

RISK FACTORS

An [REDACTED] in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition, and results of operations. The [REDACTED] of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your [REDACTED].

Other risks and uncertainties that we are not currently aware of or that are not disclosed or implied below, or which we do not currently believe to be material, may also be detrimental to our business, financial condition and results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this document.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

Our business is exposed to the supply-demand dynamics of the end markets in which our products are applied, including consumer electronics and new energy.

During the Track Record Period, we have developed a comprehensive and diversified portfolio of electronic functional enhancement materials. Our electronic functional enhancement materials are primarily used to enhance acoustical, optical, thermal and electrical performance of components and devices in consumer electronics and new energy sectors. Demand for our products is closely correlated with the market growth of these sectors. In particular, demand for our acoustic enhancement materials is affected by the development of downstream consumer electronics smart terminals. For instance, certain downstream consumer electronics markets, in particular the Android smartphone market, are expected to experience short-term fluctuations in 2026, which may affect demand for our acoustic enhancement materials. According to Frost & Sullivan, global shipments of Android smartphones are forecast to decrease from 1,012.5 million units in 2025 to 904.5 million units in 2026, representing a year-on-year decrease of 10.7%. Such fluctuation is partially attributable to increased costs of memory products, which may have affected retail pricing, consumer purchasing activity and product replacement cycles. According to Frost & Sullivan, supply and demand of memory products are expected to gradually stabilize in 2027, which may support a recovery in the relevant downstream consumer electronics markets. In the long term, driven by the accelerated iteration of products such as smartphones, tablets, laptops, smart wearables, and AI glasses/XR devices, together with the expansion of AI functions, innovations in form factors and rising demand for multi-modal interaction, global shipments of consumer electronics smart terminals are projected to reach 2,692.6 million units by 2030, representing a CAGR of 3.9% from 2025 to 2030. Nevertheless, any deceleration in the growth of these downstream markets could have a material adverse impact on demand for our products.

The market growth and downstream demand of our customers' products are subject to a variety of factors beyond our control. These include macroeconomic conditions, rapid technological developments, evolving industry standards, shifting consumer preferences, regulatory requirements, policy support and supply chain constraints. Any delay or slowdown in technological advancements, disruptions in supply chains, or failure to comply with regulatory policies may hinder the growth of downstream markets. Furthermore, we cannot assure you that technological innovation will result in increased customer demand or broader adoption of our products. Any delay in technological advancements or failure of emerging technologies to drive expected downstream market growth could materially and adversely affect our business, financial condition, and results of operations.

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If downstream demand in consumer electronics and new energy sectors does not increase as we expect, it may lead to lower order volumes, inventory build-ups, and pricing pressures for our products. In addition, such a scenario may compel us to adjust our production plans, postpone capital expenditure projects or curtail research and development initiatives focused on new product innovation, which would further undermine our competitive position and long-term growth prospects. We cannot assure [REDACTED] that the growth rate of these downstream industries will meet our expectations, and any unanticipated deceleration in such markets could have a material adverse impact on our business, financial condition and results of operations.

We may fail to continuously expand our existing product lines or develop new products or our new products may not be successful, which could adversely affect our business, results of operations and financial condition.

Our industry is characterized by innovative technological changes. Our competitiveness and future success depend on our ability to predict and adapt to the evolving market demand and to develop, introduce, market and sell novel electronic functional enhancement materials in a timely and cost-effective manner. This may include new product forms, advanced processing techniques, or the introduction of alternative raw materials and new product lines. Any failure to introduce these new products and technologies, to achieve design wins, or to otherwise achieve market acceptance in a timely manner and on commercially reasonable terms could harm our business, financial condition and results of operations.

There is no guarantee that our new products will attract sufficient customer demand or achieve profitability. Moreover, we cannot guarantee that our future products will continue to meet the high standards expected by customers or comply with industry regulations. If any new products fail to recoup the costs incurred in research and development, production, and marketing, or if we are unable to maintain the desired product quality, it could negatively impact our financial performance, operational results, and overall business operations.

Successful product development and technological enhancements depend on a number of factors, including:

- accurate prediction of market requirements and evolving technical standards;
- development of advanced technologies and capabilities;
- timely development completion and introduction of new products that satisfy our customers’ and their end customers’ requirements and specifications;
- development of products that maintain technological advantages over the products of our competitors; and
- market acceptance of our new products.

Accomplishing all of these factors is difficult, time-consuming and expensive. We may be unable to develop new products or technological enhancements in a timely manner to capture market opportunities, satisfy the requirements and specifications of our customers and their respective customers, or achieve significant or sustainable acceptance in new and existing markets. In addition, we cannot assure you that our existing or potential competitors will not develop products which are similar or superior to our products or more competitively priced. Due to uncertainties in the time frame for developing new products and the duration of market window for our products, there is a substantial risk that we may have to abandon a product or a potential product that is no longer commercially viable, even after we have invested significant resources in the development of such product.

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A substantial portion of our revenue has been derived from a small number of customers. The loss of, or significant reduction in the purchases by, one or more of such customers could materially and adversely affect our business, financial condition and results of operations.

Historically, a relatively small number of customers accounted for a substantial portion of our revenue. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, sales to our five largest customers in each respective period amounted to RMB282.6 million, RMB292.1 million, RMB489.6 million and RMB276.2 million, accounting for 88.2%, 82.3%, 78.4% and 75.7% of our total revenue for the same respective periods.

Business operation, results of operations and prospect of our major customers are beyond our control. We cannot assure that our major customers will be able to maintain their business scale and demand for our products. If there is any significant change in the business of our major customers or the industry in which our major customers operate, we cannot assure you that the demand of our major customers will necessarily meet our expectation. This in turn could have a material adverse effect on our business, financial condition and results of operations.

If our major customers cease to procure products from us, or fail to maintain and/or increase their current level of business with us, we may experience slow growth, no growth or negative growth. Any material delay, alteration, cancellation or reduction of purchase orders from or change in the purchasing patterns of such customers, which may in turn be attributable to changes in their respective customers’ demand and purchasing patterns, could have a material and adverse impact on our business, financial condition and results of operations.

We may fail to keep pace with the continuous technological advancements in our industry, and our research and development initiatives may not deliver commercially viable or otherwise positive outcomes.

Technological innovation is critical to our success, and we have been investing in products research and development since our inception. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our research and development expenses amounted to RMB37.6 million, RMB39.4 million, RMB45.2 million, RMB21.1 million and RMB20.5 million representing 11.7%, 11.1%, 7.2%, 7.5% and 5.6% of our total revenue in the respective years/periods. Please refer to “Financial Information – Results of Operations – Research and Development Expenses” for details. To maintain and expand our competitive advantage in technology, we may devote additional resources to research and development in the future. In addition to our in-house research and development capabilities, we also engage in joint research and development collaboration with third parties to develop new technologies and products. See “Business – Research and Development” for details.

However, as research and development activities are inherently uncertain, we may not be able to keep up with rapid technological changes and evolving industry standards and derive the desired benefits from our research and development efforts, which may adversely affect our competitiveness and profitability. We cannot assure you that our research and development projects will be successful, completed within the anticipated time and budget, or that our newly developed products will achieve market acceptance or the competitive advantages we expect. Our industry is characterized by innovative technological changes. Our future success will depend on our ability to respond to fast-changing technologies, adapt our products to evolving industry standards and our customers’ newly developed products, and improve the performance, functionality and reliability of our products. Failure to continue adapting to such changes could harm our business and cause a decline in our market share.

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Any failure to protect our intellectual property rights could undermine our competitive position and adversely affect our business prospects.

We rely primarily on a combination of our patents, trade secrets, trademarks, and confidentiality agreements to protect our intellectual property rights. As of the Latest Practicable Date, we had (i) 296 patents, including 168 invention patents and 80 patents overseas; and (ii) 207 patent applications. Please see “Business – Intellectual Property” in this document for more details.

