay in securing the necessary authorisations may postpone or prevent the implementation of our expansion plans, increase our compliance costs, or expose us to administrative penalties. There can be no assurance that we will be successful in implementing our strategies or that our strategies, even if implemented, will lead to the successful achievement of our business objectives.

Furthermore, in addition to the [REDACTED] from the [REDACTED], we expect to continue to fund our expansion plan through banking facilities and/or our operating cash flows. Finance costs in relation to our banking facilities may increase in the future and adversely affect our profitability. Accordingly, we may not be able to achieve the expansion of our operations in a timely or cost-effective manner. For risk relating to our financing activities, please see “Risk Factors — Risk Relating to our Business and Industry — Our business is capital-intensive, and we may require additional financing to support our developments or adapt to changes in business conditions. However, there is a risk that we may not be able to obtain additional financing on favourable terms or at all.” in this section.

If we fail to develop and maintain management, operational and administrative systems, resources and supporting infrastructure effectively and sufficiently to keep pace with our planned growth, we may experience difficulties in managing our growth and our business, financial condition and results of operations could be materially and adversely affected. In addition, as we expand our business scale and geographic footprint, we may encounter increasing strain on our existing personnel, logistics and internal administration systems. We may not have sufficient managerial or technical personnel with the experience required to oversee concurrent project execution, and any failure to scale our operational capabilities effectively may disrupt our current business and delay new developments.

RISK FACTORS

In addition, we may seek to expand our business through business cooperation, strategic investments, and joint research and development exercises. The success of these endeavours depends on the availability of, and competition for, suitable targets and on our financial resources, including available cash and borrowing capacity, and the business performance and financial condition of the targets. Moreover, future investments, joint ventures, mergers and acquisitions, partnerships and cooperation may expose us to potential risks, including the diversion of management attention and resources from our existing business and the inability to generate sufficient revenue to offset the costs and expenses. These endeavours may also result in increased leverage, sharing of potential legal liabilities in respect of the target businesses, and incurrence of impairment charges related to goodwill and other intangible assets. As a result, we may not achieve the strategic objectives, management influence, or investment returns expected from such arrangements. If we are unable to implement our strategies effectively, our business, financial condition and results of operations may be materially and adversely affected.

Inefficient management of inventory risks or an increase in provisions for impairment of inventories may have a material and adverse effect on our financial condition and results of operations.

We had inventories of RMB73.0 million, RMB121.5 million, RMB126.5 million, and RMB228.6 million as of 31 December 2023, 2024, and 2025 and 31 May 2026, respectively. Our inventories mainly consist of finished goods, raw materials and consumables, goods in transit, and work in progress. As our markets are competitive and subject to rapid technological advances, we may not be able to accurately forecast market demand and maintain an appropriate level of inventory. Failing to do so could have a material and adverse effect on our business, financial condition, and results of operations. On the one hand, if we have insufficient inventory, we may be unable to meet customer demand and lose market share. On the other hand, excessive inventory of our products, raw materials, and auxiliary materials can expose us to higher inventory costs, risks of inventory obsolescence, and provisions for impairment. As of 31 December 2023, 2024, and 2025 and 31 May 2026, we recorded provision for impairment of inventories, being auxiliary raw materials for our silver powder production that aged more than one year, of RMB0.5 million, nil, nil, and nil, respectively. Failing to effectively manage our inventories can have a material and adverse impact on our financial condition and results of operations.

Developments in the PV industry may lead to a decline in the value of our inventories and result in provisions for impairment, which could materially and adversely affect our financial condition and results of operations.

The PV industry in which our customers operate is subject to cyclical fluctuations, overcapacity, pricing pressure, and rapid technological change. Any deterioration in the downstream PV market, such as weakened demand for PV silver paste or reduced production of PV cells, may materially and adversely affect the market demand or pricing for our silver powder products. Technological advancements in downstream applications may also render certain of our products or raw materials outdated or incompatible with evolving industry requirements. In such circumstances, our inventories may be exposed to higher risks of obsolescence or a decline in net realisable value. If the recoverable amount of our inventories falls below their carrying value, we may be required to make provisions for impairment. Material provisions for inventory impairment could materially and adversely impact our profitability, financial condition and results of operations.

Our international strategy and ability to conduct business in international markets are subject to uncertainties and risks.

