

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

Please refer to the section headed “Business — Our Strategies” in this document for a detailed discussion of our future plans.

USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] million from the [REDACTED] after deducting the [REDACTED] and other estimated expenses in connection with the [REDACTED], and assuming the [REDACTED] is not exercised.

In alignment with our strategy and development plans, we intend to allocate the net [REDACTED] for the following purposes:

- (i) approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) will be used to expand the production capacity of our major products, and facilitate the development and commercialization of our new products.
- approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) will be used to expand the production capacities of our acoustic enhancement materials, electronic ceramic materials and electronic adhesives products:
 - (a) approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) will be used to expand the production capacities of acoustic enhancement materials. We expect to complete the capacity expansion project by 2031, which will deliver an additional annual production capacity of 60 tons of acoustic enhancement materials. The expansion includes both the automation upgrade of existing production lines and the construction of a new production line, with an estimated total capital expenditure of RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million). As of the Latest Practicable Date, we had not commenced the construction for the expansion plan. Any future funding shortfalls in relation to the project will be funded by our operating income or bank borrowings. Set out below are the expected production expansion schedule and the corresponding allocation of the net [REDACTED] raised.

Year	Expected production expansion schedule	Planned additional production personnel	Estimated additional production capacity	Use of [REDACTED] ⁽¹⁾
2027	Construction of a new production line: purchase of 10 sets of new production equipment	10	10 tons	HK\$[REDACTED] million
2028	Construction of a new production line: purchase of 10 sets of new production equipment	10	10 tons	HK\$[REDACTED] million

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Year	Expected production expansion schedule	Planned additional production personnel	Estimated additional production capacity	Use of [REDACTED] ⁽¹⁾
2029	Construction of a new production line: purchase of 15 sets of new production equipment Automation upgrade of one existing production line ⁽²⁾	15	10 tons	HK\$[REDACTED] million
2030	Construction of a new production line: purchase of 15 sets of new production equipment Automation upgrade of two existing production lines ⁽²⁾	5	20 tons	HK\$[REDACTED] million
2031	Construction of a new production line: purchase of 10 sets of new production equipment Automation upgrade of one existing production line ⁽²⁾	5	10 tons	HK\$[REDACTED] million

Notes:

- (1) The [REDACTED] used in the current year cover not only the salaries of production personnel newly added in the current year, but also the remuneration of production personnel newly employed since 2027.
- (2) Automation upgrades mainly cover three aspects: (i) procurement of automated production and packaging equipment including automatic feeding and precise batching systems to ensure accurate raw material feeding, weighing and blending; (ii) deployment of core process control systems to stabilize key production parameters; and (iii) establishment of intelligent warehousing and logistics systems to realize automated inventory circulation and full product traceability.

According to Frost & Sullivan, driven by expanding end markets and increasing demand for high-performance products, the development of acoustic technology is placing greater emphasis on accuracy, immersion and dynamic balance. As a result, the penetration rate of acoustic enhancement materials in micro-speakers and other key components and the value per unit application have increased simultaneously. The global market size of the acoustic enhancement materials industry increased from RMB1,123.0 million in 2021 to RMB1,519.6 million in 2025, representing a CAGR of 7.9%. It is expected to further increase to RMB2,408.8 million by 2030, with a CAGR of 9.7% from 2025 to 2030 (taking into account the further penetration of AI smartphones and foldable smartphones). Notwithstanding the aforementioned long-term industry growth trend, the consumer electronics shipments are projected to experience a temporary downturn in 2026 amid rising memory product prices. Specifically, global Android smartphone shipments are

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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%. This downturn is expected to result in a short-term reduction in market demand for acoustic enhancement materials. Market conditions are forecast to improve starting from 2027, aligning with the restoration of supply and demand balance within the memory product market and the subsequent recovery of the overall consumer electronics market. As advised by Frost & Sullivan, long-term demand for acoustic enhancement materials is forecast to rebound, underpinned by market expansion of two major product categories: sound-adsorbing particles (covering principally our N'BASS Materials) and acoustic diaphragm functional enhancement materials. Sound-adsorbing particles are widely used in high-end smartphones, upper mid-end smartphones, high-end tablets, and thin-and-light laptops. For the above four core application segments, the global market size of sound-adsorbing particles is forecast to grow from RMB395.4 million, RMB149.0 million, RMB4.0 million and RMB1.4 million in 2025 to RMB504.7 million, RMB331.4 million, RMB14.1 million and RMB20.0 million in 2030, with corresponding CAGRs of 5.0%, 17.3%, 28.7% and 70.2%, respectively. Meanwhile, the global market size of acoustic diaphragm functional enhancement materials is projected to increase steadily from RMB943.6 million in 2025 to RMB1,453.5 million in 2030, which will further support the overall market demand for acoustic enhancement materials.