We believe that our current intellectual property rights provide protection to our business and are crucial for our operations. However, there can be no assurance that our intellectual property rights applications will be approved, our intellectual property rights will adequately protect our intellectual property, we will be able to detect breaches of our intellectual property rights, our intellectual property rights will not be challenged by third parties or found to be invalid or unenforceable, or our intellectual property rights will be effective in preventing third parties from utilizing similar business models, processes or brand names to offer similar products. In August 2023, a third party filed an application for patent invalidation with the China National Intellectual Property Administration (“CNIPA”) in respect of a patent relating to an improved acoustic speaker system (the “**Patent**”). In May 2024, the CNIPA issued a decision declaring the Patent invalid. We subsequently filed administrative litigation with the Beijing Intellectual Property Court. Following the trial in August 2025, the Beijing Intellectual Property Court held that the Patent possesses inventiveness and rendered a judgment revoking the review decision of the CNIPA. In August 2025, the CNIPA filed an appeal with the Supreme People’s Court. As of the Latest Practicable Date, the Patent was currently valid and in effect. Given the uncertainties regarding the legal procedures and outcomes related to intellectual property rights, we cannot guarantee that the Patent will remain valid in further legal proceedings. The Patent is accompanied by 15 family patents covering multiple jurisdictions, including China, the United States, the United Kingdom, Germany, France and the Netherlands, which fully encompass the scope of protection of the Patent. In the event that the Patent is finally declared invalid, such invalidation would affect our exclusive protection under the Patent in Chinese Mainland, but would not, in and of itself, prohibit us from continuing to produce and sell N’BASS Materials. We believe that any such invalidation would not have a material adverse effect on our business, operations or financial condition. However, any adverse outcome in relation to the validity of the Patent may adversely affect our market image to a certain extent.

In addition, our success is also subject to our ability to use, develop and protect our patents and trade secrets without infringing the intellectual property rights of third parties. Others may hold or obtain patents, copyrights, trademarks, or other proprietary rights used in our products and services. This might prevent, limit, or interfere with our production, use, development, sales, or marketing, and could therefore disturb our daily operations and distract our management. Companies holding patents or other intellectual property rights may bring proceedings alleging infringement of such rights or otherwise assert their rights and urge us to obtain licenses. If we are found to have infringed upon a third party’s intellectual property rights, we may be required to do one or more of the following: (i) cease to sell products that are involved in the challenged intellectual property rights owned by others; (ii) pay damages; (iii) redesign our products; or (iv) establish and maintain other branding for our products.

We may be a party to claims, litigations and other legal proceedings, either as a claimant in case of third-party infringement of our intellectual property rights or as a defendant facing third-party claims. Any of such proceedings may be time-consuming and costly to resolve and may divert our management’s time and attention from our business. It could also result in a court or governmental agency invalidating, narrowing the scope of, or rendering our patents or other intellectual property rights involved in such proceedings unenforceable which may significantly harm our business.

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Whilst we generally enter into confidentiality agreements with all employees, we cannot guarantee whether they will breach these agreements and leak our know-how, business secrets or any other commercially sensitive information to our competitors, which will have a material adverse effect on our business, financial condition and results of operations.

New market opportunities may not develop as quickly as we expect, or at all, which may limit our ability to successfully sell our products.

The industries in which our products are applied are continuously evolving, making it challenging to accurately forecast the market size for our existing and future product offerings. We capitalize on emerging market opportunities driven by technological advancements and shifting consumer preferences, such as the accelerated penetration of AI-enabled and foldable smartphones, the expansion of a broader range of consumer electronics smart terminals such as AI glasses/XR devices, as well as the growth of high-growth sectors like advanced packaging, computing power and other semiconductor-related segments.

However, our estimates of market for our current and future products are based on a number of internal and third-party estimates and assumptions. In addition, our growth strategy involves launching new products and expanding the sales of existing products into new markets in which we have limited or no experience. Sales of new or existing products in response to new market opportunities may take several years to develop and mature, and we cannot be certain that these market opportunities will develop as we expect.

In addition, new market opportunities may not materialize as quickly as we anticipate, or may not develop at all. The development of such opportunities is subject to various factors beyond our control, including slower-than-expected technological breakthroughs, evolving regulatory frameworks, intense market competition, changing consumer demands and macroeconomic fluctuations. If new market opportunities fail to develop in line with our expectations, our ability to successfully commercialize and sell our products will be materially limited. This could result in lower-than-expected order volumes, underutilization of our production capacity, failure to achieve revenue growth targets, and erosion of our profit margins. In addition, we may have devoted significant financial, technical and human resources to research and development initiatives and market expansion efforts targeted at these emerging opportunities. If such opportunities do not materialize, these investments may not generate the expected returns, which could further adversely affect our business, financial condition and results of operations. We cannot assure [REDACTED] that the new market opportunities we target will develop as expected, or that we will be able to successfully seize any such opportunities that do arise.

We face competition in our business.

We primarily operate in the electronic functional enhancement materials industry, which encompasses diversified application scenarios including consumer electronics, automotive electronics, new energy, advanced packaging, computing power and industrial and communications sectors. The industry’s dynamic and competitive landscape varies by segment and application.

We compete with other market players from many perspectives, including technology innovation, product pricing, product quality and safety, customer acquisition and retention, branding, and talent acquisition. Some of our competitors may have advantages in obtaining financial, technical, and operational resources, which enable them to invest greater resources in research and development, manufacturing, sales and marketing, and customer support for their products and services than we do. Furthermore, they may have a larger customer base and more established market relationships than ours, which enables them to adapt to customers’ demand more rapidly than we do.

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The markets are also subject to constant changes, including technological evolution, launching new solutions and products, and continuous shifts in customer demands. In addition to the existing competitors, we may encounter challenges from new market entrants. These new competitors may enter the markets with aggressive pricing strategies and novel technologies that make their products achieve higher levels of customer acceptance than ours, which could significantly affect our market position and growth prospects.

In response to market competition, our existing competitors may seek to increase their market share through various measures, including continued research and development efforts, increased production capacity, optimized production processes, and aggressive marketing campaigns. Competitors may also engage in price reductions to capture a greater share of the market. There is no guarantee that we will always succeed in securing orders from customers over our competitors. If we fail to compete effectively, our market position, growth prospects and results of operations may be adversely affected.

Fluctuations in the prices of raw materials may materially and adversely affect our profitability and financial condition.

During the Track Record Period, with respect to our core product N'BASS Materials, we primarily procured various basic inorganic materials and catalysts for in-house production following our proprietary formulations and processes. Key raw materials for our other products primarily included silver powder, alumina powder, glass frits, resin and others.

For the years ended December 31, 2023, 2024, 2025, and the six months ended June 30, 2025 and 2026, our cost of raw materials accounted for 72.1%, 79.9%, 74.6%, 71.9% and 81.5% of the total cost of sales, respectively. See “Financial Information – Results of Operations – Cost of Sales” in this document for details.

Fluctuation in raw material prices may negatively affect our financial performances. For example, silver powder is a major raw material for the production of our PV conductive pastes products. As a precious metal, silver powders are subject to inherent price volatility in the global market. The average selling price of silver powder increased from RMB5,855.2 per kg in 2023 to RMB7,521.0 per kg in 2024 and further increased to RMB10,016.6 per kg and RMB20,380.7 per kg in 2025 and for the six months ended June 30, 2026, respectively. The current or expected prices of our raw materials may fluctuate depending on a number of factors beyond our control, including macroeconomic conditions, the availability of resources in the raw materials market, market demand, potential speculation, market disruptions, natural disasters, and other factors. We may not be able to obtain stable, high-quality raw materials at reasonable prices at all times.

We cannot assure that we will not experience material fluctuation in prices for key raw materials in the future. If we fail to respond appropriately to increases in the prices of raw materials needed for our products, our business, financial condition, and results of operations may be materially and adversely affected.

Any changes to our business relationships with our major suppliers may adversely affect our business, results of operations, financial results and prospects.