We plan to leverage our extensive industry experience and success in China to gradually grow our business beyond China, tapping into new markets and driving our long-term growth. For details, see “Business — Our Strategies — Expand into the Middle East market and establish a research and development presence in East Asia.” All our historical business operations are located in, and all of

RISK FACTORS

our revenue are derived from China. We have no prior practical experience in operating or managing businesses outside China. Therefore, our international operations are subject to various risks and uncertainties including the following:

- compliance with foreign laws, regulatory requirements and local industry standards, with which we may not be familiar;
- competition from foreign players or failure to anticipate changes to the competitive landscape in the international markets due to a lack of familiarity with the local business environment;
- difficulty in managing relationships with foreign customers;
- political and economic instabilities, including changes in government policies or regulations affecting foreign investments, economic fluctuations and currency volatility, geopolitical tensions or conflicts impacting business operations, and potential social or civil unrest;
- global and regional health crisis;
- lack of familiarity with local operating and market conditions;
- difficulties and costs of staffing and managing foreign operations;
- cultural and language difficulties;
- exposure to increased litigation risks in the international markets, and
- foreign exchange rate exposure and risk of foreign exchange regulations.

Any of the foregoing factors could result in our failure to successfully expand our international business, which may in turn have a material and adverse impact on our business, operating results, and development strategy.

We may fail to protect our intellectual property rights or face infringement claims from third parties, either of which could undermine our competitive position and materially and adversely affect our business.

Intellectual property rights are important to our business. We rely on a combination of patent, trade secret, trademark laws and third-party non-disclosure agreements to protect our intellectual property rights and products. As of the Latest Practicable Date, we held 20 invention patents and 31 utility model patents, most of which are related to PV silver powder manufacturing technology and processes. We may not be able to prevent our intellectual property rights from being challenged, invalidated, circumvented or rendered unenforceable, and we may not be able to obtain meaningful protection or adequate remedies to enforce our rights. Third parties may bring suits alleging infringement of intellectual property rights or otherwise assert their rights or urge us to purchase licences from them. Enforcing our rights through litigation could be costly and time-consuming, divert management resources, require royalty payments, or restrict our use of critical technologies. We also could incur substantial costs to redesign our products or to defend any legal action taken against us. In addition, our existing and future patents may not be sufficient to protect our products or technologies used in our products or product designs or prevent others from developing competing products, technologies or designs. If any of the foregoing occurs, our business, results of operations and financial condition could be materially and adversely affected.

RISK FACTORS

Any unexpected disruption at our production facilities could materially and adversely affect our business, financial condition and results of operations.

Our ability to meet the demands of our customers and grow our business relies on the efficient, proper and uninterrupted operation of our production plant. In the event of earthquake, fire, drought, flood or other natural disaster, environmental incidents, power outages, fuel shortages, mechanical breakdowns, extended outage of transportation systems or other events that limit or disrupt our ability to operate our production facilities, we may not be able to manufacture and deliver our products in a timely manner and may experience substantial losses, including loss of revenue from disrupted production. We may also need to incur substantial additional expenses to repair or replace any damaged facilities and recover production, which are not covered by our insurance coverage. Any of these events could have a material and adverse effect on our business, financial condition and results of operations.

Our business is capital-intensive, and we may require additional financing to support our developments or adapt to changes in business conditions. However, there is a risk that we may not be able to obtain additional financing on favourable terms or at all.

We operate in a capital-intensive industry that requires substantial capital and other short-term expenditures, including commitments for equipment and facilities, as well as working capital for daily operations, particularly for the procurement of silver nitrate, a precious metal raw material, to maintain adequate and secure inventory levels. We may require additional financing if we incur operating losses and/or incur additional capital expenditures for the development of our business. If our financing is insufficient to satisfy our working capital requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. There can be no assurance that financing would be available in a timely manner or in amounts or on terms favourable to us or at all. Any failure to raise sufficient funds on terms favourable to us, or at all, could severely restrict our liquidity as well as have a material and adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing Shareholders.

Our operations depend on a stable, timely, and adequate supply of energy and utilities, including electricity and water, at commercially reasonable prices.