Expanding markets for AI smartphones and foldable smartphones have driven growing demand for acoustic enhancement materials. AI smartphones have rapidly evolved from premium offerings into mainstream devices as generative AI is widely adopted across different product tiers. Global AI smartphones have experienced steady growth starting from 2024. Shipments of such devices are projected to increase from 379.5 million units in 2025 to 1,184.3 million units in 2030, representing a CAGR of 25.6%. Meanwhile, foldable smartphones have continued to expand their presence in the high-end smartphone market. Shipments of foldable smartphones increased from 7.1 million units in 2021 to 26.2 million units in 2025. Shipments are expected to reach 73.2 million units by 2030, representing a CAGR of 22.8% for the period from 2025 to 2030. The trend towards slimmer and lighter designs for AI smartphones has reduced the internal space available for rear speaker cavities, resulting in constrained acoustic performance, especially for low-frequency sound output. To enhance low-frequency loudness without enlarging device dimensions, demand for acoustic enhancement materials in AI smartphones is expected to increase. Meanwhile, the rising number of microspeakers installed per foldable smartphone is expected to raise consumption volume of acoustic enhancement materials.

In light of the above market forecasts, we plan to carry out phased capacity expansion for acoustic enhancement materials commencing in 2027. As part of our capacity expansion plans, one new production line is scheduled to be commissioned in 2027, adding an additional annual production capacity of 10 tons.

- (b) Approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) will be used to expand the production capacities of our electronic ceramic materials. We expect to complete the capacity expansion project by 2031, which will deliver an additional annual production capacity of 16,000 tons of electronic ceramic materials. The expansion includes both the automation upgrade of existing production lines and the construction of new production lines, with an estimated total capital

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expenditure of RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million). As of the Latest Practicable Date, we had not commenced the construction for the expansion plan. Any funding shortfalls in relation to the project will be funded by our operating income or bank borrowings. Set out below are the expected production expansion schedule and the corresponding allocation of the net [REDACTED] raised.

Year	Expected production expansion schedule	Planned additional production personnel	Estimated additional production capacity	Use of [REDACTED] ⁽¹⁾
2027	Construction of two new production lines: purchase of 30 sets of new production equipment ⁽²⁾	20	4,000 tons	HK\$[REDACTED] million
2028	Construction of two new production lines: purchase of 30 sets of new production equipment Automation upgrade of one existing production line ⁽²⁾	15	4,000 tons	HK\$[REDACTED] million
2029	Construction of a new production line: purchase of 15 sets of new production equipment Automation upgrade of one existing production line ⁽²⁾	5	2,000 tons	HK\$[REDACTED] million
2030	Construction of a new production line: purchase of 15 sets of new production equipment Automation upgrade of one existing production line ⁽²⁾	5	2,000 tons	HK\$[REDACTED] million
2031	Construction of two new production lines: purchase of 30 sets of new production equipment Automation upgrade of one existing production line ⁽²⁾	15	4,000 tons	HK\$[REDACTED] million

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Notes:

- (1) The [REDACTED] used in the current year cover not only the salaries of production personnel newly added in the current year, but also the remuneration of production personnel newly employed since 2027.
- (2) Automation upgrades mainly cover three aspects: (i) procurement of automated production and packaging equipment including automatic feeding and precise batching systems to ensure accurate raw material feeding, weighing and blending; (ii) deployment of core process control systems to stabilize key production parameters; and (iii) establishment of intelligent warehousing and logistics systems to realize automated inventory circulation and full product traceability.

According to Frost & Sullivan, the global market size of core electronic ceramic powder increased from RMB11.9 billion in 2021 to RMB21.7 billion in 2025, representing a CAGR of 16.2%. Driven by the continuous penetration and surging demand of downstream sectors such as new energy, semiconductors and data centers, the demand for high-purity and high-performance powder materials will boost the market size of core electronic ceramic powder, which is expected to reach RMB53.5 billion by 2030, with a CAGR of 19.8% from 2025 to 2030.

- (c) Approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) will be used to expand the production capacities of our electronic adhesives products. We expect to complete the capacity expansion project by 2030, which will deliver an additional annual production capacity of 300 tons of electronic adhesives. The expansion includes construction of new production lines, with an estimated total capital expenditure of RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million). As of the Latest Practicable Date, we had not commenced the construction for the expansion plan. Any funding shortfalls in relation to the project will be funded by our operating income or bank borrowings. Set out below are the expected production expansion schedule and the corresponding allocation of the net [REDACTED] raised.