During the Track Record Period, we made substantial purchases from our major suppliers. For the years ended December 31, 2023, 2024, 2025, and six months ended June 30, 2026, purchases from our five largest suppliers in each year/period amounted to RMB124.3 million, RMB97.4 million, RMB184.3 million and RMB127.6 million, accounting for 91.3%, 76.8%, 67.0% and 65.3% of our total purchase amounts for the same respective periods. For details on our major suppliers, please refer to “Business — Raw Materials, Procurement and Suppliers — Major Suppliers” in this document. Given the high price of silver powder, the purchases from our major suppliers may still represent a relatively significant proportion of our total purchases in the near future.

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Our suppliers may be affected by factors that are beyond our control, such as their business operation, results of operations and prospect, and the changes in the rules and regulations for the relevant industries. There is no assurance that we will be able to secure steady and adequate supplies from our major suppliers in the future. If we are unable to secure a steady and adequate supply, our business, financial performance and results of operations could be materially and adversely affected.

We may not be able to increase our production capacity as planned, and even if our production expansion projects proceed as planned, we may not be able to increase our production output in a timely manner or at all as envisaged.

As of June 30, 2026, we operated three production bases in China, and we maintained a relatively high utilization rates for our major products. For details, please refer to “Business — Our Production — Production Capabilities” in this document.

We expect to further expand our production capacity to meet customers’ increasing demands for our products. For details, please refer to the section headed “Future Plans and Use of [REDACTED]” in this document. Such expansion will require significant commitments from our financial and managerial resources, as well as time to identify, recruit, maintain, and integrate additional employees. Difficulties in managing the budgeting, financing, forecasting, and process control for such expansion could negatively affect our business, prospects, results of operations, and financial condition.

Our production expansion plans may expose us to material risks affecting our cost structure, profit margin, cash flow and overall risk profile. Expansion requires substantial capital and operational expenditure, which may increase fixed costs and unexpected expenses, disrupting our cost structure. New capacity may be underutilized initially, leading to higher unit costs and compressed margins, while aggressive pricing or additional expenses to absorb capacity may further pressure profitability. Significant cash outflows for capital expenditure and working capital may strain cash flow, potentially requiring external financing and increasing liquidity risk. Additionally, expansion increases operational, market, financial, compliance and management risks, elevating our overall risk profile. If any of these risks materialize, our business, financial condition and results of operations may be materially and adversely affected.

Such expansion also requires obtaining various approvals, permits, licenses, and certificates, and completing inspections by competent government authorities. There is no assurance that we will be able to execute our expansion plan as contemplated or at all. Any delay or failure to obtain required approvals or complete inspections may materially delay our production expansion or even result in the cancellation of such plans, adversely affecting our business, financial condition, and results of operations.

Even if we successfully expand our production capacity, there is no assurance that we will be able to increase our production output in a timely manner or as planned. Our ability to scale production is subject to constraints and uncertainties, including: (i) delays by suppliers and equipment vendors, cost overruns, and unforeseen increases in raw material prices; (ii) delays or denials in government approvals for production; (iii) challenges in configuring production lines for specific products; (iv) performance and reliability of newly procured manufacturing equipment; and (v) diversion of management attention and resources.

Additionally, our production and testing protocols require significant technological expertise. Any change in processes could lead to production errors, temporary suspensions, or delays, impacting our output. Failure to maintain proper quality assurance measures may lead to increased product failures, customer losses, warranty claims, higher logistics costs, and delivery delays. If we

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are unable to increase our production output as expected due to these risks, we may be unable to fulfill customer orders or achieve projected growth, damaging our reputation and customer relationships, which could materially and adversely affect our business, financial condition, and results of operations.

Pricing pressures from market competition and fluctuating market conditions may negatively impact our revenue and gross profit margin.

We may face downward pressure on the prices of our products due to increasingly competitive conditions in certain markets in which we operate. Unless we can increase unit sales volume or successfully introduce higher-value offerings, our revenue derived from existing products may decline. We expect to continue increasing our research, development and related expenses in the long-term to develop new products with more advanced features that can be sold at higher selling prices and/or manufactured at lower cost. However, if we are unable to do so in a timely manner, or if we are unable to successfully develop more cost-effective technologies, our financial results could be adversely affected. Sustained pricing pressure could adversely affect our gross profit margin. If we are unable to offset declining prices through cost reductions or product improvements, our profitability will be negatively impacted, which could materially affect our business, financial condition and results of operations.

If we are unable to retain existing customers and attract new customers, our business, financial conditions, and results of operations will be adversely affected.

Our continued success requires us to maintain our existing customers and develop new customers. Specifically, certain customers maintain a qualified supplier list, in which we enrolled during the Track Record Period. Some of these customers review the qualified supplier list annually. There is no assurance we will continue to remain in the qualified supplier list of our customers due to the factors beyond our control, such as changes in customers’ specific requirements and their evaluation method.

We may be unable to maintain or expand our relationships with existing customers or to obtain new customers on a profitable basis due to intense competition. Upon the expiration of our existing contracts, we cannot assure you that we will be able to renew the contracts with our customers on favorable terms, or if at all, or that we will be able to attract new customers. If we fail to retain our existing customers or attract new customers due to our products not meeting market requirements, lack of competitiveness in pricing, or other factors, our business, financial condition, and results of operations will be adversely affected. Sustained customer attrition or an inability to expand our customer base may lead to reduced revenue, market share erosion, and hinder our long-term growth prospects.

Failure to maintain an effective quality control system could have a material adverse effect on our business, financial condition and results of operations.

As the quality of our products is critical to the success of our business, we must maintain an effective quality control system for our production and other operational activities. The effectiveness of our quality control system depends significantly on a number of factors, including the design of the system and the related training programs, as well as our ability to ensure that our employees adhere to our quality control policies and guidelines. Any failure or deterioration of our quality control system could result in defects in our products, which in turn may subject us to contractual, product liability and other claims. Any such claims, regardless of their merits, could cause us to incur significant costs, harm our business reputation and result in significant disruption to our operations. Furthermore, if any such claims were ultimately successful, we could be required to pay substantial monetary damages or penalties, which could have a material adverse effect on our businesses, financial condition, results of operations and reputation.

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If we suffer substantial disruption to any of our production facilities, or encounter problems in manufacturing our products, our business and results of operations could be adversely affected.

As of June 30, 2026, we operated three production bases in China. Our production operations involve the coordination of raw materials, internal production processes and external sales and marketing processes. During the Track Record Period, we did not encounter any significant disruptions during our production operations, nor did we suffer material losses attributable to delayed production by our production facilities. However, we can not guarantee that we will not encounter any such production disruptions in the future. Any delay or stoppage of production caused by adverse weather, natural disaster or other unanticipated catastrophic event, including, without limitation, power interruptions, water shortage, storms, fires, earthquakes, terrorist attacks and wars, could significantly impair our ability to produce our products and operate our business. Our facilities and certain equipment located in these facilities would be difficult to replace and could require substantial replacement lead-time. Catastrophic events may also destroy any inventory located in our facilities. Any stoppage in production, even if temporary, or delay in delivery to our customers could adversely affect our business, results of operations, and financial condition.

Our future success depends on our ability to retain key management and research and development personnel and our ability to attract, train and retain talented personnel.

Our success remains dependent on the continued services of our key management and research and development personnel as they are in charge of the overall planning, execution of our business and operations and research and development of the new products. If any of our Directors, any members of senior management and/or any key members of our research and development department were to terminate their services or employment with us, we may not be able to find suitable replacements in a timely manner, at an acceptable cost or at all.

In addition, as a result of the highly specialized, technical nature of our business, we must attract, train and retain a sizable workforce comprising highly skilled employees and other key personnel. If one or more of our highly skilled employees or key personnel were unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. Moreover, our industry is characterized by high demand and intense competition for talent, we may have to pay higher salaries and wages and provide greater benefits in order to attract and retain highly skilled employees or other key personnel that we will need to achieve our strategic objectives. Our ability to recruit, train and integrate new employees into our operations may not meet the growing demands of our business. Our failure to attract, train or retain highly skilled employees and other key personnel in numbers that are sufficient to satisfy our needs would materially and adversely affect our business and the results of operations. Staff that we are unable to retain also pose a risk, since they can inform competitors of our commercially sensitive information such as know-how and may lessen the technological advantages over our competitors that we have developed.