Our production and operations depend on a continuous and adequate supply of utilities, such as electricity and water, the use of which will further increase substantially as we expand our production capacity. Any disruption in the supply of electricity and water or other utilities at our production plants may disrupt our production. This may adversely affect our ability to fulfil our sales orders and consequently may have an adverse effect on our business, results of operations and financial condition. We may encounter shortages of utility supplies or utility suspensions in the future. If such shortages or suspensions of utilities happen for a significant period of time, our business, results of operations and financial results may be materially and adversely affected. Additionally, our production volume and production costs are affected by price and supply of energy. The prices of energy are subject to a number of factors which may be beyond our control, including inflation, supplier capacity constraints, general economic conditions, commodity price fluctuations, demand from other industries for energy, power consumption policies and local and national regulatory requirements. Any disruption in the supply of energy or fluctuation in energy prices may have a material adverse effect on our business, financial condition and results of operations.

We are subject to environmental, health and safety laws and regulations and manufacturing standards and it may become more stringent and costly to comply with such regulations and standards.

Our business operations are subject to national and local laws and regulations of the PRC pertaining to the protection of the environment and health and safety requirements, including but not limited to the treatment and discharge of pollutants into the environment. For further details, please see the section headed “Regulatory Overview — Regulation Relating to Environmental

RISK FACTORS

Protection” in this Document. The requirements imposed by the relevant environmental protection laws and regulations may be updated and more stringent laws or regulations could be adopted. As a result, we may be required to implement additional measures, upgrade our facilities or manufacturing processes, or incur increased capital expenditures and operating costs in order to satisfy evolving regulatory requirements. Such expenditures and operational adjustments could be significant and may adversely affect our production efficiency, results of operations, financial condition and prospects.

Any preferential income tax treatment and the government grants that we enjoy may be altered or terminated.

According to the applicable PRC tax regulations, the statutory corporate income tax rate in the PRC is 25%. Our operating subsidiary, Janbon Colloidal Materials, has been qualified as a High and New Technology Enterprise and have enjoyed a preferential income tax rate of 15% since 2015. Janbon Colloidal Materials may not be able to enjoy or continue to enjoy the aforementioned preferential income tax treatment. For instance, under applicable PRC laws and regulations, the preferential income tax treatment for a “High and New Technology Enterprise” is subject to renewal every three years and can be revoked by the relevant local authorities upon a review process on the eligibility of such accreditation. If we fail to renew any preferential tax treatment qualification in time or at all, or if any change or termination of government grants or preferential tax treatment occurs, the decrease in other income or increase in our tax charge or any other related tax liabilities could materially and adversely affect our results of operations and financial condition.

In addition, during the Track Record Period, we received government grants from the PRC local government authorities to support our operation, for example, value-added tax additional deductions and incentives in support of our R&D activities. During the Track Record Period, our government grants amounted to RMB2.1 million, RMB10.8 million, RMB22.9 million, and RMB8.6 million, respectively. It is important to note that the future availability of government grants cannot be guaranteed. In the event that we are unable to secure such grants in the future, it could have an adverse impact on our operations and financial conditions.

We failed to make adequate contributions to social insurance and housing provident funds according to the requirements of the relevant PRC laws and regulations during the Track Record Period, which may subject us to penalties.

Under PRC laws and regulations, we are required to make contributions to social insurance and housing provident funds for our employees. Any failure to make timely and adequate social insurance and housing provident funds contribution for employees may trigger an order of correction from competent authority requiring the employer to make up the full amount of such overdue social welfare contribution within a specified period of time, and the competent authority may further impose fines or penalties, or apply to the people’s court to enforce collection. During the Track Record Period, we did not fully contribute to social insurance and housing provident funds for certain employees based on their actual salary levels in accordance with the relevant PRC laws and regulations. For details of such non-compliance, including the potential penalties, please refer to “Business — Employees” in this Document. If the relevant authorities require us to make additional contributions or impose administrative measures in connection with such historical matters, we may incur additional costs, and our business, financial condition and results of operations could be materially and adversely affected.

We may not have adequate insurance coverage for losses and liabilities arising from various operational risks and hazards that we are subject to.

We maintain insurance policies that are required under the PRC laws and regulations and are based on the assessment of our operational needs. However, we currently do not maintain insurance policies covering physical damage to, or loss of, our equipment, office furniture or inventory. We do not maintain product liability and professional errors and omissions insurance covering product liability claims arising from the use, consumption or operation of our products and claims arising

RISK FACTORS

from negligence in connection with our services to customers, which are not required by any applicable PRC laws or regulations. If we were to incur significant liabilities for which we are not fully insured, it may have an adverse effect on our results of operations. In light of the change of market conditions, premiums and deductibles for certain insurance policies may increase substantially and, in some instances, certain insurance policies may become unavailable at a reasonable cost or available only for certain risks. If for any reason we were no longer covered by our existing insurance policies, we may not be able to obtain replacement of insurance policies on acceptable terms or at all, which may have an adverse effect on our results of operations.