Year	Expected production expansion schedule	Planned additional production personnel	Estimated additional production capacity	Use of [REDACTED] ⁽¹⁾
2027	Construction of two new production lines: purchase of four sets of new production equipment	8	50 tons	HK\$[REDACTED] million
2028	Construction of two new production lines: purchase of four sets of new production equipment	8	50 tons	HK\$[REDACTED] million
2029	Construction of four new production lines: purchase of eight sets of new production equipment	14	100 tons	HK\$[REDACTED] million

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Year	Expected production expansion schedule	Planned additional production personnel	Estimated additional production capacity	Use of [REDACTED] ⁽¹⁾
2030	Construction of four new production lines: purchase of eight sets of new production equipment	16	100 tons	HK\$[REDACTED] million

Note:

- (1) The [REDACTED] used in the current year cover not only the salaries of production personnel newly added in the current year, but also the remuneration of production personnel newly employed since 2027.

According to Frost & Sullivan, due to the continuous upgrading of the global electronics industry and the diversification of end applications, the global electronic adhesives industry has maintained a stable growth, with its market size increasing from RMB34.8 billion in 2021 to RMB41.0 billion in 2025, representing a CAGR of 4.2% during the period. Going forward, driven by the sustained development of key sectors such as semiconductors and new energy, as well as the enhancing performance requirements for adhesives in consumer electronic products, the market size is expected to reach RMB55.4 billion by 2030, with a CAGR of approximately 6.2% from 2025 to 2030.

We have observed stable demand across our key product categories, and we are well positioned to capture such demand based on the following: (a) we have an established and diversified customer base covering key downstream acoustic component and consumer electronics manufacturers, with long-term stable partnerships. For illustration, in 2025, we entered into long-term cooperation agreements with certain major customers with terms ranging from three to five years. Such arrangements help to enhance the stability of our customer relationships and support our business development and capacity planning. Our proven customer development capabilities enable us to deepen ties with existing clients and expand our customer reach, ensuring efficient absorption of the expanded capacity; (b) we possess a solid technical foundation supported by proprietary core technologies and an extensive patent portfolio. Our capabilities in technology extension, iteration and industrialization allow us to align product performance with high-end market demands, translating technical advantages into stable mass production capacity to support the expansion project; and (c) we have mature operational management systems, standardized production processes and efficient supply chain coordination to ensure the smooth implementation of the expansion project.

These expansion plans may result in an increase in our fixed assets, depreciation and amortization, as well as higher costs and expenses, and may lead to a decline in profit margins during the expansion period. Given our healthy operating cash flow, sufficient credit lines and the phased implementation of investments, we maintain healthy cash flow and therefore consider that there is no material cash flow risk. For further risks relating to our expansion plans, please refer to the “Risk Factors — Risks Relating to our Business and Industry — 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.” in this document.

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- approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) will be used to facilitate the development and commercialization of our new products including new forms of N'BASS Materials, diaphragms, structural ceramic powders for semiconductor equipment, and others:
 - (a) approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) will be allocated for the purchase of new key production equipment.
 - (b) approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) will be allocated for the recruitment of production personnel to ensure our efficient delivery and production quality.
- (ii) approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) will be used to establish our research and development centers. We plan to further expand the diversified application scenarios of our products within the consumer electronics sector, strengthen the development and application of functional enhancement materials in high-growth industries including advanced packaging, computing power, and other semiconductor-related fields, and advance the development of our information systems.
- approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) will be allocated for the establishment of our research and development centers, including the Ceramic Powder Technology Center, Organic Powder and Polymer Materials Technology Center, Analytical Testing Center and New Technology Incubation Center. These funds will be used to acquire and renovate the building for our research and development center, recruit research and development personnel, and purchase research and testing equipment. Amongst the net [REDACTED] to be used, approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) is allocated for purchase and renovation of the building for our research and development center; approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) is allocated for the purchase of research and development and testing equipment; and approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) is allocated for the recruitment of research and development personnel with one to ten years of relevant experience. Such additional research and development resources are expected to improve our product development efficiency, enhance our innovation capability and enable us to respond more swiftly to the evolving customer demands within the global market.

The following table sets out the details of our research and development personnel recruitment plan.