We may be unable to manage our growth or execute our strategies, such as expansion of production capacities of our existing products and industrialization capacities of our new products effectively.

Our business has continued to grow in recent years. In accordance with our business plans as set out in the section headed “Future Plans and Use of [REDACTED]” in this document, we intend to expand production capacities of our major products and increase research and development investment to enhance diverse technology platforms. Our business plans are based on the assumptions of future events which are bound to entail certain risks and are inherently subject to uncertainties that are beyond our control. The successful implementation of our business plans may be affected by a number of factors, including the availability of sufficient funds, governmental policies and regulations relevant to our industry, the economic conditions, our ability to maintain

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our existing competitive advantages, our relationships with our customers, the threat of substitutes and new market entrants, as well as other risk factors disclosed elsewhere in this section. In addition, as we expand our business operations, we may encounter regulatory, cultural and other difficulties that may also increase our costs of operations. We need to enhance and upgrade our infrastructure, improve operational and financial controls, refine reporting systems, and expand and manage our workforce. These efforts require significant resources, and we cannot assure their success. As a result, there can be no assurance that we can effectively manage our growth or our business plan will be implemented successfully as scheduled in terms of, for instance, time and costs. As such, our financial condition, operating results, growth and prospects may be materially and adversely affected if our business plans fall short of our expectations.

We are exposed to various financial risks through our economic hedging activities.

Silver powder is a key raw material for our production of PV conductive pastes. We entered into futures contracts as derivative instruments. For details, please refer to “Business – Internal Control and Risk Management — Economic Hedging Activities” in this document. These economic hedging activities may expose us to additional financial risks. These include market risk where we may incur potential losses if market prices move against our positions, counterparty risk where we face exposure to losses if our trading partners default on their obligations, and liquidity risk where we may be unable to close out positions quickly enough to avoid losses. The effectiveness of our economic hedging strategy depends on various factors, including our ability to accurately forecast raw material needs and properly match hedging positions with actual requirements. There can be no assurance that our economic hedging activities will adequately protect us against raw material price fluctuations or that we will not incur significant losses from our hedging positions. Our business, financial condition and results of operations could be materially and adversely affected if we fail to effectively manage these risks related to our economic hedging activities.

Our business and reputation may be materially and adversely affected by product liability claims, litigation, administrative proceedings, customer complaints, quality control concerns or negative publicity in relation to our products or other similar products.

We rely on the strength of our reputation and brands in marketing and selling our products. Our products are used in third-party end products, which are designed, manufactured and sold by our customers or other downstream manufacturers. As we are not involved in the design, production or quality control of these end products, we cannot practically identify or eliminate all of the potential complexity or risk factors associated with the end-use environment. Therefore, even if our products meet the required specifications and pass all quality inspections at the time of delivery, we cannot assure that they will perform as expected under sophisticated, dynamic or unforeseen application scenarios. Any failure or malfunction of the end products in which our products are applied, whether or not attributable to our products, may expose us to product liability claims or reputational damage. Our business, financial condition and results of operations could be adversely affected by the occurrence of quality issues, which may result in customer complaints, adverse publicity or media reports, product liability claims, investigations and imposition of penalties by the relevant government authorities, suspension or revocation of our licenses, permits, certificate or qualifications necessary for the operation of our business and interruptions or suspensions of production.

We may also be involved from time to time in disputes with various parties involved in our business operations, including our customers, suppliers, employees, logistics service providers, insurers and banks. Adverse publicity about any regulatory or legal action against us could damage our reputation and brand image, undermine our customers’ confidence in us and reduce demand for our products, even if the regulatory or legal action is unfounded or immaterial to our operations.

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

Our trade and bills receivables primarily include amounts due from our customers for products in the ordinary course of business. During the Track Record Period, we generally provided our customers with a credit period ranging from 30 to 120 days. As of December 31, 2023, 2024, 2025 and June 30, 2026, our trade and bills receivables amounted to RMB166.6 million, RMB204.5 million, RMB260.8 million and RMB226.8 million, respectively. In addition, for the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, our trade and bills receivables turnover days were 134 days, 188 days, 134 days and 120 days, respectively. For details, please refer to “Financial Information – Discussion of Certain Selected Items of Consolidated Statements of Financial Positions – Trade, Bills and Other Receivables” in this document.

If our customers’ creditworthiness declines or a substantial number fail to fully pay their trade and bills receivables for any reason, we could face impairment losses, materially and adversely affecting our business, financial condition and results of operations. Additionally, payment delays from customers beyond their credit terms may also lead to impairment loss provisions. There is no guarantee that we will fully recover our trade and bills receivables or that payments will be made promptly.

We may not be able to timely fulfill our obligations in respect of contract liabilities to our customers or at all.

As of December 31, 2023, 2024, 2025 and June 30, 2026, our contract liabilities amounted to RMB3.1 million, RMB3.8 million, RMB5.2 million and RMB2.4 million, respectively. If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the purchase price we have received, which may materially and adversely affect our cash flow and liquidity condition, our ability to meet our working capital requirements and our results of operations and financial condition. In addition, if we fail to fulfill our obligations under our contracts with customers, it may adversely affect our relationship with such customers, which may also materially and adversely affect our reputation, business and results of operations in the future.

We are exposed to changes in the fair value of our financial assets at fair value through profit or loss (the “FVTPL”). Fluctuations in their values would affect our results of operations and financial condition.

During the Track Record Period, we purchased certain wealth management products issued by commercial banks in the PRC, which are recorded under financial assets measured at FVTPL. Our results of operations are affected by changes in the fair value of such financial assets at FVTPL. As of December 31, 2023, 2024, 2025 and June 30, 2026, our financial assets at FVTPL amounted to nil, RMB238.5 million, RMB86.3 million and RMB87.3 million, respectively.

Fair values of financial assets measured at FVTPL are determined based on quoted value provided by financial institutions. Factors beyond our control can significantly influence and cause adverse changes to these market-observable data we use and thereby affect the fair value of such financial assets. These factors include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operations and financial condition.

RISK FACTORS

Any impairment of intangible assets and goodwill could have a material adverse effect on our results of operations.

We are exposed to the risk of recognizing impairment losses on intangible assets and goodwill, which could materially and adversely affect our financial condition and results of operations. As part of our business strategy, we have invested in intangible assets, including computer software and patents. As of December 31, 2023, 2024, 2025 and June 30, 2026, the value of our intangible assets amounted to RMB150.9 million, RMB131.1 million, RMB100.8 million and RMB86.8 million, respectively. Our goodwill arose from the acquisition of Zhejiang AITEK and Suzhou Routao. Our goodwill amounted to RMB0.9 million, RMB0.9 million and RMB9.8 million as of December 31, 2024, 2025 and June 30, 2026, respectively.

According to our accounting policies, intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each year/period, with the effect of any changes in estimate being accounted for on a prospective basis. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of our cash-generating units that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment. We cannot assure that future impairment losses will not occur, and any such losses could materially affect our financial performance.

Failure to maintain effective cash flow management may have an adverse effect on our business operation and financial condition.

For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, we recorded net cash generated from operating activities of RMB28.7 million, RMB143.7 million, RMB108.2 million, RMB71.1 million and RMB91.1 million, respectively. However, we cannot assure you that we will not experience any reduction in our working capital in the future or that we will not experience net cash outflows in the future. If we fail to maintain effective working capital and cash flow management, we may face financial difficulties and our business operation and financial condition could be materially and adversely affected.

We depend on certain third parties for various services and products in connection with our business. Any failure on their part to fulfill obligations in contracts could materially and adversely affect our results of operations.