We may experience product return or exchange from time to time, which may materially and adversely affect our business, results of operations and financial position.

Generally, we allow product returns if there exist product defects for which we are responsible, and the relevant products in question are still within the warranty duration prescribed in sales contracts or production specifications. We may also accept product exchanges negotiated with our customers on a case-by-case basis under specific situations for commercial consideration despite the fact that there is no product defect. These situations mainly include two scenarios: the customer would like to replace the original product series due to minor deviations in certain parameters; or the customer seeks to switch to a different product series due to their own reasons (such as changes in their original requirements). Returned products will be handled according to the following principles based on product quality: if the returned products could meet the customer’s requirements after reprocessing, the reprocessed products would be redelivered to the customer; if the returned products are unsuitable for reprocessing for the original customer but could be used by other customers, they would be resold to other customers; if the returned products are neither suitable for reprocessing for the original customer nor meeting the requirements of other customers, the products will be downgraded for disposal as scrap materials. For quality-related replacements, we bear the associated transportation costs, and for customer-driven adjustments, the transportation costs are at the customer’s expense. During the years ended 31 December 2023, 2024, and 2025 and the five months ended 2025 and 2026, the volume of our silver powder product exchanges was approximately 7.9 tonnes, 19.9 tonnes, 16.4 tonnes, 10.5 tonnes, and 3.1 tonnes, representing 1.5%, 3.4%, 2.9%, 5.6%, and 1.4% of the total sales volume of our silver powder products for the same periods, respectively. There is no assurance that we will not encounter material product returns or cancellation of orders due to product defects or other product exchanges negotiated with our customers on a case-by-case basis under specific situations for commercial consideration despite that there is no product defect. If that happens, our business, results of operations and financial position may be materially and adversely affected.

We are subject to certain risks relating to the delivery of our raw materials and products, including delays caused by suspension or interruption to the services of our third-party logistics providers and an increase in delivery costs.

During the Track Record Period, we sourced our raw materials from qualified suppliers in the PRC, who generally arrange for their delivery to our production facilities via vehicle transportation at their own expense. Similarly, we engage third-party logistics providers to deliver our products to customers, utilising vehicle transportation based on delivery distances.

Fleet transportation is subject to various risks, including accidents, property damage, fire, mechanical failures, adverse traffic conditions, and extreme weather events. If any of these incidents occur, we cannot assure that our raw materials will be delivered in a timely manner, which may delay our production schedules. Likewise, our ability to meet customer deadlines could be compromised, potentially leading to reputational damage, loss of customer confidence, and adverse financial impacts. As such, any disruptions in the transportation and delivery of our raw materials or products could materially and adversely affect our business operations, financial condition, and results of operations.

RISK FACTORS

We recorded net operating cash outflows during the Track Record Period, and there can be no assurance that we will not have net operating cash outflows in the future. If we cannot improve our liquidity and capital resources, it may expose us to liquidity risk and our business, financial condition, and prospects may be materially and adversely affected.

For the years ended 31 December 2023 and 2024 and the five months ended 31 May 2026 we recorded net cash flows used in operating activities of RMB211.4 million, and RMB369.3 million, and RMB19.6 million, respectively, primarily attributable to our increased discounting of bills receivables to support our operations as our business scale grew. For details, see “Financial Information — Liquidity and Capital Resources — Cash Flows — Net Cash Flows (Used in)/from Operating Activities.”

We cannot guarantee that future business activities of our Group and/or other matters beyond our control, such as market competition and changes to the macroeconomic environment, will not materially and adversely affect our operating cash flows and continue leading to net operating cash outflows. If we are unable to maintain adequate working capital or obtain sufficient equity or debt financings to meet our capital needs, we may be unable to continue our operations according to our plans, and our business, financial position, and results of operations may be materially and adversely affected.

Any of our share incentive schemes, including share award plans, may have a significant impact on our future operation and dilute the ownership interests of our Shareholders.