Positions	Expected Number of Recruitment	Responsibilities	Qualifications	Annual Salary Range
Material Research and Development Engineer .	13	<ul style="list-style-type: none"> • Participate in full-process product development, primarily responsible for formulation design and new product development • Solve key technical issues in material applications • Provide technical support to other functional departments 	Master's degree or above in inorganic non-metallic materials, polymer materials, chemical engineering and other related fields; three years or above related working experiences	HK\$250,000 to HK\$1,000,000

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Positions	Expected Number of Recruitment	Responsibilities	Qualifications	Annual Salary Range
Materials Testing Engineer	13	<ul style="list-style-type: none"> Formulate material testing plans and implement tests Analyze and organize test data, compile reports and provide data support Assist in establishing and implementing laboratory testing processes and standards 	Bachelor’s degree or above in materials science and engineering, chemistry, mechanics, polymer materials and other related fields; two years or above related working experiences	HK\$250,000 to HK\$500,000
Process Engineer	5	<ul style="list-style-type: none"> Responsible for the development, design, and optimization of production processes for new products Participate in the selection and modification of new production equipment Implement process optimization and technical transformation 	Bachelor’s degree or above in materials science and engineering, mechanics and other related fields; two to ten years related working experience	HK\$200,000 to HK\$600,000
Application Development Engineer	10	<ul style="list-style-type: none"> Conduct in-depth communication with customers to understand their application processes Responsible for the technical promotion and application support of our key products for customers’ needs 	Master’s degree or above in materials science and engineering, polymer materials, chemical engineering, microelectronics and other related fields; three years or above related working experience	HK\$250,000 to HK\$1,000,000

The expected timeframe and the corresponding allocation of the net [REDACTED] raised for the research and development center over the next five years is set out below:

Year	Work Plan	Use of [REDACTED]
2027 . .	Finalize site selection, sign investment agreements, commence preliminary construction-related work and recruit personnel	HK\$[REDACTED] million
2028 . .	Undertake construction and decoration, procure and install equipment, and continue to recruit personnel	HK\$[REDACTED] million
2029 . .	Partially commission and put into operation, gradually increase equipment procurement and installation, continue to recruit personnel and launch laboratory-scale trials	HK\$[REDACTED] million
2030 . .	Fully commission the research and development center, increase investment in equipment and personnel, purchase research and development buildings, and smoothly advance all laboratory-scale and pilot-scale trials	HK\$[REDACTED] million

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Year	Work Plan	Use of [REDACTED]
2031 . .	<p>Conduct research and development activities comprehensively in accordance with the plan</p> <ul style="list-style-type: none"> • approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) will be allocated for the renovation of and staff recruitment for our “Industrial-Academia-Research-and-Functional Center (產學研及職能中心).” • approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) will be allocated for the construction and upgrade of a comprehensive information system covering research and development, production operations, finance and other functions. 	HK\$[REDACTED] million
	<p>(iii) approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) will be used to conduct potential mergers and acquisitions in the future. We plan to acquire a controlling stake in the target company, or make an equity investment that enables us to exercise significant influence over it. We expect the target companies for our acquisitions or investments to fall within the industries of acoustic enhancement materials, electronic adhesives, electronic ceramic materials, computing power materials or semiconductor materials. The target companies are expected to have business synergies with us, including common customers, common technologies, strategic synergy or horizontal/vertical integration. We expect our target companies to satisfy numerous requirements, such as having an operational history of at least five years, significantly contributing to our strategic development, achieving large-scale production, possessing technological or market competitiveness, having a revenue scale of more than RMB100 million or a net profit of more than RMB10 million. According to Frost & Sullivan, as of December 31, 2025, there are more than 200 Chinese companies meeting the abovementioned criteria. As of the Latest Practicable Date, we have not identified any potential targets.</p> <p>(iv) approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) will be used to develop our sales and service network, primarily for recruiting sales staff with specialized technology background; and</p> <p>(v) approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED] million) will be used for working capital and general corporate purposes.</p>	

In the event that the [REDACTED] is fixed below or above the mid-point of the [REDACTED] range, the net [REDACTED] allocated to the above purposes will be adjusted on a pro rata basis. Any additional [REDACTED] received from the exercise of the [REDACTED] will be allocated to the above purposes on a pro rata basis.

If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the high end of the [REDACTED] range stated in this document) and assuming that the [REDACTED] is not exercised, we will receive additional net [REDACTED] of approximately HK\$[REDACTED] million. If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the low end of the [REDACTED] range stated in this document) and assuming that the [REDACTED] is not exercised, the net [REDACTED] we receive will be reduced by approximately HK\$[REDACTED] million.

In the event of any material change in our use of net [REDACTED] of the [REDACTED] from the purposes described above or in our allocation of the net [REDACTED] among the purposes described above, a formal announcement will be made. To the extent that the net [REDACTED] from the [REDACTED] are not immediately applied to the above purposes, we will only deposit such net [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).