We rely on third-party suppliers for various products and services, including utilities, energy and logistics services, which are in line with industry practice. We endeavor to source goods and services from third-party providers whom we believe are able to meet our quality, delivery schedule and other requirements. During the Track Record Period, we did not experience any material quality issues or material delivery delays in respect of the products or services provided by our third-party suppliers. However, the products and services provided by any of the third-party service providers may not be provided in a timely manner or of satisfactory quality in the future. If the third-party providers do not perform satisfactorily, substantially reduce the amount and scope of goods and services provided to us, increase their prices or terminate their business relationship with us, we may need to replace the third-party providers or take other remedial measures, which could increase our costs of operation. As we do not have direct control over the third-party providers, if they become involved in unauthorized provision of products or services not complying with our requirements or those of our customers, our reputation may be adversely affected. Any non-compliance with applicable laws and regulations by our third-party providers could also have an adverse impact on our reputation. These, in turn, may materially and adversely affect our business, reputation, financial condition and results of operations.

RISK FACTORS

Malfunctions or security breaches of our information technology systems, networks and software could disrupt our operations and negatively impact our business.

Our business is dependent upon the continued maintenance and enhancement of our information technology systems and network infrastructure. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material IT system failure that had a material adverse effect on our business operations. Our cybersecurity measures may not in the future detect or prevent all attempts to compromise our systems that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. In cases of ransomware attacks, we may be asked to make a large lump-sum payment in order to resume the operation of our system, which may materially and adversely impact our business and financial condition. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we may be unable to anticipate, or implement adequate measures to protect against these attacks. There is no assurance that we will not be subject to any of those cybersecurity issues in the future. Any failure to adequately deal with such issues would result in a material and adverse effect on our business and results of operations.

We may not be able to detect or prevent fraud, bribery, negligence, or other misconduct committed by our employees or other third parties.

We are exposed to fraud or other misconduct committed by our employees, customers, suppliers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. For example, fraudulent acts and forgery by our employees, agents, customers, suppliers or other third parties may cause us to be responsible for compensation liabilities. We cannot guarantee that they are able to identify all non-compliance, suspicious transactions, fraud, corruption or bribery in a timely and effective manner. If such misconduct occurs, we will suffer from negative publicity and reputational damage.

In addition, although we have limited control over the behavior of any of these parties, we may be viewed as at least partially responsible for their conduct on contractual or tortious grounds. We may become, or be joined as, a defendant in litigation or other administrative or investigative proceedings and be held accountable for injuries or damages sustained by our employees or third parties. To the extent that we cannot recover related costs from the employees, suppliers, business partners or third parties involved, we may experience material adverse effects on our business, results of operations and financial condition.

We may be unable to obtain financing on favorable terms, or at all, to fund our business operations, existing and future capital expenditure requirements, acquisition and investment plans and other funding requirements.

We operate in an industry that requires substantial capital and other long-term expenditures. To fund our continuing business operations, existing and future capital expenditure requirements, acquisition and investment plans and other funding requirements, we need sufficient internal sources of liquidity or access to additional financing from external sources. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including: (i) obtaining the necessary regulatory approvals to raise financing in the regions where we operate; (ii) our future financial condition, operating results and cash flow; (iii) the condition of the financial markets in regions where we operate; and (iv) changes in the monetary policy of the PRC government with respect to bank interest rates and lending practices and conditions.

RISK FACTORS

If adequate funding is not available to us on favorable terms, or at all, it may materially and adversely affect our ability to fund our operations, or develop or expand our business. We cannot assure you that we will not experience any unforeseen circumstances that may adversely affect our working capital in the future. In addition, future capital raised through issue of our Shares or other securities may result in a substantial dilution of the interests of our Shareholders.

Acquisitions, investments or strategic alliances may fail and thus materially and adversely affect our reputation, business and results of operations. We may not be able to effectively integrate or manage our acquired business.

We may in the future enter into strategic alliances with various third parties. Strategic alliances with third parties could subject us to a number of risks, including: (i) disclosure or misappropriation of proprietary information; (ii) defaults including breach of covenants, non-performance by the counterparty; and (iii) negative publicity related to these third-parties or such strategic alliances.

In addition, we may acquire additional assets or businesses that may generate synergies when combined with our existing business. The cost of identifying and consummating acquisitions may be significant. We may also have to obtain shareholders’ approvals, approvals and licenses from the government authorities for the acquisitions and comply with applicable laws and regulations. Obtaining such approvals and licenses may delay, if not halt, our acquisition efforts. We acquired Zhejiang AITEK in 2024. See the paragraph headed “History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers — Acquisition of Zhejiang AITEK” for further details.

We face inherent valuation risk in connection with potential or completed acquisitions, as we may incorrectly assess the future performance, value or prospects of target businesses, which could result in overpayment, asset impairment charges or other adverse financial consequences. We also encounter significant integration risks relating to acquired businesses, brands, operations and personnel, including challenges in aligning corporate cultures, systems, processes and management structures, which may disrupt our operations and increase operational complexity and costs. Such integration process may also divert our management’s attention and any difficulties encountered during the process could have an adverse effect on our ability to manage our business.

Moreover, there can be no assurance that we will be able to achieve the anticipated benefits, synergies, cost savings or operational efficiencies expected from our acquisition initiatives. Actual post-acquisition performance may fall short of expectations due to market changes, competitive pressures, operational difficulties or unforeseen liabilities. If we fail to successfully integrate acquired businesses or realize expected synergies, our profitability, cash flow and overall risk profile may be materially adversely affected, which could in turn harm our reputation, business prospects and results of operations.

We are subject to environmental, hazardous substance handling, chemical manufacturing, health and safety laws and regulations, production standards and ESG requirements, and any inability to comply with such requirements may subject us to liabilities.

Our operations are subject to laws, regulations, administrative determinations, and court decisions, particularly those related to environmental protection, hazardous substance handling, chemical manufacturing, health and safety, and production standards in the countries and regions where we operate. With the global trend of low-carbon transition and the PRC’s advancement towards carbon neutrality, some of these jurisdictions have increasingly stringent laws and regulations. For our ESG-related measures, see “Business — Internal Control and Risk Management” in this document. We cannot assure you that we can effectively implement the ESG governance protocols, including identifying and mitigating our ESG-related risks effectively. If we fail to address ESG compliance promptly, our business, operating results and financial condition could be materially and adversely affected.

RISK FACTORS

Meanwhile, to comply with extensive environmental laws and regulations in the PRC, including those related to air and water quality, sewage management, and public health and safety, we must obtain approval for environmental impact assessment reports and environmental acceptance of our facilities under construction. Additionally, we undergo annual inspections of our production facilities by relevant PRC authorities to ensure the safety of our equipment. Failure to obtain such environmental approvals or complete required inspections may result in the suspension of our facilities and potential fines imposed by authorities.

Furthermore, environmental and safety regulations in the PRC and other jurisdictions where we operate continue to evolve, often imposing stricter standards, heightened enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed facilities, and increased corporate and individual responsibility. Amendments to these laws and regulations may result in additional capital expenditures, costs that we may not be able to pass on to customers, or other compliance obligations that could impact our financial flexibility and expansion efforts.

We have incurred, and expect to continue incurring, expenditures to comply with these laws and regulations. Compliance requirements impose substantial costs and burdens, potentially leading to delays in obtaining, failure to obtain or renew, or cancellation of government permits and approvals, all of which could adversely impact our operations. Non-compliance may result in significant penalties or fines, license revocations, termination of government contracts, or suspension of operations. Any of these outcomes could adversely impact our results of operations, financial condition, and reputation, limiting our ability to maintain profitability and attract new customers. There is no assurance that we will not be penalized for breaching these laws and regulations. Additionally, increased regulatory scrutiny on resource consumption, waste management, and environmental impact could further raise compliance and operational costs, negatively affecting our business performance and financial position.

We are exposed to operational, transportation-related, occupational and environmental related risks.