We may implement various forms of share-based incentive schemes as part of our long-term strategy to attract, retain, and motivate key personnel and employees. For the years ended 31 December 2023, 2024, and 2025 and the five months ended 31 May 2025 and 2026, we recorded equity-settled share award expense of RMB2.0 million, RMB2.4 million, RMB2.4 million, RMB1.0 million, and RMB1.0 million, respectively, in connection with the 2023 Employee Shareholding Incentive Plan we adopted in March 2023. However, there is no assurance that such incentive schemes will not have an adverse impact on our operations or shareholders’ rights. The recognition of equity-settled share award expense will reduce our net profit, while any additional issuance of Shares under such plans will dilute the ownership interests of our Shareholders. Conversely, if we limit or reduce the scale of our share-based compensation, we may face challenges in attracting and retaining key personnel.

We may be involved in legal proceedings and commercial or contractual disputes, which could have a material and adverse effect on our business, results of operations and financial condition.

We may be involved in legal proceedings and commercial or contractual disputes in the ordinary course of our business, which may expose us to additional risks and losses. In addition, we may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to enquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management’s attention from our core business. The disruption of our business due to judgement, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may have a material adverse effect on our reputation and our financial condition, results of operations and prospects.

Negative publicity or damage to our reputation may materially and adversely affect our business and results of operations.

We value and rely on our reputation to maintain and grow our business operations. Negative publicity associated with our operations could cause loss of business, divert management attention and other resources and incur litigation costs. We conduct business with a number of counterparties, including customers and suppliers. If any of such counterparties, or any of our former employees, are dissatisfied with us, whether or not justified, and raise any complaints or allegations relating to

RISK FACTORS

our operations and/or our Directors, senior management or employees, our business may be adversely affected. Any negative publicity on any form of media following such complaints or allegations, regardless of whether the court has ruled in our favour or otherwise, may also damage our reputation and impact customers’ perceptions of our brand, which may, in turn, materially and adversely affect our business and results of operations.

We may need to devote additional efforts and resources to obtain and maintain the requisite approvals and licenses required in the jurisdictions that we operate or plan to operate.

We are subject to certain laws and regulations that require us to obtain and maintain various approvals, licences, permits and certificates from different authorities to operate our business. Please see the section headed “Business — Licences and Permits” in this Document. We may face sanctions or other enforcement actions if we fail to obtain approvals, licences, permits or certificates as might be necessary for our operations. We could be ordered by the relevant regulatory authorities to cease operation or may be required to undertake corrective measures requiring capital expenditure or other remedial actions, which could materially and adversely affect our business, financial condition and results of operations.

Changes in the fair value of financial assets at fair value through profit or loss may affect our results of operations.

Fluctuations in the fair value of our financial assets at fair value through profit or loss, which consist of bills receivables, may impact our financial results. As of 31 December 2023, 2024, and 2025 and 31 May 2026, we had bills receivables of RMB81.7 million, RMB175.4 million, RMB44.6 million, and RMB79.8 million, respectively. Changes in the fair value of bills receivables are reflected in our consolidated statement of profit or loss. See note 19 to “Appendix I — Accountants’ Report” and “Financial Information — Selected Items from the Consolidated Statements of Financial Position — Trade and Bills Receivables” for details. The methodology that we use to assess the fair value of bills receivables involves a significant degree of management judgement and is inherently uncertain. Any changes in assumptions, market conditions or other factors may result in fair value losses. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

We may incur impairment loss on long-lived assets in the future. Significant impairment of our long-lived assets could materially impact our financial position and the results of our operations.

We evaluate our long-lived assets — including property, plant and equipment, right-of-use assets, and intangible assets — whenever events or changes in circumstances suggest that the carrying amount of an asset may not be recoverable. If such an indication arises, we estimate the recoverable amount of the cash-generating unit to which the asset belongs to determine the extent of any impairment loss, if applicable. The recoverable amount is estimated based on 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 cash-generating unit for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the cash-generating unit is less than the carrying amount, we recognise an impairment loss in profit or loss by reducing the carrying amount of the cash-generating unit to its recoverable amount. Any significant impairment losses charged against our long-lived assets could materially adversely affect our results of operations.

Any labour shortages, increased labour costs, or other factors affecting labour supply for our production could materially and adversely affect our business, financial condition, results of operations and prospects.

Any labour shortage, suspension or slowdown at our production facilities may significantly disrupt our business operations or delay our expansion plan. We may have difficulties in hiring or retaining sufficient and qualified employees. In addition, if our employees were to engage in a strike

RISK FACTORS

or other work stoppage, we could experience a significant disruption of our operations and/or higher ongoing labour costs, which may have an adverse effect on our business, results of operations and reputation.

Natural disasters, epidemics, acts of war or terrorism, or other factors beyond our control in the future could materially and adversely affect our business, financial condition, and results of operations.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions in which we conduct our business. These regions may be under the threat of typhoons, tornados, snowstorms, earthquakes, floods, droughts, power shortages or failures, or are susceptible to epidemics, such as avian influenza, H1N1 influenza, H5N1 influenza, H7N9 influenza, Middle East respiratory syndrome, potential wars or terrorist attacks, riots, disturbances or strikes. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect business activities in the affected regions, which could materially and adversely affect our operations. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely affect our business, financial condition and results of operations.

We are subject to anti-corruption, anti-bribery, anti-money laundering, and similar laws, and non-compliance with such laws could materially and adversely affect our business, results of operations, financial condition, and reputation.

We are subject to anti-corruption, anti-bribery, anti-money laundering and similar laws and regulations. In addition, our internal policies and procedures seeking to address such non-compliances may not be sufficient, and our Directors, officers, employees, 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, anti-money laundering and similar laws could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation.

RISKS RELATING TO DOING BUSINESS IN THE COUNTRY WHERE WE OPERATE

Changes in China’s or global economic, political or social conditions or government policies in the countries and regions where we operate could have an adverse effect on our business and operations.

All of our operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced by political, economic and social conditions in China generally and by continued economic growth in China as a whole. Over the past three decades, the Chinese government has implemented economic reforms and industrial policies, and has made efforts to fully leverage market forces to foster economic development. While the Chinese economy has experienced significant growth over the past decades, there can be no assurance that the growth would be maintained or equitable across sectors. The Chinese government has implemented various measures to encourage economic growth. Some of these measures may benefit the overall Chinese economy but may not have the same effect on us.

In addition, although all of our operations are based in China, we may still be adversely affected by global economic, political, and social conditions. For example, health epidemics have caused significant downward pressure for the global economy. Geopolitical tension and conflicts, energy crisis, inflation risk, interest rate increases, instability in the financial system, and the tightening of monetary policy by the U.S. Federal Reserve impose new challenges and uncertainties on the global economy. Furthermore, sanctions and export control measures are unilaterally imposed by the U.S. or other jurisdictions from time to time. These measures may have a significant

RISK FACTORS

impact on the targeted countries, markets and/or entities. Chinese companies may be affected by such sanctions or export control measures. We may also be exposed to risks in dealing with business partners subject to sanctions or export controls. As a result, we could be required to incur additional costs to comply with these complicated regulations and measures and could face penalties for any violation, even if inadvertent.

We are a mainland China enterprise and are subject to mainland China tax on our global income and any [REDACTED] on the [REDACTED] of H Shares and dividends on the H Shares may be subject to mainland China income taxes.

Under the PRC EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between mainland China and a non-mainland China investor’s jurisdiction of residence that provides for a different income tax arrangement, mainland China withholding tax at the rate of 10% is normally applicable to dividends from mainland China sources payable to investors that are non-mainland China resident enterprises, which do not have an establishment or place of business in mainland China, or which have an establishment or place of business in mainland China if the relevant income is not effectively connected with such establishment or place of business. Any gains realised on the transfer of shares by such investors are subject to a 10% mainland China income tax rate if such gains are regarded as income from sources within mainland China unless a treaty or similar arrangement provides otherwise.

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within mainland China paid to foreign individual investors who are not mainland China residents are generally subject to a mainland China withholding tax at a rate of 20% and gains from mainland China sources realised by such investors on the transfer of shares are generally subject to a 20% mainland China income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and laws in mainland China. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated 28 June 2011, issued by the SAT, dividends paid to non-mainland China resident individual holders of H Shares are generally subject to individual income tax of mainland China at the withholding tax rate of 10%, in which the non-mainland China resident individual holder of H Shares resides as well as the tax arrangement between mainland China and Hong Kong. Non-mainland China resident individual holders who reside in jurisdictions that have not entered into tax treaties with mainland China are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of mainland China and the SAT on 30 March 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on 31 December 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals’ income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of 31 December 2025, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-mainland China resident individuals on the sale of shares of mainland China resident enterprises listed on overseas stock exchanges.

RISK FACTORS

If mainland China income tax is imposed on [REDACTED] realised from the [REDACTED] of our H Shares or on dividends paid to our non-mainland China resident [REDACTED], the value of your [REDACTED] in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with mainland China may not qualify for benefits under such tax treaties or arrangements.