Our business and production are subject to various risks, including operational and transportation-related risks and occupational and environmental hazards. We must comply with the extensive environmental and health and safety laws and regulations promulgated by the government authorities in the PRC, such as the Work Safety Law of the PRC (《中華人民共和國安全生產法》). According to these laws and regulations, we are required to maintain safe production conditions and protect the occupational health of our employees. Any accident could materially affect our production and may give rise to personal injuries and fatalities, damages to or destruction of properties or production facilities, and pollution and other environmental damages. Any of these consequences may result in business interruption, legal liability and damages to our reputation and corporate image. We cannot assure you that we will not experience any major accidents or work-related injuries in our future production processes. Additionally, there is no assurance that our safety measures and procedures are strictly followed by our employees.

Our operations may also be subject to challenges related to the manufacturing such as capacity constraints, mechanical and systems failures, construction and upgrade delays and equipment delivery delays, any of which could cause suspension of production and reduced output. Scheduled and unscheduled maintenance programs may also affect our manufacturing output. Any significant production suspension or reduction could adversely affect our ability to produce and sell our products, which could have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

Our insurance coverage may be insufficient to cover the risks or losses related to our business and operations.

Our business is subject to a variety of operational risks, including production disruptions due to operational errors, power outages, equipment failures and suspension due to other risks; operational restrictions imposed by environmental or other regulatory requirements; social, political and labor unrest, environmental or industrial accidents, and catastrophic incidents such as fires, earthquakes, explosions, floods or other natural disasters. In addition, as we may further expand our operations in overseas markets in the future, we may be exposed to risks related to geopolitical tensions, policy changes and intellectual property and technology protection. These aforementioned risks may result in, including but not limited to, damage to or destruction of production facilities, personal injury or casualties, environmental damage, monetary loss, and legal liability. The occurrence of any of these events may result in disruption of our operations and cause us to suffer substantial losses or incur significant liabilities.

We have purchased and maintained insurance policies that we believe are in line with the industry practice and as required by the relevant laws and regulations. We maintain personal accident insurance and property insurance. See “Business – Insurance” in this document for further information. However, there is no assurance that our insurance will be adequate to cover our exposure to the foregoing risks. Any uninsured business disruptions may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our business and results of operations.

Any catastrophes, including natural disasters, outbreaks of health epidemics and other extraordinary events, could disrupt our business operations.

Our business could be materially and adversely affected by catastrophes, including natural disasters, such as snowstorms, earthquakes, fires or floods, outbreaks of a widespread health epidemic or pandemic, or other extraordinary events such as wars, acts of terrorism, environmental accidents, power outages or communication interruptions. Such events may also significantly affect our industry and may even cause a temporary closure of the facilities we or our business partners use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could be disrupted if any of our employees or employees of our business partners were suspected of having any of the epidemic or pandemic illnesses, since this could require us or them to quarantine some or all of such employees or disinfect the facilities used for our operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or pandemic or other outbreaks harm the global economy in general.

Any government grants and industry subsidies, to which we, our industry, the major downstream industries or our end-users are entitled, may be changed, suspended or terminated.

Any government grants and industry subsidies to which we, our industry, the major downstream industries of our business and our end-users are entitled may be adjusted, suspended or terminated at any time. Such adjustments, suspension or termination may arise from changes in national or local industrial policies, budgetary allocations, regulatory requirements or other macroeconomic factors beyond our control.

If the government grants and industry subsidies received by us are reduced or withdrawn, our operating results, financial condition and cash flow may be adversely affected. In addition, any reduction, suspension or termination of such grants and subsidies available to our industry, major downstream industries or end-users may disrupt the overall supply chain and demand dynamics of the markets in which we operate. This could in turn lead to decreased demand for our products, lower product prices or increased operational costs, all of which may have a material adverse impact on our business, financial condition and results of operations.

RISK FACTORS

Any preferential tax treatment that we enjoy may be altered or terminated.

We cannot assure you that the policies on preferential tax treatment will not change or that any preferential tax treatment we enjoy or will be entitled to enjoy will not be terminated. During the Track Record Period, certain entities within our Group accredited as High and New Technology Enterprise were eligible for a preferential income tax rate of 15%. In addition, pursuant to relevant laws and regulations in the PRC, some of our subsidiaries are eligible as Small Low-profit Enterprise (小型微利企業) and are subject to preferential tax treatments during the Track Record Period. For Small Low-profit Enterprises, the annual taxable income not exceeding RMB3.0 million was reduced to 25% and taxed at a rate of 20%. Our Group is entitled to an additional deduction of 100% on qualified research and development expenditures during the Track Record Period. For details, please refer to “Financial Information – Results of Operations — Income Tax Expenses” for further information. If any preferential tax incentives currently enjoyed by us are changed, terminated, suspended or no longer applicable, or if the PRC tax authorities successfully dispute the tax calculation methods adopted by us, we will no longer be eligible to enjoy relevant preferential tax treatment. The loss of such favorable tax policies will lead to an increase in our overall tax burden and effective tax rate, which may materially raise our operating costs and reduce net profit accordingly. As a result, our business operations, financial position and profitability may be adversely affected.

Any litigation, legal and contractual disputes, claims or administrative proceedings against us could be costly and time-consuming to defend or settle, and could result in negative publicity.

We may become a party to various litigation, legal disputes, claims, administrative proceedings or other administrative measures arising in the ordinary course of our business. Any litigation, legal disputes, claims, administrative proceedings or other administrative measures may divert our management’s attention and consume their time and our other resources. We cannot assure you that the outcome of such legal proceedings will not adversely affect our business, financial condition and results of operations.

Furthermore, any litigation, legal disputes, claims, administrative proceedings or other administrative measures which are initially not of material importance may escalate and become important to us due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. Negative publicity arising from litigation, legal disputes, claims, administrative proceedings or other administrative measures may damage our reputation and adversely affect the image of our brands and products. In addition, if any verdict or award is rendered against us, or we are imposed any fines or penalties, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business ventures or projects. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

Failure to comply with PRC property-related laws and regulations regarding certain of our leased properties may adversely affect our business, financial condition and results of operations.

As of the Latest Practicable Date, among the properties leased by us in the PRC which have a gross floor area of over 20,476 sq.m., there were 29 lease agreements which had not yet been registered with the relevant PRC authorities. See “Business – Properties – Lease Properties” in this document for more information. We cannot assure that we will not be subject to any penalties arising from the non-registration of lease agreements in the future. As advised by our PRC Legal Advisers, according to applicable PRC administrative regulations, the lessor and the lessee of a property lease agreement are required to file the property lease agreement with relevant governmental authorities within 30 days after the execution of the property lease agreement. Notwithstanding that failure to complete such lease registration would not affect the validity and enforceability of such lease agreements, the relevant government authorities may require that the filing be made within a stated period of time, failing which, they may impose a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed.

RISK FACTORS

Any failure to make adequate contributions to various employee benefit plans as required by PRC regulations can result in penalties.

Pursuant to the PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments, and contribute for each of our employees under such plan should be calculated based on a specified percentage of the employee’s salary level. According to the relevant laws and regulations, it is imperative to properly handle the historical arrears of enterprises, and in the reform of the collection system, it is not allowed to integrate collection the historical arrears of enterprises without authorization. In addition, due to the different levels of economic development in different regions, there are no uniform requirements for the implementation of employee benefit plans by local governments. As such, there can be no assurance that any new laws and regulations or changes in the enforcement of existing laws and regulations will not cause us to retroactively make up any historical shortfall in social insurance and housing provident fund contributions.

During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds for certain of our employees as required by the relevant PRC laws and regulations. For details, please refer to “Business – Employees – Social Insurance and Housing Provident Funds” for further details in this document. As advised by our PRC Legal Advisers, pursuant to the applicable PRC laws and regulations, if an employer fails to make full social insurance and housing provident funds contributions, the relevant authorities may (i) order the employer to pay the outstanding social insurance amount within a prescribed time limit, together with an additional overdue fine calculated at a daily rate of 0.05%. If the employer still fails to pay the overdue contributions within such time limit, a fine of one to three times the outstanding amount may be imposed on the employer; and (ii) order the employer to pay the outstanding housing provident fund contributions within a prescribed time period, failing which the relevant PRC authorities may apply to the People’s Court for compulsory enforcement. Therefore, we could be subject to fines of up to one to three times the total amount of the social insurance contribution shortfall during the Track Record Period and a late fee of 0.05% of the outstanding amount for each day of delay.