We face foreign exchange risk, fluctuations in exchange rates, and the PRC government’s administration over foreign currency exchange and requirements for governmental approval, which could have a material and adverse effect on our business, our results of operations, and our financial position.

The Renminbi has fluctuated against Hong Kong dollars and the U.S. dollars at times significantly and unpredictably. The fluctuation of Renminbi against Hong Kong dollars, U.S. dollar and other currencies is affected by, among other things, changes in global political and the PRC government’s currency policies. It is difficult to predict how market forces may impact Renminbi and foreign currencies going forward. During Track Record Period, even though all of our revenue and expenses were denominated in Renminbi, fluctuation in exchange rates may nevertheless in the future adversely affect the value of our net costs and earnings. In particular, the [REDACTED] from the [REDACTED] will be in Hong Kong dollars. Any unfavourable movement in the exchange rate of the Renminbi against Hong Kong dollar may adversely affect the value of our [REDACTED] from the [REDACTED]. Pursuant to existing foreign exchange regulations in the PRC, we are allowed to carry out current account foreign exchange transactions in the PRC (including dividend payouts) without submitting the certifying documents of such transactions to SAFE for approval in advance as long as they are processed by banks designated for foreign exchange trading. However, foreign exchange transactions for capital account purposes, including direct overseas investment and various international loan, may require and prior approval or registration with SAFE.

You may experience difficulties in effecting service of process or enforcing foreign judgements against us, our Directors or senior management residing in the PRC.

We are a company incorporated under the laws of the PRC and all of our assets are located in China, and all of our Executive Directors and senior management reside in China. Therefore, it may not be possible to effect service of process within Hong Kong or elsewhere outside of China upon us or our Directors or senior management. Moreover, China has not entered into treaties for the reciprocal recognition and enforcement of court judgements with Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in China of a court judgement obtained in other jurisdictions may be difficult or impossible.

On 18 January 2019, the Supreme People’s Court of the PRC and the Department of Justice of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《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》) (the “2019 Arrangement”), which has come into effect on 29 January 2024. This 2019 Arrangement seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgements in wider range of civil and commercial matters between Hong Kong and the mainland. The 2019 Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. After the 2019 Arrangement became effective, a judgement rendered by a Hong Kong court can generally be recognised and enforced in the PRC even if the parties in the dispute do not enter into a choice of court agreement in writing. However, we cannot guarantee that all judgements made by Hong Kong courts will be recognised and enforced in the PRC, as whether a specific judgement will be recognised and enforced is still subject to a case-by-case examination made by the relevant court in accordance with the 2019 Arrangement.

RISK FACTORS

We may be subject to additional regulatory requirements relating to new laws and regulations in connection with overseas [REDACTED] issued by PRC government authorities.

On 17 February 2023, the CSRC issued the Trial Measures for the Administration on 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》), which became effective on 31 March 2023 (the “Overseas Listing Regulations”). The Overseas Listing Regulations are applicable to overseas [REDACTED] conducted by [REDACTED] who are (i) companies incorporated in the PRC and (ii) companies incorporated overseas with substantial operations in the PRC. The Overseas Listing Regulations lay out the arrangements for regulatory filings for both direct and indirect overseas offerings, and clarify the determination criteria for indirect overseas offerings in overseas markets. See “Regulatory Overview — Regulations Relating to Offshore Listing” for further details. The Overseas Listing Regulations, or any pertinent rules or regulations promulgated in the future, may subject us, or our financing activities, to additional compliance requirements in the future and may significantly limit or completely hinder our future financing activities.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares, and the [REDACTED] of our H Shares may be volatile.

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

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

If the final [REDACTED] is higher than the net tangible asset value per H Share purchasers of our H Shares in the [REDACTED] will experience an immediate dilution in terms of the [REDACTED] consolidated net tangible asset value. In addition, we may consider [REDACTED] and [REDACTED] additional H Shares or equity-related securities in the future to raise additional funds, finance acquisitions or for other purposes. Purchasers of our H Shares may experience further dilution in terms of the net tangible asset value per H Share if we [REDACTED] additional H Shares in the future at a [REDACTED] that is lower than the net tangible asset value per H Share.

The [REDACTED] of our H Shares may be volatile, which could result in substantial losses for [REDACTED] purchasing our H Shares under the [REDACTED].