We are exposed to risks in relation to workplace safety and the occurrence of accident during the production process in our production facilities.

Our operations are subject to risks related to workplace safety, including damage to, or destruction of, production equipment and facilities, or operational accidents, and could also result in personal injury, death, performance delays, monetary losses and legal liability. There can be no assurance that serious accidents or fatalities will not occur in the future. If we fail to prevent serious accidents or fatalities, we will be held liable for damages arising out of or in connection with such incidents or facilities, which could have a material adverse effect on our results of operations, business, financial condition and prospects.

Any negative publicity with respect to us, the industry in which we operate or our business partners may materially and adversely affect our reputation, business, financial condition and results of operations.

We, our shareholders, Directors, senior management, employees and business partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our employees and business partners were non-compliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to resolve them to the satisfaction of our [REDACTED] and customers.

RISK FACTORS

The legal system for certain geographic markets is developing with uncertainties in interpretation and enforcement. The legal protections available to you and us may be limited.

Our sales span across various geographic markets, each with its unique legal system. These legal systems can be broadly categorized into civil law systems based on written statutes, and common law systems. It is noteworthy that in civil law jurisdictions, prior court decisions, while used as references, carry limited precedential value, unlike in common law systems.

We acknowledge the inherent uncertainties within the legal frameworks of some of the markets we sell products to. Newly enacted laws and regulations may not comprehensively address all facets of economic activities in these markets. The interpretation and enforcement of such laws and regulations are often subject to future implementations, and their applicability to our business operations remains unsettled. Given that local administrative and court authorities are empowered to interpret and implement statutory provisions and contractual terms, it can be challenging to predict the outcomes of administrative and court proceedings, and to ascertain the extent of legal protection we possess in these markets. It is also worth noting that local courts may exercise discretion in refusing to enforce foreign or arbitration awards. These uncertainties could potentially impact our understanding of legal requirements and our capacity to enforce our contractual rights or claims. Moreover, these regulatory uncertainties may be leveraged through unmerited or frivolous legal actions, claims concerning third-party conduct, or threats aimed at extracting payments or benefits from us.

Additionally, many of the legal systems in our sales markets are influenced by their respective government policies and internal rules. Some of these policies and rules may not be published promptly or at all, and could have retroactive effects. There are instances where key regulatory definitions are ambiguous, imprecise, or absent, or where regulatory interpretations diverge from court interpretations in analogous cases. Consequently, we may inadvertently violate certain policies or rules, only becoming aware of such violations after the fact. Furthermore, administrative and court proceedings in some of our markets may be prolonged, leading to significant costs and diversion of resources and management attention.

We recognize the possibility of new laws and regulations being adopted or interpreted as applicable to us in geographic markets and elsewhere where we sell products, which could impact our businesses. The industries in which we export may face increased scrutiny and regulation, requiring the allocation of additional legal and other resources to comply with these regulations. Changes in existing laws or regulations, or the introduction of new laws and regulations in our markets, could potentially impede the growth of the whole industry and affect our business, financial condition, and results of operations.

You may experience difficulties in effecting service of legal process and enforcing foreign court judgments against us and our Directors and senior management.

We are a company incorporated under the laws of the PRC and a substantial portion of our business, assets and operations are located in the PRC. In addition, most of our Directors and officers reside in the PRC and have assets located in the PRC. As a result, it may be difficult, complicated and time-consuming for you to effect service of process upon those persons residing in China. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC only if the jurisdiction has a treaty with the PRC or if the jurisdiction has been otherwise deemed by the courts of the PRC to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of certain other jurisdictions.

On July 14, 2006, the Supreme People’s Court of China and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《內地與香港特別行政區法

RISK FACTORS

院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (“2006 Arrangement”) which came into effect on August 1, 2008. Pursuant to the 2006 Arrangement, a party with an enforceable final court judgment rendered by any designated People’s Court of Chinese Mainland or any designated Hong Kong Court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant People’s Court of Chinese Mainland or Hong Kong Court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a court of Chinese Mainland or a Hong Kong court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in Chinese Mainland if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for you to effect service of process against us in order to seek recognition and enforcement of foreign judgments in Chinese Mainland.

On January 18, 2019, the Supreme People’s Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (“2019 Arrangement”). The 2019 Arrangement broadens the scope of judgments that may be enforced between Chinese Mainland and Hong Kong under the 2006 Arrangement. Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the 2006 Arrangement, the 2019 Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties’ agreement. The 2019 Arrangement became effective on January 29, 2024, both in Chinese Mainland and in Hong Kong and replaced the 2006 Arrangement. Under the 2019 Arrangement, any party concerned may apply to the relevant court of Chinese Mainland or Hong Kong for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the 2019 Arrangement. Although the 2019 Arrangement has become effective for a period of time, the outcome and effectiveness of any action inspired under it may still be uncertain. We cannot assure you that an effective judgment that complies with the 2019 Arrangement can be recognized and enforced in a Chinese Mainland court.

The volatile nature of the global or regional economic, political, trade or other factors may adversely affect our business.

Our business operation is influenced by global and regional macroeconomic and political conditions, fluctuations in the levels of international and regional trade, changes in transportation patterns, and other factors. Any severe or prolonged downturn globally or regionally could materially and adversely affect our business, financial condition and results of operations. Political and trade disputes and trade protectionism may result in imposition of trade barriers or restrictions, sanctions, boycotts, or embargoes, new or increased tariffs and other factors such as acts of war, hostilities, epidemics or terrorism, could also adversely affect the international or regional trade volume and customers demand, which could also adversely affect our business and financial performance.

Additionally, the uncertainty in global economic conditions varies by geographic segment and can result in substantial volatility in global credit markets. Credit volatility could impact our working capital for manufacturing, or result in cost changes or supply interruptions to suppliers whose components we rely upon if we are unable to access the needed credit for our operations. These conditions affect our business by reducing prices that our customers may be able or willing to pay for our products or by reducing the demand for our products, which could in turn negatively impact our sales and result in a material adverse effect on our business, cash flow, results of operations and financial condition.

RISK FACTORS

Changes in economic, regulatory, political and social conditions could materially and adversely affect our business and operations.

Our business, financial condition and results of operations may be influenced by the general political, economic and social conditions in the countries and regions in which we operate. Governments worldwide have implemented, and may continue to introduce, among others, various policies and measures to encourage the economic growth and guide the allocation of resources. Our industry in general is affected by macro-economic factors, including international, national, regional and local economic conditions, trade relationships, employment levels, customer demand and discretionary spending. Any changes in these factors, including the frequent changes in US tariff policies recently, may have material and adverse effects on our business, financial condition and results of operations.

We are a PRC enterprise and we are subject to PRC tax on our global income, and any gains on the [REDACTED] of our [REDACTED]. [REDACTED] of our H Shares may become subject to PRC taxation on dividends received from us and gains from the [REDACTED] of our [REDACTED].

We are subject to periodic examinations on fulfillment of our tax obligations under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our business, results of operations, financial condition and prospects, as well as our reputation.

Individual holders of H Shares who are not residents of Chinese Mainland and whose names appear on the register of members of H Shares (“non-Chinese Mainland resident individual holders”) are subject to PRC individual income tax on dividends received from us. 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 June 28, 2011, issued by the SAT, dividends paid to non-Chinese Mainland resident individual holder of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10.0%, dependent on whether there is any applicable tax treaty between Chinese Mainland and the jurisdiction in which the non-Chinese Mainland resident individual holder of H Shares resides as well as the tax arrangement between Chinese Mainland and Hong Kong. Non-Chinese Mainland resident individual holders who reside in jurisdictions that have not entered into tax treaties with Chinese Mainland are subject to a 20.0% withholding tax on dividends received from us. In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, non-Chinese Mainland resident individual holders of H Shares are subject to individual income tax at a rate of 20.0% on gains realized upon the sale or other disposition of H Shares. 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 and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. As of the Latest Practicable Date, no aforesaid provisions have expressly provided that whether individual income tax shall be levied from non-Chinese Mainland resident individual holders on the transfer of shares in Chinese Mainland resident enterprises listed on overseas stock exchanges, and to our knowledge, in practice the Chinese Mainland tax authorities had not collected individual income tax on such gains. If such tax is collected in the future, the value of such individual holders’ investments in H Shares may be materially and adversely affected.