The [REDACTED] of our H Shares may be volatile. The [REDACTED] of our H Shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond our control: actual or anticipated variations of our operating results; loss of key customers or raw material suppliers; changes in securities analysts’ estimates or market perception of our financial performance; announcement by us of significant acquisitions, dispositions, strategic alliances or joint ventures; addition or departure of key senior management or other key personnel; fluctuations in [REDACTED]; regulatory or legal developments, including involvement in litigation; and general economic, political and stock market conditions in Hong Kong, the PRC and elsewhere in the world. In addition, [REDACTED] of other companies [REDACTED] on the Stock Exchange with significant operations and assets in the PRC have experienced increasing price and volume fluctuations in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. Such market fluctuations may materially and adversely affect the [REDACTED] of our H Shares.

RISK FACTORS

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

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

Our Controlling Shareholder has substantial influence over the Company, and our Controlling shareholder’s interests may not always be aligned with the interests of our other Shareholders.

Immediately following the completion of the [REDACTED], Mr. Chen will directly or indirectly hold in aggregate [REDACTED]% of our Shares (assuming that the [REDACTED] is not exercised), and will be our Controlling Shareholder within the meaning of the Listing Rules. The interests of our Controlling Shareholder may differ from the interests of our other Shareholders.

Our Controlling Shareholder may have conflicts of interest with our other shareholders and us. Accordingly, our Controlling Shareholder may take actions that favour their own interests but which are not in the best interests of our other shareholders and which would adversely affect the interests of our other shareholders. As our Controlling Shareholder and subject to our Articles and applicable laws and regulations, Mr. Chen will have significant influence over our business and affairs, including decisions in respect of mergers, consolidations, other business combinations, acquisition or disposition of assets, issuance of additional Shares, timing and amount of dividend payments, election of Directors and senior management and approval of our annual budget. This concentration of ownership may discourage, delay or prevent changes in control that would otherwise benefit our other Shareholder. To the extent that the interests of our Controlling Shareholder conflict with those of our other Shareholders, our other Shareholders may be deprived of opportunities to advance or protect their interests.

We may not pay any dividends in the future.

As a general matter, we cannot guarantee future dividend payments. Therefore, you should not rely on an [REDACTED] in our Shares as a source for any future dividend income. Our Board has complete discretion as to whether to distribute dividends, subject to certain requirements of PRC law. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board, and subject to the approval at a Shareholders’ meeting. Additionally, past dividends declared should not be used as an indicator for future dividends.

We have no experience operating as a [REDACTED], and we may incur increased costs as a result of becoming a [REDACTED].

We have no experience conducting our operations as a [REDACTED]. As a result of the [REDACTED] on the Hong Kong Stock Exchange, we may face enhanced administrative and compliance requirements, which may make us incur substantial related costs and expenses that we did not incur as a private company. We expect rules and regulations applicable to [REDACTED] to increase our accounting, legal and financial compliance costs and to make certain corporate activities more time-consuming and costly. Our management may be required to devote substantial time and attention to our public company reporting obligations and other compliance matters. We will evaluate and monitor developments with respect to these rules and regulations, but we cannot

RISK FACTORS

predict or estimate the amount of additional costs we may incur or the timing of such costs. Our reporting and other compliance obligations as a [REDACTED] may place a significant strain on our management, operational and financial resources and systems for the foreseeable future.

If securities or industry analysts cease to publish research or reports about our business, or if they adversely change their recommendations regarding our H Shares, the [REDACTED] for our H Shares and [REDACTED] could decline.

The [REDACTED] for our H Shares will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who cover us downgrade our H Shares or publish inaccurate or unfavourable research about our business, the [REDACTED] for our H Shares would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the [REDACTED] for our H Shares to decline.

Certain facts, forecasts, and statistics contained in this Document may not be accurate, reliable, complete, or up to date.

Certain facts, forecasts, and statistics contained in this document relating to the PRC, the PRC economy, and the industry in which we operate have been derived from official government sources that are publicly available. We believe that the sources of the information from official government sources are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Sole Sponsor, [REDACTED] or any of their respective directors, advisers or affiliates. Accordingly, no representation is given as to the accuracy or completeness of such information. In any event, you should consider carefully the importance placed on such information or statistics.

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

This Document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Document, the words “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 our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Document. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, 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. [REDACTED] should not place undue reliance on such forward-looking statements and information.