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (“EIT Law”) and its implementation regulations, a non-Chinese Mainland resident enterprise is generally subject to enterprise income tax at a rate of 10.0% with respect to its Chinese Mainland-sourced income, including dividends received from a Chinese Mainland company and gains derived from

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the disposal of equity interests in a Chinese Mainland company, subject to reductions under any special arrangement or applicable treaty between Chinese Mainland and the jurisdiction in which the non-Chinese Mainland resident enterprise resides. The interpretation and implementation of the EIT Law and its implementation regulations by Chinese Mainland tax authorities, including whether and how enterprise income tax on gains derived upon the sale or other [REDACTED] will be collected from non-Chinese Mainland resident enterprise holders of H Shares, are to be determined in accordance with the relevant laws and regulations in effect at the time. If such tax is collected in the future, the value of such non-Chinese Mainland resident enterprise holders’ investments in H Shares may be materially and adversely affected.

We are subject to certain regulatory requirements over foreign currency conversion and remittance.

We receive a majority of payments from our operations in the PRC in RMB and may need to convert certain Renminbi into other currencies for payment of dividends, if any, to holders of our Shares, and to fund our business activities outside of the PRC, among other things. The convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC are subject to related regulatory requirements. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments, or otherwise fulfill our foreign currency denominated obligations.

Under current foreign exchange regulations of the PRC, payment of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE or its local branches, through licensed banks for foreign exchange business, by complying with certain procedural requirements. If we cannot fulfill the regulatory requirements over foreign currency conversion to obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. However, prior registration and other procedures with competent government authorities are required where Renminbi is to be converted into foreign currency and remitted out of Chinese Mainland to pay capital expenses. Further, there is no assurance that new regulations will not be promulgated in the future that would have further requirements on the remittance of Renminbi into or out of the PRC. Any existing and future requirements on currency exchange may limit our ability to purchase raw materials and components outside of the PRC or otherwise fund any future business activities that are conducted in foreign currencies.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for our [REDACTED] and the [REDACTED] and [REDACTED] of our [REDACTED].

Prior to the [REDACTED], there has been no [REDACTED] for our [REDACTED]. The initial [REDACTED] for the [REDACTED] was the result of negotiations between us and the [REDACTED] (for itself and on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the [REDACTED] for our H Shares following the [REDACTED]. We cannot assure you that an [REDACTED] for our H Shares will develop or be sustained after the [REDACTED] or that the [REDACTED] of our H Shares will not decline below the [REDACTED]. The [REDACTED] for our H Shares may be highly [REDACTED] and subject to wide fluctuations in response to a number of factors, some of which are beyond our control.

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The [REDACTED] of our [REDACTED] may be [REDACTED], which could result in substantial losses to you.

The [REDACTED] of our [REDACTED] may be volatile and could fluctuate significantly due to factors beyond our control. Such factors include, but are not limited to, variations in our revenue, earnings and cash flow, changes in our operating results, changes in analysts’ estimates, perceptions of our industry and regulatory developments in the PRC and elsewhere. The [REDACTED] markets have from time-to-time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the [REDACTED] of our [REDACTED].

Additionally, under PRC law, all existing Shareholders are restricted from disposing of any of their Shares within the first 12 months following the [REDACTED]. This lock-up period may affect the [REDACTED] and [REDACTED] of our [REDACTED] shortly after the [REDACTED]. These factors, independent of our actual business performance, could contribute to substantial price volatility and potential losses for [REDACTED] in our H Shares.

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

The [REDACTED] of our [REDACTED] in the [REDACTED] may be higher than the net tangible book value per H Share immediately prior to the [REDACTED]. As a result, [REDACTED] 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 [REDACTED] may experience further dilution in the net tangible book value per Share if we issue [REDACTED] in the future.

Future sales or perceived sales of substantial amounts of [REDACTED] could negatively affect the [REDACTED] and our ability to raise additional capital in the future.

The [REDACTED] of [REDACTED] could decline as a result of future sales of a substantial number of our Shares or other securities relating to our H Shares in the [REDACTED], the issuance of [REDACTED] or other securities, or the perception that such sales or [REDACTED] may occur. Future sales, or perceived sales, of substantial amounts of our [REDACTED], including any future [REDACTED], could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. Equity-linked [REDACTED] issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

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

Prior to and immediately following the completion of the [REDACTED], our Controlling Shareholders will retain substantial control over our Company. Subject to our Articles of Association and the PRC Company Law, the Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of our Controlling Shareholders may differ from the interests of other Shareholders and they are free (other than on any matters that they are required to abstain from voting) to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

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We may not be able to pay any dividends on our H Shares.

We cannot guarantee when and in what form dividends will be paid on our H Shares following the [REDACTED]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including without limitation, our business and financial performance, capital and regulatory requirements, and general business conditions. 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. See “Financial Information – Dividends.”

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our H Shares, the [REDACTED] and [REDACTED] of our [REDACTED] may decline.

The [REDACTED] for our [REDACTED] will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our H Shares, the [REDACTED] of [REDACTED] would likely decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our [REDACTED] or [REDACTED] to decline.

We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the net [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our Shareholders. For further details on our plans to use net [REDACTED] from the [REDACTED], please refer to “Future Plans and Use of [REDACTED]” in this document. However, our management will have discretion as to the actual application of our net [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net [REDACTED] from this [REDACTED].

Certain facts, forecast and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecasts, and other statistics included in this document are derived from various publicly available government and official sources. While our Directors believe these sources to be appropriate and have taken reasonable care in obtaining and reproducing the information, we cannot guarantee the accuracy, quality, or reliability of the underlying source materials. This data has not been independently verified by us or any other parties involved in the [REDACTED] and no representation is given as to their accuracy.

Additionally, we cannot assure our [REDACTED] that this information has been compiled on a basis or with the same level of accuracy as similar data presented elsewhere. Therefore, [REDACTED] are advised to carefully consider the weight and importance they place on such facts and statistics when evaluating this document.

Our forward-looking statements are subject to uncertainties, and future results could differ materially from those expressed or implied.

This document contains forward-looking statements about our business based on management’s current beliefs, assumptions, and information available at the time. Forward-looking statements are identified by terms such as “aim,” “anticipate,” “believe,” “could,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “will,” and similar expressions. These statements reflect management’s views on future events, operations, liquidity, and capital resources; however, they are inherently subject to risks, uncertainties, and assumptions.

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If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results could differ significantly from those suggested by these forward-looking statements. Factors beyond our control and future business decisions could impact outcomes, many of which are discussed in the “Risk Factors” section of this document.

In light of these uncertainties, forward-looking statements should not be considered assurances of specific plans or objectives, and [REDACTED] are cautioned not to place undue reliance on them. All forward-looking statements in this document are qualified by these cautionary statements. Subject to ongoing disclosure obligations under the Listing Rules or Hong Kong Stock Exchange requirements, we do not intend to publicly update or revise forward-looking statements due to new information, future events, or other factors.

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

The [REDACTED] is being made solely on the basis of the information and representations contained in this document, which are true and accurate to the best of our knowledge and belief. Any information not contained in this document should not be relied upon in making an [REDACTED] decision with respect to the [REDACTED].

Prior to the publication of this document, there has been coverage in the media regarding us and the [REDACTED], which may have contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. [REDACTED] should be aware that information and opinions published by third-party sources may have been based on outdated, incomplete, or inaccurate information. These sources may also have conflicts of interest, and their opinions may not be independent or objective. The media’s coverage of our Company and the [REDACTED] may be influenced by a wide range of factors, including the bias of individual journalists, the preferences of media outlets and the demands of advertisers.